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Agricultural commercialization and state development in Central America: The political economy of the coffee industry from 1838 to 1940

Kauck, David M., Ph.D.

University of Washington, 1988

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Agricultural Commercialization and State Development in Central America: The Political Economy of the Coffee Industry from 1838 to 1940

by

David M. Kauck

A dissertation submitted in partial fulfillment of the requirements for the degree of

Doctor of Philosophy

University of Washington

1988

Approved by

(Chairperson of Supervisory Committee)

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Abstract

AGRICULTURAL COMMERCIALIZATION AND STATE DEVELOPMENT IN CENTRAL AMERICA: THE POLITICAL ECONOMY OF THE COFFEE INDUSTRY FROM 1838 TO 1940

by David M. Kauck

Chairperson of the Supervisory Committee: Professor Daniel Chirot
Department of Sociology &
Henry M. Jackson School of International Studies

This dissertation is a comparative study of the historical development of the state in the three leading coffee producing countries of Central America: Guatemala, El Salvador and Costa Rica. It focuses explicitly upon the historical impact of the development of coffee cultivation upon agrarian politics and the process of state formation in those countries. It traces the emergence of the coffee industry and of the region's modern political systems, in an effort to determine to what extent the divergent patterns of modern political development in Central America were related to structural differences in the leading export sector.

This research suggests that Central American development has been influenced by the historical interaction between a set of regionally distinctive geographic factors and international economic conditions. Class relations and institutional arrangements inherited from the colonial era conditioned the development of export agriculture in the nineteenth century. A two-stage historical model of these interactions is presented.

Two broadly different national experiences were associated with the advent of coffee cultivation. In Guatemala and El Salvador, where the initial expansion of coffee was blocked by landholding villages and surviving
colonial institutions, export agricultural was associated with serious agrarian conflict and the development of authoritarian political systems. In Costa Rica, coffee production began early, expanded gradually, and was not associated with serious agrarian conflict.

Cross-national differences in the relative value of land and labor subsequently led to regional variation in patterns of land use and tenure, the organization of labor markets, and the economic position of elites and peasants. These factors account for regional differences in patterns of class conflict during the period of worldwide overproduction and price instability which culminated in the depression of the 1930's.
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Introduction

This dissertation is a comparative study of the historical development of the state in the three leading coffee-producing countries of Central America: Guatemala, El Salvador and Costa Rica. It focuses explicitly upon the historical impact of coffee cultivation on agrarian politics and the process of state formation in those countries. It traces the emergence of the coffee industry and of the region's modern political systems, in an effort to determine whether the divergent patterns of modern political development in Central America were related to structural differences in the leading export sector.

During the latter half of the nineteenth century, the economic and political shape of Central America changed dramatically. It was during that era that increased availability of foreign investment capital, declining costs of shipping bulk commodities overseas and a robust European demand for coffee all combined to trigger a major agricultural export boom in Guatemala, El Salvador and Costa Rica. In each of these Central American republics the development of the coffee industry became the driving force behind an unprecedented period of national economic expansion. The explosive growth of coffee exports brought the reorganization of production and markets, not only in regions that were ecologically suitable for coffee cultivation, but also in those hinterland areas that produced foodstuffs and migrant farm labor. Throughout much of the isthmus, subsistence agriculture was replaced by some type of commodity production, a money economy superseded pre-capitalist redistributive arrangements and traditional communal and ecclesiastical forms of land ownership gave way to private property. There were rapid and major changes in patterns of land use and tenure, social
relations between landlords and peasants, and commercial and political ties amongst the aristocracy.

The transformation of Central America's modern political systems also began with the export boom of the nineteenth century. The coffee boom was associated with a decisive power shift from local communities to central governments. In part, this was because the construction of a modern transportation infrastructure from zones of coffee cultivation to seaports allowed officials to assert their authority over formerly isolated and autonomous market towns, haciendas, and peasant communities in the backlands. In addition, the growth of foreign trade generated new sources of taxable wealth which provided the wherewithal for government bureaucratization, military modernization and the expansion of public services. Moreover, the emergence of a dynamic agro-export sector elicited an unprecedented level of state intervention in the economy. National governments increasingly served as both promoters of commercial agriculture and as the arbiters of new sorts of agrarian conflict. The economic controversies associated with the development of the coffee industry -- conflicts over wages, the distribution of land, labor and credit, and the terms of trade between planters and merchants -- became the major political issues of the late nineteenth and early twentieth centuries. These agrarian conflicts frequently elicited state involvement either to negotiate historic compromises or to enforce solutions upon politically subordinate groups. New political alliances, particularly those uniting coffee farmers and merchants with government bureaucrats and military officers, formed around these issues.
But if the coffee boom transformed the political landscape of Central America, it certainly did not do so in a uniform way. The character of emergent political institutions and the content of government policies to promote agro-export development varied considerably across countries. In Guatemala and El Salvador the coffee boom caused an authoritarian 'pact of domination' to be formed between planters and the state against the peasantry. Through policies designed to expropriate communal lands, force peasants to work on the coffee estates, and hold real wages down, Liberal governments in each country conspired to force the peasantry to shoulder the costs of economic modernization. In each country peasants were permanently excluded from the polity and the military assumed a prominent role as the guarantor of order in the countryside.

However, there were also important differences between the two countries. Guatemala developed a highly centralized system of patrimonial rule. From independence until 1944, there were several long periods of arbitrary rule by autocratic dictators who exercised personal control over the military, appointments to public office, government revenues and virtually every major policy decision. Throughout the late nineteenth and early twentieth centuries, the Guatemalan government actively intervened in an export economy that retained many pre-capitalist characteristics. Government functionaries acted as brokers between traditional landholding villages in the highlands and coffee planters who depended upon officials to ensure that peasant villages paid what amounted to a seasonal labor tribute. Although the state clearly provided essential services to coffee producers, the planters themselves did not rule; by virtue of their personal control over the military and the
bureaucracy, rulers enjoyed a considerable degree of autonomy vis-à-vis coffee growers who became heavily dependent upon government services. 

El Salvador's authoritarian political system tended to be less centralized and more oligarchical than was the case in Guatemala. Seldom was a Salvadoran president able to exercise arbitrary personal control over the resources of the state in the way that Guatemalan dictators could. Political power was shared by a coterie of prominent planter-merchant families; local notables controlled many government offices in the provinces and developed close ties with military officers in their regions. Prior to the depression of the 1930's, El Salvador was also characterized by less government intervention in the economy than was the case in Guatemala. Liberal governments in El Salvador sought to remove obstacles to individual achievement, particularly by abolishing communal property, but they refrained from establishing a permanent administrative apparatus to regulate labor markets or otherwise exercise close control over the export sector.

Costa Rica followed a strikingly different path of political development. Through the late nineteenth and early twentieth centuries, Costa Rican governments adhered to a decidedly liberal agrarian policy which did not involve forced labor, wholesale expropriation of peasants' lands or other repressive measures. During this same period, Costa Rica was characterized by diminishing political violence, the declining role of the military in politics and the gradual consolidation of democratic institutions and traditions. Although plagued by persistent electoral irregularities, Costa Rica slowly developed a tradition of regular electoral contestation. Furthermore, although a planter-merchant aristocracy monopolized political power, political
participation was expanded in the early twentieth century through the extension of suffrage and reforms which decentralized provincial administration, opening municipal offices to well-to-do peasants.

Although changing conditions in foreign markets may have set certain evolutionary processes in motion in each coffee exporting country, the exact direction that this transformation took varied considerably. This dissertation seeks to explain why the major coffee-exporting nations of Central America followed different political paths to economic modernization. Why did national policies concerning agro-export development vary so drastically? What accounts for the variation in emergent political forms? And to what extent were these divergent patterns of political development related to cross-national differences in the coffee industry?

The focus of this study is on the changing social relations between planters, peasants and the state as the coffee industry developed. The dissertation first describes the regional modes of production that existed towards the end of the colonial era. These agrarian social forms -- the tributary economy of western Guatemala, the extensive cattle, grain and indigo haciendas of El Salvador and the pattern of untitled smallholdings in Costa Rica -- were each associated with distinctive patterns of land tenure and labor relations. The development of the coffee industry after independence was conditioned by these broad regional differences in agrarian social structure. The dissertation then describes and compares the emergence and development of coffee production through the course of the late nineteenth and early twentieth centuries, paying special attention to the position of planters and peasants in each different agrarian social formation. It focuses
upon two key historical transitions during which Central American
governments actively intervened in the coffee industry and, in doing so,
permanently altered the direction of political development in their countries.

The first of these breakpoints was provoked by the initial expansion of
coffee production, when a variety of government policies were introduced to
force land and labor into coffee cultivation. At this juncture, longstanding
regional differences in population density and patterns of land tenure became
associated with variation in government policies towards factor markets.
These regional differences in agrarian social structure became important
determinants of divergent patterns of political development during the second
half of the nineteenth century.

The second breakpoint came during the early twentieth century: a period of
unstable coffee prices that culminated with the depression of the 1930's.
During this period planters favored government policies that would, in effect,
buffer them against unpredictable commodity price fluctuations by
redistributing their losses to other groups. For both periods, the study focuses
upon the historical interaction between international market conditions --
contextual factors that were common to all of the coffee-producing republics --
and characteristics of the agrarian social structure that were peculiar to each
country.
Chapter 1

Central America Before the Coffee Boom: The Colonial Legacy

Class relations and institutional arrangements inherited from the colonial era conditioned the great social transformation associated with the development of export agriculture in nineteenth century Central America. The complex interaction between international market forces and established social structures produced unique patterns of economic development and political change in each new nation. This historical interaction between endogenous and exogamous social forces is the focus of this dissertation. As a point of departure, it is necessary to establish an historical baseline for this study, sketching in broad strokes the major structural features and cross-national variation that were established prior to independence from Spain.¹

In Spanish Central America, the economic position of the colonial aristocracy was based on two general mechanisms of accumulation: (1) the expropriation of labor from a servile peasantry, either through the direct extraction of tribute or by restricting access to land so that peasants were forced into estate labor at low wages, and often fell into debt servitude, and (2) control of commerce through mercantilist regulation and oligopolistic control of credit, shipping and access to European markets. Each of the colonial provinces to be discussed here developed a different type of labor extraction with distinctive relations between rural notables and peasants. Each province was also in a different position within the mercantilist system of trade. These specific types and distinctive combinations of extractive mechanisms are the

¹For detailed discussions of colonial history see MacLeod, 1973; Wortman, 1982; Martínez Peláez, 1983; Fonseca, 1984; Browning, 1971.
basis of the emergent regional differences in social structure that will be discussed below.

Landlords and Peasants: Regional Modes of Production and Colonial Class Structure

One of the cardinal features of Spanish Central America was its regional diversity. Through the course of the colonial era, Central America developed a variety of regionally distinct agrarian social forms: the lightly populated cattle ranching areas; highland regions where towns were sustained by servile labor; export enclaves that produced indigo and cochineal; frontier lands colonized by a free mestizo peasantry; and the 'regions of refuge', isolated mountain areas that became bastions of traditional Indian culture. (Aguirre Beltrán, 1967) Every Central American province combined several of these basic regional types in complex and unique patterns, so that by independence, each new nation had a distinctive agrarian social structure. Although there was considerable local variation, it is possible to delineate three broad regional modes of production at the end of the colonial era: one for western Guatemala, another for eastern Guatemala and El Salvador and a third for the central highlands of Costa Rica. This regional variation was largely a consequence of three factors: (1) population size (See Table 1.1), (2) the ability of Indian communities to resist Spanish encroachment, and (3) whether Spanish immigrants were able to develop viable export industries which required large labor inputs.
Table 1.1
Population Estimates for the Late Colonial and Early Independence Periods\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
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<td>250,000</td>
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<td>1844</td>
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<td>93,871</td>
<td>1,771,000</td>
</tr>
<tr>
<td>1855</td>
<td></td>
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<td>394,000</td>
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Sources: (For Costa Rica: Thiel, 1902; El Salvador: Barón Castro, 1978; Guatemala: Sánchez Albornoz, 1974).

\(^2\) There is no debate as to the general regional differences in population. However, the poor quality of demographic data does not allow us to measure the population during the colonial or early independence periods with much precision. There are several fundamental problems with colonial census data:

a) Missing data from certain areas because of irregular collection and record keeping. Data is of especially poor quality for isolated areas that were of marginal economic interest and where administrative control was weak.

b) The Spanish often conducted tributary censuses, in which they only counted adult males available to pay labor dues, rather than complete population censuses. For El Salvador and Costa Rica, historical demographers have used tributary censuses in order to make population estimates, after making assumptions about the sex ratio, age structure and estimated size of uncounted communities. (Barón Castro, 1978; Thiel, 1902)

c) Because census data was collected for purposes of taxation, including the collection of head taxes, respondents had every incentive to under-enumerate whenever they could. (Gudmundson, 1986)

d) Detailed parish records or other ecclesiastical censuses are generally lacking.

e) For the period immediately following independence, demographic data is even less reliable because of Central America's complete bureaucratic disarray. Few censuses were taken and what census data exists, is often of dubious quality. Only with the bureaucratic expansion in the latter half of the 19th century did the Central American countries begin to conduct national population censuses.
In Central America, where Spanish settlers found only sparse deposits of precious metals, the most valuable local resource was the Indian peasantry. By the end of the sixteenth century, the Spanish had established a tributary economy based on the institution of repartimiento\(^3\) in localities within every Central American province. Under this system, Spanish officials and clerics extracted taxes and labor from traditional Indian communities that otherwise retained a good deal of control over their own affairs. As this tributary system was imposed upon indigenous societies that varied in terms of their population and community organization, regional differences in the colonial social structure became apparent. (Carmack, 1979 & 1981; Lockhart, 1976; MacLeod, 1971; C. Smith, 1984) In regions where the indigenous population was large and already had relatively advanced political and economic institutions, Indian communities usually had more success in limiting Spanish encroachment. These communities were generally better able to retain at least some of their communal lands and traditional culture. In areas with a lower population density and smaller-scale indigenous societies, communal lands were more easily expropriated and traditional communities often disintegrated in the face of overwhelming economic and political pressures. In these areas, as the indigenous population declined during the great epidemics of the sixteenth and seventeenth centuries, traditional agricultural communities either gave way to large cattle haciendas, on which Indian peasants were in effect replaced with cattle, or to frontier settlement by free

\(^{3}\) The repartimiento system included several different mechanisms designed to extract tribute from Indian communities. The repartimiento de indios was a system of labor tribute, under which Indian villages had to provide workers for labor on estates or public works. The repartimiento de mercancías involved the forced production and sale at fixed prices of textiles or agricultural products to Spanish merchants. Indians were also forced to purchase goods from Spanish merchants at noncompetitive prices. (MacLeod, 1973; Webre, 1986)
mestizo peasants. Outside of the context of the traditional community, Indian peasants gradually lost their language, ritual and dress, and were integrated into the hispanic culture. The pace and extent of the breakdown of traditional Indian communities was accelerated where the local demand for labor was particularly great, especially around major urban areas and those export enclaves that required large labor inputs.

The Highlands of Western Guatemala

In the highlands of western Guatemala, where Central America's largest Indian population resided in traditional communities, there persisted a pre-capitalist agrarian society, characterized by the forced extraction of Indian labor through the colonial institution of repartimiento and the blockage of private land acquisition by the growing mestizo peasantry. (Martínez Peláez, 1983; MacLeod, 1973; Wortman, 1982) For the most part, the economic position of the hispanic elite in the western highlands was not based on their ownership of land. Unlike colonial Mexico, western Guatemala did not develop many large haciendas. (Wortman, 1982; MacLeod, 1973; C. Smith, 1984) The Spanish aristocracy was an urban elite of merchants, clerics and government officials concentrated in the capital. Creoles did establish some sugar and wheat haciendas in the immediate vicinity of the capital, where they marketed their produce, and some Spanish families moved from the towns onto haciendas near Tottonicapán and Huehuetenango during the long depression of the seventeenth century. (Macleod, 1973) But comparatively few Spaniards were willing to settle in more remote areas of the western highlands. Many Creoles chose to leave the highlands altogether,
especially during the late eighteenth century, when they moved to the prosperous indigo and cattle country of eastern Guatemala and El Salvador. The Hispanic presence in the west consisted primarily of "a few lonely priests and bureaucrats...who spent as little time out in the 'savage' boondocks as they could." (C. Smith, no.162, p.27)

There were two reasons for this aversion to the western highlands. The Indians of that region, who were numerous, well-organized at the village level, and often rebellious, were a serious impediment to agricultural colonization. They were an attractive source of labor, but one that was difficult to control. (C. Smith, no.162) By itself, this would not have been enough to deter Hispanic settlers. After all, Spanish colonists in central Mexico established large estates in an area where the Indian population was also numerous, well-organized and hostile. But in Mexico, would-be hacendados were favored by their proximity to the northern silver mines and the great urban center in Mexico's central valley, which together constituted a huge market for farm produce. The great Mexican haciendas developed to feed those centers. In contrast, because of western Guatemala's isolation from major trade routes and more prosperous centers of export production, the Spanish had little incentive to develop the backlands.

The wealth and position of the Guatemalan upper class was based upon two types of extractive activities: (1) mercantilist controls over Central American commerce, which allowed Guatemalan merchants to capture the gains from commercial agriculture in other provinces, and (2) Indian tribute collected by government officials. Of the various sorts of Indian tribute the most important was the repartimiento de indios or mandamiento, a system
under which each village provided laborers directly to second rank Spanish officials, who then allocated them to the sugar and wheat haciendas as well as for the construction and repair of roads and public buildings. Other sources of tribute included the diezmo (church tithe), excise and head taxes, the obligatory spinning of cotton thread (repartimiento de hilos), the forced sale of agricultural products at artificially low prices and the forced purchase of Spanish goods. (Webre, 1986) Until the growth of the indigo industry in eastern Guatemala, El Salvador and Nicaragua in the late eighteenth century, Guatemala's aristocracy depended largely on Indian tribute for its income.

The repartimiento system was an effective means of social control and labor extraction that did not necessitate fundamental reorganization of the indigenous society. Under the repartimiento system the Spaniards initially acted through the indigenous aristocracy, preserving the village political structure -- with significant alterations, to be sure. (Carmack, 1979 & 1981) One feature of this system in Guatemala was that over time, as communities came under tributary pressure, they often developed greater solidarity, taking on the character of politicized 'closed corporate communities', organized to share risk and cooperate in communal defense. (Macleod, 1973; Smith, no.162; Wolf, 1959; Wolf & Hansen, 1967) In the late seventeenth century communal 'barrier' institutions began to emerge: the caja de comunidad, introduced by the Dominicans, became a community insurance fund which provided some security against natural or political calamities and from which elders could bribe government officials; the cofradia, or religious brotherhood, also introduced by clerics, came to perform a similar role; and as village caciques gradually lost influence, more egalitarian 'cargo systems' developed to
regulate local affairs and share the burden of tribute. (MacLeod, 1973) These internal developments helped the Indian communities maintain a degree of solidarity and self-sufficiency in the face of pressures for tribute by Spanish officials.

Because of the danger of peasant uprisings, Spanish authorities often exercised caution in their dealings with Indian communities. The church, for instance, did not demand rigorous adherence to standard Catholic ritual, permitting the development of Guatemala's distinctive syncretic Mayan-Catholicism. Although the Crown administered a system that can only be judged exploitative, it was hesitant to force excessive payments of tribute. Labor demands were variable, depending on the village's proximity to towns or haciendas, but in general they tended to be much more moderate than those placed on the communities of eastern Guatemala and El Salvador.

Although individual Spaniards were the beneficiaries of Indian tribute, they did not exert direct personal control over Indian labor. This had been the intent of the Crown when, in 1542, it emitted the New Laws. The New Laws were motivated by the evangelical fervor of Catholic priests, and the secular concern that the unencumbered exploitation of Indian labor by military adventurers would create a feudal aristocracy which might prove ungovernable. The Spanish crown sought to increase its control over both Indian and Spanish subjects by organizing them into neighboring but legally separate communities under the authority of government officials and clerics. The authorities sought to 'reduce' Indian communities, concentrating and confining the Indian population near Spanish towns and farms where they could be more easily monitored, taxed and converted to Christianity. They
also sought, in theory at least, to prevent uncontrolled predation upon the indigenous communities by individual colonists. Under this system of 'two republics', the Crown and the Church acted together as intermediaries between Indians and Spaniards, extracting tribute from the Indian villages and distributing it to the Spanish towns and farms, while defending the Indians from excessive exploitation by individual colonists. This strategy gave colonial officials immense power over both Indian villages and the hispanic population in the towns. Being dependent on the state for labor, the provincial elite was prevented from developing independent bases of wealth or political power. Politics, not landownership, became the path to upward mobility in western Guatemala. This pattern of a sparse hispanic population in the highlands whose economic position depended on its political connections, rather than on its control of land and labor, persisted long after independence.

Even today, the only ladinos presently living in the western highlands of Guatemala (with minor exceptions) are state bureaucrats, professionals, or commercial middlemen holding monopolies protected by the state. (Smith, no. 162, p. 27-8)

By the eighteenth century, miscegenation and cultural integration had created a substantial mestizo peasantry. (See Table 1.2) This double process of mestizaje occurred throughout Central America, although it progressed furthest in regions that had a more dynamic commercial agricultural sector and/or a smaller indigenous population with a less advanced social organization. (Mörner, 1967)

The mestizo population occupied an ambiguous position in the colonial social order. Mestizos were not forced to pay a burdensome labor tribute, but
### Table 1.2

**Estimates of the Ethnic Breakdown of the Population**

**Near the End of the Colonial Era**

<table>
<thead>
<tr>
<th></th>
<th>Racially Mixed</th>
<th>Indian</th>
<th>Spanish/Creole</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guatemala</td>
<td>31%</td>
<td>65%</td>
<td>4%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>54%</td>
<td>43%</td>
<td>3%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>75%</td>
<td>16%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Sources: Martínez Peláez, 1983, p.397-8, 727; Thiel, 1902.
*The Guatemalan estimate is for 1810; El Salvador, 1807; and Costa Rica, 1801.*
not being wards of the crown, they did not enjoy its paternalistic protection in the way that the Indian communities did. Their confrontation with local landowners was more direct, without imperial or ecclesiastical intermediaries.

Mestizos were blocked from acquiring title to small landholdings, both by the existing pattern of land tenure and political obstacles to land titling. Practically all arable land was already locked up on church estates held in mortmain, municipal lands granted to both Spanish and Indian communities at their incorporation, private estates, and crown property. Various royal cédulas prohibited mestizos from legally occupying Indian lands. Acquiring private title to a parcel of public land was a lengthy and difficult bureaucratic process that required capital and political connections. As a result, this was an alternative that was only available to Spanish officials and merchants. Spanish authorities recommended that crown lands be set aside specifically for mestizos and, on occasion, the Audiencia actually took steps to do so. (Martínez Peláez, 1983) However in practice, royal land grants to mestizo communities hardly ever occurred because of energetic resistance by representatives of the Creole aristocracy, who successfully lobbied lower ranking officials to interpret the laws so that only Indian communities or members of the Spanish/Creole aristocracy could acquire crown lands. Mestizos were effectively blocked from legal land ownership by Creole hacendados who viewed them as another potential source of servile labor.

In both Guatemala and El Salvador, the growth of the mestizo peasantry brought some rural to urban migration and a great deal of "disordered, migratory and dispersed rural settlement". (Browning, 1971, p.125) Mestizo peasants lived along the sides of roads, moved into undeveloped frontier
regions, settled on public or communal lands to which they had no title and took up marginal employment in the towns. Denied legal access to land, this marginalized population of landless mestizos had essentially two choices: it was either drawn into servitude on the haciendas or squatted on village and Crown lands. (Martínez Peláez, 1983) In the late eighteenth century, Guatemalan mestizos migrated to the eastern part of the country and to El Salvador where the Indian population was smaller and where there was employment on the cattle, grain and indigo farms and in the indigo obrajes (processing operations). (C. Smith, no. 162)

**El Salvador & Eastern Guatemala**

Eastern Guatemala and El Salvador differed from western Guatemala in two fundamental respects: (1) the region had an indigenous population of moderate size, smaller than that of western Guatemala, but much larger than that of Costa Rica, and (2) by the late eighteenth century, it was the center of indigo cultivation, Central America's most dynamic export enterprise. These factors contributed to a pattern of rural development that was distinct from that of western Guatemala. In El Salvador and eastern Guatemala there was a definite movement of the Spanish and mestizo population to the countryside, drawn by commercial agricultural opportunities. This internal migration and development was greatest around the indigo enclaves, the most important of which were in central and eastern El Salvador around San Salvador, San Miguel and San Vicente, but it was not limited to these areas. The growth of indigo farms and market towns created an internal demand for foodstuffs which stimulated commercial grain and cattle production throughout the
region and as far away as Honduras, western Nicaragua and northwestern Costa Rica.

By the end of the colonial era, there existed a mixed mode of production characterized by three distinct patterns of settlement. (Browning, 1971) Here too, there were traditional, landholding communities where Indians continued to work communal lands and were still subject to demands for labor tribute. However, in El Salvador these communities, which were never as numerous as those of the western highlands of Guatemala, were a vestige of an old and declining order. Many were disintegrating under pressures caused by the expansion of commercial agriculture. Communal landholdings were under assault by haciendas and mestizo squatters. Ethnic distinctions were eroding as Indians were forced from their communities, entering the migratory 'free' mestizo peasantry living outside of the context of the traditional village. Tribute was gradually being replaced with wage labor and debt servitude. The two more dynamic patterns of settlement were: (1) the privately owned indigo/cattle farms and (2) a scattered population of mestizo families who squatted on small parcels of marginal land to which they had no title.

Indigo farms varied in size from tiny plots worked by peasant families to large estates. Many combined indigo cultivation with subsistence agriculture, cattle grazing and forested lands, and utilized primitive techniques -- shifting, 'slash and burn' cultivation and the broadcast sowing of seeds without plowing -- in diversified and extensive farming systems that required only modest capital investment. (Browning, 1971) Indigo cultivation was not especially labor intensive, but processing indigo in the rural obrajes did require a large supply of seasonal labor. It was the constant search for pools
of cheap seasonal labor that put great pressure on neighboring Indian communities and fostered an abusive system of labor recruitment utilizing repartimiento, debt servitude, colonos and wage labor. The labor needs of the farms and obreros were initially met by intensifying the extraction of labor tribute through the repartimiento system. (Wortman, 1982) The heavy burden of tribute contributed to flight from the Indian communities. (Browning, 1971)

In many localities Spanish hacendados and mestizo squatters established themselves on the outskirts of villages and encroached on Indian lands. By extending their landholdings, hacendados were able to increase the pressure on the land-poor peasantry, "cornering" them onto the haciendas. (Martínez Peláez, 1983) This is the basis of the familiar pattern of extensive, but underutilized haciendas on which mestizos worked in debt servitude or in exchange for usufruct rights to subsistence plots. Central America was a land without fences, where boundaries were commonly vague and property titles were frequently confused. According to Spanish land laws, the occupation and use of land conferred certain property rights upon the user. Free ranging cattle herds were often allowed to wander onto peasant landholdings where they destroyed crops and helped maintain or extend the hacendado's claim to those plots. (Browning, 1971) These tactics exacerbated pressures on land-poor mestizos and Indian communities alike. Hacendados were able to secure labor by offering usufruct rights to marginal lands in return for service (the colono system). They also extended credit and personal considerations to mestizo peasants living on tiny minifundia plots who relied on seasonal labor to supplement their income. (Browning, 1971; Martínez Peláez, 1983) In this fashion, peasants were drawn into a system of wage labor and debt
peonage, in which debts were inheritable and fleeing debtors could be arrested. Facing irreducible debts, individual peasants sought to cultivate a personal relationship with their landlord, in which the peasant offered loyal service in exchange for the landlord's subsistence guarantee.

This is the background to 'caudillismo' and the so-called patron-client relationship, to the willingness of the agricultural workers to follow the bidding of their employers in political matters to the length of taking up arms in the nineteenth century, and still at the ballot-box today. (White, 1973, p. 42)

Through such means, large landowners were able to command private armies of debt-dependent peasants.

This general process had several well known socio-political implications. First of all, eastern Guatemala and El Salvador developed a landed aristocracy that had independent sources of economic and political power based on their control of land and their personal following of debt-dependent peasants. Secondly, in the second half of the eighteenth century as Indian communities were weakened or destroyed, tribute as a mechanism of labor extraction was gradually replaced by debt servitude and wage labor. Thirdly, the mestizo population grew significantly, with mestizos and mulattos becoming more numerous than the indigenous population. (White, 1973; Browning, 1971; Wortman, 1982) Mestizaje and the dissolution of communal indigenous property were gradual processes that were not completed until the early twentieth century. Intrusion on communal lands was most intense in the areas of greatest commercial agricultural activity. Since indigo was not extensively cultivated in the western highlands of El Salvador, where the Indian population was most concentrated, an important concentration of Indian
communities was left in precisely the area that was to be developed for coffee cultivation in the mid-nineteenth century.

Yet another consequence of the development of export agriculture was El Salvador's increasing dependence on food imports and its susceptibility to fluctuating conditions in foreign commodities markets. (Browning, 1971; Acuña Ortega, 1980; Wortman, 1982) Through the course of the indigo boom land was gradually taken out of subsistence production and planted in indigo. At the same time, credit for indigo farmers became more readily available. As local food production declined, planters opted to buy food imported from other regions on credit. This they either advanced to workers and small producers or they included it as part of their laborers' wages. The market in food became an integral part of the pattern described above, in which there was great dependency on credit at all levels, associated with debt servitude as well as land and crop mortgages.

From the point of view of both planters and peasants there were two fundamental problems with this system. Both large and small producers were caught in a squeeze whenever the rising cost of food was not offset by increases in indigo prices. This was no rare occurrence, in part because Guatemalan merchants colluded to hold indigo prices down.4 Deteriorating terms of trade with Guatemalan merchants contributed to increased anti-Guatemalan sentiment in the last decades of colonial rule. A second problem stemmed from the fact that indigo prices were also notoriously volatile. (Browning, 1971) During the 1790's and early 1800's, indigo prices fell precipitously due to the declining quality of the Central American product,

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4See the following section on mercantilism.
increased foreign competition and the loss of European markets during the Napoleonic wars. (Cardoso & Pérez Brignoli, 1977; Wortman, 1975 & 1982) Consequently, credit became scarce, creating a general systemic crisis and contributing to social tensions in the countryside. Planters had difficulty meeting their wage bill and land-poor peasants faced food shortages. The problem of fluctuating international commodity prices in a society dependent on export earnings to attract credit and pay for food imports was to become more serious in the coffee monoculture of the late nineteenth and early twentieth centuries.

**Costa Rica**

Two factors go a long way towards explaining the distinctive pattern of agrarian development in colonial Costa Rica: (1) an endemic labor shortage, the consequence of a small indigenous population and an abundance of arable land, and (2) a lack of commercial opportunity, caused by the province’s extreme isolation from major foreign markets, a problem that was compounded by mercantilist restrictions that inhibited trade with areas outside of the viceroyalty of Mexico. Costa Rica attracted few Spanish immigrants and developed only minor and short-lived export enclaves. It became a backward, peripheral colony, with a small, and largely hispanicized, population. The communities of the Valle Central developed into a comparatively egalitarian society, the outstanding features of which were a nucleated pattern of settlement, a free mestizo peasantry and the prevalence of smallholders who lacked title to their land. (Cardoso, 1973; Fonseca, 1984; Hall, 1982; Gudmundson, 1986).
For its livelihood, Costa Rica's tiny upper class relied on some of the same mechanisms of extraction that were used elsewhere: the proceeds from petty commerce; a modest amount of tribute in the form of tithes, municipal land rents, first fruits and the like; government revenues from monopolies, excise taxes, etc.; and labor from land-poor mestizos in the towns. (Gudmundson, 1986) But by the late colonial period the harshest mechanisms of exploitation, the repartimiento system of labor tribute and debt servitude, were uncommon here. In many instances, Spanish landowners were themselves reduced to the level of well-to-do peasants, retaining social status, but having to work their own land because of the lack of sufficient labor. (Meléndez Chaverri, 1978; Stone, 1982) Although there is a debate amongst specialists over just how egalitarian colonial Costa Rica actually was, there is no argument that by the early nineteenth century, Costa Rica's central highlands had few estates and a small and comparatively poor landed aristocracy.

Two regionally distinct types of agrarian communities emerged in Costa Rica. (Fonseca, 1984) In the dry lowland forests of the Pacific region of Guanacaste the sparse population tended free range, semi-wild herds of cattle on extensive haciendas. In the Valle Central, the Indian population was small and primitive: it traditionally engaged in slash and burn agriculture and lived in dispersed and shifting settlements that generally lacked true village centers. During the sixteenth century, the Spanish had some success in 'reducing' this population around the small provincial capital of Cartago and the village of Heredia, where they established, on a small scale, the repartimiento system and much the same sort of hierarchical colonial social structure that was found
in other colonial centers throughout the isthmus. (Stone, 1982; Fonseca, 1984)

But, in the face of demographic decline, mestizaje and Indian flight into the
forests surrounding the Valle Central, this system could not be sustained.
Indian tribute gradually diminished in importance and the Indian population in
Costa Rica’s Central highlands was almost completely absorbed into the
mestizo masses.

Costa Rica’s Valle Central became characterized by a pattern of nucleated
settlements. (Gudmundson, 1986; Meléndez, 1978) Despite the existence of
an open frontier on the margins of the Valle Central, within these villages there
was a surprising number of land-poor and altogether landless peasants.
(Gudmundson, 1986) Around the established colonial centers of Cartago and
Heredia, most land was tied up in communal property or private estates
leaving little room for settlement by mestizos. (Gudmundson, 1986)

Local farming households had access to ejido lands in a quasi-
hereditary fashion, in exchange for annual rents paid to the cabildo, for
tithe, first fruits (primicia), and parochial dues paid to the Church, and for
the provision of occasional wage labor to the surrounding private
ranches and farms. (Gudmundson, 1986, p.33-4)

Thus, control of communal lands provided a modest source of income for
officials, clerics and landowners. Peasant families without access to these
municipal lands either entered the pool of wage laborers -- which provided a
cheap source of domestic servants, casual laborers and tradesmen for village
workshops -- or they left their community in search of unsettled land.
(Gudmundson, 1986)

Throughout the eighteenth century, land-hungry mestizos constantly
migrated from the older settlements to more sparsely populated sections of the
Valle Central, where they squatted on communal or public lands.
(Fonseca, 1984) Efforts were made to block this movement. Legal acquisition of farmland by mestizos was obstructed.

Ownership itself involved costly titling and taxation processes and was essentially dependent upon political influence with the Crown or local officials. Private, titled property was the province of local notables and officialdom, those with properties, income, and influence substantial enough to support these costs. (Gudmundson, 1986, p.33)

Repeated efforts were also made to displace squatters and to 'reduce' the mestizo peasantry, forcing it to live in nucleated settlements so that it could be more easily controlled and taxed. These efforts met with limited success; the colonial administration lacked the resources to maintain constant vigilance over the new reducciones, which tended to melt away as relocated peasants moved onto unused lands. In the course of this migration large landholdings of all sorts, be they private, communal or crown property, were gradually partitioned. (Fonseca, 1984) Large private holdings, which had little value without labor, were divided either through sale or inheritance, whereas crown and communal lands were illegally occupied by squatters. (Fonseca, 1984)

The western Valle Central developed a pattern of temporary settlements where mestizo peasants practiced shifting agriculture on small landholdings to which they had no clear title. It is out of this vague and fluid pattern of land tenure that private smallholdings would later emerge in the nineteenth century. (Fonseca, 1984; Gudmundson, 1986)

As it was throughout the isthmus, the position of the mestizo peasantry in Costa Rica was precarious, but because of the existence of an open frontier the exploitation of mestizos was never as severe as it was in Guatemala or El Salvador where the struggle over land was always more intense. Even Lowell Gudmunson, who is dedicated to debunking the national myth of absolute
equality in Costa Rica prior to the advent of coffee by documenting the level of landlessness and social stratification within the nucleated settlements, nonetheless admits that Costa Rica was comparatively egalitarian. (Gudmundson, 1986) The availability of frontier lands always offered peasants an alternative to village life should conditions there become too harsh. The real limit of this frontier effect was not the policing apparatus of the colonial state which sought to force peasants to live in nucleated settlements, but rather the low value of land because of the lack of a market for agricultural commodities. (Gudmundson, 1986) In other words, although land was available to all peasants willing to settle it, colonization was not an especially attractive alternative because of the lack of a proven market for cash crops. Colonization occurred largely as a response to localized demographic pressures. Gudmundson describes a Malthusian pattern of village development in which outmigration was primarily a response to localized land scarcity that forced residents "either to accept relative poverty and dependent status or to move beyond the village's land claims." (Gudmundson, 1986, p.27-8)

Summary

In Central America, where Spanish settlers found only sparse deposits of precious metals and modest commercial opportunities, the most valuable local resource was the Indian peasantry. (Webre, 1986) By the end of the sixteenth century, the Spanish had established a tributary economy based on the institution of repartimiento in localities within every Central American province. Regional differences in this tributary economy were apparent as early as the
conquest itself, as tiny groups of conquistadores and priests imposed the repartimiento system on indigenous communities that varied in terms of their population and community organization. (Carmack, 1979 & 1981; Lockhart, 1976; MacLeod, 1971; C. Smith, 1984) There was further regional differentiation in accordance with the local demand for labor, depending on proximity to export enclaves and urban centers. By the late eighteenth century, each of the provinces had developed a distinctive agrarian social structure.

In the western highlands of Guatemala, the colonial aristocracy was for the most part urban, landless and dependent on the state to sustain the flow of tribute. Partly because of persistent resistance by the traditional Indian communities and partly because of a conscious policy of the colonial government to maintain two separate 'republics', the colonial aristocracy was largely unable to exert direct control over the Indian peasantry. The state acted as an intermediary, extracting tribute from the traditional indigenous communities, with which it built and sustained the Hispanic towns, while at the same time protecting the Indian peasantry from unrestricted exploitation by the Hispanic population.

In sharp contrast was El Salvador, which developed a dynamic agro-export economy in which tribute gradually gave way to free wage labor and debt servitude. After independence the Salvadoran state did not act as an intermediary between the peasantry and landowners. Instead, a landholding aristocracy was able to exert personal control over debt-dependent peasants. This is the general background to the development of a comparatively weak state and semi-autonomous rural oligarchs with independent bases of
economic and political power after independence. Because of the intense demand for labor by the indigo farms and obrajes, Indian communities came under much greater pressure here, resulting in an accelerated rate of mestizaje.

Because of the constraints of a small population and an open frontier, Costa Rica's landed elite was largely unable to corner the peasantry into debt servitude or tribute payments. By the late eighteenth century Costa Rica had developed a comparatively poor rural aristocracy and a free mestizo peasantry which had relatively easy access to land. Costa Rica lacked the sort of bitter class conflict that characterized Guatemala and El Salvador during the late colonial era. However, this was not the perfectly egalitarian society that it has often been described to be. A pattern of nucleated settlement was associated with localized land shortages which permitted the tiny village aristocracy to accumulate modest amounts of wealth through land taxes, tithes, tax farming and petty commerce.

Aside from the regional differences in agrarian modes of production, an important legacy of this colonial order was the prevalence of pre-capitalist forms of property in each of the Central American provinces. The church held lands in mortmain. Indian and Spanish villages had communal landholdings which typically included both tierras comunales, unenclosed common pasture and woodlands, and ejidos, which consisted of agricultural lands which were rented by the municipality to individual families, often on a hereditary basis. The state held title to vast terrenos baldíos, theoretically empty lands which were in fact often occupied by peasants who lacked the resources necessary to title their farms. Bureaucratic hurdles and legal costs prevented all but the
wealthy and well-connected from acquiring land titles. Although there were important cross-national differences in patterns of land tenure that will be discussed in more detail in subsequent chapters, the low percentage of land held as private property was an important legacy of the colonial system in all of these countries at independence. So was the chaotic nature of land tenure. Boundaries were often vague and land titles were frequently confused and conflicting. Spanish land law, under which the occupancy and improvement of lands conferred limited property rights to the user, encouraged squatting. This situation was to survive into the nineteenth century in Guatemala and El Salvador, and still exists in Costa Rica. After independence, new export opportunities instigated a land rush in those regions that were suitable for coffee cultivation. This movement to privatize agricultural lands that had previously been held under various pre-capitalist forms of land tenure was to be the source of endemic property disputes throughout the second half of the nineteenth century.

**Vestiges of Mercantilism: Regional Differences in the Neo-Colonial Aristocracy**

**The Economy Under the Hapsburgs**

Throughout the Hapsburg era, Central America's export sector was fettered by a number of daunting obstacles including: the region's isolation from the main colonial mining and shipping centers, the shortage of marine transport, the lack of roads, chronic labor shortages caused by the demographic decline of the indigenous population, the lack of substantial deposits of gold or silver and unfavorable mercantilist restrictions. (MacLeod, 1971) Consequently,
even in the best of times, the export sector remained tiny and precarious in comparison with the colonial centers in New Spain and Peru.

Commercial agriculture was localized, mostly confined to the small and often remote export enclaves and to the farmbelts around the towns. Markets and fairs were irregular, particularly in outlying regions. Extensive areas and much of the peasantry remained largely untouched by market relations. The Spanish colonists, who in spite of constant experimentation were unable to develop trading commodities that would consistently provide substantial export earnings, had difficulty converting local produce into silver. (MacLeod, 1971) Consequently, the Central American economies were only partially monetized. Payment in kind, foreign currency, irregular pieces of silver (macacas) and even cacao beans were used as means of exchange. (Young, 1925)

It would not be a misrepresentation to describe Hapsburg Central America as undeveloped, rather than underdeveloped; it was an economically backward colony that was largely irrelevant to, and untouched by, the world market. Miles Wortman remarks that:

Survival in this baroque society was affected more by nature than by commercial fluctuations" (Wortman, 1982, p.xv); "depression was caused by drought and locusts, not by the obstacles of war, the unavailability of ocean vessels, or the demand in Europe. (Wortman, 1982, p.15)

The Bourbon Awakening

Beginning in 1700, the first of the long reigning Bourbon monarchs came to power in Spain, instigating an era of administrative reform. The Bourbons sought to stimulate commerce throughout the empire by slowly loosening
some of the mercantilist restrictions on trade, gradually abandoning the fleet
system and increasing the number of ports that were allowed to trade freely
with one another. The Bourbon reforms coincided with the beginning of the
European 'textile revolution', which created a great demand for Central
American natural dye products, especially indigo. (MacLeod, 1971) This
historical conjuncture instigated a modest indigo 'boom' in Central America
during the second half of the eighteenth century, the effects of which were felt
far beyond the enclaves of indigo cultivation. Although minor compared to the
trade boom of the late nineteenth century, the growth of indigo exports at the
end of the colonial era did have some of the same social effects, albeit on a
lesser scale.

The indigo farms and market towns provided an internal demand for
foodstuffs, stimulating commercial grain and cattle production. This not only
altered patterns of investment and production in the belts of commercial farms
around dye producing areas and towns, it also caused a shift from subsistence
agriculture to commercial cattle production on extensive haciendas throughout
many isolated areas in Honduras, western Nicaragua and northwestern Costa
Rica.

The Merchant Elite

The indigo boom brought a new wave of well-to-do immigrants from Spain,
who had capital and family ties to the great trading houses of Cádiz.
(Floyd, 1961; Woodward, 1965; Wortman, 1982 & 1984) Many of them
contracted strategic marriages with members of the Creole aristocracy and
quickly rose to the apex of Central American society. They engaged in diverse
commercial activities: extended credit, became involved in import, export and wholesale trade, invested in indigo, cattle and Honduran silver mines and, until the tax reforms of 1765, engaged in tax farming. (Wortman, 1982) In the latter half of the eighteenth century, commerce, not landownership, became the surest means to wealth and political power in Central America. In every Central American province, including backward Costa Rica where there was never more than a trickle of foreign trade, a tiny clique of trading families established commercial and political dominance over landowners.

