

## **Essay One: Outline of the Economic Evolution**

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### ***The Colonial Economy***

The degree to which the history of Peru was severed by the conquest can be seen better on an economic than on any other level. Here the conquest most clearly appears to be a break in continuity. Until the conquest, an economy developed in Peru that sprang spontaneously and freely from the Peruvian soil and people. The most interesting aspect of the empire of the Incas, which was a grouping of agricultural and sedentary communities, was its economy. All historical evidence agrees that the Inca people—industrious, disciplined, pantheist, and simple—lived in material comfort. With abundant food their population increased. The Malthusian problem was completely unknown to the empire. Although the collectivist organization directed by the Incas had weakened the Indians' individual initiative, it had instilled in them the habit of a humble and religious obedience to social duty, which benefitted the economic system. The Incas derived as much social utility as possible from this trait. They improved the vast Inca territory by constructing roads, canals, et cetera, and they extended its borders by conquering nearby tribes. Collective work and common effort were employed fruitfully for social purposes.

The Spanish conquistadors destroyed this impressive productive machine without being able to replace it. The indigenous society and the Inca economy were wholly disrupted and annihilated by the shock of the conquest. Once the bonds that had united it were broken, the nation dissolved into scattered communities. Indigenous labor ceased to function as a concerted and integrated effort. The conquistadors were mainly concerned with distributing and wrangling over their rich booty. They plundered the treasures of temples and palaces; they allotted land and men with no thought of their future use as forces and means of production.

The viceroyalty marks the beginning of the difficult and complex process of forming a new economy. During this period, Spain tried to organize its immense colony politically and economically. The Spaniards began to till the soil and mine the gold and silver. On the ruins and remnants of a socialist economy, they established the bases of a feudal economy.

But Spain did not send to Peru, nor for that matter to any of its other possessions, throngs of colonizers. The weakness of the Spanish Empire lay precisely in its character and structure as a military and ecclesiastic rather than a political and economic power. No large bands of pioneers, like those who disembarked on the shores of New England, arrived in the Spanish colonies. Viceroy, courtesans, adventurers, priests, lawyers, and soldiers were almost the only ones to come to Spanish America. Therefore, no real colonizing force developed in Peru. The population of Lima was made up of a small court, a bureaucracy, a few monasteries, officials of the Inquisition, merchants, domestic servants, and slaves. [1] Furthermore, the Spanish pioneer had no talent for creating working groups. Instead of making use of the Indian, he seemed to be intent on exterminating him. And the colonizers could not create a solid and integrated economy by themselves. The very foundation of colonial organization was defective because it lacked demographic cement. There were not enough Spaniards and mestizos to develop the territorial wealth on a large scale. And since Negro slaves were imported to work on the coastal plantations, the elements and characteristics of a slave society were mixed into those of a feudal society.

Only the Jesuits, with their systematic positivism, showed in Peru, as in other countries of America, some aptitude for economic creation. The latifundia assigned to them prospered and traces of their organization still survive. Remembering how skillfully the Jesuits in Paraguay made use of the natives' natural inclination to communal work, it is not surprising that this

congregation of the sons of Saint Ignatius of Loyola, as Unamuno called them, created centers of work and production on Peruvian soil, while nobles, lawyers, and priests enjoyed a luxurious and worldly life in Lima.

Almost the sole interest of the colonizers was the mining of Peruvian gold and silver. I have referred more than once to the tendency of the Spaniards to settle in the lowlands and to how they feared and distrusted the Andes, of which they never really felt themselves masters. Undoubtedly, the criollo towns that formed in the sierra were the result of mining activities. The conquest of the sierra would have been even more incomplete had it not been for the Spaniards' greed for the precious metals buried deep within the Andes.

These were the historical bases of the new Peruvian economy, of the colonial economy, colonial to its roots—a process that is still evolving. Let us now examine the outlines of a second stage, the stage in which a feudal economy gradually became a bourgeois economy, but without losing its colonial character within the world picture.

### ***The Economic Foundations of the Republic***

Like the first, the second stage of this economy derives from a political and military event. The first stage arose from the conquest. The second stage began with independence. But whereas the conquest was entirely responsible for the formation of our colonial economy, independence appears to have been determined and dominated by the latter process.

I have already had occasion, since my first Marxist attempt to ground Peruvian history in the study of economic events, to concern myself with the economic aspect of the War of Independence, and my reasoning was as follows: The ideas of the French Revolution and of the North American Constitution were favorably received in South America, where there already

existed an emerging bourgeoisie which, because of its economic needs and interests, could and should have been infected by the revolutionary spirit of the European bourgeoisie. Spanish America could not have achieved its independence had it not commanded a heroic generation, sensitive to the emotional tenor of its time, able and willing to carry out a genuine revolution. From this point of view, independence takes on the appearance of a romantic adventure. But this does not contradict my thesis of an economic pattern underlying the revolution of liberation. The directors, caudillos, and ideologists of this revolution did not precede or transcend the economic premises and causes of this event. Intellectual and emotional circumstances did not precede economic circumstances.

