

WHY

NATIONS

FAIL

**THE ORIGINS
OF POWER,
PROSPERITY
AND POVERTY**

BARON ACEMOGLU

PRAISE FOR *Why Nations Fail*

“Acemoglu and Robinson have made an important contribution to the debate as to why similar-looking nations differ so greatly in their economic and political development. Through a broad multiplicity of historical examples, they show how institutional developments, sometimes based on very accidental circumstances, have had enormous consequences. The openness of a society, its willingness to permit creative destruction, and the rule of law appear to be decisive for economic development.”

—**Kenneth J. Arrow, Nobel laureate in economics, 1972**

“The authors convincingly show that countries escape poverty only when they have appropriate economic institutions, especially private property and competition. More originally, they argue countries are more likely to develop the right institutions when they have an open pluralistic political system with competition for political office, a widespread electorate, and openness to new political leaders. This intimate connection between political and economic institutions is the heart of their major contribution, and has resulted in a study of great vitality on one of the crucial questions in economics and political economy.”

—**Gary S. Becker, Nobel laureate in economics, 1992**

“This important and insightful book, packed with historical examples,

makes the case that inclusive political institutions in support of inclusive economic institutions is key to sustained prosperity. The book reviews how some good regimes got launched and then had a virtuous spiral, while bad regimes remain in a vicious spiral. This is important analysis not to be missed.”

—**Peter Diamond, Nobel laureate in economics, 2010**

“For those who think that a nation’s economic fate is determined by geography or culture, Daron Acemoglu and Jim Robinson have bad news. It’s manmade institutions, not the lay of the land or the faith of our forefathers, that determine whether a country is rich or poor. Synthesizing brilliantly the work of theorists from Adam Smith to Douglass North with more recent empirical research by economic historians, Acemoglu and Robinson have produced a compelling and highly readable book.”

—**Niall Ferguson, author of *The Ascent of Money***

“Acemoglu and Robinson—two of the world’s leading experts on development—reveal why it is not geography, disease, or culture that explain why some nations are rich and some poor, but rather a matter of institutions and politics. This highly accessible book provides welcome insight to specialists and general readers alike.”

—**Francis Fukuyama, author of *The End of History and the Last***

Man and The Origins of Political Order

“A brilliant and uplifting book—yet also a deeply disturbing wake-up call. Acemoglu and Robinson lay out a convincing theory of almost everything to do with economic development. Countries rise when they put in place the right pro-growth political institutions and they fail—often spectacularly—when those institutions ossify or fail to adapt. Powerful people always and everywhere seek to grab complete control over government, undermining broader social progress for their own greed. Keep those people in check with effective democracy or watch your nation fail.”

—**Simon Johnson, coauthor of *13 Bankers* and professor at MIT**

Sloan

“Two of the world’s best and most erudite economists turn to the hardest issue of all: why are some nations poor and others rich? Written with a deep knowledge of economics and political history, this is perhaps the most powerful statement made to date that ‘institutions matter.’ A provocative, instructive, yet thoroughly enthralling book.”

—**Joel Mokyr, Robert H. Strotz Professor of Arts and Sciences
and Professor of Economics and History, Northwestern
University**

“In this delightfully readable romp through four hundred years of history,

two of the giants of contemporary social science bring us an inspiring and important message: it is freedom that makes the world rich. Let tyrants everywhere tremble!”

—**Ian Morris, Stanford University, author of *Why the West Rules***
—*for Now*

“Imagine sitting around a table listening to Jared Diamond, Joseph Schumpeter, and James Madison reflect on more than two thousand years of political and economic history. Imagine that they weave their ideas into a coherent theoretical framework based on limiting extraction, promoting creative destruction, and creating strong political institutions that share power, and you begin to see the contribution of this brilliant and engagingly written book.”

—**Scott E. Page, University of Michigan and Santa Fe Institute**

“In this stunningly wide-ranging book, Acemoglu and Robinson ask a simple but vital question, why do some nations become rich and others remain poor? Their answer is also simple—because some polities develop more inclusive political institutions. What is remarkable about the book is the crispness and clarity of the writing, the elegance of the argument, and the remarkable richness of historical detail. This book is a must-read at a moment when governments across the Western world must come up with

the political will to deal with a debt crisis of unusual proportions.”

—**Steven Pincus, Bradford Durfee Professor of History and International and Area Studies, Yale University**

“It’s the politics, stupid! That is Acemoglu and Robinson’s simple yet compelling explanation for why so many countries fail to develop. From the absolutism of the Stuarts to the antebellum South, from Sierra Leone to Colombia, this magisterial work shows how powerful elites rig the rules to benefit themselves at the expense of the many. Charting a careful course between the pessimists and optimists, the authors demonstrate history and geography need not be destiny. But they also document how sensible economic ideas and policies often achieve little in the absence of fundamental political change.”

—**Dani Rodrik, Kennedy School of Government, Harvard University**

“This is not only a fascinating and interesting book: it is a really important one. The highly original research that Professors Acemoglu and Robinson have done, and continue to do, on how economic forces, politics, and policy choices evolve together and constrain each other, and how institutions affect that evolution, is essential to understanding the successes and failures of societies and nations. And here, in this book, these insights come in a

highly accessible, indeed riveting form. Those who pick this book up and start reading will have trouble putting it down.”

—**Michael Spence, Nobel laureate in economics, 2001**

“This fascinating and readable book centers on the complex joint evolution of political and economic institutions, in good directions and bad. It strikes a delicate balance between the logic of political and economic behavior and the shifts in direction created by contingent historical events, large and small, at ‘critical junctures.’ Acemoglu and Robinson provide an enormous range of historical examples to show how such shifts can tilt toward favorable institutions, progressive innovation, and economic success or toward repressive institutions and eventual decay or stagnation. Somehow they can generate both excitement and reflection.”