Colonial merchants had two powerful advantages over provincial producers that allowed merchants to capture much of the gains from Central American trade. First, their control of capital, overseas shipping, and access to the markets of Cádiz permitted collusion in setting commodity prices. Secondly, mercantilist restrictions were managed so as to maximize the flow of revenue to the crown and to certain well-connected local merchants. Legal restrictions determined which export commodities could be produced in each province and mandated where and to whom these commodities could be marketed. (Acuña Ortega, 1980; Cardoso and Pérez Brignoli, 1977; Floyd, 1961; McCreery, 1981; Smith, 1946; Woodward, 1966) Thus, cattle from Costa Rica, Nicaragua and Honduras could not legally be sold outside of the semi-annual fairs (Wheelock, 1980; Fonseca, 1984); Costa Rican merchants could not freely export goods to its natural market in Panama because that province was outside of the captaincy-general of Guatemala; Costa Rica was granted monopoly rights to tobacco production in Central America in 1787, only to have that privilege rescinded in 1792; and indigo was sold at annual
fairs to Guatemalan merchants who engaged in price fixing. (Acuña Ortega, 1980; Cardoso & Pérez Brignoli, 1977; R. Smith, 1959; Wortman, 1975)

Geographically, trade regulations benefited certain colonial centers at the expense of rival towns and hinterland areas. The imposition of fees, customs duties and trade restrictions amounted to the indirect extraction of tribute from outlying areas that were less favored politically. (Wortman, 1975) The control of trade by Guatemalan merchants became the source of considerable anti-Guatemalan sentiment in the provinces. Within each province there were also certain entrepots that exerted political control over local commerce. For instance, Granada, Cartago and Comayagua sought to control local trade in much the same way that Guatemala did throughout the entire captaincy-general. The rivalry between these centers and competing market towns such as León, San José and Tegucigalpa contributed to regionalism and local Liberal-Conservative confrontations after independence.

Groups of merchants played a prominent role in most of the major political disputes of the late colonial and early independence periods including the questions of: free trade vs. mercantilism, tax reform, independence, union with Mexico, the formation and disintegration of the federation and liberal vs. conservative programs of economic development. (Floyd, 1961; Karnes, 1961; Woodward, 1965; Wortman, 1982) Divisions amongst merchants, as well as between merchants and landowners, were, in large measure, the basis of regionalism and party formation. These cleavages became the principal lines of political conflict after independence. (Woodward, 1965)

The commercial factions that developed in each province differed from one another in terms of their economic behavior and political interests. After
independence, these cross-national differences between local trading communities became apparent in the distinct reactions of each region to the new commercial opportunities of the mid-nineteenth century.

Guatemala

Although the production of export commodities was concentrated in other provinces, the center of foreign commerce throughout the colonial era was Guatemala. The powerful group of Guatemalan trading families was the quintessential clique of predatory mercantilists whose wealth was based on oligopolistic practices and political restrictions on trade: advantages which permitted Guatemalan merchants to capture the gains from commercial agriculture and small-scale mining in the other provinces. The major colonial merchants were typically conservative in the conduct of their business. Their economic position rested more on exclusive political and commercial connections than entrepreneurial ability or venturesome investments. In the late nineteenth century, remaining elements of this mercantilist elite had difficulty competing with more aggressive foreign entrepreneurs who brought modern managerial practices and foreign capital, had better connections to markets in northern Europe and were willing to make long term investments in coffee production.

Troy Floyd estimates that there were no more than twenty-one major Spanish-Guatemalan merchants with international trading connections in 1780. (Floyd,1969) These families had practically exclusive direct access to the markets of Cádiz, from which Central American indigo was exported to all of Europe. Indigo farmers were unable to avoid selling their produce to the
Guatemalan-Cádiz merchant families, not so much because of political restrictions on internal commerce -- indigo was freely traded within Central America -- but because of the merchants control over shipping and access to foreign markets\(^5\). Sooner or later, indigo had to pass through the Guatemalan market because there was no other way to get it to Europe.

By virtue of their control of exports, the great merchant families also had nearly exclusive access to hard currency, and therefore to imported goods. Thus, the major Guatemalan merchants enjoyed an oligopoly over imports, which they sold at inflated prices, and an oligopsony over indigo, which was purchased at low (often fixed) prices. (Acuña Ortega, 1980) They sold goods, both imported and domestic, on credit to provincial merchants and hacendados. The latter typically borrowed against their next indigo crop, usually agreeing to: sell that crop to the lender at the price fixed in the indigo fair by a committee of merchants and planters; pay interest on the loan; pay the alcabala sales tax; and absorb the costs and risks of transporting the indigo to the buyer. (Acuña Ortega, 1980)

Since cattle was an article of local consumption much of which, in an unrestricted market, would never pass through the hands of merchants in the capital, Guatemalan domination of the cattle trade had to be more directly political. (Floyd, 1961) The sale of cattle outside of regulated markets was prohibited. Ranchers were forced to drive their cattle to the provincial market in Tipitapa, Nicaragua or the annual cattle fair in eastern Guatemala at their own risk. In the latter locale, Guatemalan merchants bought up the haciendas around the market town in order to maintain the cattle and destroyed common

\(^5\) Almost all of the ships visiting the Guatemalan port of Santo Tomás were owned by Cádiz merchants. (Floyd, 1961)
grazing land in the area so that cattlemen would have to seli at a low price rather than have their cattle die of starvation. (Floyd, 1961; Fonseca, 1984)

At the end of the colonial period a clique of Spanish traders who were engaged in contraband trade with British merchants favored free trade because they were well positioned to act as brokers between British traders and local markets. (Floyd, 1961; Wortman, 1982, 1984) These local merchants, led by the powerful Aycinena clan, opposed Spanish centralism, favoring independence from Spain as a means towards establishing free trade. But after independence these same families became centralists and, after experimenting with free trade during the 1820's, turned away from economic liberalism. They opposed secessionist movements in the other provinces and sought to reestablish their commercial-political hegemony over the entire isthmus. They tended to favor schemes that would preserve, or reestablish, Central American union -- so long as that union was disassociated from liberal economic policies. There was merchant support for Mexican annexation and a variety of other formulae for the political reunification of the isthmus.

Within Guatemala, during the long reign of Rafael Carrera and his successor Vicente Cerna, the Conservative government returned to economic policies based on mercantilist theory. It reinstated the Consulado de Comercio, the colonial merchant guild that had been suppressed during an interlude of Liberal rule from 1831-36, and permitted it to regulate commerce through its own commercial courts for the mutual benefit of established merchants and the state. During the 1870's, this tendency brought old merchant families affiliated with the Consulado de Comercio into open conflict with a coalition of planters, professionals and businessmen who saw the guild
as an obstacle to capital accumulation and to the sort of institutional changes required to promote export agriculture.

**El Salvador**

Salvadoran planters and merchants served as intermediaries between the great Guatemalan trading families and small-scale indigo producers (poquiteros). Provincial merchant-planter sold supplies on credit to small farmers and bought their indigo. Like the larger planters, the poquitero typically borrowed against the next year's crop, agreeing to sell it to the lender at a set price. In a similar fashion, the hacendados offered goods on credit to their estate laborers, who were thus drawn into debt servitude. There emerged a hierarchy of unequal exchanges from the merchants of the capital to provincial hacendados and traders, who passed unfavorable terms of trade on to small planters and their own labor force. (Acuña Ortega, 1980)

Due to their dependence on Guatemala traders, the provincial merchant-planter were unable to retain much of the profits from their transactions with their laborers and the poquiteros. Most of the gains from those transactions went to Guatemala. (Acuña Ortega, 1980) In comparison with the great Guatemalan-Spanish commercial families, the provincial merchant-planter were people of modest means. Until independence their principle assets were their landholdings, and as the indigo trade soured at the very end of the eighteenth century, even these landholdings were often mortgaged to Guatemalan traders. (Acuña Ortega, 1980; Wortman, 1982 & 1984)

The control of trade by Guatemalan merchants, which prevented wealth that was produced in El Salvador from staying there, instigated a provincial
anti-Guatemalan reaction. Regionalist tensions manifested themselves over a variety of parochial issues. There were perennial disputes over the price of indigo set at the fairs (Floyd, 1961) and instances of violent confrontation between Creole and Spanish merchants, as the latter tried to break into the Salvadoran market. (Wortman, 1982) There was also irritation over "the failure of the merchant guild to consider road and port works that did not directly benefit the capital." (Woodward, 1965, p. 553) In the late eighteenth century, there was increasing distress over unfavorable terms of trade as both Salvadoran planters and peasants found themselves squeezed between rising food prices and a sluggish indigo market, where prices were held down by collusion, foreign competition and, ultimately, the loss of European markets during the Napoleonic Wars. (Acuña Ortega, 1980; Wortman, 1982) Anti-Guatemalan sentiments persisted after independence: a situation that various Guatemalan rulers did much to sustain with their constant interference in Salvadoran politics and aspirations to reestablish Central American union. (Munro, 1918; Woodward, 1976)

The Salvadoran merchant-planters were well positioned to rapidly accumulate capital after mercantilist ties with Guatemala were definitively ruptured by independence and the subsequent disintegration of Central American union. As Guatemala lost control of the provinces, provincial merchants began exporting indigo from Salvadoran ports. Salvadoran export development was seriously hampered by the instability and property destruction wrought by persistent civil warfare and foreign military incursions during the first two decades after independence. Nonetheless, local fortunes were made from the indigo trade, particularly from the late 1840's onward.
When the invention of chemical substitutes for natural dyes rendered indigo obsolete, national capital and entrepreneurial talent were shifted to coffee cultivation.

After independence, El Salvador's merchant-planter aristocracy was comparatively dynamic, progressive and open to foreign ideas. (Munro, 1918) Unlike traders in Guatemala, this was a group that aggressively sought to make export production happen. More than in any other Central American country, the export sector was built by national leadership and with national capital. (Munro, 1918; Woodward, 1976) The role of Salvadoran commercial farmers should not be overly romanticized, however. In addition to their collective innovativeness and organizational abilities, their rapid accumulation of wealth was ultimately based on: (1) a conscious policy of concentrating and underutilizing land so as to force the mestizo peasantry to work on their estates and (2) unequal commercial exchanges with small producers based on the planter-merchants' local oligopoly over credit.

**Costa Rica**

As was noted earlier, in the absence of a cheap, dependable supply of labor and a dynamic agro-export sector, land offered little attraction to Costa Rica's colonial aristocracy. There were some large landholdings, but for the most part, farming remained the domain of a free mestizo peasantry. "Ownership of land was not the surest or quickest road to enrichment in this society, however much it may have been both a form of security and a necessary element in securing elite status and acceptance."

(Gudmundson, 1986, p.56-7)
It was primarily through commerce that the tiny Costa Rican aristocracy accumulated what wealth that it could. But Costa Rica was by far the least developed province in Spanish Central America. Until after independence, it remained a backward, peripheral outpost where commerce was stunted by disadvantageous trade restrictions, physical isolation from foreign markets, and the endemic shortage of labor. In the late eighteenth century, modest amounts of cattle were exported from the Guanacaste region to the centers of indigo production. The cattle trade was largely controlled by Nicaraguan and Guatemalan merchants, who were more strategically situated within the colonial commercial system. (Fonseca, 1984) The rest of Costa Rica failed to develop a sustainable export sector of any great consequence. Some cacao was still being exported from the Atlantic lowlands at the end of the eighteenth century and the tiny tobacco industry enjoyed a brief period of prosperity from 1766 into the 1790's. (MacLeod, 1971; Fonseca, 1984; Rosés Alvarado, 1975; Acuña Ortega, 1978) Shortly after independence there was also a resurgence of mining activity in the hills above the Pacific port of Puntarenas. (Araya Pochet, 1973) However, none of these activities ever amounted to much. They permitted a trickle of foreign trade, but the province remained a sparsely populated frontier society outside of regional or international trading networks.

Offering neither significant commercial opportunity nor much chance to extract labor from a servile peasantry, Costa Rica attracted few Spanish immigrants. Its colonial aristocracy remained small and comparatively poor. At the top of colonial Costa Rican society was an endogamous clique of merchant families, who maintained diverse investments in agriculture and mining. They exported cattle, cacao, tobacco, tortoise shell and dye wood in
small quantities and imported an array of consumer goods, especially textiles. Some engaged in tax farming or bought rights to government monopolies on liquor and tobacco. (Gudmundson, 1986) In essence, commercial relations were similar to those in the other provinces. Here too, a favored group of merchants benefited from government regulations, exclusive commercial connections and oligopolistic control of precious metals. (Molina Jiménez)

However, in Costa Rica the volume of trade was on a miniature scale. Hence, "any second-rate trader from Mexico, Guatemala or Panama might have been taken for a princely figure in the local context." (Gudmundson, 1986, p. 56)

By the late eighteenth century Costa Rica was characterized by a distinctive agrarian social structure, within which a small, comparatively poor merchant aristocracy exerted political and commercial dominance over a free mestizo peasantry that had access to land. This was to be an important and lasting characteristic of nineteenth century Costa Rican society. With the advent of coffee cultivation after independence, a process that had been underway since the mid-eighteenth century was accelerated: the old trading families moved into the coffee trade, becoming an agro-commercial bourgeoisie dedicated to financing, buying, processing and exporting coffee and importing consumer goods. Peasants were converted into petty commodity producers. (Gudmundson, 1982; Molina Jiménez, 1986; Stone, 1982)

Another important feature of late colonial Costa Rica was that there was no significant interest group which opposed the development of capitalist agriculture. (Molina Jiménez, 1986) The mercantilist system had fostered uneven regional development, in which better placed merchants in the other
provinces captured most of the meager gains from Costa Rican commerce. It is true that Costa Rican merchants had enjoyed favorable terms of trade with local peasants, but independence and the breakdown of the mercantilist system did nothing to erode those advantages. Local merchants were well-positioned to act as intermediaries between small coffee growers and foreign markets.

Summary

The new commercial opportunities that developed during the period of Bourbon rule enhanced the economic position of a tiny, but powerful clique of trading families which benefited from unequal terms of trade with planters and peasants in every Central American province. The mercantilist order encouraged uneven development. Based in part on the comparative advantages inherent in their particular position within this mercantilist trading network, merchants within each province pursued different patterns of investment and had different degrees of success in accumulating wealth.

Guatemalan merchants -- whose economic position was based on oligopolistic control of credit, exclusive trading connections with Spain and political restrictions on trade -- managed to capture most of the gains from the exports of the other Central American provinces. The handful of great commercial families did little to develop exports from Guatemala itself, concentrating instead on political intrigues designed to perpetuate their special commercial privileges. After independence, except for an interlude of Liberal rule from 1831-38 this pattern of mercantilist control was perpetuated until the Liberal revolution of 1871. It was not until the suppression of the neo-
colonial merchant guild and the arrival of foreign (primarily German) entrepreneurs and capital that coffee production and exports began to rapidly increase.

By virtue of their local control of credit, Salvadoran planter-merchants enjoyed unequal commercial exchanges with small farmers and estate laborers, but they were in an acutely disadvantageous position within the mercantilist system vis-à-vis the trading families of Guatemala. Guatemalan merchants ultimately captured most of the profit from Salvadoran agricultural exports. Salvador's merchant-planters generally resented Guatemala's commercial hegemony and opposed Guatemalan attempts at political reunification throughout the nineteenth century. El Salvador developed a comparatively dynamic group of entrepreneurs who were often directly engaged in agriculture as well as commerce. They tended to favor free trade and the development of capitalist agriculture and were well positioned to rapidly accumulate capital once Guatemalan commercial dominance was ended. After independence, national capital and entrepreneurs played a major role in developing first indigo and then coffee exports.

Trade with Costa Rica was hampered by unfavorable commercial restrictions, physical isolation and the chronic labor shortage. Although the volume of exports from Costa Rica increased somewhat during the late eighteenth century, it still never amounted to much prior to independence. Its tiny, impoverished aristocracy drew a modest income from petty commerce, tax farming, village land taxes and cottage industry. Local merchants were favorably disposed to capitalist agriculture and were to play a significant role in organizing the incipient coffee industry, but because of their lack of capital,
they were to become more dependent on foreign financing than their Salvadoran counterparts.
Chapter 2
The New States

Independence

In 1821, Spain’s new Liberal government faced an overwhelming political crisis. In Spain it had to cope with provincial unrest, royalist intrigue and a military insurrection, while in the New World it was losing its wars against anti-colonial movements in Mexico and South America. The Spanish Liberals were unable to mobilize the massive military forces necessary to subdue such widespread colonial rebellion, nor could they easily transport those troops that they had to areas of unrest because of British interdiction of the sea lanes. (Graham, 1972; Lynch, 1973)

In 1821, Augustin de Iturbide decisively defeated the Spanish forces in New Spain and, in August of that year, the Spanish viceroy recognized Mexican independence. When news of the Spanish capitulation reached Central America, numerous municipal governments (cabildos) issued declarations of independence. (Wortman, 1982) Faced with serious challenges elsewhere, the Spanish government had no military resources to commit to Central America, a region that was, after all, a provincial backwater. Although the Spanish government did not recognize Central American independence, it had to allow it. Thus, in 1821 Central America shook off Spanish rule without having an organized liberation movement of any consequence and without first suffering a civil war.

With the collapse of Spanish authority, Central America disintegrated "into a multitude of independent, autonomous cabildo governments". (Wortman,
Civil warfare began shortly thereafter. Central America's colonial elite had been sharply divided in terms of national origin, region, commercial interest and family ties, but as long as Spanish authorities maintained control of the administrative-military apparatus, they were able to mediate these conflicts and maintain order. The Spanish withdrawal created a political vacuum which allowed the resurgence of complex local rivalries. In the provinces, local elites, who had independent bases of economic and military power seized control of local affairs. In some areas, central governmental authority virtually ceased to exist. As was the case in much of Latin America, independence unleashed turmoil that was to last for some years.

The post-independence civil wars were anarchic, with continually shifting alliances and lines of conflict. (Karnes, 1961; Woodward, 1976) Nonetheless, three clear and consistent types of confrontation can be identified: (1) armed disputes amongst local groups, be they rival towns or feuding hacendado clans; (2) the intermittent struggle between localist and centralist tendencies -- between local caudillos, semi-autonomous towns or peasant communities, on the one hand and the nascent national governments, struggling to consolidate power, on the other; (3) and party conflict between Liberals and Conservatives. Other sporadic forms of unrest -- endemic banditry, the predation of foraging armies, foreign incursions (by Mexico, Spain, Gran Colombia and Great Britain in addition to neighboring Central American nations) and the sort of palace intrigues, succession crises and factionalism characteristic of personalistic forms of rule -- also contributed to the general anarchy. There was considerable cross-national variation in the duration and
ferocity of these civil wars. Political violence was only incidental in Costa Rica, while it lasted for years in Guatemala and El Salvador, and decades in Nicaragua and Honduras.

Independence was a significant break from the past. It instigated the redefinition of economic and political relations throughout the isthmus as well as between Central America and the rest of the Western world. Central America passed from a peripheral position within Spain's mercantilist system through a period of political chaos and economic decline during which the old ties with the Spanish empire were definitively broken. Independence allowed the establishment of open trading relations with Western Europe and North America so that, by the 1850's, Central America began to assume a peripheral position within the expanding capitalist world economy.

**Mexican Intervention**

During the first two decades after independence, several attempts were made to reunite all of Central America under a strong national government. However, these efforts were hindered by the dispersion of economic and military resources, the intensity of regional rivalries and the fluidity of alliances. In the final analysis, none of the efforts towards reunification was successful.

The first attempt to reestablish a strong central government came in 1822, when the newly constituted Mexican empire annexed Central America and sent a small army to Guatemala in order to defend its claim. Regional interests coalesced into opposing factions over the question of annexation. A clique of Guatemalan merchants and officials led by the powerful Aycinena family, supported Mexican rule, seeing it as a means of sustaining their hegemony.
over the region. In the provinces there was a mixed reaction to the new regime. Longstanding provincial resentment of Guatemalan hegemony was aggravated by Mexican intervention: there was general concern that a Guatemalan-Mexican combine would be able to subjugate the provincial power centers. Apprehensiveness was greatest in the so-called 'Liberal towns', including Quezaltenango, León, Tegucigalpa, San Salvador and San José, whereas old aristocratic families in Granada, Cartago and Comayagua supported the new regime in the hope that they might be able to retain commercial and political control over their provincial spheres of influence.

Iturbide himself exacerbated localist sentiments by attempting an administrative reform that reduced the number of provinces to three. In redrawing administrative boundaries he threatened the domains of numerous communities and even offended his Guatemalan allies. The isthmus swiftly disintegrated into a set of interlocking local power struggles. There were regional revolts in Guatemala and El Salvador against the capitals of those provinces; in 1822 armies from Guatemala twice invaded El Salvador; and by the end of 1823, fighting between rival towns had broken out in every province. The central government was utterly unable to establish control over outlying areas.

The Mexican adventure ended abruptly in 1823, when Iturbide was deposed in Mexico, and the Mexican army of occupation withdrew to Chiapas. The principal legacies of this brief interlude of Mexican rule were the permanent loss of Chiapas to Mexico, commercial disorder wrought by the civil war and heightened local antagonisms.
Federalism

In 1824 a republican constitution was ratified by all five provinces. It provided for a federal system of government under which each province would exercise considerable authority over its internal affairs. The new constitution was a document of considerable liberal inspiration, but the federal framework also amounted to a formal recognition of the weakness of the central government and the semi-autonomous nature of each province.

The federation was a fragile union of isolated regions and rival towns. Central America's geographic peculiarities presented major obstacles to commerce and political unification. With the exception of the Río San Juan in Nicaragua, Central America's rivers are small and unnavigable. Moreover, falling from the central highlands, these rivers cut deep valleys perpendicular to the main northwest-southeast axis of the isthmus which hinder movement between regions. At independence, Central American society consisted of isolated pockets of settlement which were largely cut off from one another by mountains, forests and valleys.

Although the growth of indigo exports during the late eighteenth century stimulated some internal commerce, that burst of inter-regional trade was neither of sufficient volume nor did it last long enough to create the sort of infrastructure and economic ties that could hold the isthmus together after independence. Unlike Mexico, where the capital and northern silver mining centers provided an important internal market for an enormous tributary area extending from Oaxaca to Santa Fe, Central America remained for the most part a set of isolated regions that were either self-sufficient or that produced similar export commodities for which the natural market was Europe, not
Guatemala. Moreover, in the Central American case, the growth of trade in the late eighteenth century had actually contributed to regionalist sentiment in the sense that provincial producers and merchants came to resent the commercial dominance of Guatemalan merchants.

Another factor that militated against the political integration of the isthmus was the prevalence of isolated, self-sufficient haciendas in a broad agricultural belt extending from eastern Guatemala to the Nicoya peninsula in what is now Costa Rica. Throughout this region, local notables often had considerable economic and military power, based on their control of land and their personal following of debt dependent peasants. These hacendados were sometimes able to augment their local authority by gaining control of low level political offices. This was particularly true during the period of anarchic political disorder that followed independence, when local oligarchs in isolated areas were called upon to maintain order, adjudicate local disputes and sometimes even to collect taxes -- an arrangement that amounted to de facto recognition that such localities were outside of the administrative reach of the federal or state governments. The local autonomy of hacendado families was enhanced by mountainous terrain and a primitive transportation infrastructure which inhibited commerce and government oversight. During times of exceptional disorder hacendados were forced to rely upon their own resources to defend their property. They militarized their haciendas, utilizing their dependent labor force as a sort of militia; one which owed personal allegiance to the lord of the estate rather than to some higher authority.

After independence, the hacendados became a source of resistance to political recentralization. The hacienda formed part of the social base of a
series of Conservative regimes that were "de cara a la hacienda": markedly rural and paternalistic, dedicated to the preservation of local privileges and the extension of hacienda landholdings. (Wheelock Román, 1974) These localist tendencies were not directed solely against the federal and state governments. Hacendados also became involved in disputes amongst themselves as well as with urban merchants who sought to expand their spheres of influence over neighboring hinterland areas\(^1\). Although hacendado families were united by marriage and a common lifestyle, they did not necessarily share many economic or political interests with other members of their social class. Commercial ties or some common threat that might necessitate a political alliance were generally lacking. The rural aristocracy was divided by personal rivalries and blood feuds between hacendado families. Landowners who depended neither on the state nor on coalitions with other members of their social class "would unite with one another or submit to one of their number only for the purposes of the power struggle". (Oszlak, 1981, p.17) Regions where the hacienda was the predominant productive unit -- most notably Honduras and Nicaragua, but also much of eastern Guatemala and El Salvador -- also tended to be characterized by localism and sometimes by anarchic political violence.

The constant tension between centralist and localist tendencies was exacerbated by the chronic fiscal crisis of the state. From its inception, the federal government was nearly bankrupt. (Smith, 1963; Wortman, 1979) It consistently had trouble meeting operating expenses, the most serious

\(^{1}\) The notable family networks of the urban merchants typically did not extend into rural areas. "The urban notable families' failure or inability to form extensive networks with the rural interior and the failure of rural families to establish networks beyond their immediate regions were two of the principal causes of the regional civil wars that plagued Central American through the nineteenth century." (Wortman, 1984, p.70)
consequence of which was periodic rebellion by unpaid troops. At the root of the fiscal crisis of the state was the fact that the federation inherited an economy in decline. The depression in the indigo industry which began in the 1790's reduced taxable wealth, causing a long term reduction of government revenue which was only briefly offset by the moderate resurgence of dye exports in 1824-5. (R. Smith, 1963; Wortman, 1979) This problem was compounded in 1824 when federal taxing authority was actually reduced, in an expression of (1) pent-up antagonism towards taxes instituted under Bourbon rule and (2) provincial desires to retain control of local revenue. (Jones, 1970; Wortman, 1982) Interior customs duties and a number of unpopular government monopolies and excise taxes were eliminated and the important government tobacco monopoly was turned over to the states.

New governments always have difficulty meeting their bills, but this one seemed intent on cutting down the public income which, now that the state governments must also be supported, needed above all to be protected. (Jones, 1970, p.39)

The federal government was left with revenue from external customs duties, licenses and fees, and monopolies on liquor, gunpowder and a few other goods. The tax base was narrow and heavily dependent on the volume of trade, which was weak and notoriously unstable.

To make matters even worse, because of its bureaucratic disarray and its weakness vis-à-vis local powers, the federal government was unable to regularly extract revenue from the provinces. It had to rely on officials from each state to collect taxes, which they were supposed to remit to the federal authorities. (R. Smith, 1963) The individual states were hardly more able to generate revenue, and they were reluctant to turn over a significant share of
their meager resources to the federal government. Disagreement over the
distribution of revenue became a permanent source of tension between state
and federal officials. In order to meet its operating expenses, the federal
government resorted to foreign creditors and 'forced loans'. The latter were
little more than arbitrary, opportunistic seizures of property.

In 1826, President Manuel José Arce instigated a provincial revolt when he
attempted to reestablish federal authority over the tobacco monopoly. As the
fighting between state and federal forces spread, it touched off a series of
devastating regional conflicts between local factions. The civil war that
ensued left a legacy of widespread property destruction, commercial decline
and persistent factional violence in some regions. By late 1829 the Liberals
had managed to reestablish firm control of the federal government, but they
had little authority outside of Guatemala. After 1826, only Guatemala
continued to meet its financial obligations to the federation. This gave
Guatemala disproportionate influence over the central government and
therefore exacerbated secessionist tendencies in the provinces. In effect, the
federation was a dead letter. Thereafter, each state government exercised
independent control over its own affairs until 1838, when the Federal
Congress resolved to give the federal government control over customs duties
in the provinces. That event precipitated the formal secession of Nicaragua,
Costa Rica and Honduras from the union. El Salvador followed in 1841.

The New States

After the final demise of the federation in 1838-9, the five independent
republics each faced many of the same sorts of constraints that had been
characteristic of the federal period. The cardinal features of the early national era were a low level of commercial activity and the weakness of the newly formed Central American states; the debilitating cycle of economic stagnation and chronic political disorder. The new states faced the same immediate fiscal problems due to the continuing depression, sparse sources of taxable wealth, inherited foreign debts and limited administrative and enforcement capabilities. The fiscal crisis directly contributed to new political confrontations. For instance, demands from foreign creditors led to periodic military blockades and incursions by the British; and new types of direct taxation levied against Indian communities caused peasant revolts in Guatemala and El Salvador during the 1830's-1840's. (Browning, 1971; Dominguez Sosa, 1984; Ingersoll, 1972; Woodward, 1972)

The moribund national economies of the early independence period offered limited opportunity for economic advancement through commerce and even less chance of accumulating wealth via agriculture. In the face of unstable economic and political conditions, there was a general reluctance to save and invest.² 'Notable family networks' and other personalistic ties provided the best security against unpredictable conditions. (Wortman, 1984) Partisan politics offered greater opportunities for upward mobility than did more productive activities. There was a common willingness to concentrate on the development of personal contacts, to use violence in political competition and to opportunistically seize wealth.

² This was perhaps less true in Costa Rica, which was comparatively peaceful because of its geographic isolation from the civil warfare in neighboring provinces and because it lacked severe divisions both within the colonial aristocracy and between landlords and peasants.
In the chaotic aftermath of independence traditional forms of authority gave way to rulership based on charisma and personal control of military and economic resources. These regimes were built on patronage and ties of personal loyalty. In order to maintain their followings, rulers and their rivals constantly competed for control of economic resources and local offices with which to reward loyal service. Charismatic leaders were unable to establish orderly means of succession or to otherwise institutionalize their authority. Hence, there was the sort of chronic regime instability that commonly characterizes weak personalistic forms of rule, with constant palace intrigue, factionalism and succession crises.

Each new nation was characterized by caudillismo, and the uneasy coexistence of personalistic rulers and local oligarchs who had independent bases of economic and military power. In a milieu where there were no professional armed forces, so that even national armies were usually nothing more than mobs of machete wielding peasants, military resources were so dispersed that every large landowner could mount a credible threat to a ruler. Rulers could only control the provincial aristocracy and maintain order in the countryside by building an effective military-bureaucratic apparatus and centralizing control of local government functions. However, aggressive state building policies were costly, and rulers lacked the requisite taxing power. Alliances in support of some central authority were notoriously unstable, and were especially liable to breakdown at the first attempt by a ruler to tax his allies or to establish central control over previously autonomous localities.

None of the new republics could afford a large or very professional staff. Nor were state revenues regular enough to always meet the salaries of even a
small number of personnel. Poorly and irregularly paid staff were prone to corruption or, in the case of troops, revolts and brigandage. The small coterie of government officials tended to be concentrated in the national capitals and in a few ports, where they collected customs duties. Administrative control did not extend very far into the countryside and governments were largely unable to collect taxes there.³

The republican governments were forced to rely on those taxes that could be easily collected by their limited staff. Each country relied on essentially the same mix of customs duties, excise taxes, licenses and fees and state monopolies that had characterized the federation. They also resorted to foreign borrowing, debasement of the currency and irregular ‘forced loans’. None of these sources of revenue required a substantial administrative and enforcement apparatus. Direct taxation of property or income was of no consequence in any of the Central American republics.

The inability to generate revenue forced rulers to employ administrative expedients that tended, in the long run, to undermine central authority. Rulers sometimes sought to extend their power base into the countryside by forming personalistic alliances with important local families, delegating offices to local leaders who had independent means of support. This expedient minimized administrative costs and local antagonism towards the ruler, but by delegating authority to local elites who were already jealous of their privileges, weak rulers had difficulty maintaining control over those administrative functions.

³The Costa Rican government was no more able to exercise control of remote hinterland areas than were its neighbors, but since most of the Costa Rican population was concentrated in the small Valle Central, that government did have an important geographic advantage in establishing central authority over its populace.
Since legal or traditional constraints on rulers were lacking, rule tended to be arbitrary. But, whereas rulers enjoyed great freedom in making policy, they often had difficulty enforcing their decisions because of corruption, lack of resources, and conflicts with their agents or powerful members of the landed aristocracy.

The factors described above were common to each country in this study immediately after independence. But there was also some cross-national variation in the emergent Central American political systems, even at this early date, most notably in terms of the major political alignments within each country and the balance of power between the national governments and local interests.

Party Rivalries

Even prior to independence there was a perceptible schism between Liberal and Conservative tendencies. This rivalry provided the basis for party cleavages which lasted for decades in Guatemala and El Salvador and for over a century in Nicaragua. At the time of independence, neither movement was a formal, institutionalized political party; both consisted of loose and shifting alliances, often organized around local leaders whose wealth or charisma enabled them to mobilize a personal following.

In general, the Conservatives represented vestiges of the colonial interests who sought to preserve their privileges. Within the Conservative movement were guild merchants, clergy, artisans and some government bureaucrats. The privileges that they fought to protect included church lands, tithes and traditional ecclesiastical authority over secular affairs, mercantilist controls on
trade, and *fueros* or special legal privileges for certain status groups. These *fueros* were the remnants of hereditary privileges enjoyed by medieval European estates. They included distinctive rights, special courts and regulatory authority over certain activities for legally recognized status groups such as merchants, clergy, artisans and the military.

The Liberals tended to represent elite and middle class groups that had been excluded from such privileges. They included provincial merchants, foreigners, mestizos, intellectuals who had been influenced by the enlightenment and some farmers, particularly those who produced export commodities. The Liberals tended to favor free trade, the elimination of all special privileges, the reduction of church authority and an interventionist state that would actively seek to promote economic development and eliminate obstacles to individual initiative.

However, this description of the Liberal-Conservative schism as a rivalry between a 'new elite' and an entrenched aristocracy is too mechanistic. Party alliances were greatly confused by personalistic factions and shifting local rivalries. Party affiliation was sometimes more closely associated with regional disputes over spheres of economic influence than with ideology or class position. As Charles Bergquist, writing in another context, has said:

In each Latin American society the overarching issues of liberal political economy were complicated in specific and often contradictory ways by popular class struggle, by regional interests and loyalties, and by the personal ambitions of political leaders and their clients...The struggle to consolidate the principles of liberal political economy produced a history of conflict and compromise within the ruling class specific to each of the distinct social formations and political entities of Latin America. (Bergquist, 1986, p.286)
In Central America, cross-national differences in the intensity and character of party conflicts were largely a function of (1) the strength of the entrenched colonial aristocracy and (2) the extent to which old elites were committed to tribute and mercantilist regulation of trade as strategies of surplus accumulation. The initial Liberal reaction against the colonial order was most radical in Guatemala, where the colonial aristocracy was most deeply entrenched and where its economic position was historically based on direct political control of the economy. In Guatemala, the survival of colonial institutions became a serious obstacle to the development of commercial agriculture and the upward mobility of previously excluded groups. In Costa Rica, the least stratified of the Spanish colonies, party conflicts were almost nonexistent. Here, it was not necessary to tear down the old regime in order to make way for export development. At independence, many members of Costa Rica’s tiny aristocracy were already small-scale traders and were well-positioned to take advantage of the new commercial opportunities of the nineteenth century. Moreover, the old families were willing to accept outsiders into the aristocracy, frequently by intermarrying with foreigners who brought capital and international trading connections. El Salvador was an intermediate case, and one in which Liberalism developed a distinctly regional, anti-Guatemalan flavor.

Guatemala

I. The Early Failure of Liberalism: The Regime of Mariano Gámez (1831-8)

The civil war of 1826-9, which destroyed the cohesiveness of the federation, ended in Guatemala with the military triumph of the Liébals.
During the 1820's and 30's, the Liberal party in Guatemala was notable for its staunchly ideological brand of liberalism, characterized by commitments to (1) anti-clericalism, (2) the elimination of obstacles to individual initiative, and (3) the replacement of colonial institutions with innovations developed in Europe and North America. During their first two years in office Guatemalan Liberals moved to consolidate their position by attacking the bases of Conservative support. They expelled the archbishop of Guatemala and expropriated the property of religious orders, they suppressed the Consulado de Comercio, and they hounded several of the leading Conservative families.

What might be described as the second phase of Liberal rule began when governor Mariano Gálvez (1831-8) launched a visionary program of state building and economic reform, the principal features of which were attempts to: (1) resolve the chronic fiscal crisis of the state by broadening the tax base, (2) centralize the administration and (3) modernize the economy by encouraging foreign immigration and investment and by attempting to force the Indian peasantry into the national economy. The strategies of institution building that Gálvez employed, and the resistance that they encountered, graphically illustrate the limits of state power and of liberal economic policies in mid-nineteenth century Guatemala.

The tax base of the Liberal state was narrow in two senses. First, tax collection could only be carried out around the centers where Gálvez had personal support, such as Antigua and Guatemala City. (Wortman, 1982) Outlying areas, were beyond the administrative reach of the central government. Secondly, the regime was limited to the inadequate colonial
sources of revenue: the alcabala sales tax, licenses and fees, and monopolies or excise taxes on tobacco, liquor and a few other goods.

Gálvez sought to expand his tax base geographically by establishing personal ties with local notables in the interior who served as his alcaldes mayores (small town mayors), maintaining order and collecting taxes. (Wortman, 1982) By working through local elites, it was possible to increase the population that was indirectly tied to the state and obligated to pay taxes, without substantially increasing administrative costs. However, conceding authority over administrative functions to provincial aristocrats who were already suspicious of centralist tendencies and who had their own sources of income, was a dangerous expedient. The ability of officials in Guatemala City to monitor these appointees was limited. Appointments reinforced the authority of local notables who became, in the final analysis, a political counterweight to the central state.

The Gálvez administration behaved in an opportunistic, predatory fashion, experimenting with alternative taxes as well as outright seizures of property and forced loans levied against outcast Conservative families and the church. The Guatemalan Liberals also sought to divert revenue from the landholders and Indian communities to the state, sometimes by reviving strategies of taxation that had been employed by Bourbon authorities. In 1832 the Gálvez administration reestablished the diezmo or tithe in the form of a tax on land, but with the proceeds going to the state rather than the church. In addition, the Liberal government sought to usurp the bienes de comunidad, the community funds of Indian villages that had traditionally been used for village administration and to meet emergencies. The Liberals also attempted, with
varying degrees of success, to institute highly regressive forms of direct taxation. In 1831, the capitación or head tax, which had been abolished by the Liberal Spanish Cortes of Cádiz in 1820, was reinstated. Important advantages of the head tax included the fact that it was comparatively easy to determine the taxes owed by each household and that it provided a stable source of revenue in spite of market fluctuations. Wortman points out that the institution of the head tax permitted the Gálvez administration to actually increase its revenues during a time of declining trade. (Wortman, 1982) A less successful attempt at direct taxation was a levy on land, cattle, harvests, houses and equipment decreed in 1836. (Ingersoll, 1972) This measure required a cadastral survey in order to estimate property values, and in many areas peasant resistance prevented these assessments. In the end, the property tax proved virtually impossible to collect. The tax structure in general, and particularly the head tax, fell most heavily on the Indian communities. Gálvez's strategy was to force the peasantry to bear the greater portion of the costs of state development and economic modernization. Since many peasants were engaged in subsistence agriculture or some form of non-monetary exchange, and therefore were unable to pay taxes in cash, the head tax also served to force them into wage labor or petty commodity production.

Regressive taxes, the seizure of community funds and grants of village lands to foreign speculators antagonized the peasantry. Ultimately, the Liberal authorities provoked what the colonial authorities had most feared, a general uprising of Indian and mestizo peasants. (Woodward, 1972; Ingersoll, 1972) The famous Mita rebellion began in early 1837, apparently in reaction to a tax decree from the previous year. In the eastern provinces,
bands of Indian and mestizo peasants, who were often organized by rural priests, waged guerilla warfare against the Liberal state. Gradually the rebellion spread throughout much of the central, southern and eastern highlands of Guatemala. Dispersed bands of fighters coalesced into an organized peasant army under the leadership of Rafael Carrera, a charismatic mestizo peasant, and his coterie of clerical advisers.

Gálvez had compounded his problems in the eastern provinces by attempting a major program of administrative reform in 1836, known as the Livingston Codes. The institution of the Livingston Codes was partly an effort to exert greater central control over government officials in the provinces by giving the president the authority to appoint all jefes políticos (departmental administrators). This undermined the authority of local elites, as it was intended to do, but without the support of those provincial notables the administration was unable to control the countryside. The institution of the Livingston Codes on the eve of the great Mita uprising effectively cut the government off from the support of the very families on whom it depended for maintenance of order in the eastern provinces. (Wortman, 1982) By the end of 1837, the government had only nominal control of these areas. (Ingersoll, 1972)

Efforts to put down the uprising were hindered by unresolvable divisions within the aristocracy in the capital. Many Conservatives saw the uprising as a golden opportunity to undermine the Liberal regime. At the same time, radical Liberals unwisely refused to compromise with Conservatives even in the face of a popular uprising. Gálvez's desperate attempt to forge a coalition with elements of the Conservative party only led some radical Liberals to leave the
government. In 1839, Rafael Carrera, led an army of Indian and mestizo peasants down from the mountains, took the capital and deposed the Liberal regime.

In the final analysis the Liberal program failed because, there was not yet a large natural constituency that strongly favored programs of economic modernization and statebuilding. The principal merchant families were strongly opposed to the Liberal reforms. There was no incipient industrial bourgeoisie, and although the traditional landed interests undoubtedly hoped that the Liberals would improve roads and ports so as to facilitate the marketing of their produce, they had little use for a number of other Liberal policies, especially efforts to raise a strong army, increase taxes and centralize the administration. The principal Liberal adherents consisted of foreign entrepreneurs and intellectuals, not a few of whom were political visionaries devoted to European fashions in political thought that were not well suited to Central American realities. Arrayed against the Liberal regime was a formidable alliance of the leading merchant families, the clergy, the peasant masses and local elites each of whom had been antagonized by the some aspect of the Liberal reforms.

II. The Conservative Restoration: The Presidency of Rafael Carrera

Rafael Carrera brought the Conservatives back into power in 1839 and thereafter reestablished and defended colonial institutions to the extent that he could. He brought the church and the established merchant families back into the ruling coalition. He restored ecclesiastical privileges and property, reestablished church control over education and brought members of the
clergy into his inner circle. Carrera, who was himself illiterate, relied heavily on educated priests as advisors and civil servants. Clerics approved candidates for municipal offices and often held those positions themselves. (Herrick, 1974) The American consul reported in 1839 that approximately half of the members of the legislature wore clerical garb. (C.L. Jones, 1940, p. 45)

Carrera also reestablished the *Consulado de Comercio* in 1839. The Conservative government returned to economic policies based on mercantilist theory, permitting the *Consulado* to regulate commerce through its own commercial courts for the mutual benefit of established merchants and the state. Under the Carrera regime, the boundaries between the *Consulado de Comercio* and the state became increasingly vague. The *Consulado* received revenue from various public sources including customs duties, road tolls, port fees, fines and loans and it became the principal executor of government economic policies including the promotion of commercial agriculture and transport development. (Woodward, 1966)

Having ridden a peasant revolt to power, and having to cope with residual peasant unrest and endemic banditry in eastern Guatemala during the late 1840's, Carrera was well aware of the dangers of peasant uprisings. Moreover, being of mestizo peasant background, he was sympathetic to the plight of the peasantry. Thus, Carrera reversed many of the Liberals' policies towards the peasant communities. (Burns & Skidmore, 1979; Miceli, 1974; Woodward, 1979 & 1983) He abolished the head tax, reduced taxes on foodstuffs, returned confiscated land to Indian villages, translated government decrees into Indian languages and left intact the dual system of municipal government which granted village elders considerable authority over civil-
religious matters. (Burns & Skidmore, 1979; Ebel, 1970) Otherwise, Carrera's attitude towards indigenous communities was generally one of paternalism and benign neglect. Unlike Liberals, who tried to force the peasantry to shoulder most of the costs of modernization, Carrera was reluctant to institute changes that were prejudicial to the interests of Indian communities.