Spain's policy totally obstructed and thwarted the economic development of its colonies by not permitting them to trade with any other nation and by reserving to itself the privileges of the mother country to monopolize all commerce and business carried on in its dominions.

The producing forces of the colonies naturally fought to shake off these fetters. If the emerging economy of the embryonic nations of America was to develop, it needed above all to be free of the rigid authority and medieval mentality of the king of Spain. The student of this period cannot help but see here that South America's independence movement was only too obviously inspired by the interests of the criollo and even the Spanish population, rather than by the interests of the indigenous population.

From the standpoint of world history, South America's independence was determined by the needs of the development of Western or, more precisely, capitalist civilization. The rise of capitalism had a much more decisive and profound, if less apparent and recognizable, influence on the evolution of independence than the philosophy and literature of the

Encyclopedists. The British Empire, fated to become the real and unsurpassed representative of the interests of capitalist civilization, was taking shape. In England, center of liberalism and Protestantism, it was industry and machinery that prepared the way for capitalism, rather than that country's traditionally cited political philosophy and religious belief. Therefore, England—with the clear sense of destiny and historic mission that was to gain it hegemony in capitalist civilization—played a leading role in South America's independence. Whereas the prime minister of France, the nation that some years earlier had given the world a great revolution, refused to recognize these young South American republics that could export “not only their products but their revolutionary ideas,”<sup>[2]</sup> Mr. Canning, faithful interpreter and agent of England's interests, recognized them and thereby justified their right to separate from Spain and, in addition, to organize themselves democratically. And even before Mr. Canning, the bankers of London—no less timely and effective for being usurers—had financed the formation of the new republic.

The Spanish Empire sank into oblivion because it did not rest on military and political foundations and, especially, because it represented an outdated economy. Spain could supply its colonies only with priests, lawyers, and nobles. Its colonies craved more practical and modern instruments and, consequently, turned to England's industrialists and bankers. Acting as agents of an empire created by a manufacturing and free trade economy, the new-style colonizers wanted, in turn, to dominate these markets.

The economic interests of the Spanish colonies and of the capitalist West coincided exactly, although, as often happens in history, neither of the parties concerned was aware of this fact.

The new nations, following the same natural impulse that had led them to independence, dealt with the capital and industry of

the West in order to obtain the elements and relations necessary to expand their economies. They began to send to the capitalist West the products of their soil and subsoil and to receive from it cloth, machinery, and a thousand industrial products. In this way, a continual and increasing trade was established between South America and Western civilization. The countries on the Atlantic naturally benefited most from this trade because of their proximity to Europe. Argentina and Brazil, especially, attracted great quantities of European capital and immigrants; and the floods from the West left rich and homogeneous deposits that accelerated the changes by which the economy and culture of these countries gradually acquired the function and structure of the European economy and culture. There, liberal, bourgeois democracy could take root, whereas in the rest of South America it was blocked by extensive and tenacious remains of feudalism. In this period, the general historical process in Peru entered a stage that differentiated and separated it from the historical process of other countries in South America. Because of geography, some countries would advance more rapidly than others. The independence that had united them in a common cause decreed that they should part to follow their individual destinies. Since European ships could reach Peru's ports only after a very long voyage, that country found itself closer geographically to the Orient, and its trade with Asia became substantial. The Peruvian coast received contingents of Chinese immigrants who replaced the Negro slaves imported during the viceroyalty and emancipated partly as a result of the transformation from a feudal to a more or less bourgeois economy. But trade with Asia could not contribute effectively to the formation of a new Peruvian economy. Peru, having emerged from the conquest and confirmed its independence, required the machinery, techniques, and ideas of the Europeans, the Westerners.

### *The Period of Guano and Nitrates*

There is a chapter in the evolution of the Peruvian economy that opens with the discovery of guano and nitrates and closes with the loss of this wealth. Here is found a full explanation of a series of political phenomena in our historical process that have been distorted and falsified by a superficial approach to Peruvian history based on anecdotes and rhetoric. However, my rapid interpretation does not propose to explore or closely examine these phenomena, but to point out and define the essential characteristics of the formation of our economy, in order to make clearer its colonial cast. Let us consider only the economic facts.

It is interesting that in the story of the republic such coarse and humble substances as guano and nitrates should have taken over the role that had been reserved to gold and silver in a more romantic and less positivist era. Spain wanted and kept Peru as a producer of precious metals. England preferred Peru as a producer of guano and nitrates. But the motive remained the same; only the times changed. The attraction of Peru's gold diminished with the discovery of gold in California. On the other hand, guano and nitrates—found almost exclusively in Peru—had been worthless to previous civilizations but were extremely valuable to an industrial civilization. These materials, on a remote coast in the South Pacific, were essential to the development of European or Western industrialism. In addition, unlike other Peruvian products they were not hampered by the rudimentary and primitive state of land transport. Whereas gold, silver, copper, and coal mined from the Andes had to be conveyed great distances over rugged mountain ranges, guano and nitrate deposits lay on the coast within easy reach of the cargo ships.