—**Robert Solow, Nobel laureate in economics, 1987**



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Daron Acemoglu and

James A. Robinson

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For Arda and Asu—DA

Para María Angélica, mi vida y mi alma—JR

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PREFACE

THIS BOOK IS about the huge differences in incomes and standards of living that separate the rich countries of the world, such as the United States, Great Britain, and Germany, from the poor, such as those in sub-Saharan Africa, Central America, and South Asia.

As we write this preface, North Africa and the Middle East have been shaken by the “Arab Spring” started by the so-called Jasmine Revolution, which was initially ignited by public outrage over the self-immolation of a street vendor, Mohamed Bouazizi, on December 17, 2010. By January 14, 2011, President Zine El Abidine Ben Ali, who had ruled Tunisia since 1987,

had stepped down, but far from abating, the revolutionary fervor against the rule of privileged elites in Tunisia was getting stronger and had already spread to the rest of the Middle East. Hosni Mubarak, who had ruled Egypt with a tight grip for almost thirty years, was ousted on February 11, 2011. The fates of the regimes in Bahrain, Libya, Syria, and Yemen are unknown as we complete this preface.

The roots of discontent in these countries lie in their poverty. The average Egyptian has an income level of around 12 percent of the average citizen of the United States and can expect to live ten fewer years; 20 percent of the population is in dire poverty. Though these differences are significant, they are actually quite small compared with those between the United States and the poorest countries in the world, such as North Korea, Sierra Leone, and Zimbabwe, where well over half the population lives in poverty.

Why is Egypt so much poorer than the United States? What are the constraints that keep Egyptians from becoming more prosperous? Is the poverty of Egypt immutable, or can it be eradicated? A natural way to start thinking about this is to look at what the Egyptians themselves are saying about the problems they face and why they rose up against the Mubarak regime. Noha Hamed, twenty-four, a worker at an advertising agency in

Cairo, made her views clear as she demonstrated in Tahrir Square: “We are suffering from corruption, oppression and bad education. We are living amid a corrupt system which has to change.” Another in the square, Mosaab El Shami, twenty, a pharmacy student, concurred: “I hope that by the end of this year we will have an elected government and that universal freedoms are applied and that we put an end to the corruption that has taken over this country.” The protestors in Tahrir Square spoke with one voice about the corruption of the government, its inability to deliver public services, and the lack of equality of opportunity in their country. They particularly complained about repression and the absence of political rights. As Mohamed ElBaradei, former director of the International Atomic Energy Agency, wrote on Twitter on January 13, 2011, “Tunisia: repression + absence of social justice + denial of channels for peaceful change = a ticking bomb.” Egyptians and Tunisians both saw their economic problems as being fundamentally caused by their lack of political rights. When the protestors started to formulate their demands more systematically, the first twelve immediate demands posted by Wael Khalil, the software engineer and blogger who emerged as one of the leaders of the Egyptian protest movement, were all focused on political change. Issues such as raising the minimum wage appeared only among the transitional demands that were to

be implemented later.

To Egyptians, the things that have held them back include an ineffective and corrupt state and a society where they cannot use their talent, ambition, ingenuity, and what education they can get. But they also recognize that the roots of these problems are political. All the economic impediments they face stem from the way political power in Egypt is exercised and monopolized by a narrow elite. This, they understand, is the first thing that has to change.

Yet, in believing this, the protestors of Tahrir Square have sharply diverged from the conventional wisdom on this topic. When they reason about why a country such as Egypt is poor, most academics and commentators emphasize completely different factors. Some stress that Egypt's poverty is determined primarily by its geography, by the fact that the country is mostly a desert and lacks adequate rainfall, and that its soils and climate do not allow productive agriculture. Others instead point to cultural attributes of Egyptians that are supposedly inimical to economic development and prosperity. Egyptians, they argue, lack the same sort of work ethic and cultural traits that have allowed others to prosper, and instead have accepted Islamic beliefs that are inconsistent with economic success. A third approach, the one dominant among economists and policy

pundits, is based on the notion that the rulers of Egypt simply don't know what is needed to make their country prosperous, and have followed incorrect policies and strategies in the past. If these rulers would only get the right advice from the right advisers, the thinking goes, prosperity would follow. To these academics and pundits, the fact that Egypt has been ruled by narrow elites feathering their nests at the expense of society seems irrelevant to understanding the country's economic problems.

In this book we'll argue that the Egyptians in Tahrir Square, not most academics and commentators, have the right idea. In fact, Egypt is poor precisely because it has been ruled by a narrow elite that have organized society for their own benefit at the expense of the vast mass of people.

Political power has been narrowly concentrated, and has been used to create great wealth for those who possess it, such as the \$70 billion fortune apparently accumulated by ex-president Mubarak. The losers have been the Egyptian people, as they only too well understand.

We'll show that this interpretation of Egyptian poverty, the people's interpretation, turns out to provide a general explanation for why poor countries are poor. Whether it is North Korea, Sierra Leone, or Zimbabwe, we'll show that poor countries are poor for the same reason that Egypt is poor. Countries such as Great Britain and the United States became rich

because their citizens overthrew the elites who controlled power and created a society where political rights were much more broadly distributed, where the government was accountable and responsive to citizens, and where the great mass of people could take advantage of economic opportunities. We'll show that to understand why there is such inequality in the world today we have to delve into the past and study the historical dynamics of societies. We'll see that the reason that Britain is richer than Egypt is because in 1688, Britain (or England, to be exact) had a revolution that transformed the politics and thus the economics of the nation. People fought for and won more political rights, and they used them to expand their economic opportunities. The result was a fundamentally different political and economic trajectory, culminating in the Industrial Revolution. The Industrial Revolution and the technologies it unleashed didn't spread to Egypt, as that country was under the control of the Ottoman Empire, which treated Egypt in rather the same way as the Mubarak family later did. Ottoman rule in Egypt was overthrown by Napoleon Bonaparte in 1798, but the country then fell under the control of British colonialism, which had as little interest as the Ottomans in promoting Egypt's prosperity. Though the Egyptians shook off the Ottoman and British empires and, in 1952, overthrew their monarchy, these were not revolutions like that of

1688 in England, and rather than fundamentally transforming politics in Egypt, they brought to power another elite as disinterested in achieving prosperity for ordinary Egyptians as the Ottoman and British had been. In consequence, the basic structure of society did not change, and Egypt stayed poor.