In large measure, this policy was made possible by the decline of indigo cultivation at the end of the colonial era and the conversion to cochineal production after independence. (Mosk, 1955; Nash, 1970) Indigo processing required a large supply of seasonal labor. The expansion of indigo production in the eighteenth century was associated with the increased exaction of labor tribute, the spread of debt servitude and, in some localities, the breakdown of traditional communities under relentless external pressure for communal lands and seasonal labor. Cochineal, which was the leading export commodity throughout the Carrera regime, did not require the same massive inputs of labor. It was produced primarily on small family farms worked by free mestizo peasants. With the decline of indigo and the advent of cochineal, colonial methods of labor expropriation fell into disuse in Guatemala. "During all of the years that the economy of the country depended upon cochineal production they (the indigenous communities) were not bothered with repartimientos or mandimientos." (Solorzano, 1963, p.312)

As was typically the case in the recently liberated Spanish colonies, the Guatemalan government under Carrera was characterized by caudillismo, or patrimonial rule. Rafael Carrera personally commanded the army, controlled all political appointments and arbitrarily intervened in every department of the government. Although the old clerical-commerical aristocracy was restored to
their accustomed position and had little complaint with the general direction of the government's policies, they were never able to really control the dictator. In rural departments the political bosses, or corregidores (who were appointed by Carrera) exercised similar authority over local affairs. (Woodward, 1983)

Within the informal and personalistic structure of patrimonial rule, Carrera gave peasants limited access to the polity. Village elders were able to appeal personally to the dictator for a hearing and often a quick resolution of their problems. On numerous occasions Carrera personally intervened to adjudicate disputes or defend community interests. (Miceli, 1974) In addition, Carrera recruited some mestizos for government office and mostly mestizos and Indians for military service. He specifically did not want white officers in his army. (Woodward, 1979) By personally appointing peasants who otherwise had little chance to breach the ethnic barrier, Carrera sought to ensure the loyalty of the armed forces. The personal bond between peasants and the ruler, who addressed him as tata (father), served as a counterweight to the aristocracy.

El Salvador

Whereas in Guatemala the period of Conservative rule amounted to a restoration of major elements of the colonial social order, in El Salvador, independence brought a more definitive break with the past. In El Salvador the colonial order was based on external (Guatemalan) commercial and administrative domination. Independence ended this arrangement.

In El Salvador, the social unrest that followed independence was particularly severe and prolonged. Endemic political violence lasted until
about 1850, with near anarchy prevailing during the civil war between Liberals and Conservatives over control of the federation (1826-31), and again in 1839-41. The roots of this political violence were complex. As in other Central American provinces, there were disputes between various personalistic and regional factions. These internal conflicts were confounded by repeated foreign military incursions. (Munro, 1985) El Salvador became one of the major battlegrounds of the isthmus. Many of the major military struggles during the federal period were fought out on Salvadoran soil. After the breakup of the federation, Conservative Guatemalan and Honduran rulers repeatedly intervened in El Salvador, exploiting local divisions and overthrowing Liberal governments. In addition to these persistent conflicts there were numerous coups and military rebellions; serious Indian uprisings in 1832-3, 1842 and 1854; and British naval blockades of Salvadoran ports in 1842, 1844 and 1850-1. (Browning, 1971; White, 1973; Wortman, 1982; Domínguez Sosa, 1984)

Civil warfare took a heavy economic toll. During the worst violence, conditions were bad enough to cause the decline of markets and fairs, conversion from commercial agriculture to subsistence production and urban to rural migration. (Browning, 1971; Wortman, 1982) But the turmoil after independence also brought an end to Guatemala's mercantilist control over the Salvadoran indigo industry. Thereafter, indigo was exported through the Salvadoran ports of Acajutla and La Unión, allowing local merchants and producers to capture more of the gains from the indigo trade. The gradual restoration and continued demand for indigo from European textile producers brought a resurgence of indigo exports in the 1840's and 1850's. Much of the
capital accumulated by Salvadoran entrepreneurs during this period would subsequently be invested in the coffee industry.

With its numerous market towns, each controlling small tributary areas, and its powerful landowners, El Salvador was quite unlike Guatemala, where one major metropolitician area exercised commercial and administrative dominance over most of the country and where elites were historically dependent upon the state to supply tribute from the Indian communities. In El Salvador, the balance between local and centralist tendencies was weighted more in favor of the local interests. The nascent Salvadoran state was comparatively weak.

"The lack of unifying economic interests and internal communications left the country's administratively autonomous towns unrelated to each other and vulnerable to the centrifugal pull of isthmian-wide political currents."
(Wilson, 1970, p. 19) Personal and regional disputes amongst the aristocracy contributed to the anarchic conditions after independence. The revival of commercial agriculture during the 1850's contributed to the gradual reduction of these inter-elite conflicts. As the resurgence of exports opened new opportunities for wealth, the governing class changed its focus from politics to agriculture; from the violent redistribution of wealth to its production.
(Munro, 1918) The resurgence of export agriculture, under conditions where local entrepreneurs could capture the gains from trade, marked the beginning of the emergence of a unified national oligarchy devoted to export agriculture. This was a process that would be greatly accelerated with the advent of coffee.
(E.A. Wilson, 1970; Baloyra, 1982; Munro, 1918)
El Salvador was characterized by the comparative absence of entrenched Conservative power. In part, this was because the entire complex that made up the colonial order -- the church, Spanish officials, guild merchants and traditional Indian communities -- was weaker in El Salvador than it was in Guatemala. Since El Salvador had not been a major center of ecclesiastical, administrative or commercial authority, it had a comparatively small old guard which might seek to defend traditional privileges and block liberal economic policies after independence. Furthermore, El Salvador's merchants and indigo-cattle farmers, who greatly resented Guatemalan commercial domination and who were well positioned to benefit from the growth of foreign trade, tended to favor liberal economic policies including: free trade, improvement of the transportation infrastructure and the alienation of communal landholdings. It is true that the church was alarmed by liberal anti-clerical tendencies and, as in Guatemala, there were localized Indian uprisings in reaction to regressive taxes and the invasion of communal lands. (Browning,1971; Dominguez Sosa,1984) But in El Salvador, disaffected clerics and rebellious Indian communities were not joined by merchants and commercial farmers. Thus, although there was opposition to liberal economic policies, that opposition did not bring together the same sort of grand, reactionary coalition that produced thirty years of Conservative rule in Guatemala. Furthermore, in El Salvador Liberals and Conservatives were not so far apart on economic policy. Even Conservatives tended to support policies that were conducive to export agriculture, and thus to the landholding and commercial aristocracy. Conservativism in El Salvador rejected liberal anti-clericalism, but it was not an anti-capitalist movement.
At the time of the collapse of the Central American Federation, a Liberal government held office in El Salvador. However, the Liberals were unable to consolidate power, in part because of repeated Guatemalan intervention in El Salvador's myriad internal disputes. Once in power in Guatemala, Rafael Carrera became fearful that Liberal regimes in neighboring countries might destabilize his own government. Therefore, he pursued a policy of intervention on behalf of Salvadoran Conservatives. From 1840 until his death in 1865, Carrera was able to exploit the lack of political unity in El Salvador, preventing the consolidation of a strong Liberal regime. Not until the 1870's, when a Liberal regime was established in Guatemala, and when the commercial success of coffee production helped to attenuate factional strife in El Salvador by creating a national bourgeoisie with common economic interests and a modern transportation infrastructure that tied the country together, did Salvadoran politics became more stable and factional disputes diminish in intensity. (Munro, 1918)

Costa Rica

Like the other new Central American governments during the early independence period, Costa Rica had a system of patrimonial rulership. Localism, factionalism amongst elite families, conspiracies, coups, succession crises and other sources of regime instability were prominent features of Costa Rican politics, as they were throughout Central America. (Vega Carballo, 1981) However, many of the post-colonial problems of party, class and regional conflict mentioned above were less serious in Costa Rica than they were in neighboring countries. José Luis Vega Carballo asserts that between 1824
and 1842 there were 143 battles, 7,088 battlefield deaths and ninety-seven presidents throughout Central America. Of these, Costa Rica accounts for two battles, about fifty deaths and four presidents. (Vega Carballo, 1981, p. 43) Whether the actual count of skirmishes and casualties is complete is immaterial. Vega's point, that the period of armed struggle was brief and that Costa Rica was only mildly effected by the sort of regime instability that plagued neighboring countries, is unequivocal. Physical isolation buffered Costa Rica from the chronic intrigue and foreign incursions that plagued the other new republics. The lack of a large, entrenched colonial aristocracy that would fight to preserve traditional privileges meant that a persistent division between liberal and conservative tendencies did not exist in Costa Rica. (Rodriguez Vega, 1982) Neither was there a radical liberal movement, nor a broad conservative reaction against the moderate liberal policies that were introduced after independence.

Unlike Guatemala, attempts to modernize colonial institutions and encourage economic development did not polarize Costa Rican society. In Costa Rica, peasants, foreign capitalists and the creole aristocracy of merchant-landowners all stood to gain from the development of commercial agriculture and the growth of foreign trade. Thus, there was broad support for moderate liberal economic policies such as improvement of the transportation infrastructure and titling public lands. Without a substantial Indian population or a powerful clique of guild merchants it was not necessary to tear down an old regime in order to make way for export development. The general lack of confrontation over liberal economic policies set the stage for early, moderate
liberal reforms. In Costa Rica the most divisive issue associated with liberalism was its anti-clericalism, not liberal economic policies.

Costa Rica's two brief wars were primarily inter-urban affairs involving the four principal towns within the Valle Central. The War of Ochomogo (1823), pitted the tiny colonial centers of Cartago and Heredia, which favored union with Mexico, against the newer market towns of San José and Alajuela, which favored independence. The War of the League (1835) pitted elements of the church, some rural property holders and the towns of Cartago, Heredia and Alajuela against the government of Braulio Carrillo, who was backed by San José. (Rodriguez Vega, 1982) Clerics were reacting to anti-clerical policies including the suspension of tithes and religious holidays; landowners were angered by a tax on rural property; the rival towns fought over the location of the capital. The victory of Carrillo's forces made San José, the primary commercial center for the emergent coffee industry, the permanent capital and established the political dominance of its leading families. But Carrillo accommodated the interests of the church and rural landowners by reestablishing the tithe and rescinding the property taxes.

Initially the Costa Rican state had limited sources of revenue, a tiny staff and unprofessional armed forces. Since there was not much of a colonial administrative apparatus for local elites to take over at independence, the state had to be built up from a small population base and an undeveloped economy with little commercial activity and therefore little taxable wealth. As was the case throughout the isthmus, centralist tendencies were obstructed by local interests, particularly the municipalities of the Valle Central, as well as by Costa Rica's difficult terrain and primitive transportation infrastructure. Rulers'
influence initially did not extend much beyond the capital city and certainly not outside of the Valle Central. However, starting with the rule of Braulio Carrillo (1835-42), a series of charismatic, authoritarian leaders were gradually able to subdue localist tendencies and enhance the power of the state. Carrillo instituted a number of basic administrative and fiscal reforms designed to rationalize administration, establish greater control over the municipalities, increase public revenue and professionalize elements of the military. (González Murillo, 1980; Guttiérez Espeleta, 1981; Vega Carballo, 1981) The Costa Rican government became the first Central American state to be able to reorganize its fiscal administration and pay off its share of the inherited federal debt. Doing so freed it from the threat of British blockade. It also demonstrated that the Costa Rican government was able to meet its foreign obligations, which fostered business confidence and facilitated the financing of Costa Rica's coffee crop with British capital. (Vega Carballo, 1981)

A number of idiosyncrasies of Costa Rican social geography contributed to the early consolidation of state power. Except in outlying areas along the Pacific littoral, Costa Rica lacked the sort of powerful, locally autonomous landed aristocracy that resisted centralist tendencies in the neighboring countries. Most of the population was concentrated in Costa Rica's small Valle Central, located in the country's central highlands. Costa Rica had neither a dispersed population, that would have been difficult for the state to monitor, nor the multi-centric pattern of regional development which characterized the other countries of Central America and which contributed to regional strife. Such regional tension as Costa Rica experienced amounted to topid rivalries between the villages of the Valle Central. The concentration of
settlement in the Valle Central may also have contributed to the notable fiscal solvency of the Costa Rican state. The major source of government revenue was customs duties. All imports and exports had to pass along a few mule trails or, after its completion in 1847, Costa Rica's only oxcart road to the Pacific port of Puntarenas. Thus, with the establishment of a customs service and highway patrol, monitoring commerce was comparatively easy. Although the extent of smuggling is always difficult to assess, Vega Carballo claims that, unlike other Latin American countries, Costa Rica was fairly effective in controlling contraband by the mid-nineteenth century. (Vega Carballo, 1983, p.72)

Summary

The new Central American republics entered the modern world market with a series of disadvantages well ingrained into their economic and social structures. These conditions -- economic backwardness and weak patrimonial forms of rulership plagued by localism, chronic fiscal crises, corruption and regime instability -- were in place before the development of the coffee economy. Cross-national differences in the emergent political systems of each new nation are explained by the material characteristics of the colonial social structure. Immediately after the disintegration of the Central American federation, there was already notable variation in terms of (1) major political alignments amongst the neo-colonial aristocracy and (2) the balance of power between centralist and localist tendencies.

In Guatemala, with its well entrenched colonial aristocracy, there were particularly sharp divisions between Conservatives and Liberals. Guatemalan
Liberalism was particularly doctrinaire, attacking the traditional privileges of the clergy, old merchant families, craftsmen, rural officeholders and Indian communities simultaneously. The Conservative reaction against the Liberal reforms brought together a broad coalition of colonial interests. The victory of that movement in 1839 restored traditional privileges and hindered the development of capitalist agriculture for another generation. The Carrera regime was a strong, stable and comparatively centralized patrimonial government. President Carrera personally controlled the army and all political appointments, and he arbitrarily intervened in all areas of the government. Although he was sympathetic to the old aristocratic families and was certainly influenced by them, Carrera was not under their control. Carrera maintained personal ties to the peasantry and paternalistically responded to their concerns. The ability of the Conservative government to protect the Indian communities from excessive exploitation was predicated upon a stagnant economy in which there was little demand for Indian labor.

In El Salvador, independence broke the mercantilist bonds that favored Guatemalan merchants, permitting local farmers and merchants to capture a greater portion of the gains from trade. The Salvadoran creole aristocracy consisted primarily of provincial merchants and a landholding elite. The local elite tended to be anti-Guatemalan and to favor liberal economic policies. Although the Liberal party was able to repeatedly overthrow Conservative opponents, the Liberals were unable to consolidate power because of chronic factional disputes and repeated foreign intervention on behalf of local Conservatives. The balance of centralist and localist forces was weighted in favor of the latter. During the anarchic period that followed independence,
central governments had difficulty asserting their authority over a militarized landed oligarchy and market towns that dominated isolated regions.

Because Costa Rica lacked the 'feudal' social structure, the sort of hierarchical society based on mercantilist control of trade and the exploitation of indigenous labor, that existed in Guatemala and to a lesser degree El Salvador, it did not have severe party, regional or class conflicts after independence. The main source of conflict after independence was between the central government and municipalities in the Valle Central that unsuccessfully sought greater autonomy. The lack of an entrenched colonial aristocracy that depended upon pre-capitalist forms of surplus extraction set the stage for early, moderate liberal reforms. Regionalism was attenuated by the concentration of the population within the Valle Central and by the small number of hacendados, except in the Nicoya peninsula.
Chapter 3
The Initiation of Commercial Coffee Production

Independence brought the definitive end of Spain's mercantilist domination. In the early years of the federation, British merchants began to trade freely in a small way with Central America, importing textiles and buying an assortment of commodities including dye products, hides and gold. Through the middle decades of the nineteenth century, the volume of trade with western Europe and North America dramatically increased in response to the growing demand for tropical commodities in the industrializing nations, the greater availability of foreign credit, and the reduced costs and risks of shipping bulk commodities overseas that accompanied the steam revolution in transport. (Lewis, 1970) Central America began to assume its modern role as a peripheral region within a capitalist world economy as it specialized in the production of a few primary export commodities, particularly natural dye products and coffee.

External market forces were brought to bear on Central American nations that differed from one another in terms of their existing agrarian social structures and the predominant political alignments within the neo-colonial aristocracy. Consequently, the stimulus of new commercial opportunities elicited distinctive reactions in each country. Two broadly different types of national experience were associated with the advent of coffee cultivation. In Costa Rica coffee production began early, expanded gradually and was not associated with serious agrarian conflict until the twentieth century. Elsewhere in Central America the initial expansion of coffee cultivation was delayed by surviving colonial interests and landholding villages that tied up
land, labor and capital in more traditional sorts of production. In these
countries, the expansion of coffee production became a highly politicized
process involving: legislation which mandated the elimination of precapitalist
forms of property; forced and often uncompensated transfers of property from
church and Indian communities to commercial farmers and the cronies of
personalistic rulers; the reestablishment of servile labor systems; and
movements to eliminate institutions, privileges and commercial restrictions that
were vestiges of the mercantilist system. In Guatemala and El Salvador
coffee's initial development was associated with serious agrarian conflict and
major shifts in the dominant political alliances at the time of the so-called
'Liberal Reforms'.

This chapter describes and compares the early development of the coffee
industry, with special reference to the rapidity with which coffee cultivation was
adopted in each country and the emergent agrarian conflicts associated with
the initiation of coffee cultivation.

Coffee vs. Natural Dyes

Although by the turn of the century coffee was the leading export of each of
these nations -- and reliance on coffee was so great that each country might
reasonably be characterized as an extreme case of monocultural export
dependence -- during the middle decades of the nineteenth century coffee
was only one of a number of so-called frutas de más esperanza (non-
traditional export commodities). In Costa Rica coffee cultivation achieved an
early success. It was commercially produced at least as early as the 1830's.
In Guatemala and El Salvador, however, the initial resurgence of exports was
based upon the revitalization of the natural dye industries. Freed from mercantilist restrictions, El Salvador's indigo industry enjoyed a boom period which lasted from the 1840's until the 1880's, when the increasing use of synthetic dyes rendered indigo virtually obsolete. Guatemala, on the other hand, converted to the production of another natural dye: cochineal. Coffee cultivation was not common in either Guatemala or El Salvador until the 1850's, and even then it took an additional ten to fifteen years for it to develop into a leading export.

To understand both the socially transformative effects of coffee cultivation and the differential rate of coffee's adoption, it is helpful to consider the industry's comparatively high start-up requirements. Commercial coffee cultivation called for a particular type of agricultural land, great quantities of seasonal labor, long term credit and a transportation infrastructure capable of handling bulk commodities at a reasonable cost. In none of the Central American countries could all of these conditions be easily satisfied. In the middle decades of the nineteenth century suitable land could be easily acquired only in Costa Rica. Elsewhere, vast quantities of arable land were tied up by church estates and traditional landholding villages. Because of its low population, Costa Rica suffered a chronic shortage of labor which lasted until the second half of the twentieth century. Elsewhere, although the indigenous peasantry constituted a large potential labor force, in many localities peasants were initially unwilling to work on large estates, at least at the wages that planters offered. Instead, much of the peasantry was drawn to subsistence or petty commodity production. Long term credit was not readily available anywhere in Central America. Finally, throughout the region the
transportation infrastructure consisted of nothing more than a network of mule trails and occasionally a primitive oxcart road. Overcoming these various obstacles was no small task. The expansion of coffee cultivation involved nothing less than the construction of a modern transportation infrastructure and the reorganization of local factor markets on a grand scale.

The natural dye industry had more modest production requirements which could be met within the existing framework of surviving colonial institutions. Since the natural dye trade was a successful business long before independence, the methods of dye production were already known, trading contacts were well-established and a serviceable financial infrastructure was in place. Unlike coffee planters, who had to wait three to five years for their first harvest, dye farmers did not require long term credit in order begin cultivating. Most were able to function on annual advances from local merchants or the church against the coming crop. (Mosk, 1955-6) The primitive state of Central America's transportation infrastructure favored the production of non-perishable commodities of low bulk and high value per unit, such as natural dyes. The need for labor was also comparatively modest, especially for cochineal, which was typically cultivated on small farms by peasants who employed family labor.

An important feature of the dye industry was that its development did not necessitate major changes in the colonial social order. The expansion of indigo and cochineal production did not substantially transform factor markets, nor did the dye trade bring any fundamental changes in the position or interests of colonial elites. The clergy and established trading families prospered in their accustomed role as creditors of the small export sector. For
the traditional villages and haciendas of the backlands, the indigo and cochineal regions were an important market for their grain and cattle. Central governments also depended on the dye industry, since the single most important source of government revenue was invariably import duties, which were indirectly generated by dye exports. Thus, the resurgence of the dye industry was associated with the preservation of many elements of the colonial social order long after independence.

Guatemala: Coffee in a Neo-Colonial Context

In Guatemala, the initial development of the coffee industry lagged some two decades behind Costa Rica. Large-scale commercial coffee farming was first attempted in the 1850's in the Guatemala-Amatitlan-Escuintla area, a region that did not offer particularly favorable growing conditions. It was not until the 1860's, when estates were established in what were to become Guatemala's two principal coffee belts -- the piedmont of the Pacific littoral running from Amatitlan towards the Mexican border and in the Verapaz region -- that coffee became one of the nation's leading export commodities and began to have a significant impact upon national development. (See Table 3.1)

More rapid development of commercial coffee cultivation was effectively blocked by a set of obstacles firmly embedded in Guatemala's neo-colonial social structure which made it difficult for planters to mobilize land, labor and credit. In Guatemala, the colonial pattern of commercial domination that persisted after independence was extended to the nascent coffee industry. The merchants of Guatemala City were not particularly venturesome
Table 3.1

The Value of Cochineal and Coffee Exports from Guatemala, 1855-1871

(in Pesos)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Cochineal</th>
<th>% of Total</th>
<th>Coffee</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1855</td>
<td>1,104,923</td>
<td>977,460</td>
<td>88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1856</td>
<td>1,496,980</td>
<td>1,381,240</td>
<td>92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1857</td>
<td>1,309,203</td>
<td>1,017,270</td>
<td>78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1858</td>
<td>1,796,313</td>
<td>1,407,410</td>
<td>78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1859</td>
<td>1,533,320</td>
<td>1,222,680</td>
<td>80</td>
<td>4,680</td>
<td>0.3</td>
</tr>
<tr>
<td>1860</td>
<td>1,632,735</td>
<td>1,274,240</td>
<td>78</td>
<td>15,350</td>
<td>1</td>
</tr>
<tr>
<td>1861</td>
<td>1,106,583</td>
<td>788,650</td>
<td>71</td>
<td>53,110</td>
<td>5</td>
</tr>
<tr>
<td>1862</td>
<td>1,368,150</td>
<td>837,986</td>
<td>61</td>
<td>119,076</td>
<td>9</td>
</tr>
<tr>
<td>1863</td>
<td>1,490,811</td>
<td>855,838</td>
<td>57</td>
<td>199,830</td>
<td>13</td>
</tr>
<tr>
<td>1864</td>
<td>1,551,716</td>
<td>688,080</td>
<td>44</td>
<td>192,762</td>
<td>12</td>
</tr>
<tr>
<td>1865</td>
<td>1,833,325</td>
<td>975,933</td>
<td>53</td>
<td>265,404</td>
<td>17</td>
</tr>
<tr>
<td>1866</td>
<td>1,680,341</td>
<td>957,132</td>
<td>57</td>
<td>384,936</td>
<td>23</td>
</tr>
<tr>
<td>1867</td>
<td>1,919,650</td>
<td>1,068,047</td>
<td>57</td>
<td>415,878</td>
<td>22</td>
</tr>
<tr>
<td>1868</td>
<td>2,188,197</td>
<td>891,514</td>
<td>41</td>
<td>788,035</td>
<td>36</td>
</tr>
<tr>
<td>1869</td>
<td>2,497,127</td>
<td>1,266,614</td>
<td>51</td>
<td>90,228</td>
<td>32</td>
</tr>
<tr>
<td>1870</td>
<td>2,562,391</td>
<td>865,414</td>
<td>34</td>
<td>1,132,298</td>
<td>44</td>
</tr>
<tr>
<td>1871</td>
<td>2,657,715</td>
<td>876,025</td>
<td>33</td>
<td>1,312,129</td>
<td>50</td>
</tr>
</tbody>
</table>

capitalists; they tended to avoid risky investments in non-traditional export products. However, once the commercial viability of a new commodity was established, they would move in, seeking to capture the gains from this trade through their control of credit and preferential trading contacts. This was the case with indigo during the colonial era and cochineal after independence. Because of the coffee planters' greater need for credit, the established merchant families were able to control the coffee industry to an even greater extent than they had been able to achieve with either indigo or cochineal. (McCreery, 1976 &1981) The terms of loans tended to be unfavorable to planters: interest rates were high, and credit was usually only extended on a short term basis. Loans were typically secured against the crop and oftentimes carried an obligation to sell to the creditor at a predetermined price. "By manipulating credit and transport these merchants were able to restrict coffee production to a level which suited existing facilities and yielded easy profits." (McCreery, 1976, p.440) Foreign planters who had independent access to foreign markets and credit were better able to circumvent Guatemala City's commercial oligopoly than were most nationals. This helps to explain why Guatemala was to develop the largest enclave of foreign planters of any Central American country. It also is one reason why rapid growth of coffee cultivation did not occur until foreign capital became available in sufficient quantities to break the control exercised by a handful of local merchants.

The initiation of commercial coffee production in Guatemala was doubly difficult because of the major obstacles to acquiring the land and labor necessary to meet the special production requirements of coffee. In western Guatemala, considerable tracts of land which were tied up in pre-capitalist
forms of land tenure, either as communal property or church estates held in mortmain, were withheld from the land market. The characteristic pattern of settlement in western Guatemala was somewhat different than that of El Salvador, where traditional Indian communities were located squarely on the best coffee land in the country. In western Guatemala, the land most suitable for coffee cultivation was not amongst the densely settled communal lands of the altiplano, but rather in the more lightly occupied coastal piedmont. Nonetheless, piedmont lands were frequently owned by highland villages which maintained fields in two ecological zones. (Carmack, 1979; Davis, 1970) The so-called 'hot country' lands of the piedmont were important to the Indian communities as a land reserve to absorb population growth, as insurance against crop failures in one ecological zone, as a source of food during those seasons when highland fields were not producing, and as a way to vary their diet.  

Planters also frequently had difficulty acquiring sufficient labor, particularly during the harvest. One of the distinctive qualities of coffee farming is its labor intensive nature. There is no sophisticated machinery available for any stage of coffee cultivation; planting, weeding, pruning, fertilizing and harvesting are all done by hand. Harvesting is an especially labor intensive activity. In order to produce the highest quality coffee it is necessary to harvest the berries when they ripen and turn red, but because coffee ripens unevenly, so that at any given time each branch will have a few ripe berries amongst a cluster of green ones, each berry must be selected individually and each tree must be

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1Because of the staggered growing season, villages that owned ‘hot’ and ‘cold country’ lands often sustained a pattern of seasonal migration between the two zones that probably pre-dated the Spanish conquest, and which anticipated the system of migratory labor later associated with coffee cultivation. (Davis, 1970)
picked several times during the harvest season. On all but the smallest family farms, coffee growers employ a permanent labor force for planting, pruning, weeding, and the like, and a substantial number of seasonal workers to bring in the crop. Consequently, with varying methods and degrees of success, planters have historically been engaged in a constant search for cheap labor.

In order to attract seasonal labor from the Indian communities of the altiplano to the estates located in the relatively depopulated piedmont areas, Guatemalan planters had to offer cash advances: oftentimes a difficult proposition because of the scarcity of credit. Moreover, even when they had access to credit, planters often found that much of the indigenous population was uninterested in estate labor, at least at the wages that were being offered.

Resistance was rooted in the nature of the highland socioeconomic formation; put simply, at the outset of the coffee boom inhabitants of the highlands had little need of or desire for wage labor. Most communities in the late nineteenth century retained access to sufficient resources to support their populations, whether by subsistence agriculture alone or by agriculture combined with petty commodity production and trade. Because the existing village system largely satisfied the material and social-ritual needs of the indigenous population and because historical experience indicated that entry into the ladino sphere almost always had injurious results for the individual and the community, Indians would not go voluntarily into the coffee fields. (McCreery, 1986, p.103)

Even in areas of the western highlands, where there was a shortage of agricultural land, there was persistent resistance to estate labor. The indigenous population lived for the most part in closed communities which, through three and a half centuries of colonial domination, had developed belief systems and village political structures which limited external contacts and discouraged individualistic economic pursuits. Village leaders sought, sometimes forcefully, to prevent land-poor peasants from migrating to areas
where the new estates were being constructed. Moreover, peasants who did enter the national economy, were often drawn into petty commodity production or local commerce rather than into labor on the coffee estates. (C.Smith, 1984; McCreery, 1986)

**Conservative Policies of Export Diversification**

The Carrera administration was initially reticent to implement liberal economic policies or to otherwise foment development that might significantly transform the colonial social order. However, by the mid-1850’s the Conservatives were also increasingly concerned about the country’s (and the national government’s) dependence upon cochineal exports. In 1852-3 a devastating series of storms ruined the cochineal crop. Recession and a short-term government fiscal crisis were the immediate result. (Cambranes, 1985) During the late 1850’s cochineal prices began to fall because of competition from the Canary Islands and commercial use of aniline dyes. Conservative responsiveness to the needs of non-traditional export commodities increased as the cochineal industry soured and as the economic power of the coffee growers grew.

Through the course of the 1850’s-60’s, the Conservative government introduced a modest program intended to foment agricultural diversification. It imported coffee processing machinery, offered prizes for cultivating various experimental crops, including coffee, and granted exemptions from taxation to planters and from military service to estate laborers. Probably the most important Conservative policy was the revival of the censo enfitéutico, a Liberal legal device established in 1835 during the regime of Mariano Gálvez.
The censo enfitéutico was a change in property rights which allowed tenant farmers to rent communal land in perpetuity for an annual tax of three per cent of the land's value. The censo enfitéutico provided the legal mechanism with which Conservative governments could transfer common lands to coffee growers. Rarely used in the initial years of Conservative rule because of Carrera's sensitivity to peasant interests, it was gradually extended to specific localities. Experimentation with coffee in the Guatemala-Amatitlan-Escuintla region followed a government order applying specifically to that locality which permitted planters to establish private coffee farms in the native communities. (Cambranes, 1985)

Although it was an important departure from earlier Conservative policies, the revival of the censo enfitéutico was only a tentative first step towards the alienation of communal property -- one which fell well short of establishing complete private property rights. Although these usufruct rights could be inherited and leased, occupants still lacked title to the land that they farmed and were legally considered to be renters -- a fact which hindered land speculation and use of land as collateral for loans. In spite of pressures from speculators and planters, Conservatives continued to adhere to Crown law which prohibited the official sale of communal land. "The last word of the conservative government was categorical: there is no common public land which belongs to any private person." (Cambranes, 1985, p.245) Nor were Conservative rulers willing to apply the censo enfitéutico widely throughout the country, for fear of instigating widespread peasant unrest.

In some localities there were also tentative efforts by government officials to respond to the labor needs of coffee planters through revival of the
mandamiento, a variation of the colonial labor tribute. (Cambranes, 1985; McCreery, 1986) Like the application of the censo enfitéutico, the revival of the mandamiento system was not yet a policy of national scope. Generalized use of servile labor on the coffee plantations was not to become a feature of Guatemalan life until after the Liberal takeover in 1871. Departmental administrators (corregidores) enjoyed a great deal of autonomy over local affairs. They were encouraged to take measures to promote coffee production in their districts, but were given a great deal of leeway in adapting that policy to local conditions. To encourage the revival of the labor tribute, planters were to pay one real per worker to the community, a portion of which was to go to the municipal officials to defray administrative costs. "Obviously, this was an easy way of luring second rank authority, through bribery, to keep an eye on the delivery of community members." (Cambranes, 1985, p.111)

Although Rafael Carrera was clearly aware of the need to diversify exports by the end of his regime, neither he nor his successor, Vicente Cerna, were willing to accept the political risks inherent in a sweeping reorganization of land, labor and credit markets. The fear of Indian uprisings and resistance from major conservative pressure groups would not permit a radical departure from past economic policies. Conservative agricultural development policies were a piecemeal reaction to fiscal crises and political pressures. In large measure, decisions were left to departmental officials, who were given broad discretionary powers to adjudicate property disputes and to promote agriculture as they saw fit. There was much room for local lobbying and for abuse of authority by second rank officials. At the national level, Conservatives failed to commit substantial resources to improving the primitive
transportation infrastructure and they never did develop a coherent national policy with regards to the critical question of reorganizing factor markets. Coffee farming in Guatemala initially developed with only modest government assistance.

The Social Effects of Coffee Cultivation

The spread of coffee cultivation along the Pacific littoral and into the backlands of Verapáz was associated with the enclosure of communal lands and the substitution of commodity production and market relations for traditional forms of production and exchange. These innovations had socially explosive effects. The transition to commercial agriculture generated a series of cross-cutting social conflicts: disputes that pitted neighboring Indian villages against one another, traditional peasant communities against planters and mestizo peasants, and planters versus the old merchant-clerical elite.

The social effects of the coffee industry were much greater than those of any previous sort of commodity production. The unprecedented growth of the coffee trade effectively integrated a pre-capitalist economy into the world market and quickly brought the extension of a money economy and market exchange into remote corners of the Guatemalan highlands. Unlike cochineal production, which had been concentrated around the capital and in the eastern provinces where agriculture was already partially commercialized, coffee cultivation brought market forces to bear on traditional peasant communities in remote areas. The comparatively great social effects of coffee production were also partly due to the fact that the labor demands for coffee cultivation were so much higher than for other commodities. The search for
cheap labor brought market and political forces to bear on peasant communities that were situated well away from the coffee producing regions.

Throughout the second half of the eighteenth and the early decades of the nineteenth centuries, long before the development of commercial coffee cultivation, disputes over land in the highlands of western Guatemala already filled the courts and periodically instigated peasant unrest. Population growth and localized land shortages in the most densely settled districts were the background to these conflicts. (Cambranes, 1985; Carmack, 1979 & 1981) By the middle decades of the eighteenth century, the indigenous population had recovered from the demographic disaster of the early colonial period. Thereafter, migration to 'hot country' lands and endemic disputes both within and between indigenous communities over the allocation of communal property appear to have increased. Typical patterns of conflict within indigenous communities included: struggles between community leaders, through whom hispanics sought to manipulate community affairs, and peasants tied to communal property; attacks directed against resident ladinos, as a consequence of the usurpation of land; and attempts to prevent land-poor Indian villagers from fleeing their villages. Carmack also documents a pattern of inter-communal conflict in the provinces of Totonicápan and Quiché that lasted for well over a century. (Carmack, 1979 & 1981) Cambranes describes the aggression by a number of large, commercially dynamic indigenous communities that produced wheat for the domestic market against smaller neighboring villages. (Cambranes, 1985) This readiness of peasants to fight over land became an important element of the political conflicts of the 1870's. In 1869-70 there was a major uprising against the Conservative government
in western Guatemala led by General Serapio Cruz. His soldiers were poor peasants who hoped to acquire land from the church or Conservative landholders. Cruz's platform included the recovery of expropriated peasant landholdings and suspension of the unpopular government monopoly on liquor. The shock troops of the Liberal revolution which began in 1871 were also peasant militiamen who often fought in hopes of acquiring land. Liberal leaders often compensated their troops with lands confiscated from other communities.

In this context, where there was already land scarcity and endemic conflict, the new opportunities presented by the emergent coffee industry caused land values to rise and triggered a land rush. For the most part, hacendados and ladino peasants had previously been drawn towards Guatemala's less densely settled eastern departments. Now, they migrated into areas where the Indian communities held lands. The Hispanic immigrants sometimes established legal claims to communal lands through the censo enfitéutico, but often they simply squatted on terrenos baldíos or tierras comunales. Cattle were used by coffee planters to encroach upon the fields of indigenous communities, ruining crops and creating the basis for a legal claim to large quantities of untitled communal land. Based on his archival research of court records, newspaper accounts and the reports of alcaldes and corregidores, Julio Cambranes describes a pattern of increasing conflict over land in the coffee producing regions during the 1850's-60's. (Cambranes, 1985) Legal disputes over conflicting claims to property were common and, increasingly, there were also incidents of localized violence directed against the growers who had gained access to communal lands. Indian peasants sporadically
destroyed coffee groves and processing facilities, and attacked planters, their employees and their cattle.

The nature of these land conflicts was conditioned by the generally chaotic state of land titles. Much land had a long history of conflicting claims; property boundaries were often vague and disputed, and many occupants lacked title to their property. The confusion over property rights, which was common throughout Central America, was partly a legacy of a colonial policy of seldom granting title or clearly defining the boundaries to the communal lands of Indian villages. (Davis, 1970) Confusion over land titles was also a problematic legacy of Spanish land laws dating from the reconquista which applied to conquered or frontier territories. For frontier regions, where it was important to encourage colonization, Spanish law confirmed land ownership subsequent to settlement. Claims were based on a period of uninterrupted occupation. Boundaries were seldom surveyed and documentation of claims was often inadequate. Where boundaries were contested, possession was a key consideration in adjudicating the dispute. Cattle grazing made it possible to possess and thus claim extensive landholdings at relatively low cost, but this also contributed to land disputes as large claims were based on the wanderings of free ranging herds. Vague boundaries were not a matter of general concern in the seventeenth and early eighteenth centuries when the population was comparatively low, commerce was stagnant, and much land was dedicated to cattle grazing and shifting, slash and burn agriculture, neither of which were particularly intensive types of land utilization. But with demographic growth and the advent of commercial coffee production, the rise
in land values created an incentive to establish private claims; hence, the proliferation of land disputes beginning in the late 1850's.

The prevalence of pre-capitalist forms of landholding, vague property boundaries and untitled lands were clearly hindrances to real estate speculation and the conversion of suitable farmland to coffee cultivation. However, it is not so obvious that land conflicts would have been substantially reduced if there had been fewer restrictions on the use or sale of communal, ecclesiastical or state lands. An emergent group of planters aggressively sought concessions that could only be delivered at the expense of the church and traditional peasant communities. These planters were not satisfied with renting communal land under the terms of the censo enfitúitico. They wanted outright ownership of communal lands. Furthermore, they sought those lands at bargain prices; planters were not so much interested in buying agricultural land as they were in expropriating it. The expropriation of communal and ecclesiastical lands as well as Indian labor became a prevalent form of capital accumulation, especially after the Liberal takeover in 1871. Racism and anti-clerical liberalism provided ideological justification for the seizure of village and church property. Finally, planters were not satisfied with access to small and medium-sized holdings on the margins of the communities, but wanted to establish large estates. Thus, increasingly there emerged a pattern of localized, zero-sum land disputes in which planters would not be satisfied with anything less than the enclosure of large tracts of communal lands, a development that the communities were prepared to resist, violently if necessary.
Coffee planters gradually coalesced into a regional power block which collectively sought fundamental changes in national institutions. They sought to amend property rights, reinstitute colonial labor tribute on an unprecedented scale, acquire more favorable terms of credit, dissolve the commercial monopoly of the Consulado de Comercio, make basic improvements in the transportation infrastructure and maintain order in the countryside. These were no small innovations. Obviously, none of them could be achieved strictly through individual or local action. Gradually planters coalesced into a block of landowners united by a common set of economic interests and increasingly organized to take collective action. This was an important departure from the past, which had been characterized by weak ties amongst hacendado families and a rural elite that had little propensity to act collectively.

Since, at the national level, Conservatives never developed a sufficient response to any of the planters' concerns, coffee growers and foreign merchants increasingly identified the Conservative old guard -- which sought to preserve "a parasitic life as landlords, usurers, and bureaucrats, enjoying permanent incomes from the exploitation of rural workers, from financial and mercantile speculation, from the alcabalas and the state monopolies" -- as an obstacle to development. (Cambranes, 1985, p.119) The resurgence of Liberal-Conservative tensions in the latter half of the nineteenth century was typical of much of Latin America. Unlike the Liberalism of the 1830's, which had consisted of an isolated and weak coterie of political visionaries allied with various regional interests, the Liberal coalition of the late-nineteenth century was a far more powerful and pragmatic movement whose foremost
concern was to capitalize on new economic opportunities presented by the growth of international trade.

The commercialization of agriculture created several identifiable divisions within the Guatemalan elite which were subsumed under the Liberal-Conservative conflict. There was a split between the church and a coalition of planters who resented tithes, coveted church lands, and sought to eliminate the church as a political threat to liberal reforms. Solutions to the problem of mobilizing land, labor and capital necessitated a confrontation with the church. The church was the largest single landholder in the country; it was the major lender in a usurious credit system as well as the recipient of the tithe (diezmo) which obstructed the accumulation of capital; and the church was historically the protector of the indigenous population against predation by the creole aristocracy.

There was another conflict of interest between the old merchant families of colonial origin and a newer, more innovative group of entrepreneurs, many of whom were of foreign origin. The former were content to exploit the secure and lucrative trading advantages that were based on political privilege. Compared to their German and English counterparts, creole merchants were less innovative and less willing to take risks. The latter group was more dynamic and more willing to invest directly in agriculture. They were hindered by the limited internal market, pre-capitalist relations of production, and the scarcely monetized economy.

Amongst the agrarian upper class there was a division between innovative planters who had the resources and the inclination to engage in risky but potentially lucrative sorts of commercial agriculture, such as coffee, and
backward *hacendados*, who were risk adverse and undercapitalized, and therefore seldom invested in enterprises other than cattle and grain production. While the former sought fundamental changes in property rights, political institutions, capital markets and the transportation infrastructure, traditional *hacendados* who might have welcomed road construction otherwise looked unfavorably on proposed changes in the colonial social order.

The political conflicts that culminated in the Liberal revolution have been variously described in terms of class relations, ethnic conflict, the 'elite-regional' character of the rebellion, and personalism. (Garcia LaGuardia, 1980; McCreery, 1981) But it is apparent that the conflicts precipitated by the commercialization of agriculture were too complex to be accounted for by any monocausal interpretation. It was perhaps this multiplicity of lines of conflict that was the most distinctive characteristic of the Guatemalan experience. The combativeness and complexity of this period of Guatemalan history stand out in comparison with both Costa Rica, where there was virtually no conflict associated with the initial transition to commercial coffee production, and El Salvador, where disputes were primarily between planters and peasants over the disposition of communal lands. The rush to take advantage of the new commercial opportunities presented by the success of coffee cultivation increased the pressure on landholding villages, exacerbating existing divisions within and between those communities; it encouraged the alienation of communal lands by coffee planters and mestizo squatters, and reactionary violence by peasants in defense of their lands; and it exacerbated tensions, dating from well before independence, between the commercial-ecclesiastical
oligarchy and aspiring planter merchants over how to manage the growth of the export sector. The growth of the Guatemalan coffee industry in the 1860's precipitated a tumultuous period of social conflict which culminated in the so-called Liberal reforms of the 1870's, during which the national government actively intervened in the western highlands in an attempt to fundamentally reorganize land and labor markets. These events will be discussed in the following chapter.

**Indigo and Coffee Production in El Salvador, 1838-1881**

As was the case in Guatemala, the growth of foreign trade during the 1840's was based on the recovery of the natural dye industry. Although there was experimentation with a wide variety of non-traditional crops, until the 1860's indigo was the only export commodity of any consequence in El Salvador. (Browning, 1971) During the 1840's and 1850's a small amount of coffee was produced for domestic consumption in western El Salvador, but coffee was not generally regarded to be an especially profitable crop. (Baily, 1985) By the late 1850's, domestic production was still insufficient to meet internal demand, and coffee had to be imported from Costa Rica. The initial coffee boom did not take place until the 1860's-70's. Thereafter the volume of coffee production increased dramatically. (Browning, 1971)

In part, farmers were slow to shift to non-traditional exports such as coffee because the indigo trade was a prosperous business that local planters and merchants knew; one for which farming methods were familiar, trading contacts were already established and some credit was available. Since indigo produced a marketable harvest in the first year, it did not require long
term credit. Moreover, whether it was cultivated on haciendas or small plots, indigo farming entailed a proto-capitalist form of production that was well-suited to the difficult conditions — the general political and economic instability, and the lack of large amounts of investment capital — which characterized the early national period. Indigo farmers utilized a simple production technology that did not require large amounts of capital or labor. Theirs was a shifting, "slash and burn" style of cultivation that entailed broadcast sowing and the use of cattle to trample the seeds into the soil, rather than plowing. (Browning, 1971) To protect themselves against market fluctuations, farmers frequently combined indigo cultivation with subsistence agriculture. Indigo haciendas often included woodlands, pasture or small subsistence plots worked by sharecroppers, colonos or tenant farmers. Since cattle do not eat indigo, it was feasible to allow cattle to graze amongst the indigo seedlings. The mixture of cash crop and subsistence production allowed farmers to defend themselves against volatile commodity prices by simply living off of the land when market conditions were poor.

Insofar as it tied up entrepreneurial talent, capital and labor which otherwise might have been channeled into coffee cultivation, the recovery of indigo production initially served to retard export diversification. It was not until the indigo industry began to decline that large amounts of local capital were transferred from investments in indigo to coffee. The first major blow to the Salvadoran indigo industry was the American Civil War. The disruption of southern cotton shipments to the textile mills of New England and Great Britain caused a recession in the textile industry and, consequently, diminished demand for Salvadoran indigo. It was at precisely this time that the
Salvadoran coffee boom really began. After the American Civil War, Salvadoran indigo producers felt pressure from foreign competitors: first from Asian sources of indigo and subsequently from the European producers of chemical dyes, which ultimately rendered indigo virtually obsolete. Although the decline of indigo was less precipitous than that of cochineal, by the 1880's coffee had become the nation's leading export commodity. By 1900 it was virtually the sole source of export earnings.

The effect of the early predominance of the indigo industry on the development of coffee production was not, in the long run, altogether negative. Indigo helped to set the stage for coffee's development, in which national capital and talent played a comparatively prominent role. Indigo, which after independence was largely financed and marketed by local merchants, afforded an innovative group of Salvadoran planters and entrepreneurs the means to gain commercial experience and accumulate capital. This was an important difference from the Guatemalan case. In Guatemala, the cochineal trade sustained the old commercial order where a tiny merchant elite, rather than promoting production, exploited longstanding political and financial advantages over producers. The persistence of mercantilist restrictions and oligopolistic control over credit in that country were associated with concentrated wealth, built-in disincentives for aspiring planters, and considerable resentment against the families that benefited from this suffocating control of trade. In Guatemala, little of the wealth from the cochineal trade went into speculative investments in non-traditional exports.

In El Salvador this type of extremely concentrated commercial power was not possible. Several factors hindered political and commercial centralization:
the comparative weakness of the Salvadoran state vis-à-vis local interests; the existence of several small rival trading towns rather than a single dominant metropolitan area; and the virulent regionalist reaction against commercial regulation which had historically been associated with Guatemalan domination of trade. With respect to commerce, this comparative decentralization meant that producers and local merchants were better able to capture the gains from trade than was the case in Guatemala. Export earnings from the indigo boom of the 1840's-60's accumulated in the hands of a venturesome and innovative national elite of planters and merchants who were willing to make investments in production. To a greater extent than in Guatemala, export earnings from the dye trade appear to have subsequently been invested in coffee cultivation. Consequently, El Salvador's coffee industry became less dependent on foreign capital and entrepreneurial talent than any of the other Central American republics.

In addition to the fact that indigo production drew capital and labor away from alternative crops, the development of commercial coffee cultivation was hindered by various obstacles to the acquisition of suitable land. In several major respects, El Salvador's land tenure situation after independence was similar to that of the rest of Central America. El Salvador also inherited a colonial legacy of precapitalist forms of property, vague and disputed property boundaries and land that was commonly occupied by peasants who lacked clear title. As was the case in Guatemala, large amounts of arable land were tied up by traditional landholding villages. Here too, the growth of export agriculture through the course of the nineteenth century brought rising land values and an enclosure movement as would-be planters rushed to establish
private claims to state or municipal lands. This process of private acquisition of common land was greatly complicated by vaguely defined property rights. From the mid-1860's, when the great expansion of coffee production began, there are indications of innumerable disputes caused by attempts to usurp these common lands.

There were also several characteristics of El Salvador's land tenure situation that were unique to that country. Unlike Guatemala, in El Salvador the Catholic Church was not a major rural landholder. Here, church property was for the most part urban. Thus, although there was an element of anti-clericalism in Salvadoran politics, antagonism between Liberals and the church was not particularly aggravated by the push to appropriate farmland. Secondly, in El Salvador the best coffee land was located in the densely populated central plateau, rather than the coastal piedmont. The initial enclosure of communal lands to form coffee estates was not a question of enclosing the sparsely populated 'hot country' lands of distant highland villages. Here, large villages were located squarely on the best coffee land.

Finally, even as early as the latter half of the eighteenth century there was already comparatively little unoccupied land available for cultivation anywhere in El Salvador. El Salvador lacked the open frontier that existed in Costa Rica and, to a lesser extent, Guatemala. However isolated and inhospitable, the Ixcán, Petén and other such regions offered an outlet for some Guatemalan peasants who lost access to communal landholdings. No such escape was available to the Salvadoran peasantry. Population growth and the concentration of landholdings resulted in land invasions by mestizo peasants as early as the late eighteenth century. Thereafter the land shortage became
progressively more serious. (Bailey, 1850; Munro, 1918; Browning, 1971; Durham, 1979) To a greater extent than in neighboring countries, land enclosures in El Salvador during the latter half of the nineteenth century would create a huge land-poor peasantry that would serve as a labor pool for the new coffee estates.

Policies of Export Diversification

As was the case in Guatemala, as the dye industry stagnated Salvadoran leaders became concerned about dependency upon a single export commodity. There was a growing consensus amongst the elite that, as Browning puts it,

> If the young nation was to be able to conduct wars, protect its still largely undefined frontiers, import manufactured goods and develop its ports, roads and administration, agriculture, always the basis of the country's economy, had to be expanded in order to generate the necessary revenue. (Browning, 1971, p.145)

Hence, there was experimentation at both the municipal and national levels, and by both Liberal and Conservative governments, with policies to promote the diversification and development of export agriculture.

Early policies of export development in El Salvador were, in general terms, similar to those being tried in Guatemala at roughly the same time. Growers of various experimental crops including cacao, balsam, rubber, coffee, wheat, tobacco, vanilla and agave were favored with tax exemptions, freedom from military service for their workers and prizes for production. During the presidency of Francisco Dueñas (1863-71), a Conservative, efforts were made to improve docks and roads. During the regime of President Santiago
González (1871-6), government nurseries were established in order to propagate coffee seedlings. (Kerr, 1981)

But towards the difficult question of the disposition of state and communal lands, successive administrations did not quickly develop a coherent response. Salvadoran leaders of both parties were initially hesitant to do more than tinker with the established system of common lands. Here, as in Guatemala, this issue was initially dealt with at the municipal level. In 1855, the planting of coffee trees was made a legal criterion for private claims to communal lands in Santa Tecla. (Browning, 1971) This measure instigated a period of rapid land appropriation in that community. During the Dueñas administration, enclosures became common in many more localities, but disputes were still adjudicated and titles granted by local authorities. Only gradually did the enclosure of state and communal lands become a national policy. During the regime of President Gerardo Barrios (1859-63) government haciendas were transferred to coffee planters. But not until 1879 was a national legal mechanism created that would facilitate the wholesale transfer of communal land into the hands of individuals who planted certain crops.

The Social Effects of Coffee Cultivation

As was the case in western Guatemala, there was a pattern of localized disputes in El Salvador prior to the advent of coffee. Here too, population growth, land scarcity, confused land titles and disputed property boundaries formed the background to these conflicts. But the region had its distinctive elements as well. In El Salvador and eastern Guatemala, where cattle haciendas were common, wandering herds were sometimes used to establish
claims to extensive tracts of land. In part, the establishment of extensive but underutilized landholdings was intended to deny freeholdings to peasants, thus cornering them into servitude on the estates. With the growth of the indigo trade in the eighteenth and nineteenth centuries, and the high demand for seasonal labor in the indigo processing shops (obrajes), pressure on traditional landholding villages increased. (Browning, 1971) In some localities, particularly those close to indigo obrajes, traditional Indian communities were virtually surrounded by, and ultimately absorbed into, expanding haciendas.

In this context, the collapse of the Spanish rule in the 1820's had a significant impact.

With independence, final authority became invested in a national government that was free from external restraint, responsible only to itself, and able to pursue policies that were amenable to its own interests and justified by appeal to newly imported 'laissez faire' economic theories. (Browning, 1971, p. 146)

During the colonial era, peasants had sometimes been able to check infringement upon their lands by appealing to the Crown. In provinces such as El Salvador, where there was a large and locally autonomous landed elite, independence meant that hacendados were now relatively free to encroach upon communal lands without fear of some higher authority. At the same time, the elimination of mercantilist restrictions, the establishment of direct trading connections with Western Europe and North America, and robust foreign demand for indigo created unprecedented commercial opportunities for rural notables, who became all the more intent upon acquiring land and labor for the production of export commodities. (Browning, 1971) Consequently, after independence there was increased pressure on traditional landholding villages and a new series of local land disputes. Furthermore, an oligarchical
government largely representing landed interests instituted a new fiscal policy, the main features of which were regressive taxes and government monopolies designed to make peasants shoulder the financial burden of national development. These local and national measures instigated a series of reactionary peasant uprisings during the period of anarchic violence that followed independence. The most serious peasant unrest -- uprisings which attained a regional rather than a strictly local scope -- occurred in eastern Guatemala and El Salvador, areas characterized by this combination of indigo production and extensive cattle estates. In western Guatemala, where there were fewer haciendas and virtually no farms dedicated to export agriculture, disputes tended to be of a more localized nature.

Into this context of land scarcity and local conflict, the rapid growth of commercial coffee cultivation introduced some new elements. As in Guatemala, the coffee boom triggered a land rush; its spread was associated with the enclosure of state and communal lands. New pressure was brought to bear on Indian communities, particularly in western El Salvador, a region that had previously been somewhat less effected by the resurgence of the indigo trade. The general features of the struggle between planters and peasants in El Salvador were similar to those of the Guatemalan case, except for one important geographic difference: because many Salvadoran Indian communities were located squarely on prime coffee land, the confrontation between planters and peasants was perhaps more immediate and more direct in that country. In Guatemala, where most of the indigenous population was concentrated in highland areas that were not suited for coffee cultivation, the alienation of communal lands in the piedmont regions suitable for coffee did
not at first necessitate any fundamental change in the overall system of communal landholdings. But in El Salvador, the initial encroachment of coffee estates upon communal lands amounted to nothing less than a frontal assault upon the largest remaining concentration of traditional landholding villages in the country.

Planters and merchants complained that archaic precapitalist forms of land tenure were an obstacle to economic progress. Gradually the tensions created by this land rush coalesced into a national issue. There was growing pressure for a legal mechanism that would permit private commercial utilization of common lands. Initially, this was widely perceived to only necessitate some revision in the system of property rights pertaining to common lands, not their outright abolition. (Browning, 1971) However, a government land survey conducted in 1879-80 found that

over one quarter of the country was claimed under some form of communal land tenure; (and that) these common lands were not fully utilized and those that were cultivated generally produced subsistence crops. After the size of this obstacle to the rapid extension of coffee production had been appreciated, the government attitude to these lands changed: the desire to reform the existing structure of communal lands was replaced by a determination to abolish it. (Browning, 1971, p.202-3)

As was the case in Guatemala, Salvadoran coffee planters gradually coalesced into a power block which collectively sought solutions to a variety of commercial problems that could not be resolved at the local level. They hoped that the national government would make fundamental changes in property rights, improve the transportation infrastructure and maintain order in the countryside. In both countries, the development of a 'national bourgeoisie' tied to export agricultural, united by a common set of economic interests and
increasingly reliant upon government intervention in support of the planters' interests was a major historical development that would permanently alter the relationship between the state and the landed elite.

There was, however, an important difference between the Guatemalan and Salvadoran cases. In Guatemala, this coalition of planters might be best characterized as a regional elite. Guatemalan planters not only came into conflict locally with landholding villages struggling to retain common lands, they also fought with other major factions of the Guatemalan aristocracy, particularly with the old merchant families of the capital and with the leadership of the Catholic Church. Thus, the expansion of commercial coffee production into western Guatemala produced a crisis of the old order, where the country was paralyzed by intra-elite divisions at the national level and localized class-ethnic conflicts over land. In El Salvador, a different alignment occurred. There, struggles between factions of the aristocracy were much less serious. In fact, unlike Guatemala, the spread of commercial coffee production appears to have been associated with the diminution of intra-elite conflicts in El Salvador. (Munro, 1918) The diminution of political violence during the 1840's and 50's and the subsequent expansion of coffee cultivation opened new opportunities for wealth and power. Consequently, the governing class began to change its focus from politics to agriculture -- from the redistribution of wealth to its production. The rural aristocracy, regardless of party affiliation, generally gave its support to coffee. Moreover, although there were anti-clerical tendencies within the Liberal movement, because the church lacked extensive rural property holdings and played less of a protective role with regards to the peasantry, it did not have interests that would lead it into direct
conflict with would-be coffee planters over policies of agricultural development. The conflicts associated with the expansion of coffee cultivation were more exclusively those between planters and peasants over land and wage related issues. This was a confrontation that the peasant communities were bound to lose. The balance of power between peasant communities and hispanic landowners was perhaps even less favorable to the Indian communities than was the case in western Guatemala, where traditional Indian communities were more numerous and hacendados were fewer.

**The Expansion of Coffee Cultivation in Costa Rica, 1835 - 1870**

The expansion of commercial coffee cultivation in Costa Rica followed an altogether different pattern of development. In Costa Rica, coffee cultivation got a three decade headstart over the rest of the isthmus. During the 1820's it was grown on a small scale for internal consumption. Small quantities of Costa Rican coffee were exported on an irregular basis during the 1830's, going to Valparaiso, Chile, where it was blended with inferior varieties and reexported to Europe. Production continued to expand gradually throughout the 1830's and 40's, although exports were hampered by the lack of regular and affordable overseas shipping. By the early 1840's, surpluses had begun to accumulate because Pacific coast shipping tonnage was insufficient to carry all of the coffee that was being produced in Costa Rica's Valle Central. In 1843 a group of Costa Rican growers, anxious to market their crop, turned over an entire cargo to a passing British sea captain on trust, thus absorbing all of the financial risks of getting it to the market. The first shipment of high quality Costa Rican coffee was well received in the London market and, as an
The immediate result, a regular direct shipping connection was established to Europe. In 1845, 29 ships carried Costa Rican coffee directly to Europe, bringing back an infusion of foreign credit and entrepreneurial talent. (Hall, 1982) Thereafter, Costa Rican exports expanded more rapidly; by the late 1840’s Costa Rica was experiencing its first major export boom.

One of the paradoxes of Central American history is that it was Costa Rica, the poorest colonial province by far, which ultimately became the most prosperous of the region’s new nations. Due almost exclusively to the expansion of coffee cultivation, Costa Rica enjoyed a startling rate of sustained economic growth throughout the last two-thirds of the nineteenth century. Between 1840 and 1890 Costa Rican exports grew at a rate of 6-8% per year per capita, one of the highest rates in the world. The rate of national income growth during the period from 1843-94 was 5.3% per year, 3.3% per year per capita. The first figure was surpassed only by the U.S. and the second was the highest in the world. (Vega Carballo, 1983, p.264-5)

Comparative estimates of life expectancy, based on techniques for reconstructing life tables where vital statistics are missing, also suggest that, from 1864 on, life expectancy in Costa Rica was much higher than that in other Central American countries. (Arriaga, 1968) Other indicators of Costa Rica’s early development include the fact that it became the first country in the region to repay its share of the foreign debt contracted by the federation, the first to organize programs of road, railroad and port construction, and the first to make major urban improvements including the installation of electric street lighting and a streetcar system in San José during the 1880’s. (Meléndez, 1983)
Costa Rica's coffee industry began its steady growth at a time when market conditions were not altogether propitious: world demand was not great, transport costs were high and little foreign credit was available. Moreover, Costa Rican planters faced an endemic labor shortage that they were never able to satisfactorily resolve. Given these obstacles, what special advantages did Costa Rica have that account for its early start? Costa Rica's principal advantage was an abundance of land ideally suited for coffee cultivation, much of which was unoccupied. Beyond that, Costa Rica lacked many of the harmful vestiges of the colonial social order which obstructed coffee's development in neighboring countries. It had comparatively little civil strife after independence; it lacked a dye industry or any other competing agricultural sector that might absorb capital and entrepreneurial talent; and it lacked entrenched colonial interest groups which might see free trade or other liberal economic policies as a direct threat to their position.

The Regional Mode of Production: The Distinctive Characteristics of Costa Rica's Coffee Industry

In Costa Rica, coffee began as a frontier crop. Its early development was conditioned by three factors: (1) an abundance of land; (2) a scarcity of labor, due to the small population base and because few peasants were willing to become wage laborers where there was land available; (Hall, 1982) and (3) the initial lack of investment capital.
Land

With regards to land tenure during the mid-nineteenth century, Costa Rica differed from its neighbors in two important respects. First, with a small population of approximately 60,000 at the time of independence, there was comparatively little pressure on the land. Most of the country was uninhabited, and even within the Valle Central there was a reserve of uncultivated land, much of which was ideal for coffee. Secondly, the pattern of land tenure inherited from the colonial period was conducive to the development of private property. Unlike their counterparts elsewhere in Central America, Costa Rica’s would-be coffee planters did not face a church with extensive landholdings or solidaristic Indian communities fighting to hold their communal property.

The complex pattern of land tenure inherited from the colonial period included a mixture of estates, smallholdings, village property (ejidos and tierras comunales), state lands (terrenos baldíos) and a few modest church estates. Much of the peasantry occupied land that they did not own, either renting municipal lands or squatting on terrenos baldíos. Both municipal and national governments took an early interest in promoting commercial agriculture. A major facet of this policy was the transfer of public lands to private individuals at little or no cost. During the 1820’s, well before the commercial success of coffee, municipalities began making grants of public

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2 By the late 18th century, there were a number of important church estates dedicated to cattle production in the Valle Central and the Nicoya peninsula. The former produced cattle for domestic consumption and the latter for export to Nicaragua. However, during the first decade of the 19th century, the Spanish government confiscated most of these church lands and sold them to private individuals. (Gudmundson 1983) This action was part of a general Spanish policy at the time to resolve a fiscal crisis of the Spanish state by transferring wealth from the colonies to Spain.
land specifically to promote coffee cultivation. (Cardoso, 1973; Hall, 1982) The national government encouraged private exploitation of state lands when, in 1831, it declared that anyone cultivating coffee for five years on térrenos baldíos would receive title to that land. (Hall, 1982) Under President Braulio Carrillo (1835-42), the national government emitted legislation that provided the legal mechanism for the enclosure of state lands and which made it relatively easy for peasants, as well as local notables, to acquire legal title. During the second administration of Braulio Carrillo (1838-42), a period of particularly active export promotion, the government went so far as to order the expropriation and reallocation of abandoned lands in an effort to promote their active development. (Gutierrez Espeleta, 1981) Between 1822 and 1850, 84,889 hectares of public land were sold to private individuals and an additional 17,749 hectares were bestowed in grants: This was more property than the colonial government had allocated in the entire period from 1584 until independence. (See table 3.2) The success of coffee exports after the depression of 1848 gave still greater impetus to the transfer of public lands to private individuals.

As was the case in Guatemala and El Salvador, the success of coffee cultivation instigated a land rush and pressures to recognize private claims to state or communal property. In those countries this land titling process led to extensive enclosures and the rapid concentration of landholdings: the creation of large coffee estates and the growth of a land-poor peasantry. The rise of a large landless population was associated with the spread of wage labor, debt servitude, the colono system and similar arrangements whereby land-poor peasants were inexorably drawn into work on the great estates.
### Table No. 3.2

**Private Appropriation of Public Lands in Costa Rica, 1584-1890 (hectares)**

<table>
<thead>
<tr>
<th>Period</th>
<th>Through Sale</th>
<th>Through Grants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1584-1821</td>
<td>77,487</td>
<td>12,127</td>
<td>89,614</td>
</tr>
<tr>
<td>1822-1839</td>
<td>56,439</td>
<td>13,896</td>
<td>70,335</td>
</tr>
<tr>
<td>1840-1850</td>
<td>28,450</td>
<td>3,853</td>
<td>32,303</td>
</tr>
<tr>
<td>1850-1860</td>
<td>53,769</td>
<td>34,413</td>
<td>88,182</td>
</tr>
<tr>
<td>1860-1870</td>
<td>35,783</td>
<td>6,389</td>
<td>42,172</td>
</tr>
<tr>
<td>1870-1880</td>
<td>52,329</td>
<td>34,727</td>
<td>87,056</td>
</tr>
<tr>
<td>1880-1890</td>
<td>54,535</td>
<td>86,225</td>
<td>40,760</td>
</tr>
</tbody>
</table>

Source: Cardoso, 1975, p.12.
With regards to Costa Rica, there is a debate amongst specialists concerning the initial consequences of the expansion of coffee production and the privatization of landholdings. Numerous scholars have argued that, in the Costa Rican case, the growth of commercial agriculture also brought a more concentrated distribution of agricultural land. Perhaps the most extreme statement of this hypothesis is found in the work of Mitchell Seligson, who asserts that coffee cultivation brought the "ruination" of smallholders, as peasant proprietors were inexorably squeezed off of their lands and forced into the allegedly swelling ranks of the rural proletariat. (Seligson, 1980) The contention that landholdings were becoming concentrated in the hands of a small number of wealthy proprietors is partially supported by analyses of samples of private real estate transactions, which indicate that a small percentage of persons were making multiple purchases and accumulating property. (Moretszohn de Andrade, 1967; Churnside, 1981) Hall, Peters Solórzano and Cardoso also document land acquisition on specific estates, although they do not share Seligson's draconian vision of the decline of peasant proprietors. (Hall, 1982; Peters Solórzano, 1980; Cardoso, 1977) However, numerous researchers have pointed to major shortcomings in the evidence on land concentration. (Baires, 1978; Churnside, 1985; Gudmundsón, 1985) The studies of private real estate transactions only substantiate one particular process of property transfer (Churnside, 1985) and they tend to focus on the region around the towns of San José and Heredia, which are not representative of the entire Valle Central. Furthermore, Baires shows that most property transactions were between large holders, and therefore did not substantially effect the distribution of land amongst peasant proprietors.
The most devastating attack on the hypothesis of land concentration and rural proletarianization comes from Lowell Gudmundson, who points out that Seligson's argument is based on the conventional, but unsubstantiated, assumption of the predominance of small family farms prior to the coffee boom. Those who have accepted this assumption tend to see any inequality in the mid-nineteenth century as a consequence of the growth of commercial agriculture after independence. Gudmundson's research, which shows that considerable numbers of land-poor or altogether landless peasants resided in and around the older settlements of the Valle Central prior to the advent of coffee, gave him an unconventional vantage point from which to consider the trends of the mid-nineteenth century. He does not deny that the privatization of public lands entailed the displacement of some peasants and the consolidation of a few moderately large coffee estates in some localities, but he concludes that, in comparison with Costa Rican society before coffee, the most distinctive feature of the late nineteenth century was the proliferation of titled smallholdings. In other words the success of the coffee trade actually was associated with "the strengthening of the pattern of privatized smallholding, a pattern that had previously applied to only a minority of the population", not its destruction. (Gudmundson, 1986, p. 78)

Gudmundson suggests the following scenario, to explain this development. Prior to the development of a viable agricultural export sector, peasants tended to cluster around established settlements, which were the only viable market for agricultural produce. Isolated frontier lands were not of sufficient value to attract many settlers. Peasants tended to move away from older

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3 For a review of the literature, see Gudmundson, 1986.
villages only when they were squeezed by demographic pressures within those communities, and when they did move, they tended to reproduce the pattern of nucleated settlements in new areas, perpetuating the pattern of a stratified village society in which landless peasants were employed in cottage industry, as domestic servants, or as casual labor. The success of the coffee trade offered new opportunities to the peasantry and altered patterns of internal migration, encouraging outmigration from the towns and a more dispersed pattern of settlement. This altered class relations as the situation in the established towns rapidly changed from an abundance of labor, to the chronic labor shortage that was to be a cardinal characteristic of Costa Rican life until the late twentieth century. Thus, Gudmundson sees nineteenth century Costa Rica’s comparatively egalitarian social structure as largely a consequence of the coffee boom, rather than a casualty of it.

Whether or not this characterization of the effects of the spread of commercial coffee production is accurate, it is clear that land titling did not lead to the extreme concentration of landholdings. Nor was the privatization of common lands associated with either the sort of sporadic rural violence that became a constant feature of the land rush in the other coffee exporting republics or an attempt to hold labor on the land. In Costa Rica, peasants remained free to move and to own land.

By the late nineteenth century, the most distinctive feature of the coffee farming region in Costa Rica’s Valle Central, was the predominance of titled smallholdings utilizing family labor. (Cardoso, 1973 & 1977; Hall, 1982; Stone, 1963; Torres Rivas, 1975) Amongst Costa Rica’s coffee farms “there was an absolute predominance of small farms, in terms both of numbers and
of the total area of land occupied, and there was a marked tendency for even these to be divided up, through inheritance, into tiny plots of land."

(Cardoso, 1977, p.176) Although the consolidation of some moderately large farms has been well documented, the amount of land held by these large estates was comparatively small. (Hall, 1982; Peters Solorzano, 1980; Cardoso, 1975 & 1977; Stone, 1963; Paige, 1986) Moreover, "the Costa Rican 'great estate' of the Meseta Central -- that is, farms of 50 manzanas (34.50 hectares) -- would scarcely be regarded as even a medium-sized property in other coffee-producing countries of Latin America." (Cardoso, 1977, p.176)

Paige shows that, within Central America, the largest farms in Costa Rica were indeed considerably smaller than those in Guatemala, but about the same size as those in El Salvador and Nicaragua. (Paige 1986)

The predominance of small holdings may be attributed to several factors including: (1) fragmented landholdings in the Valle Central; (2) the early lack of capital; (3) and the endemic labor shortage. The fragmented pattern of land occupancy in the Valle Central inherited from the late colonial era made it difficult to consolidate large parcels of land. This is clearly demonstrated by a regional difference amongst Costa Rica's coffee farms. Around the older settlements of the Valle Central land acquisition was piecemeal and large farms were often fragmented. (Hall, 1982; Cardoso, 1975 & 1977; Peters Solórzano, 1980.) Only on the sparsely settled frontier margins of the Valle Central, in areas such as the Turrialba-Reventázon valley and the region from Alajuela to San Ramón, was it possible for speculators to acquire larger parcels of uncultivated land. (Hall, 1982) It was there that somewhat larger
and more consolidated farms were established in the late nineteenth and early twentieth centuries.

The Costa Rican coffee industry first developed in an era of capital scarcity. Throughout the middle decades of the nineteenth century the economy was not fully monetized (Young, 1925), there were no banks, and local capital was insufficient to satisfy demand. A few established families who had been involved in the minor tobacco and gold mining operations of the late eighteenth and early nineteenth centuries had accumulated small amounts of capital which they invested in moderately large coffee farms, but their access to capital was limited and exceptional. Financial constraints contributed to the consolidation of the small family farm as the predominant unit of production.

Farmers generally needed capital for two things: to pay labor and to subsist for three to five years, until the arrival of the first crop. Small farmers could reduce their capital requirements by relying on family labor and engaging in subsistence production. For large farms, with their much greater labor requirements, reliance on family labor was not an option, particularly during the harvest.

Finally, because of Costa Rica's small population and its abundance of unsettled arable land, estate owners had difficulty acquiring enough laborers to work large farms, especially at harvest time. Therefore, wages were comparatively high. Moreover, because of labor scarcity, the harvest in Costa Rica was prolonged and it was not always possible to pick the entire crop.
The Peasantry

The rapidly increasing demand for labor caused by the expansion of coffee cultivation occurred in the context of a society with a small demographic base, an open agricultural frontier and a state that historically lacked the ability to concentrate the peasantry and establish a servile labor system. The abundance of open land, in effect, raised opportunity costs for labor. In the face of low wages or attempts to institute servile labor, peasants were always able to set off for open lands on the frontier. Offspring who did not inherit land and those who lost or sold their plots did not necessarily have to enter the ranks of the rural proletariat. During the colonial period the frontier movement undermined attempts to establish the repartimiento system of labor tribute. After independence, there was fairly continuous outward migration from the Valle Central until the closing of the frontier during the 1960's. (Barahona Riera, 1980; Hall, 1985)

Costa Rican peasants were able to take advantage of the expansion of export agriculture in a number of different ways. Whether working on a full-time basis as wage laborers or simply hiring out slack family labor at harvest time, most of the peasantry enjoyed rising wages. Although wage data is insufficient to detail changes in workers earnings, there is no debate about the general pattern of rising wages during the coffee boom. (Hall, 1982; Cardoso, 1975 & 1977; Seligson, 1980) Landholding peasants also enjoyed rising prices for both coffee and foodstuffs.4 Furthermore, as the value of their land rose, agricultural commercialization created a movement of peasant land

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4 As land was converted to coffee cultivation there was an astronomical rise of food prices. Those peasants who were on the fringes of the coffee region, who had land that was not suited to coffee, could take advantage of the boom by marketing foodstuffs. (Cardoso, 1977)
speculators, who would colonize land, establish a legal claim to it, improve it and then sell it to move on to a new plot. Finally, a significant portion of the middle peasantry worked on a seasonal basis as independent teamsters. Until the completion of the Atlantic railroad in 1890, coffee was transported from farm to market exclusively by mules or ox carts. Even after the completion of the railroad, ox carts remained an ubiquitous part of Costa Rica's rural economy. Entry costs into the transport business were low: all that was needed to begin was an ox cart and team. Because of its labor intensive nature and its low capital requirements, merchants were not attracted to the business of moving the coffee to ports. At harvest time, several thousand independent peasant contractors were employed as teamsters. Churnside asserts that there were strong communal ties amongst these peasant families which prevented aggressive competition between teamsters. (Churnside,1985) Seligson guesses that fully twenty percent of the sale price of coffee went to pay transport costs.⁵ (Seligson,1980) In sum, during the middle decades of the nineteenth century, Costa Rica's agricultural economy afforded a high degree of security and flexibility to the freeholding peasantry. (Churnside,1985)

The Cafetalero Oligarchy

At independence, Costa Rica had a small landed aristocracy of modest means that could trace its lineage to the conquistadores. (Stone,1982)

Throughout most of the the colonial period, Costa Rica offered little opportunity

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⁵ Seligson argues that the proceeds from coffee exports went primarily to middlemen, rather than to the small farmers, thus hastening the destruction and proletarianization of the freeholding peasantry. What he fails to note is that, when it came to internal transport, these middlemen and freeholding peasants were one and the same; most of the income from internal transport went precisely to the middle peasantry.
to accumulate wealth, but in the late eighteenth century, a temporary change in mercantilist policy permitted a few families involved in Costa Rica's short-lived tobacco industry to build minor fortunes.\(^6\) (Acuña Ortega, 1978) From 1815-1840 the small gold mining operations in the hills above Puntarenas provided an additional opportunity for capital accumulation, for foreign entrepreneurs as well as for locals. (Araya Pochet, 1973; Vega Caballo, 1983)

Because Costa Rica lacked a robust dye industry or any other traditional export sector that might have attracted investors, a good deal of the capital accumulated during the late eighteenth and early nineteenth centuries was subsequently invested in the nascent coffee industry. Local capital financed the first coffee farms, the initial shipments to Europe and the beginning of technical innovations in processing. (Churnside, 1985) By extending loans to smallholders cultivating coffee and making direct investments in land, processing machinery and coffee exports, prominent colonial families became important cafetaleros. (Stone, 1982)

Because of the difficulty acquiring sufficient labor to work large farms, investment capital tended to be drawn more heavily into related service activities than into direct investments in land. From an early date many upper class entrepreneurs concentrated on the processing, financial and export-related phases of the coffee business, rather than its cultivation. This is not to say that there was no investment in land. The coffee boom clearly stimulated real estate speculation, the establishment of some moderately large estates, and the development of a small planter aristocracy. But, compared to the

\(^6\) In 1787 Costa Rica was granted monopoly rights to the cultivation of tobacco within the captaincy general of Guatemala, an event which stimulated a minor export boom. In 1792 this monopoly was rescinded, causing the industry's decline.
other coffee exporting nations in the region, the scarcity of labor channeled a
greater portion of local investment capital into intermediate functions, giving
rise to diversified commercial-agro-industrial fortunes. This is an important
and distinctive characteristic of Costa Rica's agrarian social structure; one that
is essential to understanding the uniqueness of that country's politics. Unlike
elites in Central America's other coffee exporting countries, the economic
position of Costa Rica's the agrarian upper class did not depend upon their
control of either land or labor.

This movement of local capital into service activities was part of an early
transition in the Costa Rican coffee industry that was well under way by the
late 1840's. In the earliest stage of coffee cultivation there was little capital
investment, technological sophistication or occupational differentiation. Small
farmers for the most part processed and transported their coffee crop, relying
on primitive, labor intensive technology and family labor. This yeoman
peasantry was not dependent on prominent families or foreign entrepreneurs
for much of anything other than exporting the crop and perhaps some short-
term credit. By the late 1840's, however, there was a tendency toward more
capital investment in secondary services, particularly processing, finance and
marketing. This movement was accompanied by increasing occupational
differentiation, with members of the aristocracy and foreign entrepreneurs
tending to specialize in these subsidiary functions. Much of coffee cultivation
and practically all of internal transport was left to the peasantry, who were
increasingly dependent on middlemen to buy, process and market their
produce.
This tendency towards occupational specialization and the emergence of an economic elite devoted primarily to service activities was facilitated by two innovations: the introduction of wet processing technology and the linkage with foreign financial markets. A clear indication of the early movement of investment capital downstream into related service activities is the rapid dissemination of wet processing technology in Costa Rica. During the 1830’s and early 1840’s, most Costa Rican coffee farmers used the dry method of processing their crop, a rudimentary technique which involved sun-drying the coffee cherries on patios and then threshing them in order to separate the coffee bean from the surrounding pulp. The dry method of processing did not require any substantial capital investments, allowing each peasant farmer to process his own crop, but it had the disadvantage of producing coffee of uneven quality. The more sophisticated wet processing techniques, on the other hand, produced coffee beans of uniformly high quality, but required a substantial investment in machinery and related innovations. Modern wet processing operations are essentially industrial plants. Although early devices were less elaborate, they were still far more capital intensive than the alternative dry technique and were beyond the means of all but the wealthiest farmers. Some wet processing equipment arrived in the 1830’s, financed with local capital. Throughout the extended period from the late 1840’s until the economic crisis of the 1890’s, there was increased investment by the wealthier planters in wet processing technology, resulting in the widespread emergence of a diversified enterprise: the combined coffee farm-processing operation.

Since wet processing plants or beneficios, as they are known locally, could process more coffee than all but the largest farms could produce, most
beneficio owners were obliged to buy coffee from neighboring small farms. Oftentimes this entailed having to finance and market the small farmers' crop as well. Thus, the introduction of the wet processing method contributed to further downstream investment and occupational differentiation within the industry. The processor-creditor-exporter who may or may not also have investments in land became a familiar figure in the Costa Rican aristocracy.

Although the coffee industry was initiated with national capital, local resources were insufficient to finance its rapid growth. By the late 1840's, Costa Rica's coffee enclave had become linked to, and largely dependent on, British financing. Thereafter, there was a continuous foreign presence in the coffee sector, not just in the financing and export phases, but in its cultivation and processing as well.

Partly because of its great capital requirements, the export phase of the coffee business tended to be highly concentrated. In order to buy and export the coffee, it was essential to have connections to foreign financial and commodities markets. It was in this phase of the coffee business that the foreign presence was particularly notable. Foreign trading houses and a few powerful merchant families who had direct access to British credit financed and exported the coffee crop. With their personal fortunes and easy access to British capital, these merchant families acquired considerable control over the coffee industry, although many did not engage in farming at all.

Exporters, who had direct access to British credit, financed the large planters and beneficio owners, often by purchasing the coffee crop several months in advance at a negotiated price. They charged substantial commissions and high interest rates on these loans and, by buying the crop in
advance, they were also able to speculate on future European commodity prices. The planters and benefició owners were able to exploit their access to credit from import-export firms by, in turn, advancing funds to small local farmers on similarly disadvantageous terms. Having little access to credit at reasonable terms and being wholly unable to wet process and market their crop, the small farmers at the bottom of this hierarchy were in a dependent position. They would establish a personal relationship with a local planter-processor-creditor who would extend short term loans at high interest secured against the crop. They usually sold their coffee to the same individual who processed it. Oftentimes the final sale price was not set ahead of time and payment to the farmer was delayed until the middleman knew what price he was to receive from the export firm, thus passing on the risk of unstable commodity prices to the grower. Based on what amounted to their exclusive access to credit, benefició owners exercised considerable economic and political control over small farmers in their districts. (Cardoso,1975 &1977; Hall,1982; Peters Solórzano,1980; Rosés Alvarado, 1981) Carolyn Hall found no evidence of competitive bidding amongst benefició owners for the crops of the small farmers, and speculates that there may have been collusion amongst processors to set internal commodity prices. (Hall,1982)

In Costa Rica, the concentration of wealth and political power was not so much based on a skewed distribution of landholding as it was on the portion of profits that went to related service occupations. To the extent that the expansion of commercial agriculture generated social tensions in Costa Rica, these were not caused by movements to expropriate land and establish servile labor, as they were elsewhere in Central America. Rather, the principal
agrarian disputes were over internal commodity prices and the distribution of credit.

Summary

Through the middle decades of the nineteenth century, commercial coffee cultivation was initiated in Central American nations that differed from one another in terms of agrarian social structure and the predominant political alignments within the neo-colonial aristocracy. Consequently, in each new nation the stimulus of new commercial opportunities elicited distinctive reactions.

In each country, the initial success of coffee exports encouraged planters and speculators to try to establish private claims to state, church or common lands. Ultimately, this movement instigated a fundamental transformation of property rights, systems of land tenure and traditional forms of production and exchange in each coffee exporting republic. Cross-national differences in this process are accounted for by the distinctive obstacles to land acquisition that were woven into the fabric of each neo-colonial society. In Guatemala, although substantial amounts of land were tied up by landholding villages and the church, the indigenous population was not heavily concentrated in the piedmont region of the Pacific littoral that was best suited for coffee cultivation. In El Salvador, on the other hand, the church was not a major rural property holder, but traditional peasant communities were concentrated precisely on much of the best coffee land in the country. Through the 1860's-70's distinctive land conflicts were shaping up in these two countries. In Guatemala, planters were drawn into confrontation with both the church and
traditional landholding communities. For the most part, however, pressure to expropriate common property was initially directed at the 'hot country' lands, and did not necessitate the sort of outright destruction of the traditional landholding villages of the altiplano that became commonplace in El Salvador. In the long run, many traditional villages would survive in isolated 'regions of refuge', encapsulated within the export economy. (Aguirre Beltrán, 1967) In El Salvador, the church did not play a major role in conflicts over the disposition of agricultural land; these disputes were primarily between planters and peasants. However, planters' efforts to establish private claims to common land were shaping up into a movement that sought, in effect, to eradicate the traditional landholding villages altogether. Consequently, during the enclosure movement peasants lost access to common lands in much of the country and, without an open agricultural frontier to which to migrate, were forced into the ranks of estate laborers. In Costa Rica, where much suitable land was unoccupied and available practically for free, and where an open frontier meant that peasants who lost access to common lands always had the alternative of outmigration, there was not the sort of zero-sum competition over arable land that characterized Guatemala and El Salvador. Furthermore, because of the inability to hold labor on estates, the Costa Rican elite tended to specialize in the commercial end of the business, leaving the production of coffee for the most part to freeholding peasant families. In Costa Rica the titling of private claims to common lands began early and proceeded without producing serious unrest.

In each country, the old merchant families left over from the colonial period were well-positioned to take advantage of the coffee trade. They financed,
processed and exported coffee, speculated in land and imported an assortment of consumer goods for the planters and their workforce. There were important cross-national differences in the behavior of this commercial elite, particularly in the degree to which they either embraced economic liberalism or sought to dominate trade through oligopolistic practices and the preservation of mercantilist privilege. The behavior of this merchant elite was an important determinant of how successful planters initially were at capturing the gains from the coffee trade in each country.

In Guatemala, the expansion of coffee production exacerbated a sharp division dating from independence between some of the old trading families, who sought to preserve their commercial dominance, and a disenfranchised 'new elite' of planters, foreigners and intellectuals. The diversification and development of commercial agriculture was partially obstructed by a clique of merchants affiliated with the Consulado de Comercio who colluded to set prices and interest rates. Hence, as had been the case during the colonial era, the gains from export agriculture went not to planters, but to a tiny, reactionary commercial oligopoly who squandered their gains on luxury imports rather than productive investments.

After independence, El Salvador was left with a large number of provincial merchant-planters of modest means who served regional markets, rather than a small, highly organized commercial elite capable of controlling all foreign trade. Furthermore, Salvadoran merchants, who had been victimized by mercantilist policies that favored Guatemala, tended to support free trade. Consequently, no small clique of merchants was able to capture the gains from the coffee trade. Those gains appear to have been spread amongst a
larger and more dynamic elite that included both planters and merchants. Far from being an impediment to the expansion of coffee cultivation, Salvadoran merchants actively promoted it. Capital and entrepreneurial talent moved easily from indigo to coffee production once the dye trade began to sour. The situation in Costa Rica was similar except that, lacking any viable export commodity prior to the advent of coffee, Costa Rican merchants had been unable to accumulate large amounts of capital that could subsequently be invested in coffee.

These comparative differences in the position of the established commercial elites had two obvious consequences. First, they were the background to varying patterns of intra-elite conflicts between planters and merchants. In essence, in Guatemala, the old merchant families became a serious obstacle to coffee production and the object of planters' resentment. In El Salvador and Costa Rica, the leading merchants were often promoters of coffee production and, although individual merchants had frequent disputes with growers over interest rates and coffee prices, there was not the sort of severe schism between organized groups of planters and old merchant families that developed in Guatemala.