In this book we'll study how these patterns reproduce themselves over time and why sometimes they are altered, as they were in England in 1688 and in France with the revolution of 1789. This will help us to understand if the situation in Egypt has changed today and whether the revolution that overthrew Mubarak will lead to a new set of institutions capable of bringing prosperity to ordinary Egyptians. Egypt has had revolutions in the past that did not change things, because those who mounted the revolutions simply took over the reins from those they'd deposed and re-created a similar system. It is indeed difficult for ordinary citizens to acquire real political power and change the way their society works. But it is possible, and we'll see how this happened in England, France, and the United States, and also in Japan, Botswana, and Brazil. Fundamentally it is a political transformation of this sort that is required for a poor society to become rich. There is evidence that this may be happening in Egypt. Reda Metwaly, another protestor in Tahrir Square, argued, "Now you see Muslims and

Christians together, now you see old and young together, all wanting the same thing.” We’ll see that such a broad movement in society was a key part of what happened in these other political transformations. If we understand when and why such transitions occur, we will be in a better position to evaluate when we expect such movements to fail as they have often done in the past and when we may hope that they will succeed and improve the lives of millions.

1.

SO CLOSE AND YET SO DIFFERENT

THE ECONOMICS OF THE RIO GRANDE

THE CITY OF NOGALES is cut in half by a fence. If you stand by it and look north, you’ll see Nogales, Arizona, located in Santa Cruz County. The income of the average household there is about \$30,000 a year. Most teenagers are in school, and the majority of the adults are high school graduates. Despite all the arguments people make about how deficient the U.S. health care system is, the population is relatively healthy, with high life expectancy by global standards. Many of the residents are above age sixty-five and have access to Medicare. It’s just one of the many services the government provides that most take for granted, such as electricity, telephones, a sewage system, public health, a road network linking them to

other cities in the area and to the rest of the United States, and, last but not least, law and order. The people of Nogales, Arizona, can go about their daily activities without fear for life or safety and not constantly afraid of theft, expropriation, or other things that might jeopardize their investments in their businesses and houses. Equally important, the residents of Nogales, Arizona, take it for granted that, with all its inefficiency and occasional corruption, the government is their agent. They can vote to replace their mayor, congressmen, and senators; they vote in the presidential elections that determine who will lead their country. Democracy is second nature to them.

Life south of the fence, just a few feet away, is rather different. While the residents of Nogales, Sonora, live in a relatively prosperous part of Mexico, the income of the average household there is about one-third that in Nogales, Arizona. Most adults in Nogales, Sonora, do not have a high school degree, and many teenagers are not in school. Mothers have to worry about high rates of infant mortality. Poor public health conditions mean it's no surprise that the residents of Nogales, Sonora, do not live as long as their northern neighbors. They also don't have access to many public amenities. Roads are in bad condition south of the fence. Law and order is in worse condition. Crime is high, and opening a business is a risky activity. Not

only do you risk robbery, but getting all the permissions and greasing all the palms just to open is no easy endeavor. Residents of Nogales, Sonora, live with politicians' corruption and ineptitude every day.

In contrast to their northern neighbors, democracy is a very recent experience for them. Until the political reforms of 2000, Nogales, Sonora, just like the rest of Mexico, was under the corrupt control of the Institutional Revolutionary Party, or Partido Revolucionario Institucional (PRI).

How could the two halves of what is essentially the same city be so different? There is no difference in geography, climate, or the types of diseases prevalent in the area, since germs do not face any restrictions crossing back and forth between the United States and Mexico. Of course, health conditions are very different, but this has nothing to do with the disease environment; it is because the people south of the border live with inferior sanitary conditions and lack decent health care.

But perhaps the residents are very different. Could it be that the residents of Nogales, Arizona, are grandchildren of migrants from Europe, while those in the south are descendants of Aztecs? Not so. The backgrounds of people on both sides of the border are quite similar. After Mexico became independent from Spain in 1821, the area around "Los dos Nogales" was

part of the Mexican state of Vieja California and remained so even after the Mexican-American War of 1846–1848. Indeed, it was only after the Gadsden Purchase of 1853 that the U.S. border was extended into this area. It was Lieutenant N. Michler who, while surveying the border, noted the presence of the “pretty little valley of Los Nogales.” Here, on either side of the border, the two cities rose up. The inhabitants of Nogales, Arizona, and Nogales, Sonora, share ancestors, enjoy the same food and the same music, and, we would hazard to say, have the same “culture.”

Of course, there is a very simple and obvious explanation for the differences between the two halves of Nogales that you’ve probably long since guessed: the very border that defines the two halves. Nogales, Arizona, is in the United States. Its inhabitants have access to the economic institutions of the United States, which enable them to choose their occupations freely, acquire schooling and skills, and encourage their employers to invest in the best technology, which leads to higher wages for them. They also have access to political institutions that allow them to take part in the democratic process, to elect their representatives, and replace them if they misbehave. In consequence, politicians provide the basic services (ranging from public health to roads to law and order) that the citizens demand. Those of Nogales, Sonora, are not so lucky. They live in a

different world shaped by different institutions. These different institutions create very disparate incentives for the inhabitants of the two Nogaleses and for the entrepreneurs and businesses willing to invest there. These incentives created by the different institutions of the Nogaleses and the countries in which they are situated are the main reason for the differences in economic prosperity on the two sides of the border.

Why are the institutions of the United States so much more conducive to economic success than those of Mexico or, for that matter, the rest of Latin America? The answer to this question lies in the way the different societies formed during the early colonial period. An institutional divergence took place then, with implications lasting into the present day. To understand this divergence we must begin right at the foundation of the colonies in North and Latin America.