Secondly, differences in planter-merchant relations at the beginning of the coffee boom appear to be associated with subsequent variation in the ethnic character of the cafetalero elite. In each country, the coffee industry was initiated with local capital and subsequently became linked, although to different degrees, to foreign capital and entrepreneurial talent. In Guatemala, the continued commercial dominance of the old families made it extremely difficult for planters to accumulate investment capital. Here German
merchants and planters who had direct access to foreign capital and markets were better able to circumvent this clique of local merchants than were nationals. Hence, by the end of the century coffee production, processing and export were largely in the hands of Germans, especially in the Verapáz region. In contrast, in El Salvador where there was a significant local supply of capital generated from indigo exports and few institutional obstacles to the flow of capital to the coffee sector, there was less dependence upon foreign financiers. In that country, far fewer foreigners established themselves as planters, processors and the like. Coffee production remained, by and large, in the hands of nationals. The foreign presence was somewhat greater in the financial and commercial end of the business, but that sector was also characterized by a comparatively large and successful 'national bourgeoisie'. Costa Rica occupies an intermediate position. In Costa Rica, there were few institutional obstructions that would block the flow of capital to the coffee sector, but there was little capital locally available because there had been no colonial export enterprise that could have generated substantial wealth. The coffee industry was initiated by local entrepreneurs who invested modest amounts of capital accumulated from gold and tobacco exports, but it was not until the arrival of foreign capital and investors in the late 1840's that the industry began to expand rapidly. Thereafter, the Costa Rican commercial-planter elite remained open to immigrants. Both business partnerships with foreigners and intermarriage between immigrants and elite families became common. (Stone, 1982)

In each coffee exporting country, planters encountered obstacles to commercial coffee cultivation that could only be resolved through coordinated
political action. Amending the system of property rights, expropriating church and common lands, constructing roads and ports, and overcoming the opposition of traditional elites to modernizing policies were, in the final analysis, beyond the means of local groups of commercial farmers. These problems could only be rectified through coordinated political action on a national scale. In every country, the development of the coffee industry instigated a transformation in the agrarian upper class from a divided collectivity of autonomous hacendado families to a unified planter aristocracy. The emergence of a regional or national planter elite capable of taking collective action would permanently alter the relationship between the state and the landed elite.

There was increasing pressure on national governments that were barely consolidated to promote the agroexport sector. In every country, governments experimented with promotional schemes which included prizes for production, exemptions from taxes and military service for estate labor and construction of nurseries to produce coffee seedlings. But in Guatemala and El Salvador, there were also growing demands from growers for government intervention in zero-sum conflicts between planters and a variety of traditional interests.

In Guatemala the demands of the emergent coffee sector placed great strains on the traditional social order. The policies advocated by planters engendered resistance by an array of traditional interests: Indian communities resisted alienation of their lands and forced labor; the church opposed the seizure of its property and anti-clerical legislation; merchant associations resented the influx of foreign capital; and hacendados opposed political centralization. The diversification and development of the commercial
agriculture was blocked by this Conservative alliance. By the 1860's, the
tensions caused by the development of the coffee industry were propelling
Guatemalan society towards a major political confrontation. In El Salvador,
where the church was not a major rural landholder, and where both
landowners and merchants invested their gains from the indigo trade in coffee,
there was no clear conflict of interest between planters as a whole and other
elements of the Salvadoran elite. Only the Indian communities were clearly
threatened by the new form of commercial agriculture. Hence, the
predominant form of agrarian strife was class conflict between peasants and
planters over common land. In Costa Rica, where virtually all sectors were
positioned to take advantage of the coffee boom, there was no appreciable
social conflict associated with the initial expansion of the coffee industry.
There the social impact of the growth of commercial coffee cultivation was
conditioned by the industry's slow initial growth and the absence of the
obstacles to land acquisition which frustrated planters in neighboring
countries. Hence, changes in land tenure and the social relations of
production occurred gradually and without serious social conflicts. Quite
contrary to the Guatemalan and Salvadoran experiences, there was even
popular support for these liberal economic policies because, at least at this
historical juncture, much of the peasantry as well as the neo-colonial
aristocracy was positioned to benefit from the coffee boom. (Cerdas
Cruz, 1978) Costa Rica also lacked the sort of sharp divisions between
factions of the neo-colonial aristocracy over policies of agricultural
development that existed in Guatemala. Here, many of the leading families
were well-positioned to benefit from the coffee boom and members of various
elite factions consistently instituted liberal policies. Government policies to promote commercial agriculture were gradually introduced from a comparatively early date, but they did not constitute a sharp break with the past. The scope of these policies was limited to the sale or giveaway of public lands, a policy which does not appear to have been sharply contested, and the development of a more modern transportation infrastructure. Beyond this, the prevalent attitude towards economic development was a moderate sort of liberalism, in effect, an attitude of laissez faire. The state was not pressured to intervene on behalf of planters against either peasants or elements of the old guard.
Chapter 4
The Liberal Reforms

During the second half of the nineteenth century, the economic and political shape of Central America changed dramatically. The expansion of the coffee industry instigated the reorganization of production and markets, not only in regions that were ecologically suitable for coffee cultivation, but also in those hinterland areas that produced foodstuffs and migrant farm labor. Throughout much of the isthmus, subsistence agriculture was replaced by some sort of commodity production and a money economy superseded pre-capitalist redistributive arrangements.

The growth of commercial agriculture gave rise to the redefinition of social relations amongst the old elite as well as between landlords and peasants. As it did so, new political movements and patterns of agrarian conflict developed. The economic controversies associated with the coffee industry -- conflicts over property rights, the remnants of mercantilist practices and the distribution of land, labor and credit -- became the major political issues of the late nineteenth century. New political alliances, particularly those uniting merchants and coffee farmers with government bureaucrats and military officers, formed around these issues. During the 1870's and 80's, as interest groups struggled to influence policies of economic development, they created social movements which transformed Central American politics. Although there were major cross-national differences in the subsequent patterns of political development, certain broadly similar processes were set in motion in each country.
With the growth of export agriculture, the balance between centralist tendencies and the disintegrating forces of localism was decisively tipped in favor of the former. A number of factors enhanced the ability of central governments to control events in the countryside and to enforce policies over the resistance of local interests. Improvements in the transportation infrastructure between national capitals, zones of coffee cultivation and the principal seaports allowed officials to assert their authority over formerly isolated and semi-autonomous hinterland regions. In addition, the growth of coffee exports generated new sources of taxable wealth which provided the wherewithal for government bureaucratization, military modernization and the expansion of public services. Also, as export earnings and government revenues increased, foreign financiers became more willing to make loans directly to Central American governments; a fact that gave rulers a certain degree of autonomy vis-à-vis local interests. Another factor was the emergence of a cafetalero aristocracy of merchants and planters whose economic success depended in part on the ability of central governments to provide new services: to improve the transportation infrastructure, redistribute communal lands, force peasants into the national labor market and maintain labor peace. In other words, with the expansion of coffee cultivation, the character of the aristocracy began to change: recalcitrant local notables who had independent bases of wealth and military power and who had little use for expansive central governments gave way, in specific localities, to a 'national bourgeoisie' tied to capitalist agriculture and directly dependent upon government services. In exchange for these services, the latter group was much more willing to concede authority to the central government -- to
acquiesce to taxation, militarization and a limited degree of regulatory control by expansive government bureaucracies -- than were the old hacendados. The slow development of commercial agriculture and the predominance of economically self-sufficient, locally autonomous hacendados in Honduras and the backlands of Nicaragua goes a long way towards accounting for the persistent comparative weakness of the Honduran and Nicaraguan states until well into the twentieth century.

In each coffee exporting republic planters and merchants connected with the coffee industry acquired considerable political influence, either as officeholders or in alliances with personalistic rulers. This development was associated with a general transfer of power from Conservatives to Liberals. In Central America, as in most of Latin America, the failed Liberal movements of the 1820's and 30's had been influenced by idealistic, eurocentric intellectuals who rejected colonial institutions and hispanic culture as backward and as obstacles to progress. They sought to modernize their countries by separating church and state, secularizing Central American society and introducing European and North American institutions, administrative practices, economic policies and culture. Economically, these early Liberals hoped to promote export agriculture while adhering to the principles of classical liberal economics. They sought to remove obstacles to individual initiative -- to eliminate monopolies and special status privileges, permit free trade and encourage immigration -- but otherwise tended to adhere to laissez faire economic doctrine. In these early liberal schemes, the state generally was not to play a prominent interventionist role in the national economy, either regulating commercial activity or redistributing wealth. The rapid growth of
international trade in the second half of the nineteenth century spawned a liberal movement of a different sort. A dynamic elite of planters and merchants, who hoped to take greater advantage of the new commercial opportunities, played a prominent role in this movement. Their principle concern was to promote and exploit export agriculture by whatever means appeared to be practical. This was an aggressive and pragmatic brand of liberalism which had little commitment to classical liberal economic doctrine. There was greater willingness to let the government play an active and, in some cases, permanent role in the economy: eliminating obstacles to export agriculture, regulating labor markets, redistributing resources to the export sector and suppressing peasant unrest. In some countries, cynical policies were implemented which forced the peasantry to shoulder the costs of modernization through expropriation of communal lands, servile labor and regressive taxes.

The period of the "Liberal reforms" was characterized by the rise of so-called "order and progress" dictatorships. (Woodward, 1976) There was a gradual transition from weak "patriarchal" forms of rule characterized by localism and personalistic ties between rulers and local notables, to a patrimonial-bureaucratic state. The latter was a more centralized political system characterized by incipient bureaucratization, military modernization, greater central control over local affairs, and the political ascendancy of the leading planter-merchant families associated with the coffee trade. These Liberal dictatorships retained many features of personalistic forms of rule. They were strong presidential systems which contained few checks on executive authority. Clientelism, factionalism, succession crises and arbitrary
presidential action were persistent features of these states throughout the
nineteenth century. However, they differed from prior regimes insofar as
piecemeal bureaucratization and professionalization slowly enhanced
administrative effectiveness and rulers' control over their staff. Some
administrative tasks were routinized, particularly those pertaining to fiscal
matters. Although officers and the administrative staff were typically chosen by
the ruler or a coterie of close associates, some distinctive career lines were
gradually established as well. The gradual growth of professional
administrative staffs and the expanding scope of government activity also
diminished the authority of the neo-colonial elites, who had formerly carried
out regulatory activities and provided public services through the church or
non-governmental associations, such as the Consulado de Comercio.
Militarily, this period was characterized by the gradual creation of modern
professional armies, or at least a cadre of professional officers that served as
the core of a less disciplined militia force. Since modern weapons, extensive
training and salaried troops, were beyond the means of local elites, this period
of military modernization inflated the costs of coercion, giving the Central
American states a near monopoly over military resources for the first time
since independence.

The emergence of a dynamic agro-export sector elicited an unprecedented
level of state intervention in the economy. National governments increasingly
served as both promoters of commercial agriculture and as the arbiters of new
types of agrarian conflict. In every coffee exporting country Liberal efforts to
promote coffee cultivation included the familiar policies of transportation
development, tax exemptions, prizes for production and government programs
to provide seedlings, processing equipment and technical information.

Beyond these measures, the agrarian conflicts associated with the expansion of coffee frequently elicited state involvement either to negotiate historic compromises or to enforce solutions upon politically subordinate groups. Into this category fall policies designed to lower the cost of agricultural credit, eliminate pre-capitalist forms of land tenure, redistribute church and communal lands, force labor into export agriculture and maintain labor peace.

Although there were certain similarities in the political processes that were set in motion in each coffee exporting country, the transformation of the Central American political landscape was by no means uniform. The types of emergent political institutions and the specific character of agrarian policies varied considerably across countries. It was during this era that the new republics began to acquire their distinctive political forms.

**Guatemala**

Marxists often describe the period of the Liberal reforms in Guatemala as a 'bourgeois revolution', during which planters and merchants linked to the emergent coffee industry overthrew the Conservative alliance in order to sweep away the institutional obstacles to export development and establish capitalist relations of production. (Cambranes, 1985) In part, this reductionist interpretation ensues from a focus on some of the long-term economic consequences of the Liberal seizure of power, rather than its immediate historical causes. The political transformation of the early 1870's cannot be completely explained by referring solely to class conflict, a transition from a feudal to a capitalistic mode of production, the development of a planter elite, or
any other monocausal explanation of social change. The Liberal takeover occurred during a singular historical juncture, during which a complex set of conflicts and circumstances collectively destabilized the Conservative government allowing a new coalition of planters, merchants and political entrepreneurs allied with a new charismatic caudillo to eventually gain considerable influence over government economic policy.

Part of the background to the so-called 'Liberal revolution' was the patrimonial character of the Conservative government. Conservative dictator Rafael Carrera was a strong, charismatic ruler who enjoyed the allegiance of the military, the adoration of the peasantry and the grudging respect of the country's leading families. One notable scholar has described Carrera's regime as "a monarchy without a king", an apt description of a case of personalistic rule based on the ruler's charisma and personal control of economic and military resources, rather than on traditional authority. (García Laguardia, 1980, p.25) In 1865, Carrera died in office and was promptly succeeded by Vicente Cerna, one of his generals. Although, Cerna represented a continuation of the Conservative coalition and policies, he lacked Carrera's personal following and dynamic leadership capabilities. In effect, Carrera's death instigated a slow-motion succession crisis during which the comparative weakness and indecisiveness of the new ruler encouraged factionalism and revolts.

Beginning in 1867, a handful of military officers led a series of uprisings in the northern and western departments against the Conservative government. Their initial motives for rebellion were often quite personal. (Herrick, 1974) But this rebellious leadership took place in the context of pervasive social conflicts
arising out of the country's deepening agrarian crisis. Rebellious officers were able to link up with land-poor peasants and dissatisfied planters and merchants, giving their movements troops, economic support and a broader political agenda.

Conservative general Serapio Cruz was the first to wage guerilla warfare against the Cerna government. He appealed directly to peasants in the western provinces for support. His platform included the recovery of communal lands and suspension of the unpopular government monopoly on aguardiente, the inexpensive liquor consumed by peasants. (Cambranes, 1985) Because of the explicitly peasant populist character of the movement many planters were reluctant to support the rebellion, although some medium-sized coffee growers from San Marcos and Quetzaltenango did so in order to undermine the Conservatives.

In 1870, Cruz was killed and his movement crushed. Thereafter, there was a change in the character of the unrest in the western provinces. Insurrectional movements incorporated greater numbers of large landowners, especially upwardly mobile cafetaleros. (Cambranes, 1985; Villamar Contreras, 1977)

The most important financiers of the armed forces which removed the conservative dictatorship, were prominent politicians and merchants, and -- at the same time -- the country's biggest coffee growers and exporters. (Cambranes, 1985, p.117-8)

Peasants were still the shock troops of the rebellion, but after the death of Serapio Cruz peasant participants generally followed caudillos who had close ties to the cafetalero aristocracy and vague political platforms that were seldom of substantial benefit to the peasantry as a whole. In the tradition of
caudillismo, patron-client relations tied mestizo and Indian militiamen to upper
class political actors. Appeals for land by loyal followers were sometimes
granted as a reward for personal service, but gone was the popular character
of the movement which had included general promises to protect the interests
of all peasants. Rather than an incipient Indian uprising against the
expropriation of communal lands, peasant unrest was harnessed by factions
of the emergent merchant-planter aristocracy, and directed against their upper
class rivals.

In 1871, following a military campaign during which a militia force led by
Justo Rufino Barrios repeatedly defeated larger Conservative armies, the
Conservative government fell to a Liberal coalition led by Barrios and Miguel
García Granados. The main point here is that the so-called Liberal 'revolution'
was not so much the result of a national insurrection as it was a crisis of the
old regime. The combination of a succession crisis, factionalism and localized
agrarian conflicts produced disparate rebellions which weakened the regime
to such an extent that a military opportunist from the provinces was able to
finally bring it down.

The Liberal Government under Miguel García Granados (1871-3)

The Liberals took power in 1871 and shortly thereafter elected Miguel
García Granados, a member of a prominent merchant family, as president.
The initial Liberal coalition was loosely organized and represented a broad
segment of the creole aristocracy. It was not by any means simply an
expression of planters' interests, nor did it promptly respond to their demands.
It took several years of intra-party competition to produce a shift from a broad
coalition that pursued moderate policies to a more narrow and authoritarian block that more decisively responded to planters' concerns.

Once in power, serious divisions within the Liberal coalition quickly began to manifest themselves. There were two major identifiable factions within the new government, personified by the two leading Liberal leaders. (Cambranes, 1979; García Laguardia, 1980) García Granados represented a faction of the merchant aristocracy in the capital, some of whom were foreign, and many of whom had risen since independence in connection with the development of the cochineal and coffee trade. This comparatively new and upwardly mobile element of the aristocracy resented the commercial advantages of the old oligarchy. They sought to liberalize trade through the elimination of government monopolies, the Consulado de Comercio and special commercial privileges. Beyond these commercial measures, however, the political agenda of the García Granados' faction was comparatively moderate. They envisioned an aristocratic government that would not substantially alter Guatemalan society and they sought to avoid the sort of political mistakes which undermined the regime of Mariano Gálvez in the 1830's. Except for the attacks upon the economic privileges of the old commercial families, these 'moderates' sought to attenuate the factional disputes within the creole aristocracy. García Granados was willing to make some concessions to cooperative Conservatives, going so far as to include a few Conservative leaders in his government and to form a coalition with Conservatives in support of constitutional reforms that would limit administrative centralization and institute a bicameral legislature, in which the old aristocracy would control the upper chamber. (García Laguardia, 1980)
For the most part, the moderates were not militantly anti-clerical, nor did they seek to introduce policies that might antagonize the Indian masses.

Justo Rufino Barrios led the 'radical' faction of the Liberal movement with its distinctive regional-planter character. Barrios drew considerable support from the coffee farmers of the western provinces. The 'radicals' favored changes in government institutions that would: (1) give representation in the legislature to emergent economic interests, and (2) encourage political centralization under a strong, centralized, authoritarian regime that would be able to enforce the policies necessary to promote export agriculture. (García Laguardia, 1980) In addition, the 'radicals' were far more antagonistic towards the Catholic church than was the 'moderate' wing of the party. This was perhaps partly the product of doctrinaire anti-clericalism, but it was also the result of pragmatic considerations: a desire to expropriate church wealth and to eliminate the bases of Conservative power that would inevitably be mobilized when 'radical' economic policies were instituted.

The one issue on which both Liberal factions were in agreement, was their antagonism to the commercial domination of the old merchant elite of the capital. In 1871, shortly after the Liberal takeover, the Consulado de Comercio was nationalized, becoming the state ministry of development. (McCreery, 1981) A few of the leading merchant families were hounded out of the country, their property expropriated.

There followed a series of legislative and military crises, during which the 'radicals' gradually forced 'moderates' to take more extreme positions, particularly on the question of church-state relations. Barrios began taking measures against the church without García Granados' consent. In 1872,
when news came from eastern Guatemala of a Conservative rebellion and a threatened invasion of the capital, García Granados gave in to anti-clerical pressures, agreeing to expel the Jesuits in order to close ranks against the Conservative threat. This measure was followed by the expulsion of other religious orders and, in 1873, a decree which permitted massive expropriation of church property. These anti-clerical measures were subsequently to have an important impact on the extension of liberal economic reforms into the traditional landholding villages of the western highlands.

The anti-ecclesiastical legislation of the Reform Period destroyed one of the primary protective links, the resident priest, between local Indian communities and national legal and political structures. With the coming of the Reform and the expulsion of religious orders, Indians were left on their own to fight for lands before national legal and administrative bodies. The republican lawyer replaced the Catholic missionary as the intermediary to argue for the needs of Indian community welfare and protection. (Davis, 1970, p.51)

By moving first against the church and guild merchants, the Liberals, in effect, isolated the peasant communities, reducing the likelihood of a broad Conservative coalition of the sort that brought an end to the Gálvez reforms in 1838.

Anti-clerical measures caused some cooperative Conservatives and moderate Liberals to leave the ruling alliance; the Liberal coalition became narrower and more repressive. Finally, in 1873, as Barrios mobilized military support for an apparent coup d'état, García Granados abdicated, allowing Barrios and a narrow, more militant planter-supported faction to purge more moderate elements and consolidate power.

This so-called Liberal 'revolution' did not, in fact, produce a revolutionary transformation of Guatemalan society. The colonial aristocracy was not
overthrown en masse, making way for bourgeois domination and the emergence of a capitalist mode of production. (McCreery, 1976) Although church power was diminished and some leading Conservative families were ruined, for the most part the Liberal reforms left the old aristocracy intact while opening up new opportunities for upward mobility to foreign entrepreneurs and creoles with political connections to the Liberal leadership.

'Radical' Agricultural Policies

Marxist accounts of this period have usually stressed the close ties between the Barrios regime and the planter aristocracy, depicting the Liberal agrarian reforms as beneficial to planters as a class and extremely harmful to the peasantry. (Cambranes, 1979, 1985; Dessaint, 1962; Torres Rivas, 1981) These points are indisputable. Clearly the central thrust of the 'radical' agrarian program was to promote commercial agriculture, in large part, by forcing the peasantry to shoulder the costs of agricultural modernization. The key elements of this policy were the brutal redistribution of terrenos baldios and some tierras comunales, and the widespread use of servile labor on private estates and public works.

Nonetheless, it is easy to overstate the extent to which the agrarian reforms of the 'radicals' were simply an expression of planters' interests. In Guatemala, political power became concentrated in a civil-military bureaucracy under the control of a personalistic dictator. Although the Barrios regime was clearly responsive to planters' concerns, the planters themselves did not rule. By overemphasizing the degree to which planters as a class were able to influence state policy it is easy to lose sight of: (1) the fact that
some of the 'radical' agrarian reforms had more to do with Barrios' efforts to consolidate power than with planters' concerns, and (2) the extent to which the personalistic character of the state conditioned the execution of agrarian reform policies.

Government assistance to coffee producers was offered in a manner that was designed to cement the bonds of personal dependence on the president and his lieutenants. With the exception of port improvements and railroad construction, few of the benefits of the Barrios program took the form of public goods offered to all members of the planter aristocracy as a block. Instead the Barrios program offered various divisible goods and services which were allocated preferentially, as selective incentives to specific individuals who had personal ties to the Liberal government.

Nor was the promotion of commercial coffee production the only goal of the agrarian reform program. Through the strategic allocation of land grants, Barrios also sought to garrison remote frontier areas and increase the regime's control over the predominantly Indian departments of the western highlands.

Military patronage, in the form of land grants, was of major importance to Reform Period governments as a means of maintaining regional and national control. Those presenting land claims counter to the interests of Indian communities within the Huehuetenango region were often military officers with personal connections to those who controlled national decision-making and policy. (Davis,p.51)

Such land grants were not limited strictly to ladino military officers. Barrios also granted lands to mestizo peasants in exchange for militia service. By using the land reform program as a way to encourage mestizo colonization, the regime was able to insert an ethnic minority into the western highlands that
was directly dependent on the state for their lands and for protection against the Indian majority. These mestizo colonists could be called upon to support the Liberal government, hold municipal offices, and help suppress rebellions in neighboring Indian communities.

Finally, in spite of pressures from planters, the Liberal government was hesitant to move against the traditional Indian communities of the western highlands for fear of inciting a massive peasant insurrection of the sort that destabilized the Gálvez government during the 1830's. The initial Liberal economic programs -- which included the suppression of the church tithe (diezmo), the takeover of the Consulado de Comercio, the establishment of a short-lived national development bank, and the first land expropriations -- were directed against the church and a handful of old merchants families rather than traditional Indian communities. Policies that encouraged the enclosure of communal lands, particularly in the heavily populated western highlands, and the utilization of forced seasonal labor to harvest coffee were much more carefully and gradually implemented.

Credit Policy

One of the earliest, and least effective, of the Liberal efforts to regulate factor markets was the creation of a national development bank in 1874. This institution was capitalized with the proceeds from the expropriation of church property. Ostensibly the bank was to make mortgage loans to farmers, but credit was granted primarily to political favorites and to the government itself, which continually borrowed to meet current expenses. (McCreery, 1981) This credit policy quickly left the bank burdened with a portfolio of bad loans. In
1876, the beginning of a brief war with El Salvador triggered a financial panic, causing a run on the bank and its failure. Thereafter, the Liberals were not able to offer a viable solution to the planters' credit needs.

The Land Reform Program

Concerning the critical question of how to expand the area dedicated to commercial coffee production, the Barrios regime proceeded with caution. In Guatemala, the land problem was conditioned by: (1) the fact that prime coffee land was not located in the densely settled western highlands, (2) the considerable danger of rebellion by traditional Indian communities, and (3) the awareness that there was a certain utility to maintaining highland communities as an inexpensive reserve for seasonal labor. (McCreery, 1986) The sort of policy that was practiced in El Salvador -- where common land was abolished altogether, opening the way for massive land expropriation -- was unnecessary, and would have been dangerous in the Guatemalan context. Instead, Barrios initiated a flexible land reform program, characterized by its sensitivity to local political and economic conditions and a willingness to deviate from liberal economic dogma whenever it was politically expedient to do so.

The earliest land seizures grew out of the anti-clerical movement. In 1873, a government decree authorized the nationalization of church property without compensation, putting substantial holdings at the disposal of the state. (Cazali Avila, 1976) Beginning in 1873, the regime also moved aggressively to permit private acquisition of state lands (terrenos baldíos) in the coffee producing areas of the Pacific littoral. (Cazali Avila, 1976; McCreery, 1981; Monteforte
Toledo, 1959; Solórzano, 1963) By the end of the decade, this policy was extended to the Verapaz region in eastern Guatemala and some localities in the western highlands. In theory, these terrenos baldios were unoccupied. However, in actuality state lands were commonly settled by peasants who lacked property titles. (Falla, 1978; Herrick, 1974; Solórzano, 1963) Some of these holdings were occupied by mestizo squatters. Others included some of the traditional 'hot country' lands of highland Indian communities: lands which the communities had farmed throughout the colonial period but for which colonial authorities had never conceded titles. The Liberal government now moved to have public lands surveyed and divided into individual plots. Residents were asked to register and purchase their holdings. If they could not do so within the time allowed, their land would be sold. In theory, peasants were able to acquire title to their lands, but even when they had sufficient capital to pay registration fees, few peasants had the political connections and legal expertise to see their petition through the bureaucratic process. In practice, it was the planters who benefited most from the liquidation of public lands. Moreover, the rules of land distribution often openly favored coffee growers. For instance, although all residents in Verapaz could apply for public lands, those who stated an intention to plant coffee were entitled to the largest grants. (Cazali Avila, 1976)

The liquidation of state lands led to all sorts of abuses. It provided a legal mechanism through which other forms of property could sometimes be attacked. Because of the general confusion about land titles and property boundaries, many claims were made on lands that were mistakenly thought (or cynically claimed) to be baldios. (Solórzano, 1963) Because occupancy
was an important basis for establishing a claim, the new policy provided a
great incentive to encroach upon small plots located on baldíos. The use of
cattle herds and the organization of "combat groups" to destroy subsistence
crops and force peasants off of the baldíos became ubiquitous features of the
period. (Cambranes,1985)

With regards to the alienation of communal lands, the Liberals initially
continued to utilize the censo enfiniteutico, the legal mechanism whereby
individuals could rent common land, but were prohibited from owning it.
(Cambranes,1985) However, the inability of individuals to acquire clear title
inhibited land speculation and land mortgages. Hence, in 1877 the regime
changed course; the censo enfiniteutico was abolished and a legal device was
developed that would permit full privatization of selected common lands. As
with baldíos, specific community lands were to be surveyed and divided into
individual plots, and residents were to be given the opportunity to register and
purchase their holdings. If they could not do so within the time allowed, their
land became public property which would subsequently be sold.
(Herrick,1974; Cambranes, 1985) As was the case with the alienation of
baldíos, this land registration process was subject to abuses. "The land area
and purchase price of these privatized communal lands were set by land-
surveyors working for the jefes politicos of the department." (Cambranes,1985,
p.264) There is every reason to believe that both parties frequently had close
contacts with land buyers and that deals were often struck for the mutual
enrichment of all at the peasants' expense. (Cambranes,1985)

The seizure of communal lands was most vigorously executed in the coffee
producing piedmont regions. (Carmack,1979; Davis,1970; McCreery,1983)
But there was also pressure on community lands in the highlands, both from land hungry mestizo peasants and commercial farmers. The latter often acquired village lands with no intention of cultivating them. Instead, they sought to destroy the basis for independent communal subsistence, creating landless peasants who could be drawn into estate labor. After acquiring communal holdings, planters sometimes rented this land back to the original inhabitants in exchange for seasonal labor on the estates of the piedmont. (Cambranes, 1985; McCreery, 1983 & 1986; Reyes Illescas, 1982)

Compared to the prime coffee regions of the Pacific littoral and Verapáz, the alienation of communal lands in the densely populated altiplano was cautiously and incompletely executed. Afraid of antagonizing all Indian communities at once and inciting a general uprising, the regime did not authorize sweeping land seizures.

Barrios moved selectively against Indian communities, offering concessions even as he put into place laws that eventually robbed much Indian land and forced much Indian labor for the development of the plantation economy. (Smith, no.162, p.29)

Some villages were able to collectively purchase their own ejidos, effectively preserving the communal character of their holdings. (Herrick, 1974)

Furthermore, although land grants to peasants were somewhat exceptional, they did in fact occur. There are a number of documented instances in which officials redistributed lands within villages or from one village to another. (Cambranes, 1985; Carmack, 1979 & 1981) These land transfers were frequently executed so as to exacerbate property disputes that kept the Indian populace divided. They also fostered the hope that a personal appeal to the departmental governor or to Barrios might bring justice. Periodically rendering
decisions that were favorable to specific families or villages helped to maintain the personalistic ties between village elders and ladino officials. Julio Cambranes describes yet another way in which the privatization of community lands was sometimes used to erode the solidarity of the highland communities.

When the native communities were big and neither the armed forces nor the dividing tactic could be used against them...the dictatorship resorted to more subtle and conciliatory measures, such as that of forbidding strangers to purchase land, but demanding that the sons of the village buy them, often at concessional prices, as the aim was to break the union and communitarian spirit of the rural population. (Cambranes, 1985, p. 272)

Titling land did not destroy a land-based peasantry, but it did turn Indian peasants into private property holders which opened the way for private real estate transactions and the beginning of the gradual disintegration of closed corporate villages.

Ever flexible, Barrios developed yet another strategy to fit the distinctive conditions of the eastern departments. The small-scale land redistribution there during the 1870's has not been studied in any depth, but the policy apparently was intended to strengthen ties with the landholding aristocracy, who were a potential source of resistance to any aggressive state building program, while simultaneously reducing the likelihood of peasant unrest. There, the regime purchased underutilized portions of some haciendas which it distributed in tiny parcels to peasants. (Cardoza y Aragon, 1955; Cambranes, 1985) This helped hacendados capitalize their farms and it reduced the likelihood of peasant insurrection without fundamentally altering the predominant pattern of labor relations in the region. (Cambranes, 1985) By creating small parcels on the fringes of haciendas, the regime facilitated the
spread of the *latifundia-minifundia* complex, where land-poor peasant families lived on sub-subsistence plots, forcing them to work part-time on neighboring estates in order to supplement their income.

Because there is no national land tenure data for the late nineteenth century, the impact of the enclosure movement launched by the Barrios reforms has not been documented in great detail. Nonetheless, its general effects seem clear enough. Local studies show that there was considerable encroachment on communal lands in specific localities. This enclosure movement brought these communities under immense pressure at a time when population growth was already causing land shortages. (Carmack, 1979 & 1981; Herrick, 1974) Consequently, landholdings became more concentrated and the number of land-poor peasants who were likely to fall into debt servitude and engage in seasonal labor on the lowland estates probably increased dramatically.

There was considerable regional variation in the intensity of this encroachment, depending on the suitability of land for commercial agriculture and the size and solidarity of peasant communities. In the principal coffee producing regions, massive enclosure of state and communal lands opened the way to the rapid expansion of coffee cultivation during the 1870's and 80's. But in the highlands, *ejidos* and *tierras comunales* were oftentimes allowed to remain intact. Even where these common lands were privatized, they frequently remained in the hands of peasants. (Herrick, 1974; Solórzano, 1963) The survival of a traditional land-holding peasantry in these 'regions of refuge' became one of the distinguishing features of Guatemalan social geography. Neither planters nor government officials sought to create a completely
landless rural proletariat that would have to earn enough through wage labor to sustain itself throughout the year. Because community lands in the highlands were not suitable for coffee cultivation and massive amounts of labor were only required on a seasonal basis, it was more economical to use the highlands as a reserve area "to reproduce and train an agricultural workforce and sustain these individuals in the off-season or when they became too ill or old for productive use in the export sector." (McCreery, 1986, p.104) Encapsulated within -- and an important working element of -- Guatemala's distinctive export economy, highland villages sustained a substantial peasant population that engaged in subsistence agriculture, petty commerce and seasonal labor on lowland coffee estates. The fact that the Liberal reforms did not "separate most peasants from their property meant that capitalist agriculture, indeed capitalism in general, took a very distinctive form in Guatemala." (Smith, no.138, p.7)

**Labor Policy**

Although colonial mechanisms of forced labor remained on the books throughout the Conservative period, except for the periodic use of corvée labor on public works there was actually little pressure on the Indian communities to provide labor tribute as long as cochineal was the only viable export commodity. The explosive growth of coffee cultivation in the 1860's and 70's altered this once and for all. By the time of the Liberal takeover, the unprecedented demand for seasonal labor on the coffee plantations, the self-sufficiency of highland peasants, and their aversion to both estate labor and
the climate of the piedmont, all combined to create an acute labor shortage on many of the new estates along the Pacific littoral.

Instead of allowing competitive bidding to drive wages up, enticing more peasants to voluntarily enter into labor contracts, a coalition of planters and the state opted for a political solution to the labor shortage. The Barrios regime took upon itself a permanent role as the guarantor of a steady supply of labor to the coffee estates at below the free market price. In a manner reminiscent of the colonial tributary economy, government authorities intervened in the rural economy, forcibly extracting labor tribute from the highland communities, which they allocated to commercial farms in the piedmont. (Cambranes, 1985; Cazali Avila, 1976; Dessaint, 1962; McCreery, 1976 & 1983) Jefes políticos were ordered to allocate young men from indigenous communities within their jurisdiction to individual planters, to guarantee replacements for these workers at regular intervals and to eliminate 'vagrancy'. Workers who would not submit to forced labor were to be punished. (C.L. Jones, 1942; McCreery, 1983 & 1986)

Although forced labor drafts were commonplace, debt servitude became the primary mechanism of labor recruitment. A series of new laws redefined contractual relations between planters and indebted laborers, placing the state squarely on the side of the former in most disputes. The Civil Code of 1875 established that, in the absence of a written document specifying the terms of a labor contract, the employer was to be taken at his word concerning the terms of the contract which the jefe político was to actively enforce.

The various mechanisms of labor recruitment were complimentary. Through the institution of forced labor and vagrancy laws as well as the
expropriation of community lands, the state cooperated with landowners to force much of the indigenous population into debt servitude. (Cambranes, 1985; Cazali Avila, 1976; C.L. Jones 1940 & 1942; McCreery, 1983) In 1877, the nation's first comprehensive labor law was emitted.

An important provision of the law limited an individual's liability for drafts: a worker already owing a debt for goods or money advanced for agricultural labor in the export sector could apply to his employer to get him released from the mandamiento (forced labor), and most did. In effect, the condition of debt peonage gave exemption from mandamientos. (McCreery, 1986, p. 106)

Thus, the mere existence of forced labor cornered peasants into entering into contractual arrangements with planters.

Anti-vagrancy laws were also instituted as part of the early Liberal reforms for much the same purpose, although they were not widely used until the 1930's. Designed, as a response to owners who claimed that workers were not honoring their advances, a new anti-vagrancy law mandated the establishment of passbooks, to be carried by each worker as an internal passport. Labor was noted in the passbook on a weekly basis and a ticket from the former employer was required before a peasant could leave the estate. This inhibited competitive bidding amongst employers for workers. It also opened the way for all sorts of abuses by planters, who could keep workers on the estate by simply withholding their signature, regardless of whether workers had completed the terms of the agreement.

The Liberal measures also attacked the labor problem indirectly, by transferring village lands to outsiders, destroying the basis for independent communal subsistence; creating a land-poor, but not entirely landless peasantry.
Caught between rising population and declining resources, some managed to shift to cottage industries and petty trade, but most had to search elsewhere for additional income and turned, as intended by the planters and the planters' state, to finca labor. (McCreery, 1983, p. 740)

Some planters acquired communal lands explicitly for the purpose of gaining the labor that resided on it. (Cambranes, 1985; McCreery, 1983 & 1986; Reyes Illescas, 1982) In Alta Verapaz, "the sale of lands was promoted which included the peasants who had until then lived and worked on them, as part of the inventory of the agrarian enterprise under constitution." (Cambranes, 1985, p. 262) In the western highlands, after acquiring communal holdings planters sometimes rented this land back to the original inhabitants in exchange for seasonal labor on the coffee estates. (McCreery, 1983)

The State vs. Localism: Liberal Reform of Local Government

Amongst the traditional Indian communities of western Guatemala, there was resistance to the Liberal land and labor policies. Commonplace forms of peasant resistance included evasion of labor drafts, small scale sabotage of coffee plantings and legal disputes over labor contracts and land expropriation. These conflicts sometimes escalated to the point that peasants: participated in localized revolts against ladino officials and those who sought to claim community lands; launched serious attacks against coffee farms, destroying coffee seedlings, cattle, buildings and equipment; or abandoned their villages altogether, seeking refuge from forced labor in isolated mountain hideouts, or migrating to El Salvador and Honduras. (Falla, 1978; Carmack, 1979; Cambranes, 1985)
In an effort to maintain order in the countryside and to enforce the new land and labor policies, Barrios introduced a series of institutional reforms designed to increase the authority of the central government in remote areas. Part of the Barrios legacy was a more centralized, vertically integrated administrative structure. The regime employed other tactics as well: it utilized military force, exploited ethnic antagonisms and extended the network of personalistic ties between ladino officials and village elders in order to increase its control over the provinces. It was during this period that the modern, paternalistic authoritarian pattern of politics in the highlands was consolidated.

Barrios instituted changes in the structure of local government which were designed to undermine the political autonomy of community leaders. (Ebel, 1972; Carmack, 1979) He increased the authority of the departmental governors (jefes políticos) over local officials and sought to control appointments to municipal offices and positions in the militia. Ladinos whose first loyalty was to the central authorities were commonly recruited for those posts. This was part of a general Liberal policy to transform the caste structure in western Guatemala by encouraging ladino immigration and creating a ladino political and commercial elite in the communities. Towards this end, new ladino municipalities were founded, oftentimes on land that formerly belonged to traditional Indian communities. (Davis, 1970; Carmack, 1979)

An alternative strategy for controlling events in the communities was embodied in the Municipal Law of 1879, which reduced the role of village elders in municipal administration, relegating indigenous institutions to the position of an unrecognized, shadow government. Formerly, the traditional
landholding villages of the highlands typically had a combined civil-religious hierarchy in which village elders held offices in municipal government as well as the religious brotherhoods (cofradías). (Ebel, 1972) Municipal offices were closely tied to kinship networks and the ritual life of the communities. The new municipal reforms, in effect, separated village elders from civil offices, allowing those positions to be filled by ladinos. Thereafter, traditional landholding villages were characterized by a dual system of municipal power, with ladinos controlling the paid bureaucratic positions, municipal government and the militia, while village elders retained control of the traditional religious structure of the community.

Local militia were also reorganized, in effect, establishing martial rule in parts of the countryside. Prominent commercial farmers and urban professionals became militia officers: an arrangement that gave the emergent merchant-planter aristocracy a certain degree of political and military authority. (Cambranes, 1985) Servants, tenant farmers and wage laborers on the coffee plantations were integrated into the reserve militia. These units were oftentimes thinly disguised work brigades which were subject to military discipline. (Cambranes, 1985) Under this system, fugitives from forced labor were treated as military deserters subject to draconian punishment. Poor mestizos from both urban and rural areas who were neither tenant farmers or temporary workers on the plantations were recruited into the active militia. In rural areas, these mestizo militiamen were oftentimes the recipients of small plots of land that formerly belonged to traditional landholding villages. These active units became a mainstay of the rural police force and were the government's shock troops in any confrontation with rebellious peasants. The
general effect of this emergent militia structure was to place the labor market under military authority, allowing the use of local militias to enforce labor contracts and drafts. Parallel organizational changes were being implemented in the capital. There, an independent police force, under presidential control, was created to serve as a palace guard and secret police. (Herrick, 1974)

The Transformation of State-Society Relations

Traditional landholding communities found themselves hemmed in and assaulted on a number of fronts at once. Land expropriations, forced labor, changes in the municipal political structure and exposure to powerful market forces diminished community resources and undermined the corporate village structure. Unlike the 1830's, this was a struggle that the peasantry could not win. Economic and technological developments had brought a decisive shift in the balance of power between the state and local communities. Because of rising revenues, government bureaucratization, military modernization and the construction of telegraph and road networks integrating remote areas with the capitol, the central government's advantages in dealing with local resistance were now overwhelming. Moreover, the Indian population was hopelessly divided; and, unlike Mariano Gálvez, Barrios was careful not to diminish these internal conflicts by implementing policies that would antagonize a broad cross-section of the peasantry all at once. On the contrary, he assiduously created and exploited divisions within the Indian population. Consequently, resistance to the Liberal reforms remained sporadic and isolated: a series of
reactionary revolts triggered by local events that never coalesced into a regional movement, let alone a national one.

The Liberal program stopped short of complete expropriation of community lands in the highlands. That would have been prohibitively expensive, both in terms of controlling peasant unrest, and because a completely landless rural proletariat would have to earn a sufficient wage income in order to sustain and reproduce itself. Because community lands in the highlands were not suitable for coffee cultivation and massive amounts of labor were only required on a seasonal basis, it was more economical to use the highlands as a reserve area to sustain seasonal labor during slack periods. Thus, an accommodation was reached between the export sector and the traditional communities. The communities lost their political autonomy and economic self-sufficiency, but they managed to survive the Liberal onslaught while gaining other opportunities for income. (C. Smith, 1984) Traditional communities held onto considerable landholdings in the highlands and made up in petty commerce, wage labor and artisanry for their lost agricultural self-sufficiency.

The preservation of peasant landholdings and the development of a massive migratory labor stream from the traditional villages of the highlands to the lowland estates became two of the distinctive features of Guatemalan society. In the final analysis, the system of export agriculture that developed in Guatemala was not fully capitalist; it still relied on forced labor and was tied to traditional communities that retained many pre-capitalist elements. The institutionalized use of coercion to integrate peasants into the plantation economy kept wages low, creating a highly concentrated pattern of income distribution that, in the long run, probably retarded the development of modern
agriculture and domestic industry. Since there was "no opposing pressure group within the society (such as an indigenous manufacturing sector) there was no incentive to expand the rural market...(Consequently) avenues for the development of a middle class or medium-sized, owner-operated farms were restricted." (Handy, 1984, p.74)

It was also a watershed event in Guatemala's political development, giving Guatemala a distinctive configuration of social relations between landlords, peasants and the state. Because planters did not, for the most part, directly control the lands on which Indian peasants lived in the central highlands, they were unable to establish the sort of strong patron-client ties with peasants that would have guaranteed them a reliable labor force as well as a mass following of debt dependent peasants who would support them in politics. Instead, the relationship between landlords and peasants remained bitterly antagonistic; strained by permanent economic conflict, huge cultural differences and the planters' willingness to use violence as a means of guaranteeing a steady supply of cheap labor. This endemic class conflict weakened the emergent upper class, reducing its autonomy in its struggles against the centralizing tendencies of the Liberal state.

It...prevented the development of plural interest groups aligned in vertical segments, and created instead a nationwide horizontal segmentation between the peasants and the state; and it allowed all political power to concentrate in a highly centralized state. Regional elites were merely granted state power through appointment to political office; they could not challenge state power by mobilizing local support -- state-granted power was the only power they had. (C. Smith, 1984, p.209)

The explosive growth of the coffee industry during the last quarter of the nineteenth century brought fundamental changes in the character of the
aristocracy. Abetted by the Liberal reforms, planters established Guatemala's great coffee estates along the Pacific littoral and in Verapaz, regions where there had not previously been a substantial landed aristocracy. The wealth of this new *caféterno* elite was based on its control of land and labor. This control was, in part, acquired by extra-economic, coercive means. No small part of the great fortunes accumulated during the 1880's and 90's came from the violent seizure of peasants' assets: the enclosure of state and community lands, and the ongoing exploitation of peasant labor bound to the great estates by debt servitude or other coercive mechanisms.