THE FOUNDING OF BUENOS AIRES

Early in 1516 the Spanish navigator Juan Díaz de Solís sailed into a wide estuary on the Eastern Seaboard of South America. Wading ashore, de Solís claimed the land for Spain, naming the river the Río de la Plata, “River of Silver,” since the local people possessed silver. The indigenous peoples on either side of the estuary—the Charrúas in what is now Uruguay, and the Querandí on the plains that were to be known as the Pampas in modern

Argentina—regarded the newcomers with hostility. These locals were hunter-gatherers who lived in small groups without strong centralized political authorities. Indeed it was such a band of Charrúas who clubbed de Solís to death as he explored the new domains he had attempted to occupy for Spain.

In 1534 the Spanish, still optimistic, sent out a first mission of settlers from Spain under the leadership of Pedro de Mendoza. They founded a town on the site of Buenos Aires in the same year. It should have been an ideal place for Europeans. Buenos Aires, literally meaning “good airs,” had a hospitable, temperate climate. Yet the first stay of the Spaniards there was short lived. They were not after good airs, but resources to extract and labor to coerce. The Charrúas and the Querandí were not obliging, however. They refused to provide food to the Spaniards, and refused to work when caught. They attacked the new settlement with their bows and arrows. The Spaniards grew hungry, since they had not anticipated having to provide food for themselves. Buenos Aires was not what they had dreamed of. The local people could not be forced into providing labor. The area had no silver or gold to exploit, and the silver that de Solís found had actually come all the way from the Inca state in the Andes, far to the west.

The Spaniards, while trying to survive, started sending out expeditions to

find a new place that would offer greater riches and populations easier to coerce. In 1537 one of these expeditions, under the leadership of Juan de Ayolas, penetrated up the Paraná River, searching for a route to the Incas. On its way, it made contact with the Guaraní, a sedentary people with an agricultural economy based on maize and cassava. De Ayolas immediately realized that the Guaraní were a completely different proposition from the Charrúas and the Querandí. After a brief conflict, the Spanish overcame Guaraní resistance and founded a town, Nuestra Señora de Santa María de la Asunción, which remains the capital of Paraguay today. The conquistadors married the Guaraní princesses and quickly set themselves up as a new aristocracy. They adapted the existing systems of forced labor and tribute of the Guaraní, with themselves at the helm. This was the kind of colony they wanted to set up, and within four years Buenos Aires was abandoned as all the Spaniards who'd settled there moved to the new town. Buenos Aires, the "Paris of South America," a city of wide European-style boulevards based on the great agricultural wealth of the Pampas, was not resettled until 1580. The abandonment of Buenos Aires and the conquest of the Guaraní reveals the logic of European colonization of the Americas. Early Spanish and, as we will see, English colonists were not interested in tilling the soil themselves; they wanted others to do it for them,

and they wanted riches, gold and silver, to plunder.

FROM CAJAMARCA . . .

The expeditions of de Solís, de Mendoza, and de Ayolas came in the wake of more famous ones that followed Christopher Columbus's sighting of one of the islands of the Bahamas on October 12, 1492. Spanish expansion and colonization of the Americas began in earnest with the invasion of Mexico by Hernán Cortés in 1519, the expedition of Francisco Pizarro to Peru a decade and a half later, and the expedition of Pedro de Mendoza to the Río de la Plata just two years after that. Over the next century, Spain conquered and colonized most of central, western, and southern South America, while Portugal claimed Brazil to the east.

The Spanish strategy of colonization was highly effective. First perfected by Cortés in Mexico, it was based on the observation that the best way for the Spanish to subdue opposition was to capture the indigenous leader. This strategy enabled the Spanish to claim the accumulated wealth of the leader and coerce the indigenous peoples to give tribute and food. The next step was setting themselves up as the new elite of the indigenous society and taking control of the existing methods of taxation, tribute, and, particularly, forced labor.

When Cortés and his men arrived at the great Aztec capital of

Tenochtitlan on November 8, 1519, they were welcomed by Moctezuma, the Aztec emperor, who had decided, in the face of much advice from his counselors, to welcome the Spaniards peacefully. What happened next is well described by the account compiled after 1545 by the Franciscan priest Bernardino de Sahagún in his famous Florentine Codices.

[At] once they [the Spanish] firmly seized Moctezuma . . . then each of the guns shot off . . . Fear prevailed. It was as if everyone had swallowed his heart. Even before it had grown dark, there was terror, there was astonishment, there was apprehension, there was a stunning of the people.

And when it dawned thereupon were proclaimed all the things which [the Spaniards] required: white tortillas, roasted turkey hens, eggs, fresh water, wood, firewood, charcoal . . .

This had Moctezuma indeed commanded.

And when the Spaniards were well settled, they thereupon inquired of Moctezuma as to all the city's treasure . . . with great zeal they sought gold. And Moctezuma thereupon went leading the Spaniards. They went surrounding him . . . each holding him, each grasping him.

And when they reached the storehouse, a place called

Teocalco, thereupon they brought forth all the brilliant things; the quetzal feather head fan, the devices, the shields, the golden discs . . . the golden nose crescents, the golden leg bands, the golden arm bands, the golden forehead bands. Thereupon was detached the gold . . . at once they ignited, set fire to . . . all the precious things. They all burned. And the gold the Spaniards formed into separate bars . . . And the Spanish walked everywhere . . . They took all, all that they saw which they saw to be good.

Thereupon they went to Moctezuma's own store-house . . . at the place called Totocalco . . . they brought forth [Moctezuma's] own property . . . precious things all; the necklaces with pendants, the arm bands with tufts of quetzal feathers, the golden arm bands, the bracelets, the golden bands with shells . . . and the turquoise diadem, the attribute of the ruler. They took it all.