This process of 'primitive accumulation' conditioned relations between planters and the state. Guatemalan planters became dependent on the state to expropriate common land, secure seasonal labor, and maintain order in the countryside. This dependence was oftentimes quite direct. Expropriated lands and forced labor were not public goods available to all planters as a class, regardless of their attitude towards the Barrios regime. A number of new family fortunes were founded solely on the basis of personal contacts with Barrios or his *jefes políticos*, rather than entrepreneurial talent or access to capital. (Cambranes, 1985)

Some of these thefts of land were brought to light when the protagonists disappeared from the political scene. The major part of the usurpations, however, have remained as a 'family secret' from a beautiful epoch that has continued till our days, very favourable for taking possession of the national and popular properties in an easy manner and often 'legal'. (Cambranes, 1985, p.303)

Because of the growers' perennial reliance on servile labor, their dependence on government officials was permanent. Guatemala's Liberal state became based on the survival (or revival) of precapitalist forms of
domination, particularly the use of coercive extra-economic methods of recruiting labor. Guatemala developed a sort of tributary economy that was similar in many respects to the colonial system of 'two republics', with the state acting as a broker between two geographically and ethnically distinct communities, extracting labor tribute from the traditional landholding communities in the highlands and allocating it to the hispanic population. In this case, the recipients of this tribute were not the administrators, clerics and artisans of the Spanish towns, but the owners of the large coffee estates that were sustained by a massive stream of migrant labor. But like the colonial authorities before them, Barrios and his officials were able to enhance their power vis-à-vis both groups by exploiting their position as intermediaries. Dependent as it was on government services, the planter aristocracy had little choice but to permit institutional reforms that dramatically increased the power of the central government over local elites.

The Barrios administration (1873-85) was a period of rapid state development. "A highly centralized state apparatus developed in order to assist the acquisition of both capital and labor, and this apparatus was to grow only stronger and more rigid after 1871." (C.Smith,1984,p.206) Government revenue increased dramatically during this period, largely because of the growth of foreign trade, which was driven by the explosive increase in coffee exports, augmented revenue from customs duties. These revenues provided the wherewithal for government bureaucratization and military modernization. It was during this period that the Liberals moved to routinize and professionalize many administrative functions and to expand the scope of government operations, creating a whole new set of government offices in the process.
They, in effect, extended government authority over numerous activities that had previously been carried out by "quasi-public corporations". (Woodward, 1983; McCreery, 1981) Education was taken over from the church; maintenance of public works and the regulation of commerce were taken over from the Consulado de Comercio and the Sociedad Económica de Amigos del País; and municipal administration was taken over from the formerly autonomous village leadership. The reorganization of militia forces, the creation of a police force, and the beginning of military modernization initiated a process that was to ultimately give the state a near monopoly over the means of organized violence in Guatemalan society.

El Salvador

In El Salvador, the aggressive implementation of a transformational economic program followed a different political transition. (Cardoso & Pérez Brignoli, 1983; Torres Rivas, 1983; White, 1973; Wilson, 1970) Unlike Guatemala, there was no civil war that brought a definitive break with a Conservative past. In El Salvador, the creole aristocracy was not as sharply divided over agrarian policy: the development of commercial agriculture was not blocked by a reactionary coalition of guild merchants and hacendados who became the target of Liberal attacks, and those who favored promotion of the coffee industry cannot be characterized as merely an emergent regional elite. (Cardoso & Pérez Brignoli, 1983; Torres Rivas, 1983; White, 1973; Wilson, 1970) Regardless of locale or party affiliation, much of the upper class was tied in one way or another to commercial agriculture and looked to the development of non-traditional export commodities to take the place of the
stagnating indigo trade. From 1859 on, both Liberal and Conservative politicians introduced policies that were favorable to the coffee industry, although it was not until after the Liberal takeover of 1871 that any government introduced measures that would fundamentally alter the structure of the neo-colonial social order. (Guidos Vejár, 1982)

During the middle decades of the nineteenth century, factional strife and repeated intervention by Guatemalan dictator Rafael Carrera on behalf of Salvadoran Conservatives prevented Liberals from consolidating power in El Salvador. The end of Conservative rule in Guatemala finally permitted the establishment of a stable Liberal government in El Salvador. In 1871, Conservative president Francisco Dueñas was deposed in a coup d'etat and Santiago González, a Liberal 'idealist', took power. The González government did not move decisively to transform the pre-capitalist elements of the agrarian economy or to promote non-traditional exports, but it did move against the church, aggressively implementing a variety of anti-clerical policies including: expulsion of the Jesuits, seizure of church property, secularization of education, and establishment of the principles of freedom of religion and separation of church and state. Efforts to promote commercial coffee production were limited primarily to the establishment of government coffee nurseries, improvements in the transportation infrastructure and efforts to maintain social order in rural areas.

As was the case in Guatemala, when the Liberal reforms were finally implemented, they were initially directed against the Catholic church, not the traditional landholding villages of the central highlands. The beginning of a national land reform program, bringing the full weight of the state behind the
movement to enclose communal lands was not organized until the regime of Rafael Zaldívar (1876-1885), an ally of Guatemalan dictator Justo Rufino Barrios.

The Land Reform Program

El Salvador began the nineteenth century with extensive tracts of land tied up as government and community property. The traditional system of property rights applying to these terrenos baldíos, ejidos and tierras comunales prevented the free commercial exchange of land. As long as these lands had limited commercial value, the property rights of their occupants were not widely challenged, but when the coffee boom increased the value of lands in the western and central highlands, the ensuing land rush instigated serious disputes.

Because merchants and the urban middle class favored export development, and the weakened church, which did not own large amounts of rural property, had little at stake should land reforms be implemented, the social conflicts surrounding the rapid spread of commercial coffee cultivation were primarily those between planters and peasants. Because many of El Salvador's Indian communities were located squarely on the best coffee land in the country, this confrontation was even more direct than it was in Guatemala. This was a conflict that the peasant communities were unlikely to win. Because there was no segment of Salvadoran society, aside from the peasantry, that consistently resisted liberal economic policy, El Salvador's traditional landholding communities entered the Liberal reform period even more isolated politically than were their Guatemalan counterparts. Moreover,
the balance of power between traditional landholding villages and hispanic landowners was perhaps even less favorable to the Indian communities than in western Guatemala, where the Indian population was much larger and haciendas fewer. Even prior to the advent of commercial coffee production, villages in many parts of El Salvador were already hardpressed by encroaching estates and mestizo squatters. Because of its smaller indigenous population and the historic importance of indigo production, El Salvador had already moved part of the way down the road towards a capitalist agricultural economy and the eradication of its traditional indigenous culture. On the eve of the coffee boom, the process of mestizaje, cultural assimilation of the indigenous population associated with the breakdown of traditional landholding communities, was already advanced.

The legal enclosure of ejidos and terrenos comunales had been carried out on a piecemeal basis by specific municipalities since the 1850's, but not until the administration of Rafael Zaldívar was there a national program of land redistribution, backed by the full coercive power of the state. Like the Barrios regime in Guatemala, the Zaldívar government initially sought to work within the framework of communal property, attempting to alter patterns of land use and promote the cultivation of cash crops without eliminating a landholding peasantry altogether. In 1879 a legislative decree "made it possible for any person who cultivated land on an ejido or a tierra comun al to receive, without charge, individual title to ownership of the land he occupied if he planted a certain area of it with specified plants" (i.e., various cash crops, including coffee). (Browning, 1971, p.184) This measure forced peasants to produce cash crops or to run the risk of losing their land to outsiders. As a strategy to
divide traditional landholding communities, and to free peasants from
communal restrictions on the sale of their land and labor, villagers were freed
from any legal obligation to remain a member of their communities and were
allowed to petition for private ownership of their portion of the common land.
(Browning, 1971) Where there were sufficient requests for private title, the
community could be legally dissolved. These measures weakened the
traditional village structure and did open the way for encroachment by
neighboring haciendas, but they also allowed peasants to retain their lands as
long as they were willing to shift to export agriculture. There are a few
documented cases of communities that sought to comply with these directives
by planting coffee. (Browning, 1971)

In 1879, Zaldivar also ordered a survey of ejidos and terrenos comunales.
Each municipality was instructed to inform the central government of the
amount of land held under common ownership, the rents charged for its use,
and the amount of land being used and lying fallow. It was learned that "over
one quarter of the country's territory was claimed under some form of
communal land tenure; these common lands were not fully utilized and those
that were cultivated generally produced subsistence crops."
(Browning, 1971, p. 202-3) Communal property was thereafter perceived to be
a major obstacle to the modernization of El Salvador's agrarian economy.
The Liberals' restraint towards alienating communal property gave way to
militant conviction that national development necessitated the outright
abolition of pre-capitalist forms of property. With an explicit statement that
communal lands were an obstacle to commerce and development, an
immediate abolition of communal lands (common grazing lands, woodlots,
etc.) was decreed in 1881, followed by the abolition of ejidal (village agricultural) lands in 1882.

This legislation unleashed hacendados and speculators on the landholding communities, triggering a wild rush for land in the highlands. The Liberal state became an instrument for destroying ejidos and tierras comunales and for transforming traditional relations of production which impeded the emergence of commercial agriculture. However, in contrast with Guatemala, where land expropriations were closely supervised by the jefes políticos and in which Barrios himself frequently intervened, the comparatively decentralized Salvadoran state lacked close administrative control of this process. The abolition of communal property was a disorderly transformation carried out by courts and municipal governments that were inundated with litigation, petitions, and sporadic outbreaks rural violence.

The immediate result of these more drastic measures was confusion. Strong opposition continued at the local level and municipal officials found that the complications involved in applying and administering the new laws to an already confused tenure situation were too great for their inadequate resources and administrative ability. The legal complications of transferring titles were increased by the claims of people who had been squatters on the common lands and who were now entitled to change their status into that of legal owner of the plot they occupied. Local reports suggest that there were ample opportunities for arbitrary and illegal seizure of land. (Browning, 1971, p. 209)

The great transformation in patterns of land use and tenure that followed the Liberal reforms in El Salvador has not yet been documented in great detail. Local and regional histories are lacking, and there is still fundamental disagreement about the rate and extent of land transfers in subsequent decades. Although there were still some traditional villages in the western highlands at the beginning of the depression of the 1930's, some scholars
suggest that the most intense period of land expropriation was over by about 1912. (Wilson, 1970) Others hypothesize a two-stage historical process of land concentration that has not been precisely dated. (Durham, 1979) At present, it is only possible to make broad generalizations about the subsequent transformation of El Salvador's agrarian social structure.

Nonetheless, certain basic features of the period are clear enough. The area dedicated to coffee cultivation increased dramatically. The enclosure of common lands disrupted the traditional pattern of shifting agriculture and cut peasants off from village woodlots, grazing lands, hunting grounds and farmland. In the coffee-producing regions, traditional landholding communities were largely eliminated. However, the policies of the Liberal government were not directed solely against the traditional landholding villages; the enclosure movement also cut mestizo squatters off from all but the most marginal lands, forcing many to outmigrate or to seek employment on the coffee estates. As in Guatemala, the Liberal land reforms were characterized by widespread 'primitive accumulation'; that is, it was a period during which many new family fortunes were made, no small portion of which were initially based on political connections that permitted the uncompensated seizure of property. In the Salvadoran highlands, landholdings became concentrated. Although a large number of small and medium-sized coffee farms were developed, the large coffee fincas, oftentimes surrounded by a satellite community of sub-subsistence plots worked by part-time estate laborers, became the dominant unit of agricultural production in the coffee-producing districts. El Salvador developed a huge mass of land-poor peasants who squatted on the most marginal lands; migrated to the towns or to isolated
mountain regions across the Honduran border, or engaged in seasonal labor on the great estates. (Baloyra, 1982; Browning, 1971; North, 1981; Wilson, 1970)

**Labor Policy**

As was the case in Guatemala, El Salvador's large peasant population constituted a potentially abundant source of labor for the coffee plantations, but one which was initially reluctant to engage in estate labor at prevailing wages as long as traditional employment in subsistence agriculture remained available. Here too, planters hoped to find a way to draw peasants into export agriculture without permitting wages to rise significantly.

The transformation of El Salvador's labor market was conditioned by that country's distinctive ecological characteristics. The cardinal facts of El Salvador's social geography -- essential to understanding the changing social relations between landlords, peasants and the state -- were that: (1) there was a comparative shortage of land there even prior to the land transfers that began in the 1880's and (2) the best coffee land was densely settled by traditional peasant communities. By the late colonial era, there was already little unoccupied farmland in El Salvador and no open agricultural frontier. This land shortage only became more severe through the course of the nineteenth century as population grew, landownership became more concentrated, and as soil exhaustion and the slow decline of the indigo trade forced peasants to migrate from the northern part of the country to the coffee regions in the south and west. (Bailey, 1985; Browning, 1971; Durham, 1979; Munro, 1918)
Unlike Guatemala, the enclosure of the lands most suitable for coffee cultivation destroyed traditional landholding villages and immediately transformed a major part of the rural population into landless peasants. El Salvador's peasantry became a rural proletariat much more rapidly and completely than was the case in either Guatemala or Costa Rica. In the face of this onslaught, some peasants migrated to Honduras and others moved to neighboring market towns, but these alternatives could not absorb the bulk of the dispossessed rural population. Thus, as landlords acquired access to communal lands, they were able to attach many peasants to their estates. As new lands and thousands of additional workers were incorporated into the system of haciendas and sub-subsistence plots that was already prevalent in much of the country, the traditional social bonds of the landholding villages gave way to vertical, patron-client relations between landlords and peasants.

In marked contrast with Guatemala, where forced labor remained a ubiquitous feature of the export sector, El Salvador developed a comparatively free labor market, although here too, debt servitude was common. For the most part, peasants voluntarily entered into estate labor, but because peasants were in such a disadvantageous bargaining position, wages remained low. With little chance of acquiring their own land, and frequently facing irreducible debts, many peasants sought to cultivate a personal relationship with their landlord, offering loyal service in exchange for a subsistence guarantee.

The prevalence of strong personal bonds between landlords and peasants became one of the distinctive features of El Salvador's rural social structure. In marked contrast with Guatemala, where planters and peasants were
separated geographically, culturally and by the endemic conflict that was an ineluctable feature of the system of forced labor, Salvadoran landlords commonly enjoyed a loyal following of dependent peasants. The willingness of peasants to follow their landlords in politics gave the landed gentry an important resource that could be used as an effective counterweight to the centralizing pretentions of politicians in the capital.

The other side these strong patron-client ties between planters and peasants was that landowners were less dependent upon the state to secure a labor supply than were their Guatemalan counterparts. Aside from its initial role in the abolition of communal property and the expropriation of peasant landholdings, which created a huge landless peasantry amenable to estate labor, ecological conditions did not necessitate the sort of constant state intervention in the labor market that became commonplace in Guatemala, where planters had to appeal to officials every year for labor, and where rulers were known to cease allocating workers to particular planters who had fallen out of favor. During the course of the late nineteenth century, there was legislation in El Salvador which empowered landlords and local officials to police the labor market. For instance, agricultural judges, who were appointed in each village, were authorized to "keep lists of all day-workers, arrange for the capture of those who left an estate before fulfilling their obligations, and visit private estates regularly to check the need for workers."

(Browning, 1971, p. 217) Vagrancy laws were also passed. (Cardoso & Pérez Brignoli, 1983; White, 1973) And there was legislation which authorized private owners to expel tenants and squatters from their lands. (Browning, 1971) But these policies were, for the most part, executed by planters or local officials,
who were often one and the same. Unlike Guatemala, political controls on the labor market, such as they were, do not appear to have been highly centralized.

The Transformation of State-Society Relations

In the highlands of western and central El Salvador, the enclosure of communal property and the development of a capitalist labor market in which debt servitude was a prominent feature instigated a direct confrontation between peasants and the encroaching haciendas. As in Guatemala, everyday forms of resistance by the peasantry included legal disputes over land and labor contracts, evasion of contractual obligations, small-scale sabotage on the coffee plantations and outmigration to cities or to Honduras. The expropriation of village lands also instigated more serious confrontations. There were localized peasant uprisings in coffee producing areas in 1872, 1875, 1880, 1885, 1889 and 1898. (Browning, 1971; North,1981; Menjívar,1980; Durham,1979)

The assault on communal lands and the peasant resistance that it instigated cemented an authoritarian alliance between planters and the state against the rural masses. Thereafter, peasants could not participate in politics except as the clients of powerful hacendados; to allow peasants to organize and gain access to the polity would unleash pent-up economic grievances, especially over land and wage related issues.

The process of social transformation instigated by the cafetaleros acquired a non-democratic character, since for its consolidation it had to suppress the democratic rights of other social groups, above all of indigenous communities. The process of territorial expulsion that the indians suffered was also a process of expelling them from the
...All attempts to organize and protest independently by the peasant masses were strongly suppressed. (Guido Vejár, 1980, p.88)

As in Guatemala, Liberal governments in El Salvador introduced a series of institutional innovations in an effort to maintain order in rural areas and to enforce the land reforms. The González government (1871-6) "initiated the building of a modern communication network with army garrisons established at key points." (Elam, 1968, p.7) And in 1889, after several peasant revolts in the western highlands, a mounted rural police force was created in the western departments of Ahuachapán, Sonsonate and Santa Ana. This was subsequently expanded to cover the entire country. (Browning, 1971) These rural police were instructed to

prevent the firing of fields, the clearance of timber and undergrowth from the banks of rivers, unauthorized hunting and fowling, the use of barbasco poisons by freshwater fishermen, the building on or enclosure of public highways, the settlement, clearing and burning of any land belonging to private estates. (Browning, 1971, p.218-9)

In short, they received an explicit mandate to enforce the enclosure of communal lands. In the two decades of the twentieth century a number of programs were introduced to modernize and professionalize the military. (Elam, 1968)

The expansion and modernization of the military and police forces were part of a larger trend: as was true throughout the isthmus, the coffee boom in El Salvador was associated with the rapid development of a stronger state with a new, pro-planter agenda. Here too, the growth of foreign trade generated unprecedented customs revenues. This new income provided the wherewithal for government bureaucratization, military modernization and the expansion of government authority into areas that were previously dealt with by the church, non-governmental associations or local notables. But in El
Salvador the growth of state power over local notables did not go as far as it
did in Guatemala. The ability of planters to dominate and command the loyalty
of peasants meant that there was, in many localities, a powerful coalition of
local forces that resisted the centralist ambitions of Liberal rulers. El Salvador
did not develop the sort of highly centralized patrimonial system that existed in
Guatemala, where an autocratic ruler personally appointed loyalists to
positions in the military and provincial administration, and was oftentimes able
to impose his will concerning local matters. Instead, El Salvador was
characterized by an oligarchic system of government, in which the political
leadership was drawn from the leading planter-merchant families. Planters
and merchants controlled the legislature, held many public offices and
developed their own personal ties with the military. For the most part the
Liberal policies applying to land and labor were administered at the local level
by planters or by officials with whom they were closely allied. The popular
expression that El Salvador is ruled by the so-called 'fourteen families' is
symptomatic of the power of the leading merchant-planter clans.

The comparative limits of rulers' power vis-à-vis the coffee growers are
illustrated by the sequence of events that brought Liberal dictator Rafael
Zaldívar down in 1885. Zaldívar sought to exploit the new export bonanza by
placing a 12 1/2 cent tax on each quintal of coffee exported. (Kerr,1981) The
planter-controlled legislature rejected the measure. Zaldívar responded by
ordering the alcaldes to collect the tax, disguising it as a municipal measure,
and then to remit the funds to the central government. This subterfuge elicited
resistance from planters who had connections with the army. Zaldívar was
overthrown in a military coup d'état. The liberal constitution of 1886, instituted
shortly after this coup, provided for the popular election of municipal officials, a feature which ensured that local notables, rather than rulers and bureaucrats in the capital, would control provincial politics. (Wilson, 1970)

Costa Rica

In Costa Rica, there was no civil war or coup d'état that brought a definitive break with a Conservative past. Because the development of commercial agriculture was not blocked by merchant guilds, a landholding church or peasant villages, no major intra-elite or class conflicts were triggered by the initial expansion of coffee cultivation. Nor was the development of commercial coffee production associated with the rapid or violent implementation of a transformational economic program by a Liberal state. In Costa Rica, government programs to promote commercial agriculture were gradually introduced from an early date and were comparatively moderate.

Unlike Guatemala and El Salvador, the state did not intervene in any major or particularly repressive way on behalf of planters against the peasantry. Costa Rican peasants were not forced to shoulder the costs of an agricultural modernization program from which they would derive little benefit. Quite the contrary, as small producers, teamsters and wage laborers, they were able to capture some of the gains from the coffee trade. Nor did Costa Rica pass through a stage of blatant crony capitalism of the sort that occurred in Guatemala, where uncompensated land expropriation and forced labor

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1 The economic and political transformation that occurred so abruptly in Guatemala and El Salvador during the 1870's and 1880's, started much earlier and developed more gradually in Costa Rica. Because of the differences in the timing of these events, many of the distinctive features concerning social relations between landlords, peasants and the state in the Costa Rican coffee economy have been described in the last two chapters. A few of those points will be briefly recapitulated here for comparative purposes.
permitted a handful of political entrepreneurs to acquire large estates and captive labor forces. Political connections may sometimes have been useful in acquiring title to modest parcels of public land, but in contrast to Guatemala and El Salvador, the voluminous and detailed historical literature on Costa Rica's coffee industry lacks references to great estates and huge family fortunes that can be traced back to massive expropriations of church or communal property.

The most significant government development policies were the transfer of state and municipal lands to private individuals, a policy which in this case does not appear to have elicited significant peasant unrest nor to have instigated the extreme concentration of landownership, and programs to improve the transportation infrastructure. Although the enclosure of public lands in some communities may have caused hardship for families that had traditionally worked them, the existence of an open agricultural frontier and the high demand for seasonal labor offered alternatives for displaced peasants. Peasants were not denied access to land. Although some large coffee estates were formed, it was at this historical juncture in the middle decades of the nineteenth century, that Costa Rica's modern, comparatively egalitarian pattern of land tenure characterized by the predominance of titled small and medium-sized holdings appears to have been consolidated.

(Gudmundson, 1986)

With regards to labor, government efforts to forceably allocate workers to coffee plantations, to enforce debt servitude, to prevent migration to the frontier lands or to otherwise coerce peasants into estate labor were conspicuously absent. Nor did Malthusian demographic conditions or the concentration of
landholdings squeeze peasants into estate labor at low wages. Costa Rica was characterized by an abundance of small proprietors, a free labor market and comparatively high wages. Labor relations were not particularly combative. In fact, there were no instances of serious labor conflict in any coffee producing region until the 1930's, and even then labor strife on coffee estates was confined to the Turrialba area. There were exceptional moments when the government sought to alleviate the chronic labor shortage, such as in 1883, when vagrancy laws were established. But in the face of a small population and an abundance of unoccupied farmland, much of which was in isolated areas where government authority was at best tenuous, such policies were unenforceable. Moreover, there are numerous counter-examples of instances in which government policies seemed to exacerbate the labor shortage. Probably the most significant was the aforementioned land policy which allowed peasants to settle on virgin lands on the agricultural frontier and to acquire title to their smallholdings. This is in marked contrast to the Guatemalan and Salvadoran experiences, where Indian and mestizo peasants were often blocked from acquiring land and thus forced into estate labor. At times, Costa Rican immigration and colonization policies also did not coincide with planters' interests. For instance, in 1862 racialist legislation prohibited colonization by Chinese or black immigrants. (Hall, 1982) Furthermore, the government tended to channel poor European immigrants into isolated, dispersed enclaves on the frontier rather than concentrating them in the coffee belt where labor was always needed. (Hall, 1982) The willingness of various administrations during this period to pursue policies
that, at the very least, did nothing to help the labor crisis remains one of the unsolved paradoxes of Costa Rican economic history.

Because of the high cost of labor, the most labor intensive phases of the industry – the cultivation of coffee and its transport from farm to port -- were largely left to small proprietors who could exploit family labor. Entrepreneurs who had sufficient capital tended to move into the processing, financial and export-related phases of the coffee business, giving rise to diversified commercial-agro-industrial fortunes. Compared to the other coffee exporting nations in the region, a greater portion of local investment tended to be drawn into related service activities, rather than into direct investments in land. This was not a hard and fast rule; Costa Rica also had a planter aristocracy and some moderately large estates, just as diversified processors-buyers-creditors were an important element of the cafetalero aristocracy in Guatemala and El Salvador. But the point is that, unlike elites in Central America’s other coffee exporting countries, the economic position of Costa Rica’s the agrarian upper class was much less dependent upon their control of either land or labor. This elite never became a strictly "narrow coffee-based, landed oligarchy"; it always maintained connections to diverse commercial and political activities.

(Gudmundson, 1986, p. 78)

Because agricultural credit was seldom sufficient to meet demand, preferential access to capital became the basis of many commercial fortunes. A hierarchy of unequal exchanges typically linked exporters, who often had direct access to foreign capital, to the large planters and beneficio owners who, in turn, were able to exploit their access to credit from import-export firms by advancing funds to smallholders on similarly disadvantageous terms. The
small farmers at the bottom of this hierarchy were in a dependent position and had little alternative but to sell their crop in advance at unfavorable terms.

These features of Costa Rica's agrarian social structure are essential to understanding the uniqueness of that country's politics. In Costa Rica, the concentration of wealth and of political power was not so much based on a skewed distribution of landholding or the exploitation of estate laborers as it was on accumulation by creditors-processors-exporters. To the extent that the commercialization of agriculture generated social tensions in Costa Rica, these were not caused by movements to expropriate land and establish servile labor, as they were elsewhere in Central America. Instead, agrarian disputes tended to be over internal commodity prices and the distribution of credit. The conflicts associated with the coffee industry were not so much between landlords and peasants as they were between producers and merchants over the terms of trade. (Facio, 1972; Hall, 1982; Gudmundson, 1986) The exploitation of favorable access to capital did not just entail a class conflict in which wealthy merchant-planter exploited small producers. Firmly embedded in this commercial system were intra-elite rivalries between those kin groups that had managed to forge strong international trading connections and less advantaged planter families who had to pay a high price for credit. Such family rivalries became an important and recurrent theme in the factional struggles within the cafetalero aristocracy during the mid-nineteenth century.

One of the ramifications of this predominantly commercial nexus between the peasants who cultivated coffee and the agrarian upper class was that neither group was prone to sustained conflict over land and wages. That
portion of the peasantry who were proprietors of small or medium-sized farms tended to be politically conservative: they were risk adverse small entrepreneurs who tended to be weakly organized and whose closest political-economic ties were hierarchical, patron-client relationships with those who bought and processed their crop and lent them money, rather than horizontal bonds with other small producers. And that portion of the peasantry who were estate laborers could always, as an alternative to labor strife, migrate to frontier lands if working conditions became unattractive. Many of them did so, and the very existence of this option acted to support workers' wages. Although the terms of exchange between peasants and the merchant-planter aristocracy were unequal, they still allowed peasants to capture some of the gains from the coffee trade and, on the whole, to improve their standard of living substantially during the second half of the nineteenth century.

As for the Costa Rican upper class, because such a large portion of them drew at least part of their income from secondary activities, their economic position did not depend on political restrictions on land or labor markets. The fact that wages rose and peasants gained access to land did not influence their ability to accumulate wealth through commercial activities. This commercial elite did not need to maintain tight military control of the countryside in order to expropriate land, prevent migration and squatting, or to suppress peasant unrest. So long as they maintained their advantageous commercial position, which depended more on their access to scarce capital than it did on any political restrictions, they could even allow broader participation in the polity, permitting the system to be opened up to populist demands from below, as they did in the first decades of the twentieth century.
The distinctive structure of Costa Rica's coffee industry lent itself to an elitist, paternalistic political system, but one which was not particularly repressive in comparative terms.

Political divisions were not drawn along class lines so much as they were between factions of the aristocracy. Personal and economic competition between leading families were the source of considerable political instability, particularly during the 1860's. Political contestation amongst the elite often became violent and into these intra-elite conflicts military officers were often able to intervene. One of the sources of this instability is that there were no well established rules governing succession or the distribution of public resources. (Vega Carballo, 1981) Another source of tension, one that was explicitly associated with the development of export agriculture, was the question of whether the state should intervene in the credit market; specifically, whether or not it should establish a national bank. Both large and small producers who lacked easy access to credit favored the formation of a national bank that would extend credit to them on easier terms. The policy was opposed by a powerful clique of merchant-planters who received credit from European commercial banks and trading houses, and who, in turn, made profitable loans to less favored producers. The creation of a national bank would have threatened their advantageous position in the local credit market. The conflict over the banking question was an important contributing factor to chronic intra-elite rivalries and to two coups d'etat: one in 1859 against Juan Rafael Mora Porras, and a second in 1868 against José María Castro Madriz and his finance minister, Julian Volio. Both presidents had founded short-lived national banks in the year prior to their fall.
Tensions between merchants and planters over credit and monetary questions existed in all of the coffee exporting countries of Central America. (Baloyra, 1982) But in Guatemala and El Salvador these disputes were of secondary importance to the endemic class conflicts associated with the establishment of political controls over the land and labor markets. In Costa Rica, in the absence of substantial class conflicts over land and labor, they were the primary source of political violence associated with the development of the export economy.

The Distinctive Position of the Military in Costa Rica

In Guatemala and El Salvador the Liberal reforms were associated with incipient modernization of the armed forces and the militarization of the countryside. In part, this was because new sources of taxable wealth permitted these states to spend more on salaries, weaponry and rudimentary training, but it was also because there developed in each country a new pact of domination between planters and the state. With the Liberal reforms in Guatemala and El Salvador, the main mission of the army and police was to enforce the reorganization of factor markets and to suppress any subsequent peasant unrest. In Costa Rica, however, the military played no such role as the enforcer of political restrictions on land and labor markets. There the main impetus for militarization had little to do with the development of the export sector.

In the first decades after independence, Costa Rican governments relied, for the most part, upon an untrained and badly equipped militia. Militiamen did not depend on the state for salaries and were called upon only in times of
crisis. (González Murillo, 1980) Starting with the government of Braulio Carrillo, who favored military modernization as a way to consolidate his control over the municipalities, periodic efforts to modernize the armed forces created a core of professional officers and a few regular army units. Nonetheless, the government continued to rely heavily on militia in times of crisis.

By the 1840's, the country's small cadre of professional military officers had become a factor in Costa Rican politics. Repeatedly intervening in intra-elite struggles, they were partly responsible for a wave of uprisings and coups d'état in the late 1840's. (Vega Carballo, 1981) In 1856-7, the intervention in Nicaragua by North American filibusters led by William Walker instigated a substantial military mobilization in Costa Rica. Some eighteen thousand men were sent from Costa Rica to help depose Walker and his troops. After Walker's defeat, the army disintegrated and the vast majority of Costa Rican recruits returned home. But a small coterie of young officers, who enjoyed some prestige because of their war efforts, and who were united by close personal and family bonds remained politically active. They became a destabilizing factor in Costa Rican politics, repeatedly intervening in succession crises, family rivalries and intra-elite struggles over monetary policy. During the 1860's, nobody could become or remain President without the support of the military chiefs. (Vega Carballo, 1981)

There is no obvious connection between the military buildup of the 1850's and the expansion of commercial coffee production that was underway at roughly the same time. Unlike Guatemala and El Salvador, militarization of the countryside was not necessary to promote or protect the coffee industry,
and the military did not consistently provide any special service for coffee planters and merchants as a whole, although officers certainly aligned themselves with specific factions of the cafetalero aristocracy. The Costa Rican military appears to have made no positive contribution to the development of the coffee economy. In fact, it may have been detrimental insofar as military intervention contributed to a general atmosphere of political instability that threatened to undermine national prosperity. From the point of view of the cafetalero elite, the problem was not how to develop the state's repressive apparatus, but how to dismount the dangerous clique of interventionist officers and create a stable civilian government.

Summary

In spite of their many similarities and common historical experiences, the transition to export agriculture occurred in Central American countries that were already characterized by major cross-national differences in social structure as the coffee boom commenced. These structural differences conditioned national reactions to exogenous economic forces, so that the great social transformation associated with the development of capitalist agriculture followed a different route in each country. Each nation developed its own distinctive mode of coffee production, characterized by national peculiarities in labor markets and in patterns of land tenure. And each country underwent a different sort of political transformation associated with the transition to capitalist agriculture. Speaking in the broadest possible terms, the political route that each new nation took as it developed a capitalist export economy was a function of two sets of factors: (1) the extent to which the initial
expansion of commercial coffee production was blocked by traditional landholding villages, extensive church estates, or a clique of colonial merchant families, and (2) the extent to which conflicts between landlords and peasants became firmly imbedded in the social fabric of the emergent modes of coffee production.

The existence of a landowning church, a concentration of traditional landholding villages and/or an entrenched merchant elite whose economic position depended upon political restrictions on commerce were major determinants of the character of the Liberal reforms. Where such colonial interests were deeply entrenched, the reorganization of the agricultural sector in response to changes in relative prices tended to be a highly politicized process. Commercial coffee production was delayed until a Liberal state violently introduced a transformational program of economic reforms designed not only to sweep away pre-capitalist social forms that impeded individual initiative, but also to redistribute wealth to planters through property expropriation and forced labor. In Guatemala and El Salvador, where such programs were implemented, the expropriation of land and surplus labor were probably as important as the role of foreign capital or domestic savings in accumulating capital at this early stage of export development. (Torres Rivas, 1981)

In Costa Rica, which lacked an entrenched colonial elite, and where church estates and landholding Indian communities largely had disappeared before the end of the colonial era, there was an early, gradual, non-violent transition to commercial coffee cultivation. Here the line between Liberal and Conservative factions of the aristocracy was not clearly marked and intra-elite
conflicts associated with the initial expansion of coffee production were comparatively mild. Many of the old families were well positioned to take advantage of the coffee trade, and successfully made the transition to prominent positions in the emergent export economy.

In Guatemala, on the other hand, there was an important concentration of guild merchants, ecclesiastical power and traditional landholding villages. Here, the great commercial success of the planter aristocracy was delayed until this Conservative combine was deposed through civil war, and state initiated authoritarian 'reforms' were instituted to redistribute common lands, church capital and Indian labor. In Guatemala, where the aristocracy was sharply divided, the demise of the old families was most complete, although even there many members of the old oligarchy managed to become prominent planters and merchants.

El Salvador was an intermediate case. It had a substantial colonial elite, but one which was able to accommodate itself to the new economic order. Intra-elite conflicts associated with the initial expansion of coffee production were comparatively mild and many of the old aristocratic families were well positioned to become coffee planters and traders. But the concentration of much of the Indian population on prime coffee land was a major impediment to planters' aspirations; one which ultimately elicited serious conflicts between planters and peasants and which instigated a radical Liberal reform program to eliminate pre-capitalist forms of property and redistribute prime agricultural land to coffee planters.

Once the obstacles to commercial coffee production were swept away, and the coffee boom began in earnest, the shift to commercial agriculture caused a
rapid transformation of social relations between planters and peasants in every coffee exporting country. But there were important cross-national differences in the nature of class relations in the emergent coffee enclaves. Some regions became characterized by endemic conflict between landlords and peasants over land and wages; in others, class relations were much less combative. In some areas, elites were able to mobilize peasant support for their political agenda through patron-client relationships; in others landlords and peasants were permanently divided by economic, geographic and cultural differences. And in some areas, the economic position of elites depended upon permanent political restrictions on labor markets and a repressive military apparatus in the countryside; in others, such solutions were impractical or unnecessary.

In Guatemala -- where much of the peasantry continued to live in traditional landholding communities in the western highlands -- cultural and geographical differences, and chronic disputes over land and labor contracts divided landlords and peasants. In order to draw peasants into commercial coffee production without allowing wages to rise, the Liberal state intervened in the labor market. Here, the Liberal reform program amounted to a return to a pre-capitalist, colonial-style tributary economy. The Barrios regime revived the system of 'two republics' in which the state acted as a broker between highland communities and lowland estates owned by prominent creoles and foreign immigrants. Government officials enforced labor contracts and allocated workers directly to specific coffee farms. Landowners became permanently dependent upon the state to maintain order and to guarantee the supply of estate labor; a development that gave government bureaucrats and
military officials considerable power over the planter aristocracy. Although there were strong ties between planters and officials, the planters did not rule. Guatemala developed a comparatively centralized patrimonial government in which a personalistic dictator exerted direct control over the civil-military bureaucracy. The benefits of liberal reforms were allocated preferentially, as selective incentives to specific individuals who had personal ties to the Liberal government.

El Salvador was characterized by intense conflicts between planters and peasant communities that resided on land that was ideally suited for coffee. An alliance between the cafetalero elite and the Liberal state brought a radical reform program that totally abolished common land, brought the extinction of many traditional peasant communities in the highlands, and created a substantial landless peasantry. After losing their lands, much of the peasantry had little option other than to seek employment on the coffee estates. Consequently, forced labor was not a ubiquitous feature of the Salvadoran coffee economy; El Salvador developed a comparatively free labor market in which the state played a role enforcing contracts and maintaining social order, but did not control the supply of labor to individual farmers. Consequently, once they acquired their lands, planters were less dependent upon the state than was the case in Guatemala. Furthermore, by virtue of their control of peasants' lands, planters were able to offer use rights to marginal lands or other personal considerations to peasants in exchange for loyal service. Strong patron-client relations were common here, and were the basis of local political coalitions against the centralist pretensions of officials in the capital. Here the landed elite was able to preserve a greater degree of political
autonomy than was the case in Guatemala. In both Guatemala and El Salvador, the Liberal reforms necessitated the continued exclusion of the vast majority of the population from the polity and from the economic benefits of modernization.

Costa Rica's unique ecological characteristics dictated an entirely different scenario. There, the small population, the existence of an open agricultural frontier, and inability of the government to monitor and enforce peasants' activities in remote areas, all worked against efforts to politically control labor. Consequently, Costa Rica developed a free labor market in which wages were comparatively high. Because of the high cost of labor, the upper class tended to move into subsidiary activities, leaving coffee cultivation to small peasant proprietors who could exploit family labor. In this merchant-smallholder system, serious land and labor disputes were exceptional. Comparatively mild disputes between producers and merchants over credit and commodity prices were the most typical form of tension. Because the cafetalero elite did not depend on the state to help expropriate land, guarantee a supply of cheap laborers or to maintain social order in the countryside, they did not support the development of the type of repressive apparatus that emerged in the Guatemalan and Salvadoran countryside. Although peasants were not granted even limited access to the polity until the early twentieth century, the Costa Rican political system was notably less repressive than was the case in the other coffee exporting republics.
Chapter 5

From the Liberal Reforms to the Great Depression: The Explosive Growth and Increasing Instability of the Coffee Industry

During the long period from the advent of the Liberal reforms to the depression of the 1930's, a combination of favorable factors -- high foreign demand, the availability of foreign credit, declining transport costs, and various Liberal policies that removed domestic obstacles to commercial agriculture -- collectively stimulated coffee production in each country under consideration. In each coffee producing republic, the volume and value of coffee exports increased dramatically, and the development of the coffee industry became the driving force behind an unprecedented period of national economic expansion. The explosive growth of coffee exports stimulated road, port, railroad and telegraph construction; led to the development of a commercial banking system in each country; provided the foreign currency to pay for imports; and generated the taxable wealth that paid for the growth of the public sector. The development of the banana industry in Costa Rica and Guatemala, the region's only other major source of export earnings during this period, was a direct consequence of railroad construction intended to connect the coffee producing highlands and the Atlantic coast.

As international trade increased and the Central American republics began to concentrate on the production of commodities for which they had a comparative advantage, subsistence agriculture and pre-capitalist forms of exchange gave way to commodity production and a money economy, and each coffee exporting country developed into a rather extreme case of
monocultural export dependence. The portfolio of major export commodities was limited almost exclusively to coffee or, in the case of Guatemala and Costa Rica, a mix of coffee and bananas. During the 1920's agroexport specialization reached its highest degree as coffee in El Salvador, and coffee and bananas in the other two cases, accounted for more than ninety percent of export earnings. (Bulmer-Thomas, 1985, p. 280)

The region's investment effort was geared almost exclusively to the needs of the traditional export sector (i.e., coffee and bananas), so that alternative activities were squeezed out. Non-traditional (export commodities) suffered from a shortage of land where infrastructure was available and an absence of infrastructure where land was available; manufacturing developments, where permitted by market size, were choked off by a shortage of credit and the region's mineral potential went largely unexploited. (Bulmer-Thomas, 1984, p. 282)

Coffee not only squeezed out alternative export commodities, in many localities it also took the place of the production of food for domestic consumption. Until the middle decades of the twentieth century, increasing agricultural productivity was achieved by shifting underutilized land and labor from less productive activities to the cultivation of higher value export crops. (Bulmer-Thomas, 1984; Gudmundson, 1986) The production of food and livestock for domestic consumption was increasingly relegated to marginal lands that were unsuitable for coffee. As more land was converted to export agriculture, food had to be imported from other regions or from outside of the country altogether. (Bulmer-Thomas, 1984; Hall, 1982 & 1984; Solorzano, 1963) Increasingly, the ability of the coffee exporting republics to feed themselves depended upon their ability to generate export earnings.

Consequently, although the coffee boom of the late nineteenth century was a period of historically unprecedented economic progress, it was also
characterized by the consolidation of a pattern of extreme export dependence that left these countries increasingly exposed to unpredictable conditions in foreign markets. As a result, a number of serious new economic problems and patterns of social conflict were introduced which business and government leaders did not always have the expertise or resources to cope with.

As foreign trade developed, one of the first such problems to manifest itself was exposure to unpredictable variation in exchange rates caused by changes in the relative value of precious metals. In the early 1870’s, just as coffee exports began to take-off, and as subsistence production and pre-capitalist redistributive arrangements were rapidly giving way to a fully monetized market economy, the international bi-metallic system was thrown into disarray as the price of silver began a long-term decline against the value of gold. As a result, there were erratic movements of metallic currency across national borders, with gold coins disappearing from circulation in Central America. (Young, 1925) Silver-backed Central American currencies depreciated continually throughout the latter third of the nineteenth century. The impact of declining silver prices was, in some cases, compounded by inflationary policies including heavy government borrowing and the emission of unbacked paper currency. Within Central America monetary depreciation caused wealth to be redistributed. Coffee planters, exporters, banks and foreigners, all of whom tended to have access to gold or gold-backed foreign currencies, were able to take advantage of the depreciation of national currencies. On the other hand, importers, consumers and salaried workers struggled to maintain their buying power in the face of depreciation. On the coffee estates, paying a fixed wage in depreciating national currencies
allowed coffee planters to reduce real wages, a strategy that was particularly important when coffee prices fell, because it allowed planters to pass some of the risk of commodity price variation on to their labor force. Such transfers of wealth instigated a series of zero-sum redistributive conflicts: between planters and peasants over wages; between small coffee producers and merchants over internal coffee prices; and at the national level over government monetary policies, including the emission of unbacked currency, the public debt, and whether to adopt the gold standard.