The military conquest of the Aztecs was completed by 1521. Cortés, as governor of the province of New Spain, then began dividing up the most valuable resource, the indigenous population, through the institution of the *encomienda*. The *encomienda* had first appeared in fifteenth-century Spain

as part of the reconquest of the south of the country from the Moors, Arabs who had settled during and after the eighth century. In the New World, it took on a much more pernicious form: it was a grant of indigenous peoples to a Spaniard, known as the *encomendero*. The indigenous peoples had to give the *encomendero* tribute and labor services, in exchange for which the *encomendero* was charged with converting them to Christianity.

A vivid early account of the workings of the *encomienda* has come down to us from Bartolomé de las Casas, a Dominican priest who formulated the earliest and one of the most devastating critiques of the Spanish colonial system. De las Casas arrived on the Spanish island of Hispaniola in 1502 with a fleet of ships led by the new governor, Nicolás de Ovando. He became increasingly disillusioned and disturbed by the cruel and exploitative treatment of the indigenous peoples he witnessed every day. In 1513 he took part as a chaplain in the Spanish conquest of Cuba, even being granted an *encomienda* for his service. However, he renounced the grant and began a long campaign to reform Spanish colonial institutions. His efforts culminated in his book *A Short Account of the Destruction of the Indies*, written in 1542, a withering attack on the barbarity of Spanish rule. On the *encomienda* he has this to say in the case of Nicaragua:
Each of the settlers took up residence in the town allotted to

him (or encommended to him, as the legal phrase has it), put the inhabitants to work for him, stole their already scarce foodstuffs for himself and took over the lands owned and worked by the natives and on which they traditionally grew their own produce. The settler would treat the whole of the native population—dignitaries, old men, women and children—as members of his household and, as such, make them labor night and day in his own interests, without any rest whatsoever.

For the conquest of New Granada, modern Colombia, de las Casas reports the whole Spanish strategy in action:

To realize their long-term purpose of seizing all the available gold, the Spaniards employed their usual strategy of apportioning among themselves (or encommending, as they have it) the towns and their inhabitants . . . and then, as ever, treating them as common slaves. The man in overall command of the expedition seized the King of the whole territory for himself and held him prisoner for six or seven months, quite illicitly demanding more and more gold and emeralds from him. This King, one Bogotá, was so terrified

that, in his anxiety to free himself from the clutches of his tormentors, he consented to the demand that he fill an entire house with gold and hand it over; to this end he sent his people off in search of gold, and bit by bit they brought it along with many precious stones. But still the house was not filled and the Spaniards eventually declared that they would put him to death for breaking his promise. The commander suggested they should bring the case before him, as a representative of the law, and when they did so, entering formal accusations against the King, he sentenced him to torture should he persist in not honoring the bargain. They tortured him with the strappado, put burning tallow on his belly, pinned both his legs to poles with iron hoops and his neck with another and then, with two men holding his hands, proceeded to burn the soles of his feet. From time to time, the commander would look in and repeat that they would torture him to death slowly unless he produced more gold, and this is what they did, the King eventually succumbing to the agonies they inflicted on him.

The strategy and institutions of conquest perfected in Mexico were

eagerly adopted elsewhere in the Spanish Empire. Nowhere was this done more effectively than in Pizarro's conquest of Peru. As de las Casas begins his account:

In 1531 another great villain journeyed with a number of men to the kingdom of Peru. He set out with every intention of imitating the strategy and tactics of his fellow adventurers in other parts of the New World.

Pizarro began on the coast near the Peruvian town of Tumbes and marched south. On November 15, 1532, he reached the mountain town of Cajamarca, where the Inca emperor Atahualpa was encamped with his army. The next day, Atahualpa, who had just vanquished his brother Huáscar in a contest over who would succeed their deceased father, Huayna Capac, came with his retinue to where the Spanish were camped. Atahualpa was irritated because news of atrocities that the Spanish had already committed, such as violating a temple of the Sun God Inti, had reached him. What transpired next is well known. The Spanish laid a trap and sprang it. They killed Atahualpa's guards and retainers, possibly as many as two thousand people, and captured the king. To gain his freedom, Atahualpa had to promise to fill one room with gold and two more of the same size with silver. He did this, but the Spanish, reneging on their promises, strangled

him in July 1533. That November, the Spanish captured the Inca capital of Cusco, where the Incan aristocracy received the same treatment as Atahualpa, being imprisoned until they produced gold and silver. When they did not satisfy Spanish demands, they were burned alive. The great artistic treasures of Cusco, such as the Temple of the Sun, had their gold stripped from them and melted down into ingots.

At this point the Spanish focused on the people of the Inca Empire. As in Mexico, citizens were divided into *encomiendas*, with one going to each of the conquistadors who had accompanied Pizarro. The *encomienda* was the main institution used for the control and organization of labor in the early colonial period, but it soon faced a vigorous contender. In 1545 a local named Diego Gualpa was searching for an indigenous shrine high in the Andes in what is today Bolivia. He was thrown to the ground by a sudden gust of wind and in front of him appeared a cache of silver ore. This was part of a vast mountain of silver, which the Spanish baptized El Cerro Rico, “The Rich Hill.” Around it grew the city of Potosí, which at its height in 1650 had a population of 160,000 people, larger than Lisbon or Venice in this period.

To exploit the silver, the Spanish needed miners—a lot of miners. They sent a new viceroy, the chief Spanish colonial official, Francisco de Toledo,

whose main mission was to solve the labor problem. De Toledo, arriving in Peru in 1569, first spent five years traveling around and investigating his new charge. He also commissioned a massive survey of the entire adult population. To find the labor he needed, de Toledo first moved almost the entire indigenous population, concentrating them in new towns called *reducciones*—literally “reductions”—which would facilitate the exploitation of labor by the Spanish Crown. Then he revived and adapted an Inca labor institution known as the *mita*, which, in the Incas’ language, Quechua, means “a turn.” Under their *mita* system, the Incas had used forced labor to run plantations designed to provide food for temples, the aristocracy, and the army. In return, the Inca elite provided famine relief and security. In de Toledo’s hands the *mita*, especially the Potosí *mita*, was to become the largest and most onerous scheme of labor exploitation in the Spanish colonial period. De Toledo defined a huge catchment area, running from the middle of modern-day Peru and encompassing most of modern Bolivia. It covered about two hundred thousand square miles. In this area, one-seventh of the male inhabitants, newly arrived in their *reducciones*, were required to work in the mines at Potosí. The Potosí *mita* endured [throughout the entire colonial period and was abolished only in 1825. Map 1 shows the catchment area of the *mita* superimposed on the extent of the](#)

Inca empire at the time of the Spanish conquest. It illustrates the extent to which the *mita* overlapped with the heartland of the empire, encompassing the capital Cusco.



Map 1: The Inca Empire, the Inca road network, and the mining *mita* catchment area

Remarkably, you still see the legacy of the *mita* in Peru today. Take the differences between the provinces of Calca and nearby Acomayo. There

appears to be few differences among these provinces. Both are high in the mountains, and each is inhabited by the Quechua-speaking descendants of the Incas. Yet Acomayo is much poorer, with its inhabitants consuming about one-third less than those in Calca. The people know this. In Acomayo they ask intrepid foreigners, “Don’t you know that the people here are poorer than the people over there in Calca? Why would you ever want to come here?” Intrepid because it is much harder to get to Acomayo from the regional capital of Cusco, ancient center of the Inca Empire, than it is to get to Calca. The road to Calca is surfaced, the one to Acomayo is in a terrible state of disrepair. To get beyond Acomayo, you need a horse or a mule. In Calca and Acomayo, people grow the same crops, but in Calca they sell them on the market for money. In Acomayo they grow food for their own subsistence. These inequalities, apparent to the eye and to the people who live there, can be understood in terms of the institutional differences between these departments—institutional differences with historical roots going back to de Toledo and his plan for effective exploitation of indigenous labor. The major historical difference between Acomayo and Calca is that Acomayo was in the catchment area of the Potosí *mita*. Calca was not.

In addition to the concentration of labor and the *mita*, de Toledo

consolidated the *encomienda* into a head tax, a fixed sum payable by each adult male every year in silver. This was another scheme designed to force people into the labor market and reduce wages for Spanish landowners.

Another institution, the *repartimiento de mercancías*, also became widespread during de Toledo's tenure. Derived from the Spanish verb *repartir*, to distribute, this *repartimiento*, literally "the distribution of goods," involved the forced sale of goods to locals at prices determined by Spaniards. Finally, de Toledo introduced the *trajin*—meaning, literally, "the burden"—which used the indigenous people to carry heavy loads of goods, such as wine or coca leaves or textiles, as a substitute for pack animals, for the business ventures of the Spanish elite.

Throughout the Spanish colonial world in the Americas, similar institutions and social structures emerged. After an initial phase of looting, and gold and silver lust, the Spanish created a web of institutions designed to exploit the indigenous peoples. The full gamut of *encomienda*, *mita*, *repartimiento*, and *trajin* was designed to force indigenous people's living standards down to a subsistence level and thus extract all income in excess of this for Spaniards. This was achieved by expropriating their land, forcing them to work, offering low wages for labor services, imposing high taxes, and charging high prices for goods that were not even voluntarily bought.

Though these institutions generated a lot of wealth for the Spanish Crown and made the conquistadors and their descendants very rich, they also turned Latin America into the most unequal continent in the world and sapped much of its economic potential.

... TO JAMESTOWN

As the Spanish began their conquest of the Americas in the 1490s, England was a minor European power recovering from the devastating effects of a civil war, the Wars of the Roses. She was in no state to take advantage of the scramble for loot and gold and the opportunity to exploit the indigenous peoples of the Americas. Nearly one hundred years later, in 1588, the lucky rout of the Spanish Armada, an attempt by King Philip II of Spain to invade England, sent political shockwaves around Europe. Fortunate though England's victory was, it was also a sign of growing English assertiveness on the seas that would enable them to finally take part in the quest for colonial empire.

It is thus no coincidence that the English began their colonization of North America at exactly the same time. But they were already latecomers. They chose North America not because it was attractive, but because it was all that was available. The "desirable" parts of the Americas, where the indigenous population to exploit was plentiful and where the gold and silver

mines were located, had already been occupied. The English got the leftovers. When the eighteenth-century English writer and agriculturalist Arthur Young discussed where profitable “staple products,” by which he meant exportable agricultural goods, were produced, he noted:

It appears upon the whole, that the staple productions of our colonies decrease in value in proportion to their distance from the sun. In the West Indies, which are the hottest of all, they make to the amount of 8l. 12s. 1d. per head. In the southern continental ones, to the amount of 5l. 10s. In the central ones, to the amount of 9s. 6 1/2d. In the northern settlements, to that of 2s. 6d. This scale surely suggests a most important lesson—to avoid colonizing in northern latitudes.

The first English attempt to plant a colony, at Roanoke, in North Carolina, between 1585 and 1587, was a complete failure. In 1607 they tried again. Shortly before the end of 1606, three vessels, *Susan Constant*, *Godspeed*, and *Discovery*, under the command of Captain Christopher Newport, set off for Virginia. The colonists, under the auspices of the Virginia Company, sailed into Chesapeake Bay and up a river they named the James, after the ruling English monarch, James I. On May 14, 1607,

they founded the settlement of Jamestown.

Though the settlers on board the ships owned by the Virginia Company were English, they had a model of colonization heavily influenced by the template set up by Cortés, Pizarro, and de Toledo. Their first plan was to capture the local chief and use him as a way to get provisions and to coerce the population into producing food and wealth for them.