With such a narrow economic base, the Central American countries were also increasingly susceptible to fluctuation in coffee yields and to unpredictable conditions in foreign commodities markets. Towards the end of the nineteenth century, a problem of periodic episodes of oversupply developed, becoming particularly acute after the massive growth of the Brazilian coffee industry. By the latter part of the nineteenth century, Brazil was producing around sixty percent of the world’s coffee, with the state of São Paulo alone producing approximately forty percent of the world total. (Wickizer, 1951, p.2) Unpredictable annual fluctuations in the huge Brazilian crop drove world prices. (Rowe, 1963; Wickizer, 1951) Episodes of oversupply became progressively more frequent and serious through the course of the late nineteenth and early twentieth centuries. (Solórzano, 1963; Wickizer, 1951)

On the demand side, coffee prices declined during world recessions and sometimes as the result of international political crises. As the volume of trade increased and the coffee exporting republics became more exposed to such fluctuations, they were repeatedly plunged into sharp recessions by foreign
wars or financial panics. An early example was the European recession of 1848, which caused a sharp contraction of Costa Rica’s precocious coffee industry, causing some planters to abandon cultivation altogether. (Hall, 1982) The most serious and prolonged crisis of the nineteenth century was caused by the world recession of the 1890’s. Other prolonged regional recessions were triggered by World War I, which disrupted access to European markets and credit, and the depression of the 1930’s.

The problem of price fluctuation was exacerbated by some of the peculiar characteristics of tree crops. Because new coffee seedlings do not begin to bear for four or five years, there is a substantial lag between changes in relative prices and changes in supply.

New plantings may continue for several years after a rise in price, until the first new trees begin to bear; then for several years afterward output will rise each year as a new group of trees comes into production, even if prices are low and there is no new planting. The rise in yields as each tree matures simply compounds any tendency to overproduction. (Grunwald & Musgrove; 1970, p. 311)

Furthermore, with tree crops it is difficult to quickly shift to some other sort of agriculture in the face of falling prices. Because mature trees amount to a substantial capital investment, farmers are unwilling to take them out of production when prices are low.

Farmers can adjust the acreage of annuals rather quickly, but the coffee-plantation manager needs several years to add to productive capacity, and he would no more think of destroying existing trees to reduce output over the near term than a manufacturer would consider scrapping machinery because supplies had temporarily outrun sales. The manufacturer, however, can stop production and let machinery lie idle, whereas the coffee grower continues operations even though his crop is picked only to be destroyed. (Wickizer, 1943, p. 92)

Consequently, supply contracts slowly in response to price declines and the market does not easily correct itself. These characteristics tend to lead to
repeated and sometimes prolonged cycles of worldwide oversupply.

(Grunwald & Musgrove, 1970; Rowe, 1963)

Throughout the nineteenth century we can trace the history of this anarchic succession of over-production and under-production of coffee. Delight in a year when prices were high has been translated into an undue extension of planting, which, four years later, leads to the recurrence of rock-bottom prices. Then there is a panic. In the seventh year, the pendulum swings back once more towards the side of extended planting. (Jacob, 1935, p. 210)

Since the last third of the nineteenth century the coffee sector has been subject to these repeated cycles of boom and bust. Moreover, substantial reductions in coffee prices had a multiplier effect, periodically causing systemic crises that extended far beyond the coffee business. The aforementioned conversion from the cultivation of food for domestic consumption to specialized export agriculture meant that, during periods when coffee prices were low, a larger portion of the national income would have to be devoted to food imports.

The expansion of coffee was increasing dependence on imported foodstuffs and reducing the region's ability to secure an automatic adjustment to external equilibrium (since food imports cannot be cut so easily). (Bulmer-Thomas, 1984, p. 280)

To make matters worse, because customs duties, which were the primary source of government revenue, depended on the volume of trade, falling export earnings quickly resulted in diminished government revenues as well. This problem was compounded by the fact that the availability of foreign credit to both the public and private sectors was also dependent on the state of the coffee trade. Much of the gains from coffee exports were deposited in foreign banks between harvests. When coffee prices fell, this capital tended to remain abroad in more attractive investments. Foreign trading concerns were less
willing to make advances to coffee farmers when prices were low, thus subjecting planters to a credit squeeze at the worst possible time. In addition, foreign loans to the public sector were oftentimes guaranteed by trade-dependent customs duties. Thus, instead of helping to buffer the Central American economies against unpredictable market fluctuations, foreign credit had an unfortunate tendency to dry up precisely when it was needed most.

Through the course of the late nineteenth and early twentieth centuries, although coffee prices rose significantly and the coffee exporting republics of Central America experienced tremendous economic growth, episodes of falling prices also became more frequent and serious. Time after time, the decline of coffee prices wrought havoc, triggering severe economic contractions and causing fiscal crises of the Central American states. Although data is insufficient to allow any definitive conclusion, several investigators have also suggested that by the 1920's the strategy of basing national economic growth on the conversion of underutilized land and labor to coffee production was yielding diminishing returns, as the land that was most suitable for coffee was already devoted to intensive coffee cultivation. (Bulmer-Thomas,1984; Gudmundson,1986)

These developments form part of the background to the political conflicts of the 1920's and 30's. (Pérez Brignoli,1985) In the decades leading up to the depression of the 1930's, there already were a variety of redistributive disputes associated with the development of the coffee industry. There were conflicts between landholding peasants and encroaching planters as the expropriation of communal property was extended into new regions; on the coffee estates there was strife between coffee growers and peasants over
wage-related issues; there were disputes between the small group of creditors-processors-exporters and the great mass of coffee farmers over internal commodity prices and the terms of credit; and there were disputes between planters and emergent urban movements over a variety of issues including tariff policy and the extension of political rights to the middle and working classes. These disputes tended to become more severe when falling coffee prices plunged the export dependent Central American economies into recession.

**Social Relations Between Planters and Peasants During an Era of Market Instability**

As coffee prices became more volatile, planters increasingly found themselves in the unfortunate position of being squeezed between falling export earnings and fixed production costs.¹ In their search for ways to buffer themselves against these episodes of depressed prices, planters had few options. Small coffee exporting countries were wholly unable to influence coffee prices in foreign commodities markets. Moreover, when prices were low, planters were generally unwilling to abandon their plantings and convert to other sorts of cultivation, and were oftentimes unable to borrow against their crop in order to meet operating expenses. Consequently, for the most part, planters were left with trying to reduce their production costs when prices fell. In this highly labor intensive industry the ability of planters to cut costs was largely a function of their skill at holding the price of labor down, and because

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¹ In his study of the Brazilian coffee industry, V. D. Wickizer found that fixed costs averaged over seventy-five per cent of total production costs not counting interest charges. The cost of labor to care for the trees, whether they yield a large crop or not, accounted for most of these fixed costs. (Wickizer, 1943)
there were virtually no labor saving innovations available for coffee cultivation, the only viable way to reduce labor costs was to cut wages.²

There were certain observable differences in planters' abilities to withstand periods of low prices. One determining factor was the extent to which wages are paid in cash or, alternatively, in usufruct rights to marginal lands. Where workers had access to land they were able, at least in part, to sustain themselves during hard times through subsistence agriculture, allowing planters to pay a sub-subsistence wage, where they paid a cash wage at all. It is for this reason that both the latifundia-minifundia system, where large estates are surrounded by tiny subsistence farms that sustained part-time laborers, and the colono system, where permanent estate laborers were paid in use rights to marginal lands, helped to buffer planters and peasants alike against unpredictable commodity price fluctuations. Where workers were paid in food raised on the estate or in usufruct rights to marginal land, fluctuating coffee prices had little impact on the owners' ability to meet their wage bill. But where workers were paid in cash wages, declining coffee prices caught planters in a difficult position between falling income and a fixed wage bill. When coffee prices fell, owners oftentimes employed various flexible strategies to reduce real wages, in an attempt to pass at least part of their

² Wickizer also found that in Brazil the largest item of variable costs is labor for picking and processing. (Wickizer,1943) The Brazilian example is especially noteworthy because Brazil's coffee industry is widely known for the lack of care taken to produce a high quality product. For instance, instead of hand selecting the ripe berries, Brazilian pickers oftentimes strip the branches of all of their fruit at once, whether it is ripe or green, a practice which sacrifices uniform ripeness and also damages the tree. (Wickizer,1951, p.36) Labor intensive methods of pruning, soil conservation and the like are also not as widespread in Brazil as they are in countries whose market share depends on their reputation for quality. Central America is famous for its 'mild' coffees. In order to meet high standards of quality Central American planters have usually used especially labor intensive methods of cultivation, except in marginal zones where ecological factors reduce product quality. Thus, if anything, labor probably accounts for an even higher portion of operating costs on Central American farms.
losses on to their workers. Such measures were likely to instigate labor conflicts.

There was a tendency to expand coffee plantings during times of high prices, or as improvements in the transportation infrastructure reduced the costs of shipping coffee from farm to market. Consequently, as more land was taken out of subsistence production and devoted to coffee, the _colono_ system of labor rent tended to give way to payment of cash wages, particularly in regions where there was a comparative shortage of marginal land on which peasants could settle. This transition to wage labor amounted to a risky shift for both peasants and planters. Although it is difficult to determine with any precision, there appears to have been significant local and cross-national variation in the extent to which the shift to wage labor was carried out. The transition from the _colono_ system to wage labor appears to have been most complete in western El Salvador, where a coffee monoculture developed in the highlands, and where high population density and an acute land shortage combined to make labor cheap and land comparatively expensive. Combined with the country's extreme export specialization, this shift to a comparatively high incidence of wage labor helps to explain why the collapse of coffee prices during the 1930's brought such hardship and serious peasant unrest to El Salvador's coffee producing regions. In Guatemala, on the other hand, payment in use rights to land not only remained a common way of compensating permanent estate labors, but it was also a frequently used mechanism of paying seasonal laborers (_mozo colonos_) who resided in the _altiplano_. The prototypical Guatemalan coffee estate retained some of the elements of the pre-capitalist hacienda, which allowed planters to fall back on
subsistence agriculture on marginal lands when market conditions became unfavorable. In Costa Rica, where unoccupied land was abundant, the extraction of labor rents was rare. But there, a large portion of coffee producers were small proprietors who were well adapted to coffee price fluctuations because they were able to minimize their wage bill when prices fell by exploiting family labor.

**Economies of Scale**

Until after the second world war, when hybrid varieties, chemical fertilizers, pesticides and other capital intensive technical innovations in cultivation became widely used, planters who wanted to expand their coffee enterprise had, broadly speaking, essentially two options. On the one hand, they could invest in wet processing technology, lend money to other producers and/or buy and export coffee, creating a vertically integrated producing-processing-commercial enterprise. The availability of capital became the major determinant of planters' ability to pursue this option. These measures required a great deal of investment capital and consequently were options that were open only to the wealthiest planters or those who had easy access to foreign credit. Alternatively, planters could increase farm output by simply employing more labor, either by putting more land in production or by cultivating existing acreage more intensively. This option required less capital, and allowed farmers to expand their operations incrementally. The ability to implement this strategy depended on the planter's access to affordable labor. (Grunwald & Musgrove, 1970) Regions where labor was abundant tended to develop an entirely different sort of agricultural enterprise
from the capital intensive, vertically integrated agro-commercial business that developed around the beneficio. Scarce capital and an abundance of cheap labor encouraged the development of extensive, labor intensive operations with a primitive production technology.

Although examples of both sorts of enterprise can be found in each country, there were clear cross-national differences in the comparative incidence of each type. In Costa Rica, because the scarcity of labor made it costly to develop extensive, labor intensive operations, a comparatively large portion of the cafetalero aristocracy developed vertically integrated coffee enterprises. There, much of coffee cultivation was left to small and medium-sized farms which were unable to adopt either strategy of expansion because of the high cost of labor and their lack of capital. On the other hand, in El Salvador and Guatemala, where there was an abundance of cheap labor, there were many more great estates. In those countries, a comparatively large portion of the cafetalero elite owed their economic position to their control of land and peasant laborers.

Jeffrey Paige has noted that labor intensive sorts of agriculture are associated "with a static agricultural product", a situation which tends to create zero-sum conflicts between planters and their workers. (Paige,1975, p.23) In such situations, compromise is difficult and social relations tend to be particularly combative. It was precisely on these extensive, technologically primitive estates that declining prices were likely to precipitate serious labor disputes, as owners sought ways to reduce labor costs, in effect, passing their losses on to their workers. Planters employed variable strategies to reduce real wages. In addition to simply cutting cash wages, Central American
planters have been known to: pay wages in devalued currency or in tokens that were only redeemable in the estate store; cancel workers' accumulated debts in lieu of wage payments; resort to forced labor drafts; and deny workers the legal right to leave the estate by refusing to sign their labor passes. (McCreery, 1983)

The scale of their farming operations conditioned planters' ability to withstand price cycles. In coffee farming, increasing the area under cultivation entails increased costs of supervising labor which cannot be offset by any substantial advantages in centralized production. Short of the major investment in wet processing technology, there is no new machinery or other innovation that may be employed as farm size increases that might offset rising managerial costs. When forced labor is utilized, as was commonplace in Guatemala, those managerial costs are especially high.

It is usually assumed that the labourer does more when working for himself than when working for wages; ...(This explains) why output per acre is higher on small farms than on large farms throughout most of Asia and Europe. (Lewis, 1970, p.25)

It also helps to explain why small and medium-sized coffee farms tended to be more efficient producers than were many of the great estates. Coffee does well as a small family enterprise. The smallest coffee farms -- the micro-farms of individual peasant families -- were not necessarily the most efficient coffee producers, but because (1) they were able to minimize their wage bill by exploiting family labor, and (2) they oftentimes mixed coffee with subsistence farming, they were able to withstand coffee price fluctuations rather well. (Bergad, 1978) It is the medium-sized farms that tend to be the most efficient producers of coffee.
In most countries yields are highest on medium sized plantations, and this fact exerts some pressure toward the consolidation of holdings into parcels of between 5 and 50 hectares, with a coffee area in the vicinity of 10 hectares. (Grunwald & Musgrove, 1970, p.307)

Given the primitive agricultural methods available in the late nineteenth century, efforts to dramatically expand plantings quickly ran into diminishing returns. The great coffee estates appear to be comparatively inefficient producers. In times of falling prices the economically marginal great estates, particularly those where wages were paid in cash rather than in usufruct rights to marginal lands, would be amongst the first to encounter serious difficulties unless planters were able to offset their comparative inefficiency by exploiting various extra-economic advantages.

Major planters were able to partially compensate for their inefficiency in coffee production because they oftentimes enjoyed preferential access to credit. Furthermore, by virtue of their political connections, owners of major estates tended to have certain extra-economic advantages over smaller producers. In Guatemala and El Salvador, owners of large estates sought government policies that would, in effect, off-load the risk of price fluctuations on less powerful groups. Major growers lobbied their respective governments to reduce factor costs by: enforcing labor contracts; allocating forced labor; keeping squatters off of underutilized land, so as to force peasants onto the estates; suppressing collective action by workers; and creating national development banks that extended credit to farmers on preferential terms. For the least competitive estates, such services became critical, giving rise in some areas to a permanent authoritarian coalition between planters and government officials against peasants. It was precisely in Guatemala and El Salvador, those countries where great estates were most common and where
the economic position of the cafetalero aristocracy tended to be based upon their control of land and peasant labor, that the military apparatus was extended into the countryside and the export enclaves were, in effect, placed under martial law.

Where the greater part of coffee cultivation was left to smaller producers, with the upper class developing vertically integrated farming-processing-commercial operations built around the beneficiarios, disputes between peasants and elites tended to be over the terms of trade between small producers and merchants, not over wages. Unlike coffee cultivation, which remained technologically primitive, in the processing and commercial phases of the coffee business capital investments allowed for certain technical and managerial efficiencies. Consequently, efforts to expand the industrial-commercial phases of the coffee business did not necessarily run into a problem of diminishing returns. (Paige, 1975) The ability to increase productivity through capital investments meant that peasants and merchants were not necessarily locked into a zero-sum competition over a static product. Instead, it was generally easier for merchant-processors, who were able to increase their productivity by making capital improvements, to compromise over internal coffee prices, conceding better terms of trade to peasant producers without necessarily reducing their own income or threatening the solvency of their operations. (Paige, 1975)

**Urban Movements**

In every coffee exporting country the explosive growth of the coffee industry stimulated urbanization and the development of secondary occupations in
transport, commerce and banking, light industry, and the public sector. During the first quarter of this century, these emergent urban occupational groups gave rise to new sorts of political associations and movements. By the 1920's, urban working and middle class groups in every country had developed political organizations through which they pressed for access to the polity and for the implementation of government policies that would foment industrialization, protect national businesses against foreign competition, expand public services, create white-collar jobs in the public sector, and recognize the rights of industrial workers' to organize and collectively bargain.

As urban groups demanded access to the polity, they met with varying degrees of resistance by the entrenched merchant-planter elites that dominated politics throughout Central America. Coffee planters were generally unenthusiastic about populist programs which promised to drive wages and the price of imports up. They also objected to fiscal or monetary policies that would, in effect, tax the export sector in order to pay for urban consumption and development. Differences in the openness of the polity appear to have less to do with variation in the nature of urban movements, which were broadly similar in every country, than with cross-national differences in the position of the agrarian upper class. The varying position of planters in each different agrarian social formation conditioned their ability to make concessions to urban interests. Where the economic position of the agrarian upper class depended upon their control of land and labor, and planters were locked into potentially violent zero-sum conflicts with peasant laborers, the cafetalero aristocracy had little tolerance for policies that threatened to raise their costs. Planters tended to see urban movements as
only the beginning of populist reforms that would ultimately be extended to the peasantry. In El Salvador and Guatemala, any inkling that populist movements in the cities would establish ties with the peasantry and begin to mobilize the rural masses was anathema to the planter aristocracy. Sooner or later, planters in those countries began to resist such reform movements. On the other hand, in Costa Rica, where the economic position of elites tended to depend more on their access to credit and foreign markets than to direct control over land and labor, the traditional aristocracy showed a greater willingness to not only make concessions to populist movements, but also to actually introduce reforms in the electoral system that opened the polity to both peasants and urban workers.

Guatemala

Prior to the depression of the 1930's, government economic policies in El Salvador and Costa Rica were generally characterized by adherence to the tenets of economic liberalism. In those countries, national governments sought to remove certain obstacles to individual initiative by privatizing communal landholdings and improving the transportation infrastructure, but beyond those measures they eschewed intervention in the agroexport sector, preferring to permit the unrestricted operation of market forces. In Guatemala, on the other hand, although lip service was paid to liberalism, the state was characterized by early and continuing intervention in the agricultural sector. After the Liberal takeover, Guatemalan rulers or their departmental administrators were continually involved in schemes to distribute land, labor and credit to favored political supporters. Guatemala developed a tributary
economy in which planters depended upon extra-economic measures to secure a supply of labor at suppressed prices. The state became the guarantor of this labor supply, and a permanent administrative apparatus was developed in which departmental officials acted as brokers between the peasantry and coffee planters, maintaining order and monitoring the flow of labor to the coffee estates. The dependence of planters on the state provided an opportunity for officials to enrich themselves and for a series of autocratic rulers to augment the military-bureaucratic apparatus, giving them still greater autonomy vis-à-vis the planter aristocracy.

The economic instability of the late nineteenth and early twentieth centuries reinforced both the tendency towards greater government regulation of factor markets and the consolidation of the comparatively autonomous, centralized and highly personalistic Guatemalan state. The high degree of state intervention in factor markets, which was originally dedicated to the mobilization of factors of production that were tied up in pre-capitalist enterprises in the backlands, now took on the added dimension of buffering planters against unpredictable market conditions. This was achieved through assorted policies to reduce the wages of estate laborers; in essence, forcing the peasantry to absorb much of the risk associated with commodity price variation. Broadly speaking, this was accomplished through: (1) monetary policies which, in conjunction with the reduced value of silver, caused the value of the Guatemalan peso to fall precipitously and (2) continued exploitation of servile labor.

Even with government efforts to buffer coffee growers against declining prices, the economic instability of the late nineteenth and early twentieth
centuries brought considerable economic pressure to bear on Guatemalan planters. In the late 1890's, "the decrease in the price of coffee ruined many coffee growers who had pawned their future sowings with foreign tradesmen and great foreign plantation owners." (Cambranes, 1985, p.267) Unstable market conditions favored those planters who had preferential access to credit and personal connections to foreign buyers so that they did not have to take the local price. It was at this time that there was a steady transfer of property to foreign capitalists and German dominance of the Guatemalan coffee industry began to manifest itself. (Cambranes, 1977 & 1985; Nañez, 1970)

Monetary Policy

For a thirty-year period, during the regimes of José María Reyna Barrios (1891-8) and Manuel Estrada Cabrera (1898-1920), autocratic rulers exercised considerable personal influence over bankers, and were able to manipulate the banking system to the advantage of both the state and the planter aristocracy. Both rulers extended the right to emit paper currency to private banks in exchange for loans to the government. These loans were used to meet current operating expenses and as patronage to loyal supporters, especially military officers. Reyna Barrios initiated this policy as a stopgap measure to pay government salaries in arrears. He borrowed heavily from local banks during a period of high coffee prices, assuming that prices would remain high and that the balance of trade would continue to be favorable, so that customs revenues would generate sufficient income to repay the loans. However, in the latter half of the decade coffee prices fell, customs revenues diminished, and the loans could not be repaid. In the midst of a
recession and state fiscal crisis, the value of the paper currency began to decline.

In 1898, Reyna Barrios was assassinated and Manuel Estrada Cabrera, who was to become one of Guatemala's most autocratic and capricious dictators, came to power. (Arevalo Martínez, 1983) What Reyna Barrios initiated as a temporary measure, Estrada Cabrera instituted as a permanent means to transfer wealth to the state. He formed a committee of private bankers and government officials, ostensibly to develop a coordinated national monetary policy, but in fact, the committee became a mechanism through which Estrada Cabrera could exert personal control over private banks. (Young, 1925; Bingham, 1974) In exchange for loans to the government, banks were allowed to print paper currency which they were not required to redeem until government loans were repaid in specie. Bankers were also forced to make risky loans to private individuals on Estrada Cabrera's recommendation. From 1896 to 1923 the number of pesos in circulation increased from ten million to three hundred-seventy million as a consequence of paper emissions. (Young, 1925, p.36-7) The metallic reserves behind this huge increase in paper currency were negligible. For instance, in 1921 they amounted to one-tenth of one percent of the amount of paper currency in circulation. (Young, 1925) The massive emission of unbacked currency resulted in the collapse of the Guatemalan peso, the disappearance of gold and silver from circulation, and a huge, and virtually unrecoverable public debt to private banks. (Young, 1925; Bingham, 1974; Cambranes, 1985)

The principal bases of Estrada Cabrera's support were coffee planters and the military, and these were precisely the principal beneficiaries of this
redistributive policy. For planters, who generally had access to foreign currency, the decline of the peso tended to reduce real wages, allowing planters to retain a greater portion of the gains from the coffee trade when prices were high, and forcing the peasants to absorb a portion of the industry's losses when coffee prices fell. As for the military, in order to minimize the chance of coups d'etat, Estrada Cabrera took care to channel much of the income from loans and import duties to officers. There were frequent mass promotions of officers, creating a bloated and top heavy military establishment. (Bingham, 1974) The military was expanded and a feared secret police force was created, opening new paths of upward mobility to officers, and giving Estrada Cabrera a virtual monopoly over the means of coercion. Officers were also appointed to key positions in government ministries and as departmental administrators, where there was ample opportunity to extract payments from planters in exchange for labor. This policy led to the rise of a corrupt militarized bureaucracy in which the principal functionaries owed allegiance directly to Estrada Cabrera.

With the advent of World War I, Guatemala was cutoff from Germany, the primary source of foreign investment capital for the coffee industry and the principal market for its coffee. Much of the gains from the coffee industry in previous years had been deposited in German banks. With the international crisis, these funds were invested in German war production and did not, for the most part, return to Guatemala. The crisis caused foreign trade to decline, instigating yet another reduction in customs duties and a fiscal crisis of the state. Estrada Cabrera responded by authorizing massive new paper emissions, which caused the peso to once again fall precipitously. Although
coffee growers were hard-pressed by declining prices and a shortage of foreign credit, the floating exchange rate acted as "a built-in shock absorber" for planters, "cushioning the effects of low prices". (Bingham, 1974, p. 83) But Estrada Cabrera's reckless policies left the state and several private banks virtually bankrupt. Support for the regime dwindled as financial chaos and unpredictable fluctuations in exchange rates alienated merchants and bankers, and declining buying power antagonized urban professionals. These groups united with other dissident factions -- including some coffee planters, who opposed new restrictions on land transactions that hindered speculation and were intended to prevent the decline of domestic food production -- to help depose Estrada Cabrera in 1920.

Immediately after WWI, a favorable combination of factors -- the restoration of international trade, a frost in 1918 which drastically reduced the Brazilian harvest, and prohibition in the U.S. which led to greater demand for coffee there -- caused coffee prices to rise. (Bingham, 1974) Increased coffee exports brought increased government revenues, reducing the need for unbacked emissions. These favorable conditions helped the regime of José Maria Orellana (1921-6) in its efforts to stabilize the national currency and reform the financial system. The Orellano government formed a Central Bank, which became the sole bank of issue, and was able to retire paper pesos from circulation using funds from a tax on coffee exports, a strategy that planters did not resist because coffee prices were high at that moment. Comparatively speaking, the reckless financial policies by the Reyna Barrios and Estrada Cabrera governments caused a financial crisis that necessitated fundamental
reforms in the banking system over a decade before the depression of the 1930's instigated similar changes in El Salvador and Costa Rica.

**Labor Policy**

Through the late nineteenth and early twentieth centuries, there was no significant alteration of the patterns of labor exploitation consolidated during the Liberal reform period. (Bingham, 1974; McCreery, 1976, 1983 & 1986) The cost of sustaining and reproducing the plantation labor force continued to be carried largely by backland areas, where peasants engaged in subsistence agriculture, petty commodity production and small-scale commerce. The ecological pattern of this system varied somewhat across regions. In western Guatemala commercial agriculture was sustained by a seasonal migratory labor stream from the traditional landholding villages in the highlands to lowland estates. Alta Verapáz, the other major coffee producing region, did not develop a huge inter-regional labor migration; there coffee production was characterized more by a combined *colono* and *latifundia-minifundia* system, where peasants living on sub-subsistence plots worked part-time on neighboring estates. (Silvert & King, 1972) But in each area the effect was similar. Peasants were able to partially support themselves through subsistence farming or petty commerce, allowing planters, who did not have to bear the full costs of sustaining and reproducing their labor force, to keep cash wages to seasonal workers low. Low wages buffered planters against unpredictable market conditions, allowing them to "off-load costs onto the general population in bad years and appropriate the profits in good." (McCreery, 1976, p.459) But sub-subsistence wages gave peasants who had
access to land or other employment little incentive to work on the coffee estates. Consequently, forced labor remained a constant feature of this system. Throughout the period peasants were often drawn into debt servitude by the existence of more heinous sorts of obligatory service, including *mandamiento* labor drafts and militarized labor brigades for public works projects.

Through the course of the late nineteenth and early twentieth centuries, institutional changes and new legislation gradually gave government authorities greater control over labor. Departmental officials were able to use their control over the local labor supply as a source of personal enrichment, and rulers were able to use "the judicious allocation of labor resources among coffee planters as an economic incentive for political compliance." (Bingham, 1974, p.111) Drafts of estate laborers for military service were used as a means of punishing planters who were out of favor and of extracting revenue from farmers who had to pay for exemptions for their workers. (Bingham, 1974) A number of new decrees appear to have been instituted in order to shift the control of labor from planters to government officials. For instance, in 1886 "the government repeated the colonial admonition against sending Indians from the highlands to hot or unhealthy areas...Because many coffee *fincas* fit this description, officials used the ruling chiefly as a pretext to extort bribes from planters." (McCreery, 1986, p.106) In 1909 new legislation removed from planters the legal prerogative to resolve labor disputes themselves. That authority was now given to appointed agricultural judges. "The judges were required to maintain account books of workers' debts, inspect and police *fincas*, and to be aware of the size and nature of the labor
resources of the *fincas* within their jurisdictions." (Bingham, 1974, p.111) Planters appealed directly to local officials for labor, for which the latter received a set payment depending on the number of workers delivered. There were many complaints from planters about abuses of authority by local officials. (Bingham, 1974)

Although Manuel Estrada Cabrera was renowned as a particularly repressive and arbitrary ruler, his regime did not constitute a significant break from the style or policies of other Guatemalan caudillos. He was another in a series of strong and opportunistic patrimonial rulers who sought to personally control divisible resources that could be allocated to loyal followers and withdrawn with opponents. As well as personally influencing the allocation of labor and credit from private banks, Estrada Cabrera distributed land to militiamen and military officers and, on occasion, expropriated the lands of particular planters. (Bingham, 1974; Davis, 1970) He also utilized a rent-seeking strategy of selling monopoly rights for certain non-traditional economic activities. (Bingham, 1974) Although the primary mission of the military was to control the peasantry, a policy that clearly served the interests of planters as a class, individual planters who fell out of favor also occasionally suffered from arbitrary decisions by the caudillo.

**El Salvador**

A combination of ecological factors made El Salvador especially vulnerable to the unpredictable movement of coffee prices in foreign markets. Of Central America's coffee producing republics, El Salvador became the most dependent on coffee exports. Coffee consistently accounted for over half
of export earnings in the 1880's; it was responsible for fully three-quarters of exports by the turn of the century; and it accounted for approximately ninety per cent of export earnings throughout the 1920's. Not until the development of large-scale cotton, sugar, and cattle production after World War II did El Salvador develop any degree of diversification in its agro-export economy. Guatemala and Costa Rica were slightly less vulnerable to unpredictable conditions in foreign markets because: (1) they became major banana exporters, so that their export earnings did not depend entirely on coffee yields and prices, and (2) because those countries retained more land in subsistence production or held in frontier reserves, which may have allowed them to be somewhat less dependent upon food imports and to more easily sustain their peasant populations in years when coffee prices were low.

Because El Salvador lacked an open agricultural frontier or any other large reserve of arable land in the highlands, any attempt to expand export agriculture in that region has always meant that land had to be taken out of subsistence production. This was as true during the indigo bonanza of the eighteenth century as it was during the coffee boom a hundred years later. Even during the late colonial era, when the expansion of indigo production drew land and labor from subsistence agriculture, El Salvador was not always able to feed itself. (Wortman, 1982) That situation was reproduced in the late nineteenth century with the success of the coffee trade, as El Salvador began to suffer periodic food shortages and became particularly dependent upon food imports. (Wilson, 1970)

For the same ecological reasons, El Salvador experienced a comparatively rapid shift to wage labor. The expropriation of communal lands
and the expansion of coffee plantings on large estates destroyed the independent subsistence economy of the traditional landholding communities. (Browning, 1971; Wilson, 1970) The enclosure movement that accompanied agricultural commercialization threw much of the peasantry on the labor market, creating a large rural proletariat. In effect, land expropriation eliminated the subsistence guarantee for peasants that was especially important to them during times when coffee prices fell and wages were liable to be cut. Through the course of the late nineteenth and early twentieth centuries, population growth and the concentration of landholdings caused this marginal population to increase substantially. (Browning, 1971; Durham, 1979; Wilson, 1970) With a large landless population, a comparatively small reserve of marginal land and no open frontier, the tendency was to shift to a coffee monoculture wherever land was suitable, paying cash wages rather than using that land to sustain labor. The transition to a coffee monoculture and cash wages, which took place during a period when coffee prices were becoming increasingly volatile, was a risky shift for planters as well as for peasants. Unlike their Guatemalan counterparts, Salvadoran planters became progressively less able to rely on the backlands to sustain and reproduce their labor force.

After the Liberal reforms of the 1880's and again, during a period of high coffee prices in the 1920's, landownership became more concentrated as speculators rushed to acquire land for coffee plantations. (Durham, 1979) Although the details of this transition are still largely unknown, during the half century between the Liberal reforms and the depression of the 1930's, a coffee monoculture developed in the highlands of western El Salvador and a
substantial number of large estates were established. (Browning, 1971) In 1920, forty per cent of El Salvador's coffee was exported without removing the husk and pulp of the cherry. (Wilson, 1970, p. 40) The fact that there was insufficient processing capability would seem to indicate that, in this boom period, investment capital was going into land instead of processing equipment. El Salvador developed a substantial rural aristocracy whose economic position was based upon its ownership of land and its ability to hire seasonal labor at what amounted to a subsistence wage.

Thus, the distinguishing features of the coffee producing regions of El Salvador were: (1) extreme export specialization, (2) a general shift to payment of cash wages, and (3) the prevalence of extensive, technologically primitive estates. Collectively, these factors made El Salvador particularly vulnerable to any substantial reduction in commodity prices. In the face of falling prices, the owners of large estates had little alternative other than to simply reduce wages. But unlike peasants in Guatemala and Costa Rica, a large portion of the Salvadoran peasantry were land-poor or completely landless, and consequently were unable to fall back upon subsistence farming when their wages were cut. As a result, in the coffee producing regions of western El Salvador disputes between desperate planters and peasants over wage related issues became particularly prevalent and serious. Because the ability to pass losses onto peasants was their main source of security against commodity price volatility, planters were unalterably opposed to the extension of labor or political rights to peasants. Through the course of the late nineteenth and early twentieth centuries, social relations between planters and peasants deteriorated. Planters came to depend heavily upon military
support in the countryside, not so much to provide drafts of forced labor as was the case in Guatemala, but simply to protect property and suppress labor unrest. Gradually, as coffee cultivation expanded into the western highlands, the army and national guard were expanded and professionalized, and what amounted to martial law was established in the countryside. (North, 1981; Baloyra, 1982)

A Partial Opening of the Polity, 1911-31

From independence until the late 1920's, El Salvador had a series of authoritarian governments whose principal leaders were drawn from a tiny coterie of commercial and agricultural families. Army and national guard officers, whose primary military mission became the protection of property and maintenance of order in the countryside, were also part of this ruling coalition, but it was the old merchant-planter oligarchy that still held most important administrative posts and otherwise dominated Salvadoran politics.

However, between 1911 and 1931 there was a gradual, although ultimately abortive, opening of the polity to reformist movements that emerged from the growing urban middle and working classes. These groups were able to gain access to the polity largely because the old oligarchy was divided along personal and familial lines. Factional disputes led rival elites, who were confident of their ability to manipulate emergent urban movements, to extend political rights to previously unenfranchised sectors in an effort to build a winning coalition. Initially, subordinate urban interest groups were tied to and controlled by the old aristocratic families through patronage and personalistic ties. Particular efforts were made to coopt labor leaders and reformist
intellectuals. But as the urban populace grew and these sectors gradually developed their own organizations, they could no longer be completely contained within the framework of old-fashioned patronage politics. Urban popular movements began to exert independent pressures, lobbying for greater access to the polity and for the implementation of government policies that would foment economic diversification, industrialization, expansion of public services, creation of white-collar jobs in the public sector, recognition workers' rights to organize and collectively bargain, and protection national businesses against foreign competition. This political opening culminated in the late 1920's, with the regimes of President Pio Romero Bosque (1927-. 1931) and Arturo Araujo (1931), who favored urban workers with policies to lower food prices, prohibit importation of labor saving machinery, and establish labor laws and the eight-hour day. (Guidos Vejár,1982)

At the same time, the difficult situation of rural labor was left unchanged. A clear distinction was drawn between urban workers and peasants; the extension of political and economic rights was not offered to the latter. Unions and other peasant movements in rural areas were repressed and "the government legally confirmed the distinction between agricultural and urban workers, demonstrating with this measure the true base of the Salvadoran economic system and the real limits to the process of democratization." (Guidos Vejár,1982, p.140)

Costa Rica

Costa Rica's response to unstable conditions in international commodities markets was conditioned by the distinctive features of its agrarian social
structure. The predominance of small and medium-sized farms, the existence of an open agricultural frontier, the ability of peasants to capture some of the gains from the coffee trade, and the existence of an upper class whose wealth was based on its advantageous position in the commercial nexus connecting peasant producers with foreign capital and markets, rather than direct control of land and labor, gave rise to a pattern of political development that was quite different from the sort of authoritarian coalition between planters and the state that emerged in Guatemala and El Salvador.

Throughout this period the principle conflicts within the Costa Rican coffee industry continued to be between coffee growers and merchants over the terms of credit and internal coffee prices. These tensions were a constant feature of Costa Rican politics in the decades prior to the depression of the 1930's, although they tended to be most severe during times of falling coffee prices. (Acuña Ortega, 1985b) During the 1920's and 30's, coffee growers demanded that the government: (1) make credit available to small producers; (2) create cooperatively owned beneficios; (3) put the prices that Costa Rican coffee received in foreign markets at the disposition of the growers; and (4) regulate domestic coffee prices. (Acuña Ortega, 1985a & b; Hall, 1982) Thus, along with emergent urban movements which increasingly demanded new sorts of social services and guarantees, small coffee growers were part of a growing tendency to question economic liberalism and demand government intervention in the economy.

Conspicuously absent in Costa Rica was the sort of endemic class conflict between planters and peasants over land and wages that became an inextricable feature of the Guatemalan and Salvadoran coffee economies.
Because a large portion of the Costa Rican upper class drew its income from commercial transactions with peasant producers, rather than from coffee cultivation, their economic position did not depend on the maintenance of political controls on land or labor markets. Neither peasant landownership nor rising wages adversely affected the ability of processors, financiers and exporters to capture a major portion of the gains from the coffee trade. Unlike large planters, commercial intermediaries in these capital-intensive phases of the coffee business did not run the risk of being caught between falling prices and fixed labor costs. Consequently, unlike Guatemala and El Salvador, where falling coffee prices reinforced planters' dependence upon an authoritarian political apparatus that diverted planters' losses to the peasantry, there was no such repressive dynamic at work in the Costa Rican countryside. Martial law was not established in rural areas, and the military was not called upon to expropriate landholdings, prevent squatting, enforce labor contracts or to suppress peasant unrest.

Although Costa Rica's political system was usually dominated by the leading cafetalero families, it was not especially repressive. Because they did not depend on political controls on land and labor, members of Costa Rica's agrarian upper class were able to permit the extension of political rights to the peasantry without seriously compromising their own economic position. From the death of dictator Tomás Guardia in 1882 through the 1920's, there was a gradual democratic transition in Costa Rica, the principle features of which were: (1) the diminishing role of the military in politics and (2) the gradual opening of the polity, not just to the urban populace, but to the peasantry as well.
In terms of military intervention in politics, over the long run Costa Rica followed a trajectory of political development that was quite different from the Guatemalan and Salvadoran cases. After 1882, military expenditures in Costa Rica were gradually reduced and, with the exception of a coup d'état during World War I, the country was no longer plagued by barracks politics. Part of the background to this transition was that there were no prolonged conflicts, either internal or external, that necessitated military intervention during the late nineteenth century and, in particular, there was no call from planters for military assistance in the countryside to control the peasantry. (González Murillo,1980) Consequently, there was no strong constituency, outside of the army itself, that favored large military expenditures. Actually, far from being dependent on the armed forces to protect their economic position, Costa Rica's cafetalero aristocracy had historically had certain problems with the military. Through the 1860's, a handful of army officers had constantly intervened in shifting factional disputes amongst the ruling elite, fomenting coups d'état and contributing to the troublesome political violence and instability of that period. During the Guardia regime that sort of political entrepreneurship by army officers was largely curtailed. But, Guardia was solidly supported by the army in his pursuit of policies that were unpopular with leading cafetalero families, including the formation a new bank, in an effort to break the longstanding oligopoly over credit enjoyed by a handful of merchants, and exceptionally heavy government borrowing to pay for railroad construction and military expenditures. (González Murillo,1980) Thus, by the time of Guardia's death in 1882, there existed considerable antipathy amongst
prominent civilians towards the clique of officers who had played a major role in Costa Rican politics ever since the William Walker affair.

Following Guardia's death Costa Rica was ruled by a series of civilian presidents who are collectively referred to as the 'Generation of Olympus', so-called because of their enlightened liberalism, and their dedication to gradual, legalistic reform. They were, for the most part, members of leading cafetalero families who were influenced by European fashions in political philosophy. (Stone, 1982) These civilian regimes curtailed military expenditures, allocating a greater portion of government revenues to continued development of the transportation infrastructure, major public works in the cities and, increasingly, to public education. (González Murillo, 1980; Vega Carballo, 1981 & 1983)

Through the course of the nineteenth century, the leading cafetalero families maintained their dominant position through an electoral apparatus which excluded the majority of the population from participation in politics. Requirements for holding office rendered all but the upper class ineligible. Indirect elections, as well as various property and literacy restrictions on suffrage, prevented both peasants and the urban masses from participating in national politics except through patron-client relations with elite families. (Stone, 1982) But in the first decades of the twentieth century, a series of reforms gradually opened the polity to both peasants and the urban masses. In 1910 reforms were instituted which had the effect of liberating the municipalities from the domination of their provincial capitals where the traditional planter-merchant elite controlled politics. (Stone, 1982) In the coffee producing regions of the Valle Central this reform, in effect, transferred local
power to well-to-do peasants. Rural leaders closely tied to the peasantry quickly emerged and were able to use their constituencies as a power base from which to launch campaigns for national office. There was a subsequent movement into the national legislature of persons of peasant extraction from the municipalities who were not related to the traditional aristocracy. Thereafter, in order to maintain their hegemony, established elites had to learn to bargain with local notables around election time. In 1913 the two stage electoral procedure, with voters selecting an electoral college that, in turn, chose officeholders, was replaced by direct elections. In 1928 the secret ballot was introduced.

An intriguing aspect of this gradual political opening is that it does not appear to have been the result of any major mass movement or other concerted pressure from below. It seems that these reforms were largely undertaken by a coterie of reform minded elites. Unfortunately, why members of the traditional aristocracy were willing to dissolve barriers to political participation, opening the way to populist pressures that would ultimately transform national politics, is a question that has not yet been systematically studied, in spite of its historical importance. Consequently, the details of these transactions are not well understood. Nonetheless, two general points can be made about the context in which this transition took place.

One contributing factor that has already been noted is that Costa Rica's agrarian upper class was able to permit the extension of political rights to the peasantry without seriously compromising their own economic position, because they did not depend on political controls designed to restrict access to land or to force peasants into estate labor. Not being locked in permanent
zero-sum conflicts with the peasantry, members of Costa Rica's agrarian upper class were not faced with the dilemma of Guatemalan and Salvadoran planters, who sought to block peasants' access to the polity whatever the cost. However, although this contextual factor might explain why there was no determined resistance to pressures from below, it does not explain why, in the absence of such pressures, elites would instigate such electoral reforms themselves.

Whereas, in Guatemala and El Salvador the common threat to the landed aristocracy of peasant insurrection tended to attenuate factional disputes amongst elites, there was no such need for unity in Costa Rica. Throughout the nineteenth and early twentieth centuries there was persistent political competition between shifting factions of Costa Rica's traditional aristocracy. Costa Rica did not develop stable political parties during this period, nor were intra-elite divisions based on sharp ideological or economic differences, except with regard to the persistent debate over the banking system. For the most part, disputes were simply between shifting factions based on kinship and personalistic ties. In the context of persistent intra-elite rivalries, populist reforms may well have been a tactic used by specific factions of the traditional aristocracy to build a winning coalition. Prior to these electoral reforms, to the extent that peasants were integrated into the political system at all, it was mostly through vertical, patron-client relations with those who financed, processed and purchased their crops. Thus, elites may have reasonably hoped that by extending political rights to the masses, that they would be able to coopt peasant leaders and mobilize sufficient popular support to win elections. However, further research on specific historical changes in the
electoral system is required in order to test and perhaps elaborate upon this hypothesis.

Summary

Although, the explosive growth of the coffee industry during the latter third of the nineteenth century stimulated unprecedented economic progress, it also brought the consolidation of a pattern of extreme export dependence that left Central America’s leading coffee producing republics increasingly exposed to unpredictable events in foreign commodities markets. Episodes of declining coffee prices became regular events in the late nineteenth and early twentieth centuries. The ability of planters to withstand these periodic shocks varied, depending on their degree of specialization in coffee cultivation, the extent of their reliance on wage labor, whether or not their economic position was based upon the ownership of land and control of peasant labor or on capital investments in processing and commerce, and their political connections.