When they first landed in Jamestown, the English colonists did not know that they were within the territory claimed by the Powhatan Confederacy, a coalition of some thirty polities owing allegiance to a king called Wahunsunacock. Wahunsunacock's capital was at the town of Werowocomoco, a mere twenty miles from Jamestown. The plan of the colonists was to learn more about the lay of the land. If the locals could not be induced to provide food and labor, the colonists might at least be able to trade with them. The notion that the settlers themselves would work and grow their own food seems not to have crossed their minds. That is not what conquerors of the New World did.

Wahunsunacock quickly became aware of the colonists' presence and viewed their intentions with great suspicion. He was in charge of what for North America was quite a large empire. But he had many enemies and lacked the overwhelming centralized political control of the Incas.

Wahunsunacock decided to see what the intentions of the English were, initially sending messengers saying that he desired friendly relations with them.

As the winter of 1607 closed in, the settlers in Jamestown began to run low on food, and the appointed leader of the colony's ruling council, Edward Marie Wingfield, dithered indecisively. The situation was rescued by Captain John Smith. Smith, whose writings provide one of our main sources of information about the early development of the colony, was a larger-than-life character. Born in England, in rural Lincolnshire, he disregarded his father's desires for him to go into business and instead became a soldier of fortune. He first fought with English armies in the Netherlands, after which he joined Austrian forces serving in Hungary fighting against the armies of the Ottoman Empire. Captured in Romania, he was sold as a slave and put to work as a field hand. He managed one day to overcome his master and, stealing his clothes and his horse, escape back into Austrian territory. Smith had got himself into trouble on the voyage to Virginia and was imprisoned on the *Susan Constant* for mutiny after defying the orders of Wingfield. When the ships reached the New World, the plan was to put him on trial. To the immense horror of Wingfield, Newport, and other elite colonists, however, when they opened their sealed

orders, they discovered that the Virginia Company had nominated Smith to be a member of the ruling council that was to govern Jamestown.

With Newport sailing back to England for supplies and more colonists, and Wingfield uncertain about what to do, it was Smith who saved the colony. He initiated a series of trading missions that secured vital food supplies. On one of these he was captured by Opechancanough, one of Wahunsunacock's younger brothers, and was brought before the king at Werowocomoco. He was the first Englishman to meet Wahunsunacock, and it was at this initial meeting that according to some accounts Smith's life was saved only at the intervention of Wahunsunacock's young daughter Pocahontas. Freed on January 2, 1608, Smith returned to Jamestown, which was still perilously low on food, until the timely return of Newport from England later on the same day.

The colonists of Jamestown learned little from this initial experience. As 1608 proceeded, they continued their quest for gold and precious metals. They still did not seem to understand that to survive, they could not rely on the locals to feed them through either coercion or trade. It was Smith who was the first to realize that the model of colonization that had worked so well for Cortés and Pizarro simply would not work in North America. The underlying circumstances were just too different. Smith noted that, unlike

the Aztecs and Incas, the peoples of Virginia did not have gold. Indeed, he noted in his diary, “Victuals you must know is all their wealth.” Anas Todkill, one of the early settlers who left an extensive diary, expressed well the frustrations of Smith and the few others on which this recognition dawned:

“There was no talke, no hope, no worke, but dig gold, refine gold, load gold.”

When Newport sailed for England in April 1608 he took a cargo of pyrite, fool’s gold. He returned at the end of September with orders from the Virginia Company to take firmer control over the locals. Their plan was to crown Wahunsunacock, hoping this would render him subservient to the English king James I. They invited him to Jamestown, but Wahunsunacock, still deeply suspicious of the colonists, had no intention of risking capture. John Smith recorded Wahunsunacock’s reply: “If your King have sent me presents, I also am a King, and this is my land . . . Your father is to come to me, not I to him, nor yet to your fort, neither will I bite at such a bait.”

If Wahunsunacock would not “bite at such a bait,” Newport and Smith would have to go to Werowocomoco to undertake the coronation. The whole event appears to have been a complete fiasco, with the only thing coming out of it a resolve on the part of Wahunsunacock that it was time to

get rid of the colony. He imposed a trade embargo. Jamestown could no longer trade for supplies. Wahunsunacock would starve them out.

Newport set sail once more for England, in December 1608. He took with him a letter written by Smith pleading with the directors of the Virginia Company to change the way they thought about the colony. There was no possibility of a get-rich-quick exploitation of Virginia along the lines of Mexico and Peru. There were no gold or precious metals, and the indigenous people could not be forced to work or provide food. Smith realized that if there were going to be a viable colony, it was the colonists who would have to work. He therefore pleaded with the directors to send the right sort of people: “When you send againe I entreat you rather to send some thirty carpenters, husbandmen, gardeners, fishermen, blacksmiths, masons, and diggers up of trees, roots, well provided, then a thousand of such as we have.”

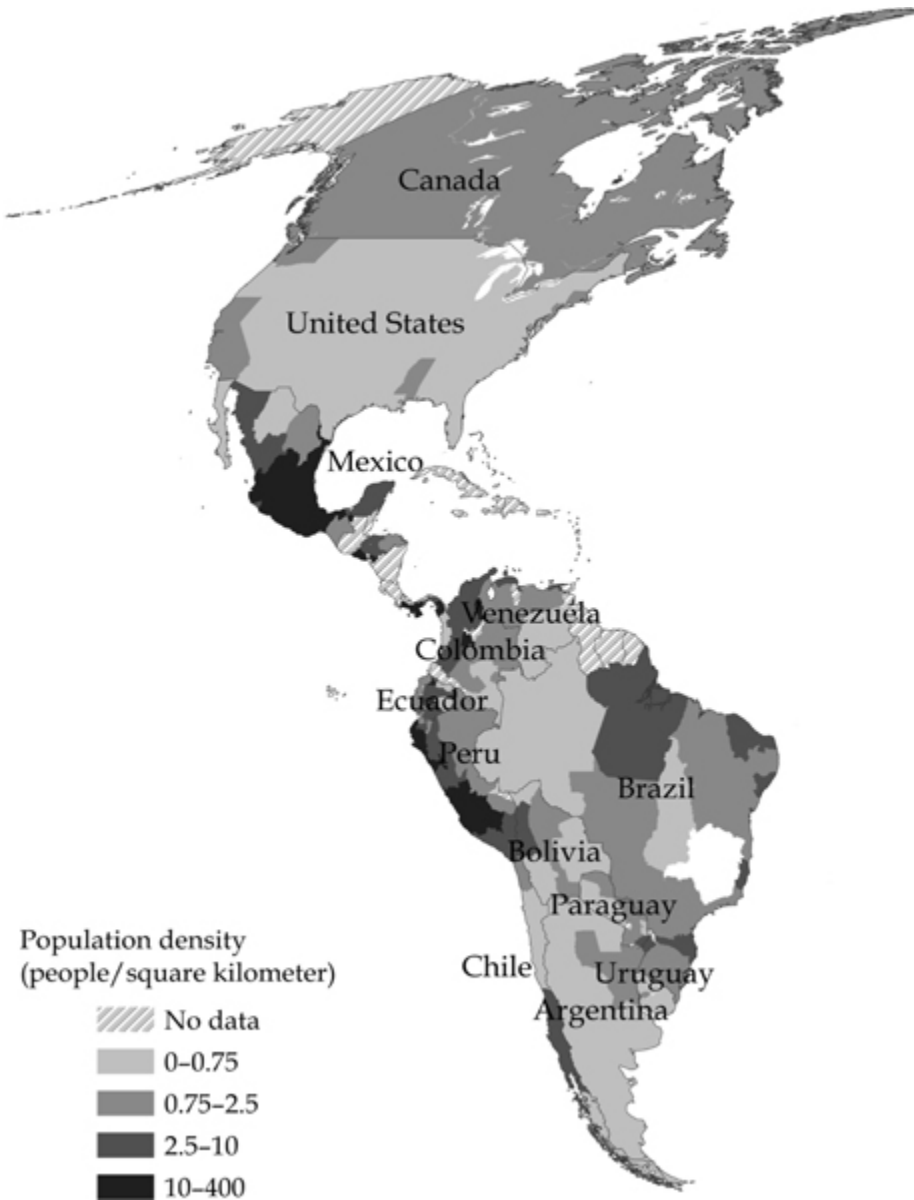
Smith did not want any more useless goldsmiths. Once more Jamestown survived only because of his resourcefulness. He managed to cajole and bully local indigenous groups to trade with him, and when they wouldn't, he took what he could. Back in the settlement, Smith was completely in charge and imposed the rule that “he that will not worke shall not eat.”

Jamestown survived a second winter.

The Virginia Company was intended to be a moneymaking enterprise, and after two disastrous years, there was no whiff of profit. The directors of the company decided that they needed a new model of governance, replacing the ruling council with a single governor. The first man appointed to this position was Sir Thomas Gates. Heeding some aspects of Smith's warning, the company realized that they had to try something new. This realization was driven home by the events of the winter of 1609/1610—the so-called “starving time.” The new mode of governance left no room for Smith, who, disgruntled, returned to England in the autumn of 1609.

Without his resourcefulness, and with Wahunsunacock throttling the food supply, the colonists in Jamestown perished. Of the five hundred who entered the winter, only sixty were alive by March. The situation was so desperate that they resorted to cannibalism.

The “something new” that was imposed on the colony by Gates and his deputy, Sir Thomas Dale, was a work regime of draconian severity for English settlers—though not of course for the elite running the colony. It was Dale who propagated the “Lawes Divine, Morall and Martiall.” This included the clauses



Map 2: Population density in 1500 in the Americas

No man or woman shall run away from the colony to the Indians, upon pain of death.

Anyone who robs a garden, public or private, or a vineyard, or who steals ears of corn shall be punished with death.

No member of the colony will sell or give any commodity of

this country to a captain, mariner, master or sailor to transport out of the colony, for his own private uses, upon pain of death.

If the indigenous peoples could not be exploited, reasoned the Virginia Company, perhaps the colonists could. The new model of colonial development entailed the Virginia Company owning all the land. Men were housed in barracks, and given company-determined rations. Work gangs were chosen, each one overseen by an agent of the company. It was close to martial law, with execution as the punishment of first resort. As part of the new institutions for the colony, the first clause just given is significant. The company threatened with death those who ran away. Given the new work regime, running away to live with the locals became more and more of an attractive option for the colonists who had to do the work. Also available, given the low density of even indigenous populations in Virginia at that time, was the prospect of going it alone on the frontier beyond the control of the Virginia Company. The power of the company in the face of these options was limited. It could not coerce the English settlers into hard work at subsistence rations.

[Map 2](#) (opposite) shows an estimate of the population density of different regions of the Americas at the time of the Spanish conquest. The

population density of the United States, outside of a few pockets, was at most three-quarters of a person per square mile. In central Mexico or Andean Peru, the population density was as high as four hundred people per square mile, more than five hundred times higher. What was possible in Mexico or Peru was not feasible in Virginia.

It took the Virginia Company some time to recognize that its initial model of colonization did not work in Virginia, and it took a while, too, for the failure of the “Laws Divine, Morall and Martiall” to sink in. Starting in 1618, a dramatically new strategy was adopted. Since it was possible to coerce neither the locals nor the settlers, the only alternative was to give the settlers incentives. In 1618 the company began the “headright system,” which gave each male settler fifty acres of land and fifty more acres for each member of his family and for all servants that a family could bring to Virginia. Settlers were given their houses and freed from their contracts, and in 1619 a General Assembly was introduced that effectively gave all adult men a say in the laws and institutions governing the colony. It was the start of democracy in the United States.

It took the Virginia Company twelve years to learn its first lesson that what had worked for the Spanish in Mexico and in Central and South America would not work in the north. The rest of the seventeenth century