During periods of falling prices, economic disputes within the coffee industry tended to become more acute. Two broadly different patterns of class conflict between peasants and the agrarian upper class were associated with coffee production. In areas characterized by extensive, technologically primitive estates, such as Guatemala and El Salvador, the most prevalent form of conflict was between planters and peasants over land and wages. In those countries, an authoritarian military-bureaucratic apparatus was developed in the countryside in order to protect property and to force the peasantry to absorb many of the costs of economic development as well as the risks of commodity price fluctuations. In regions where the agrarian upper class
developed vertically integrated processing-marketing-financial enterprises, leaving coffee cultivation to the owners of small and medium-sized coffee farms, disputes tended to be over credit and internal coffee prices, not wages and land.

Until the depression of the 1930's, the governments of El Salvador and Costa Rica adhered to liberal (laissez faire) strategies of crisis management. That is, except to eliminate obstacles to individual initiative and protect private property, they eschewed intervention in the export economy. They specifically avoided implementation of counter-cyclical economic policies designed to attenuate the effects of falling commodity prices. Guatemala, on the other hand, abandoned, or in fact never really adopted, economic liberalism. From the Liberal reforms of the 1870's, the Guatemalan government actively intervened in the countryside, controlling land and labor markets to the advantage of the emergent planter aristocracy. Once a large repressive administrative apparatus designed to regulate land and labor markets was in place in the western highlands, it was easily adapted to the needs of planters in times of falling prices. Thus, the Guatemalan government was able, from a comparatively early date, to utilize forced labor in conjunction with inflationary monetary policies to transfer some of the risk inherent in the coffee business from planters to peasants.
Chapter 6
The Crisis of the 1930's

For the purpose of describing its political effects, the development of the coffee industry may be understood as a two-step historical process. During two distinct historical periods, Central American governments decisively intervened in the coffee business, and in doing so, permanently altered patterns of political development in their countries. The first of these periods corresponds with the initial development of the coffee industry, when Central American governments sought to transform precapitalist relations of production so as to make land and labor available to coffee planters. In general, these efforts adhered to liberal economic doctrine; that is, government intervention seldom went beyond the elimination of obstacles to individual initiative through the improvement of the transportation infrastructure, the abolition of precapitalist property rights, and the enclosure and redistribution of state, church and communal lands. As a rule, during this period Central American governments generally avoided permanent regulation of factor markets. Because of its peculiar social geography and its comparatively centralized bureaucracy, Guatemala became the notable exception to this. There, an authoritarian administrative apparatus was expanded in order to allow continuous government regulation of the flow of labor from traditional landholding villages in the western highlands to the large coffee estates being constructed in the piedmont.

The second phase corresponds with the period of worldwide overproduction and price instability which culminated with the depression of the 1930's. During this period, liberal economic policies came under pressure
as unstable coffee prices exacerbated tensions between planters and creditors, and between peasants and the agrarian upper class. Ultimately, liberal strategies were abandoned in every coffee exporting country, and governments intervened to buffer coffee growers against unpredictable market conditions. In Guatemala, this process began at a comparatively early date. Once a centralized administrative apparatus to manipulate labor markets was in place, it was easily adapted to the new demands of coffee planters during times of moderate price instability. A repressive servile labor system as well as devaluation of the Guatemalan peso allowed planters to off-load at least a portion of their losses upon seasonal laborers. In El Salvador and Costa Rica, where the Liberal reforms had not given rise to a centralized bureaucratic apparatus that might continuously regulate factor markets, the moderate price instability that preceded the Great Depression was insufficient to elicit such government intervention. Consequently, there was no significant departure from liberal economic policies until the depression of the 1930's. In El Salvador and Costa Rica, it was the crisis of the 1930's that brought a definitive break from the liberal past and the creation of a permanent bureaucratic apparatus to protect planters against market cycles.

The Great Depression began early in the coffee industry. "Much of Central American coffee in the 1920s was being sold in forward markets, which appear to have anticipated the Depression" of the 1930's by several years. (Bulmer-Thomas,1984,p.284) Short-term price cycles were common events during the late nineteenth and early twentieth centuries, so when coffee prices began to decline in the late 1920's, Central American governments initially saw little need to depart from the predominantly laissez faire strategies that
had served well in the past. (Bulmer-Thomas, 1984) But by 1930 it was generally realized that this crisis was far more persistent than previous recessions.

As coffee prices continued to fall, Central America's coffee exporting countries experienced a sharp deterioration of the terms of trade. Because the price of bananas held up better than that of coffee, the extent of this deterioration varied, depending upon whether a country specialized in coffee alone or had a more diversified export portfolio. "El Salvador, for example, whose export earnings came almost entirely from coffee, was the worst affected." (Bulmer-Thomas, 1984, p. 286) Being heavily dependent on customs duties to generate revenues, declining foreign trade caused serious government fiscal crises in every coffee exporting country. In the short term, as their reserves were exhausted, governments were forced to lay off large numbers of public employees or to defer their salaries.

In the coffee industry, foreign credit became unavailable as the depression persisted, and creditors began pressing for immediate repayment. Bankruptcies mounted and employment, real incomes and real consumption declined. (Bulmer-Thomas, 1984) Desperate planters pressed for government relief. Utterly unable to influence international commodity prices, the principal strategy open to the Central American states was to redistribute the risks inherent in the coffee trade from planters to other groups including peasants, bankers and merchants. Heavily indebted growers lobbied for a debt moratorium, protection from foreclosure, and government intervention to make credit available on more favorable terms. In some cases, they also sought government assistance in their disputes with peasants over wages, and
government regulation of the commercial transactions between planters and merchants.

In El Salvador and Costa Rica, the depression overwhelmed the old strategies of economic liberalism, and produced a decisive break from the past. It opened a new path of national development in those countries, characterized by the beginning of pervasive state intervention in the export sector. In Guatemala, where government regulation of factor markets was introduced during the Liberal reforms of the 1870's, the effects of the events of the 1930's were less novel. There, the depression simply reinforced longstanding centralist and interventionist tendencies.

Beyond these broad similarities, there were fundamental cross-national differences in the nature and intensity of interest group conflicts within the coffee industry and in the character of government intervention in these disputes. Because of broad differences in the agrarian social structure of these countries -- differences in patterns of land tenure, the organization of labor markets, and in the nature of rural class relations -- the political consequences of the crisis of the 1930's were, in each instance, distinctive. In both El Salvador and Guatemala, a pact of domination between planters and the state was reinforced; authoritarian governments moved decisively against peasants and creditors, forcing them to absorb much of the industry's losses. In Costa Rica, on the other hand, the state played no such repressive role. There, government officials mediated in the dispute between small farmers and merchants, working out an historic compromise whereby a quasi-governmental organization would regulate commercial transactions between
these two groups, distributing the gains from trade according to an agreed upon formula.

**El Salvador**

In 1931, Arturo Araujo was elected president of El Salvador with broad-based support from urban middle and working class movements, and reformist intellectuals. Araujo was the beneficiary of reforms that permitted increased political participation on the part of the growing urban populace employed in commerce, industry and government. (Guidos Vejár, 1980) He also drew support from members of the small, but influential, commercial-industrial bourgeoisie who favored a government program to promote economic diversification and industrialization. Araujo's proposed policy agenda was the expression of this coalition of urban interests; his was a moderate reform program to expand public services, protect national industry, and rationalize public administration.

Araujo's election constituted a potentially important break from the past. Through the late nineteenth and early twentieth centuries, cracks had developed in El Salvador's *cafetalero* oligarchy. "Some previously-established landed families and dynamic immigrant and urban types consolidated control over the strategic commercial phases of the coffee industry." (Wilson, 1970, p.108) Within the *cafetalero* aristocracy there emerged a clear geographic and economic division between planters, on the one hand, and urban merchants and financiers, on the other. As was the case in the other coffee exporting countries, there were tensions between these two groups over the terms of credit, internal coffee prices, and the divisive political
issue of whether to charter a national bank that would break the established financial oligopoly and extend credit to farmers on more favorable terms. Added to these intra-elite tensions was the fact that urbanization and occupational differentiation -- structural changes that occurred as the export sector grew -- gradually created new political actors, to whom urban elites could turn in an effort to construct a new ruling alliance in which planters would play a less decisive role. Some of the principal merchant families initiated democratic reforms and then, through control of the press and cooptation of reformist intellectuals and labor leaders, sought to mobilize and control urban mass movements. Emergent middle and working class movements became, at least initially, tied to and dependent upon these merchant families. Araujo's election was the culmination of these tendencies. It represented the declining role of planters in politics, as well as an opportunity to consolidate El Salvador's democratic reforms and to establish a new pattern of political-economic development, with an urban-based coalition dominating the export sector, taxing it in order to pay for urbanization, industrialization and new types of social services.

Araujo took office at a singularly difficult historical juncture. Long term changes in the agrarian mode of production -- caused by the expropriation of communal lands, the concentration of landholding, the dislocation of rural laborers and the growth of a huge land-poor peasantry that was now largely dependent upon seasonal wage labor -- had already provoked endemic tensions between planters and peasants in the countryside. By 1931, incidents of rural labor unrest were becoming more widespread as the deepening economic crisis drove desperate planters to reduce workers'
wages or to abandon the coffee harvest altogether. At the same time, the extension of political rights to the urban masses, and high expectations caused by Araujo's election provoked the mobilization of popular movements in both urban and rural areas. Immediately after taking office, Araujo faced sporadic labor conflicts on several haciendas and massive urban demonstrations that were an expression of pent-up grievances, and a demand for immediate social reforms. (Guidos Vejár, 1980) Compounding these difficulties was the fiscal crisis of the Salvadoran state, which limited the government's ability to respond to these demands.

Upon taking office, the new president and his staff were overwhelmed by demands for depression relief, which they were largely unable to satisfy. As a result, the months after Araujo's election were characterized by the erosion of confidence in the new president. (Guidos Vejár, 1980) Budget cuts, and the inability to pay government salaries on time alienated bureaucrats and soldiers; peasants and urban workers became dissatisfied as unemployment continued to rise, strikes in the countryside were repressed, and the new government was unable to meet popular expectations concerning land reform and social service programs; nationalist groups, industrialists and merchants became disillusioned when they did not receive the support against foreign competition and foreign creditors that they had hoped for; and bankers began to actively undermine the new government when it became apparent that they were unable to influence government monetary policies. In short, Araujo's political alliance quickly deteriorated, leaving the president increasingly isolated and ineffective.
Amongst the new government's most serious difficulties was the fact that it was drawn into the redistributive conflicts within the coffee industry between planters, on the one hand, and both peasants and the banks, on the other. In response to pressures from peasants and reformist intellectuals, Araujo facilitated the passage of a modest land reform bill, according to which the government was to buy land in four western departments, redistribute parcels amongst peasants, and construct roads between each parcel in order to avoid the reconsolidation of the former haciendas. (Gúidos Vejár, 1980) However, given the overwhelming demand for these small parcels and the lack of sufficient government resources to buy large amounts of land, the passage of land reform legislation served mainly to raise the expectations of peasants, and to alienate large landowners who were already suspicious of the populist president.

Shortly after taking office, Araujo was also drawn into conflict with El Salvador's leading banks. The country's leading bankers urged the president to permit devaluation of the national currency as a counter-measure to the nation's unfavorable balance of trade. Araujo refused, fearing the popular reaction to a major devaluation, but by resisting the measure he alienated financiers, exporters and other merchants tied to the coffee industry. His conflicts with bankers became more serious in October 1931, when he took decisive measures to stem the flow of gold out of the country, and to protect hard-pressed planters against foreclosure and usurious banking practices. In order to curtail depletion of the country's gold reserves, the government suspended convertibility, prohibited gold exports, and seized control of gold reserves. It came to the aid of planters by ordering the banks not to raise
interest rates on new loans or to foreclose the mortgages of nationals whose loans were in arrears. Recognizing Araujo's political weakness, the banks chose to simply disregard these measures. They continued to demand convertibility and to renegotiate credit on usurious terms. Moreover, in retaliation against the new policies, they chose not to authorize new loans to pay the salaries for picking the coffee crop. This last measure brought the agrarian crisis to a disastrous culmination. Without advances from the banks, planters were unable to pay workers' wages during the coffee harvest. Caught by low prices and cash flow problems, many planters chose not to pick their crop at all. With the harvest suspended on many farms there was massive unemployment and wages fell dramatically. Land-poor peasants, who depended upon seasonal wage labor to help sustain themselves between harvests, were now cut off from their primary means of support. Consequently, strikes, land invasions and other forms of rural unrest became more prevalent.

Drawn into the conflicts inherent in the coffee industry, the Araujo government was neither able to work out a compromise between conflicting groups nor to decisively ally itself with one party at the expense of the others. Worse yet, its monetary policies provoked a bankers revolt, which caused normal relations between planters, bankers and farm laborers to break down altogether. As peasant unrest became more serious, landowners turned not to civilian politicians, but to the army and the national guard. (Guidos Vejár, 1980) On December 2, 1931, Vice-President and Minister of War, General Maximiliano Hernández Martínez seized power.
The Authoritarian Reaction

With the coup d'etat, El Salvador's brief democratic opening came to an abrupt end. Araujo's coalition of urban mass movements, reformist intellectuals and commercial-industrial interests was deposed, and the traditional ruling alliance of coffee planters, military officers and civil servants returned to power. The new government quickly implemented a pro-planter agrarian policy, the principal features of which were: (1) the suppression of peasant unrest in the western highlands, and establishment of a greater military presence in the countryside in order to protect property, maintain order and ensure the normal operation of the agro-export economy; (2) intervention in the financial sector, where the government mandated a debt moratorium forced the banks to extend credit to planters on more favorable terms; and (3) the blockage of populist reforms, ejection the urban masses from the polity, and abandonment of protectionist policies that threatened to increase the costs of imports and labor.

In 1932, shortly after Hernández Martínez seized power, and as the full effects of the suspended harvest were being felt in the countryside, a large peasant revolt began in the western highlands. For a short time, the insurgency advanced from there towards the capital. The uprising started precisely in "the western-coffee growing areas, where coffee had already spread to cover most of the ground in areas of suitable altitude, and the rural population was already almost completely dependent on seasonal wage labour on the coffee plantations." (White, 1973, p.101; see also Anderson, 1971; Browning, 1971; North, 1981) It was there that the effects of the suspended harvest were most severe. In El Salvador's eastern provinces,
where the shift to commercial coffee cultivation was less complete, there was no revolt.

Landowners in the western highlands turned to the military regime to protect their lives and property, and to maintain labor discipline on the estates. Hernández Martínez reacted decisively, decreeing martial law and sanctioning severely repressive measures. Planters and merchants also raised and financed the paramilitary Civil Guard to campaign against the insurgents. There followed a period of ferocious reactionary violence against the peasant communities in the western highlands, during which the uprising was easily crushed and thousands of peasants were killed. (Anderson, 1971) The uprising provoked the emission of a series of new laws and executive decrees that drastically curtailed civil rights and, in effect, established permanent martial law in the countryside. All presses were placed under police control, and their operators were obligated to exercise self censure. Possession of subversive literature was outlawed. The National Guard was authorized to enter any public or private place without judicial permission in the interest of maintaining social order. All citizens were required to carry what amounted to an internal passport. All inhabitants had to acquire this document in their place of origin, and had to register with local authorities whenever they changed residence. Rights of assembly were curtailed, and National Guardsmen were required to arrest anyone identified as suspicious by growers. (North, 1981)

The Hernández Martínez government also moved quickly to provide financial relief to coffee farmers, at the expense of the commercial banks. (Guidos Vejár, 1980) In 1932, the government mandated a debt moratorium,
the suspension of convertibility, a forty per cent reduction of interest rates, and
the elimination of currency emission by private banks. It also permitted
farmers to obtain loans for one year without the threat of foreclosure. In 1934,
the government created a central bank to regulate the circulation of money
and credit, and a national mortgage bank, capitalized by a tax on coffee
exports. In 1935 it established exchange controls in order to protect
consumers and capitalists against currency speculators. (Baloyra, 1982) All of
these measures had the effect of orienting farmers towards the state banking
system and away from the private-commercial financial sector. Collectively,
these changes reestablished order in the coffee economy. They were
beneficial to planters as a class, but compromised the interests of the handful
of families that dominated the financial and export phase of the business, and
who had historically captured much of the gains from the coffee trade because
of their ability to control the flow of credit to producers.

The coup d'etat of 1931 was a key breakpoint in El Salvador's political
development. The crisis and coup of 1931, brought the breakdown of the pro-
urban democratic alliance under Arturo Araujo and the reconstitution of the old
coalition between planters and the military. But in this instance, the army
emerged as the dominant member of the coalition. Coffee planters withdrew
politically, leaving direct rule to soldiers and bureaucrats. (Guidos Vejár, 1980;
North, 1981; Torres Rivas, 1981; Baloyra, 1982) The coup initiated a string of
military presidents in El Salvador that lasted until 1980, and was broken only
in 1948 and again in 1979, when El Salvador was ruled by brief military-
civilian juntas. This remarkable record constitutes the longest continuous
succession of military governments in twentieth-century Latin America. The
shift to wage labor in an era of volatile coffee prices had led to more combative class relations in El Salvador's coffee producing regions. For the rural elite, social control and the need to secure their cash flow during times of low prices became the two paramount political issues. Growers ultimately became dependent upon the state to provide these services. In essence, with the crisis in the coffee industry, planters became more willing to concede direct rule to the military, in exchange for government programs that would buffer them against unstable market conditions by off-loading short-term losses onto peasants and the banks. For the same reason, planters became more willing to submit to taxation of coffee exports in order to pay for militarization and the creation of a state banking system. The result was the development of a more militarized and bureaucratic authoritarian regime that broke with the country's liberal past, taking a permanent interventionist role as the regulator of financial markets and the guarantor of order in the countryside.

**Guatemala**

In contrast with the Salvadoran experience, in Guatemala the depression of the 1930's produced no substantial departure from recent economic policies, no significant change in the ruling coalition, nor any other major break from the past. The only regime change during the 1930's resulted in the consolidation of a patrimonial dictatorship which was broadly similar, in both style and policy, to other periods of caudillo rule. The principal policy developments of the period were largely an extension of previously established trends towards political centralization and state intervention in the labor market.
In 1931, General Jorge Ubico became president of Guatemala, bringing to a close a period of political instability that began with the fall of the Estrada Cabrera dictatorship in 1920. Ubico was the last in the line caudillo rulers that included Rafael Carrera, Justo Rufino Barrios and Manuel Estrada Cabrera. The personalistic character of his rule -- his personal control of the military, of all appointments and of all government expenditures; his role as the ultimate adjudicator of disputes; and the arbitrary and authoritarian nature of the regime -- were all characteristics of caudillo rule. Looking back over Guatemalan history from independence until 1944, a normal feature of that country's politics during that period was the alternation of stable patrimonial regimes "with eras of political chaos and rapid maneuvering, usually characterized by the appearance of numerous political parties and frequent governmental turnovers punctuated by military and political coups." (Grieb, 1979, p.1) The death or fall of a strong, patrimonial ruler inevitably created a succession crisis; a period of struggle and political instability, until a new strongman could consolidate his power. Viewed in this context, neither the regime instability of the 1920's, nor the consolidation of the Ubico dictatorship in the 1930's can be viewed as new developments.

Due to the decline of customs revenues as foreign trade diminished, Ubico took control of a government that was suffering a severe fiscal crisis. In response, the new president introduced a series of austerity measures and administrative reforms designed to reduce waste and corruption, and to drastically cut public expenditures, bringing them into line with revenues. A lasting consequence of these measures was greatly increased presidential control over bureaucrats and municipal governments. (C. L. Jones, 1940;
Adams, 1970 & 1972; Grieb, 1979) Ubico eliminated local elections and substituted the intendente system of municipal government. The presidentially appointed intendentes replaced the alcaldes as local administrators. In order to maximize their loyalty to the ruler, rather than to local notables, the intendentes were transferred frequently and were usually assigned to communities outside of their home region. The professional success and personal safety of these officials depended upon how well they satisfied Ubico. Above the intendentes were regional administrators, the jefes políticos, to whom the same principles of appointment and promotion applied. In order to reduce corruption, a legislative decree was issued in 1931 "requiring public officials to account for property on entering and leaving office."

(C.L. Jones, 1940, p.71) Ubico also made frequent 'flying visits', periodic unannounced inspection tours in the provinces. (Jones, 1940; Adams, 1970) A contemporary observer described these tours as follows:

The head of state is preceded by a groups of accountants who review the books of the public officials. The president arrives often with a cavalcade of automobiles carrying an orchestra to give concerts in the public squares. His own review of the reports of the accounting officers over, the chief magistrate has conferences with the local officials on public affairs and holds open court to hear complaints by the public. In 1936 a total of 133 local administrative offices were thus visited. (C.L. Jones, 1940, p.71)

These royal tours not only served to monitor second-rank officials, but also to reinforce the illusion of a paternalistic bond between peasant communities and the caudillo.
Adjustments in the Labor Market

Innovations in the state's approach to the regulation of the labor market also contributed to increased political centralization. Until the depression of the 1930's, Guatemalan coffee planters utilized a combination of mandamiento labor, a type of forced labor reminiscent of the colonial system of labor tribute, and debt servitude. (McCreery, 1986) The supply of mandamiento labor tended to be irregular, but it had the advantage that it required no capital outlay. Because planters could use mandamiento labor as a strategy of reducing their capital costs, it was particularly important in establishing coffee estates. (McCreery, 1986) Using mandamiento labor to clear land and plant trees reduced the farmers capital costs during the initial years before the first crop was ready for harvest. But "once a finca came into production, owners sought to establish a more stable work force." (McCreery, 1986, p. 108) This usually implied a shift to debt servitude, although mandamiento labor was still used, especially in response to spot labor shortages. The system of debt servitude required a substantial cash flow in order to make advances to workers and to otherwise pay wages. But during the depression, falling coffee prices and tight credit reduced the planters' access to capital. As was the case in El Salvador, Guatemalan planters responded to the crisis by trying to reduce their wage bill; in this instance, by either cutting wages or by only crediting workers' debts. (McCreery, 1983) In the latter case, Guatemalan planters used workers' debts as a buffer against unstable market conditions, allowing debts to accrue during prosperous times, while reducing paper debts in lieu of paying wages when coffee prices fell. These efforts to pass the effects of the depression on to peasants led to some
incidents of rural violence, although peasant unrest in Guatemala did not approach the scale achieved in El Salvador. (McCreery, 1983) In response to such rural violence, a decree was issued in 1932 which exempted landowners from the legal consequences of any action taken in protecting their goods and land. In effect, the provision allowed a finquero to shoot anyone he found stealing or damaging crops, wood, or any other items from his land, and thus invested the landowner with virtually feudal powers on his estate. (Grieb, 1979, p. 40)

In 1934, the Ubico government moved to provide a distinctive form of depression relief to planters. (C.L. Jones, 1940; Grieb, 1979; McCreery, 1983 & 1986) In that year, two new labor laws were emitted. The first abolished the system of debt servitude; prohibiting new cash advances, and stipulating a two year period during which workers were to pay off their debts. After that period, any remaining debts were to be cancelled. "In effect, at the cost of what were in large part merely paper debts, export producers received two years of free labor." (McCreery, 1983, p. 757) Thus, the peasantry was forced to bear the brunt of the crisis in the short term. The fact that this measure did not produce a massive peasant uprising may be due to: (1) the overwhelming coercive power of the state, and (2) the fact that much of the peasantry were able to sustain themselves through subsistence or petty commodity production, and small-scale commerce when they were not employed on the estates.

While the abolition of debt servitude provided a form of short-term depression relief to planters, at the same time, it took from them their main device for controlling labor. A second labor law responded to this by changing the legal definition of vagrancy, in effect, providing a new mechanism with which to force peasants into estate labor. According to the new law,
any individual, Indian or ladino, not practicing a recognized profession, or having a business or adequate income, or not cultivating a stipulated, and relatively large, amount of land had to work, according to his condition, 100 or 150 days a year at agricultural labor." (McCreery, 1983, p.757)

This system was hardly less coercive than previous mechanisms of forced labor. For peasants, the abolition of debt servitude and the creation of a 'free' labor market did not imply freedom not to work on the estates. Estate labor was obligatory; workers were only 'free' insofar as they could sell their labor to the planter of their choice. Each worker was required to carry a passbook, into which his work had to be registered by the farm's administrator. There was considerable room for abuse in this new system. For instance, planters could keep workers on beyond the required period simply by refusing to sign their book. In effect, the basis of labor control was altered, but the position of peasants remained bleak.

Perhaps the most important consequence of the new vagrancy law was that, with the new system of passbooks and the necessity to monitor peasants in order to apprehend 'vagrants', a more intrusive bureaucratic presence was established in the countryside. The new measure placed the labor market under direct military-bureaucratic control and sought to force all of the peasantry into active participation in commercial agriculture. (C.L. Jones, 1942) A telling indicator of this was that the National Police assumed control of the National Department of Labor, "thus putting the enforcement of the labor laws under that efficient semi-military organization." (C.L. Jones, 1942) Planters became even more dependent on officer-bureaucrats to help provide and control labor than they had been under the old system of debt peonage, which
had been based to a great extent on voluntary contracts between peasants and labor contractors.

In the final analysis, neither the administrative reforms nor the new labor laws constituted a significant departure from the established trajectory of political development. The state was already much more centralized and the rural aristocracy much more dependent upon the state than was the case in the other coffee producing republics of Central America. The new measures simply accentuated these characteristics.

Costa Rica

Through the first four decades of the twentieth century, the gradual extension of political rights to disenfranchised groups opened Costa Rican politics to populist pressures, but without fundamentally altering the paternalistic character of a system that remained dominated by old-fashioned personalistic parties. Democratic reforms did allow left wing opposition parties to emerge. The Reformist Party during the 1920’s, and the Communist Party during the 1930’s were able to draw support from peasants, artisans and the tiny industrial proletariat by pressing for social services and workers’ rights. But the dominant personalistic parties, which lacked any consistent ideology or platform, were also able to mobilize mass support, although their ability to do so was based on charismatic leadership, patronage and influence over the leading newspapers rather than on any attempt to consistently represent middle or working class interests. Consequently, although popular participation in politics increased, causing new issues to be debated, populist
pressures did not provoke any substantial break from liberal policy until the depression.

As was the case in El Salvador, the break with the liberal past began with the depression of the 1930's. Here too, in the face of falling coffee prices, foreign credit became scarce, imports dropped and government revenues declined. A sharp contraction of the export dependent economy caused rising unemployment, a serious state fiscal crisis, and economic conflicts between a variety of occupational groups. As was the case in the other coffee exporting countries, the duration and severity of this depression forced the government to abandon the old liberal strategy of eschewing counter-cyclical economic policies and simply waiting for the crisis to pass. (Vega Carballo, 1983) Here too, various occupational groups sought to minimize the effects of the depression by off-loading their losses onto others, and the state was drawn into a more activist role, intervening in the export economy so as to redistribute wealth amongst competing interests. But the character of this transformation bore little resemblance to the authoritarian reaction against peasants, banks and urban mass movements that occurred in El Salvador.

In Costa Rica, the principal line of economic and political conflict in the coffee industry was that between the owners of small and medium-sized coffee farms, and merchant-planters who processed, financed and exported their crop. Collective action on the part of small coffee growers began in the 1920's, when they formed associations for the defense of their common interests, demanding better terms of credit, higher prices, and a method of payment which would, in effect, pass some of the risks of price fluctuation in foreign commodities markets on to merchants. (Hall, 1982; Acuña Ortega,
1985) With regards to the latter demand, domestic coffee buyers typically protected themselves against falling prices by delaying the final payment to the growers until they knew what price they had received in foreign markets. Under this system, small growers were forced into the position of speculators, absorbing virtually all of the risks inherent in the coffee trade. Growers sought a method of payment that would transfer at least some of that risk to middlemen. These conflicts intensified during the depression as many buyers stopped making advance payments to small growers. (Hall, 1982)

This conflict was qualitatively different from the peasant unrest followed by a brutal authoritarian reaction by planters and the military that shook El Salvador. This was a dispute between entrepreneurs over prices, not between a desperate mass of landless and unemployed peasants faced with starvation and planters on the verge of bankruptcy. Here, the cafetalero aristocracy was confronted with protest and the possibility of collective bargaining, not insurrection. Costa Rica's small growers were a loose collectivity, poorly organized and risk adverse. Farmers' closest economic and political ties tended to be with the merchant elites who lent them money and processed their crop, and against whom they now protested. Moreover, farmers demands were not a drastic threat to the economic position of the leading merchant families. Unlike the owners of great estates in El Salvador, many of whom were brought to the verge of bankruptcy by falling prices and the cut-off of credit, Costa Rica's commercial middlemen were in a position to make certain concessions on prices without risking their financial position, which rested on secure capital investments and their preferential access to foreign credit. These conditions lent themselves to a negotiated solution.
In 1931, small and medium-sized producers turned to the national legislature to arbitrate this price dispute. In 1932, the government created the Instituto de Defensa del Café, a semi-autonomous organization with the authority to regulate commercial relations between producers and buyers. Thereafter, the institute set prices paid to small growers, divided the gains from the coffee trade between growers and processors, ensuring that processors never receiving more than twelve per cent of net profits, and ordered that payments to small producers be completed by a certain date. This policy, which entailed the establishment of a permanent administrative apparatus to regulate the coffee trade amongst growers and merchants, amounted to a break with the country's non-interventionist liberal past.

Except for the government's intervention in the dispute between growers and merchants, the depression of the 1930's did not produce any dramatic policy innovation, violent regime change or major transformation of Costa Rica's political institutions. Throughout the crisis, old-fashioned personalistic parties tied to the traditional cafetalero oligarchy still dominated Costa Rican politics. Taken in a comparative perspective, perhaps the most significant outcome of the depression, aside from the state's intervention in the commercial nexus between coffee farmers and merchants, was the conspicuous absence of the sort of authoritarian reaction against peasants, urban popular movements and the banks that characterized the Salvadoran response to the depression. In Costa Rica, no repressive military-bureaucratic apparatus was created, political reforms were not rescinded, and the polity remained open to mass organizations. Throughout the 1930's, mass movements that represented workers and the middle class remained, at best,
secondary participants in Costa Rican politics. Consequently, beyond the measures taken on behalf of growers, no other major social reforms were introduced during this period. Nonetheless, the fact that populist movements were able to survive the depression with their political rights intact was an event of no small consequence. In El Salvador, the depression marked the definitive end of democratic reforms, and the expulsion of the urban middle and working classes from the polity. The same sorts of movements in Costa Rica survived the crisis with their political rights intact, awaiting a more propitious moment to advance their interests. Shortly after the depression, rivalries between personalistic parties created new opportunities for mass movements to enter into ruling coalitions, playing a critical role in factional rivalries amongst the old elite and, in so doing, acquiring sufficient leverage to introduce their own policy agenda. By the end of the second world war, President Calderon Guardia, a traditional, personalistic politician who faced declining popularity, turned to the Communist Party, forging an unprecedented alliance in a successful attempt to retain political power. In 1943, as a price for their participation, the communists forced Calderon to institute a series of major social reforms including a national social security system and major advances in workers' rights.
Conclusion

The development of the coffee industry was a cardinal event in the making of modern Central America. Prior to the nineteenth century coffee boom, Central America was not so much underdeveloped, as it was undeveloped; a backward region that was, in large measure, untouched by events in foreign markets. Throughout the region, a dramatic change in economic and political institutions began in the mid-nineteenth century, when technical and economic developments overseas stimulated an agricultural export boom. Not only did Guatemala, El Salvador and Costa Rica quickly develop into monocultural export economies, but they all became dependent on the same export commodity. In each country, as commercial coffee production increased, a money economy superseded pre-capitalist redistributive arrangements, and communal forms of landownership gave way to private property. Throughout the region, agricultural commercialization caused major changes in patterns of land use and tenure, social relations between landlords and peasants, and commercial and political ties amongst the aristocracy.

The explosive growth of commercial coffee production also had major political consequences. In every coffee-exporting republic, the rapid expansion of export agriculture was associated with the increase of state power vis-à-vis local communities. In part, this is because improvements in the transportation infrastructure gave rulers greater control over formerly isolated hinterland areas, and because new sources of taxable wealth provided the resources that paid for military modernization and government bureaucratization. But it was also due to the distinctive requirements of commercial coffee production. The expansion of coffee cultivation
necessitated a higher level of national coordination in order to provide certain services -- improvement of the transportation infrastructure, enclosure and redistribution of communal lands, conscription of labor, and maintainence of order in the countryside -- that could not be provided by planters who drew upon local resources alone. Planters were willing to concede local autonomy and taxing authority to government officials in exchange for these essential services. The emergence of a dynamic agro-export sector elicited an unprecedented level of state intervention in the economy. National governments increasingly served as both promoters of commercial agriculture and as the arbiters of new sorts of agrarian conflict. The economic controversies within the coffee industry -- disputes over mercantilist policies that remained from the colonial era, property rights, the distribution of the land, labor and credit, and internal commodity prices -- became the major political issues of the late nineteenth and early twentieth centuries. These agrarian conflicts frequently elicited state involvement, either to negotiate historic compromises or to enforce solutions upon politically subordinate groups. New political alliances, particularly those uniting coffee farmers and merchants with government bureaucrats and military officers, formed around these issues.

Although the commercialization of agriculture set certain economic and political processes in motion throughout the region, each country followed a different political path as they modernized. Guatemala and El Salvador developed authoritarian governments that forced peasants to absorb much of the cost of export development. Costa Rica, on the other hand, gradually developed democratic institutions and traditions. My explanation for these divergent patterns of political development focuses on the historical interaction
between market forces -- exogenous factors that were common to every coffee-producing country -- and established agrarian social structures that were specific to each region.

A cardinal fact of Central American history, and the point of departure for this analysis, is that there were fundamental regional differences in class relations and institutional arrangements by the end of the colonial period. During the sixteenth century, Spanish colonists established a tributary economy in Central America based on the institution of repartimiento. Spanish authorities imposed this extractive apparatus on regions that varied in terms of (1) the size of the indigenous population, (2) the ability of Indian communities to limit Spanish encroachment, and (3) whether Spanish immigrants were able to develop successful commercial enterprises that required large labor inputs. These intervening factors conditioned local development, causing sharp regional differences in agrarian social structure to emerge by the late eighteenth century. These regionally distinct agrarian social forms -- the tributary economy of western Guatemala, the extensive cattle, grain and indigo haciendas of El Salvador, and the pattern of nucleated settlements and untitled smallholdings in Costa Rica -- have left an indelible mark on subsequent patterns of agrarian development in Central America.

For the purpose of describing its political effects, the development of the coffee industry may be understood as a two-stage historical process. During two distinct historical periods, Central American governments decisively intervened in the coffee business, and in doing so, permanently altered patterns of political development in their countries. The first of these periods corresponds with the initial development of the coffee industry, when Central
American governments sought to transform precapitalist relations of production so as to make land and labor available to coffee planters. At this stage, the political route that each new nation took as it developed a capitalist export economy was largely a function of the extent to which coffee production was blocked by traditional landholding villages and church estates. Commercial coffee cultivation called for particular sorts of agricultural land and great quantities of seasonal labor. Central American countries differed in terms of the extent to which these factors of production were available. In Costa Rica, arable land was relatively abundant, but because of that country's tiny population and open agricultural frontier, labor has always been scarce. In Guatemala and El Salvador, on the other hand, the land most suitable for coffee production was tied up in communal property and ecclesiastical estates. Each of those countries also had a sizeable peasantry, which constituted a large potential labor force, but in many localities peasants were unwilling to work on coffee estates at the wages that were being offered. These factors influenced the rate at which commercial coffee cultivation was adopted, and the extent to which the cafeílde aristocracy in each country depended on the backing of a repressive political apparatus in order to mobilize land and labor for coffee production.

In Costa Rica, coffee production began early, expanded gradually and was not associated with serious agrarian conflict. The Costa Rican government did initiate a program to transfer state and communal lands to private individuals, but this policy does not appear to have provoked significant peasant unrest. The existence of an open agricultural frontier and the high demand for seasonal labor offered reasonably attractive alternatives to displaced
peasants. In the face of a small population and an abundance of unoccupied farmland, much of which was in isolated areas where government authority was at best tenuous, efforts to block peasants from acquiring holdings of their own or to otherwise force peasants into estate labor would have been ineffective. Consequently, the government made no significant effort to regulate the labor market.

In Guatemala and El Salvador, where the initial expansion of coffee cultivation was hindered by traditional landholding communities that tied up land and labor, the expansion of coffee production became a highly politicized process associated with serious agrarian conflict. One of the quirks of Guatemalan geography was that the Indian population was concentrated in the highlands of western Guatemala, whereas prime coffee lands were located on sparsely populated communal and ecclesiastical lands in the piedmont. Consequently, the enclosure and redistribution of communal lands in the piedmont made land available to coffee planters without resolving the industry’s labor shortage. Consequently, in order to draw peasants into estate labor, the Liberal state intervened in the labor market on a permanent basis. There, an authoritarian administrative apparatus was expanded in order to allow continuous government regulation of the flow of labor from traditional landholding villages in the western highlands to the coffee estates being constructed in the piedmont. The Liberal program amounted to a return to a pre-capitalist, colonial-style tributary economy, with the state acting as a broker between Indian communities and landowners. Thereafter, officers and bureaucrats were able to extract advantages from their position as intermediaries between these two communities. Although they represented
planters interests and ruthlessly exploited Indian peasants, their control over
the supply of labor also gave them a powerful weapon that could be turned
against individual planters whose political loyalty was suspect.

In El Salvador, large Indian communities resided squarely upon the land
most suitable for coffee farming. Consequently, the expansion of commercial
coffee production was retarded until a pro-planter Liberal government initiated
a radical land reform program, totally abolishing communal forms of property.
The enclosure of common lands created a substantial landless peasantry,
which had little option other than to seek employment on the coffee estates.
Thus, the Liberal land reforms helped to create a massive rural proletariat. As
a result, forced labor was not a ubiquitous feature of the Salvadoran coffee
economy; El Salvador developed a comparatively free labor market in which
the state played a role enforcing contracts and maintaining social order, but
did not control the supply of labor to individual farmers. Consequently, prior to
the depression of the 1930's, planters were able to maintain greater political
autonomy vis-à-vis central authorities than was the case in Guatemala.

As subsistence farming gave way to coffee cultivation, this new type of
production took various forms. That is, even though Guatemala, El Salvador
and Costa Rica began to produce the same primary export commodity, the
production of that good was organized in strikingly different ways in each
country. There were cross-national differences in patterns of land use and
tenure, the organization of labor markets, and the extent to which the
economic position elites was dependent upon their direct control of land and
labor. These factors, which were largely determined by the relative value of
land and labor in each country, go a long way towards explaining cross-
national differences in social relations between planters, peasants and the state.

Because of the scarcity of labor, wages in Costa Rica were always comparatively high. Consequently, the most labor intensive phases of the coffee production were largely left to small proprietors who could exploit family labor. The Costa Rican aristocracy, for the most part, tended to concentrate in the financial-processing-import-export end of the business, where they could exploit their preferential access to capital, leaving coffee farming to peasant proprietors. Costa Rica became characterized by the predominance of small and medium-sized farms that utilized family labor, supplemented by free wage labor during the harvest. The economic position of the cafetalero aristocracy in Costa Rican elite was more heavily based upon capital investments in processing, finance and trade, than on their control of land and labor. In Costa Rica, conflicts between peasants and the cafetalero aristocracy tended to be plus-sum disputes between small producers and merchants over internal coffee prices or the terms of credit.

In Guatemala and El Salvador, where labor was comparatively abundant and wages were low, there was a greater tendency for elites to become directly involved in coffee cultivation. In those countries, landholding tended to be more concentrated, and a comparatively large portion of the cafetalero elite owed their economic position to their control of land and labor. On the extensive, but technologically primitive estates that were common in those countries, conflicts between peasants and elites tended to be zero-sum disputes over wages or land.
In general terms, the willingness of members of the cafetalero aristocracy to make political concessions to emergent groups appears to be a function of whether their economic position was based on their ownership of capital, or on their control of land and labor. The owners of extensive, but technologically primitive estates were able to partially offset the comparative inefficiency of their operations by virtue of their special political connections. In effect, with government assistance, they were able to force real wages down, allowing planters to capture a greater portion of the gains from the coffee trade during times of favorable prices, and to force peasants to absorb at least part of their losses when prices fell. Thus, the wealth and security of the planter aristocracy in Guatemala and El Salvador depended upon a repressive political apparatus in the countryside. In those countries, planters remained unalterably opposed to the extension of political rights to peasants, as well as to any other policies that might drive wages up or otherwise raise their production costs. Thus, even during El Salvador's brief period of democratic reforms, no serious effort was made to include the rural masses in the polity. On the other hand, there was no such entrenched opposition to the extension of political rights to the peasantry amongst Costa Rica's predominantly merchant aristocracy.

The second phase of this two-stage model corresponds with the period of worldwide overproduction and price instability which culminated in the depression of the 1930's. From the late 1880's, coffee prices became increasingly unstable, a situation that caused recurrent recessions and government fiscal crises. During this period, liberal economic policies came under pressure as unstable coffee prices exacerbated tensions between
planters and peasants, as well as between coffee growers and their creditors. Ultimately, liberal strategies were abandoned in every coffee exporting country, and governments were forced to intervene in the export economy, so as to buffer coffee growers against unpredictable market conditions. In Guatemala, this process began at a comparatively early date. Once a centralized administrative apparatus designed to regulate labor markets was in place, it was easily adapted to the new demands of coffee planters during times of moderate price instability. A repressive servile labor system as well as devaluation of the Guatemalan peso allowed planters to off-load at least a portion of their losses upon seasonal laborers. In El Salvador and Costa Rica, where the Liberal reforms had not given rise to a centralized bureaucratic apparatus that might continuously regulate factor markets, the moderate price instability that preceded the Great Depression was insufficient to elicit such government intervention. Consequently, there was no significant departure from liberal economic policies until the depression of the 1930's. In those countries, the crisis of the 1930's brought a definitive break from the liberal past and the creation of a permanent bureaucratic apparatus to protect planters against market cycles. But the character of that state intervention varied considerably, depending on the nature of the class conflicts that were inextricably embedded in each country's coffee industry.

A combination of factors -- extreme dependence upon coffee exports, the prevalence of extensive estates and the general shift to payment of cash wages -- made El Salvador especially vulnerable to any substantial reduction in coffee prices. The prolonged depression of coffee prices during the late 1920's and early 1930's created a severe systemic crisis in that country.
Caught between falling export earnings and a fixed wage bill, Salvadoran planters responded by reducing real wages and clamoring for credit. When the principal commercial banks dramatically reduced the supply of credit available to planters in 1931, normal relations between planters and peasants broke down altogether. Many planters simply abandoned the harvest, leaving peasants to their own devices; but in a country where much of the peasantry lacked subsistence plots to fall back on, desperate peasants were driven to revolt. In this context, planters turned to the military for assistance. A reactionary coalition between planters and the military was reconstituted, but with one critical difference: military officers now occupied many key public offices, leaving planters to assume a more subordinate role than had been the case in the past. The new government pursued a pro-planter agenda, suppressing peasant unrest, declaring a debt moratorium, forcing private banks to allocate credit to farmers, and excluding the urban middle and working classes from the polity.

In Costa Rica, the crisis of the 1930's was less severe, and produced no such authoritarian reaction. The principal economic dispute within the coffee industry during that period was between small growers and merchants over coffee prices. Here, the state was able to negotiate an historic compromise, creating a permanent administration to equitably distribute the gains from the coffee trade between these two groups. Because the cafetalero aristocracy's economic position did not depend upon political controls on land and labor markets, they were not seriously threatened by reforms that broadened political participation. Consequently, the crisis of the 1930's did not elicit any serious attempt to rescind the political reforms of the previous decades.
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