These natural resources were so easily exploited that they became the center of the country's economic life and occupied a disproportionately large place in the Peruvian economy. The treasury derived its principal revenue from their export and the

country felt wealthy. The government made lavish use of its credit, mortgaging its future to English finance.

This is in broad outline the entire history of guano and nitrates from a purely economic standpoint. The rest, at first glance, belongs to the historian. But as in all such cases, the economics of the situation is much more complex and far-reaching than it appears.

Guano and nitrates, first and foremost, generated a lively trade with the Western world during a period when Peru, in its unfavorable geographical location, had little hope of attracting the colonizing and civilizing currents that were sweeping through other Latin American countries. This trade placed its economy under the control of British capital. Later, as a result of debts guaranteed by both products, Peru was forced to hand over to England the administration of its railroads, that is, the very key to the exploitation of its resources.

The profits earned from the export of guano and nitrates created in Peru, where property always had preserved its aristocratic and feudal character, the first solid elements of commercial and banking capital. Those who profited directly and indirectly from the wealth on the coast began to constitute a capitalist class. The bourgeoisie that developed in Peru was related in its origin and structure to the aristocracy, which, though composed chiefly of the descendants of colonial landholders, had been obliged by its role to adopt the basic principles of liberal economics and politics. This circumstance, which will be referred to in later essays, is pertinent to the following statements: "In the first period of independence, the struggle between military factions and leaders appeared to be a consequence of the lack of an integrated bourgeoisie. Peru had lagged behind other Spanish American countries in defining the elements of a liberal bourgeoisie; to enable the latter to function, it needed to establish a strong capitalist class. Meanwhile, power



remained in the hands of the military caudillos. The Castilla regime marked the consolidation of the capitalist class. Government concessions and profits from guano and nitrates created capitalism and a bourgeoisie which, once organized into civilismo, soon took over all power.”

Another aspect of this chapter in the economic history of Peru was the shifting of the economy to the coast. The search for gold and silver had compelled the Spaniards—against their inclination to settle on the coast—to maintain advanced posts in the sierra. Mining was the mainspring of the economic system imposed by Spain and required that the colonial regime be based in the sierra, an area which previously had supported a genuinely and typically agrarian society. Guano and nitrates corrected this situation by strengthening the power of the coast. The new Peru moved to the lowlands, thereby intensifying its social dualism and conflict, which to this day remain its greatest historical problem.

The period of guano and nitrates, therefore, cannot be isolated from the subsequent development of Peru’s economy, because it contains the roots and elements of the period that follows. One consequence of guano and nitrates, the War of the Pacific, did not cancel out the other consequences of their discovery and exploitation. With the loss of these resources came the tragic realization of the danger of an economic prosperity supported or held together almost solely by the possession of natural wealth at the mercy of the greed or aggression of foreign imperialism or vulnerable to the continual changes in industrial needs arising from scientific invention. Caillaux speaks with obvious capitalist realism of the economic and industrial instability produced by scientific progress.<sup>[3]</sup>

During the period dominated and characterized by trade in guano and nitrates, the transformation of Peru’s economy from feudal to bourgeois received its first powerful stimulus. If,

instead of a mediocre metamorphosis of the ruling class, there had emerged a new class with vigor and purpose, unquestionably that transformation would have progressed more evenly and firmly. Peru's postwar history is evidence of this. Its defeat and loss of nitrate territory initiated a prolonged decline in productive drive, unfortunately not compensated for by a liquidation of the past.

### ***The Character of Peru's Present Economy***

The last chapter in the evolution of the Peruvian economy is its postwar period. This chapter begins with the almost complete collapse of the country's productive energy.

Defeat not only meant that the national economy lost its principal resources, nitrates and guano; it also meant the paralysis of economic initiative, a general depression in production and commerce, the depreciation of national currency, and the loss of foreign credit. Bleeding and mutilated, the country suffered from a terrible anemia.

Again, as after independence, military leaders took charge; but they were spiritually and organically incapable of directing the task of economic reconstruction. Very soon the capitalist group that had formed during the period of guano and nitrates resumed its activity and returned to power. The solution they found for the monetary problem, for example, was typical of the mentality of latifundistas or large landowners. They were indifferent not only to the interests of the proletariat but also to those of the bourgeoisie, the only social groups that would be ruined by the abrupt demonetization of paper currency.

This measure and the Grace Contract were undoubtedly the most significant and characteristic actions taken by a landholding plutocracy to eliminate the economic consequences of the war.

The Grace Contract ratified British domination in Peru by delivering the state railways to the English bankers who until then had financed the republic and its extravagances. At the same time, it gave the London financial market the guarantees necessary to make new investments in Peruvian business. No immediate results were obtained with the restoration of the government's credit; but prudent and safe investments again began to attract British capital. The Peruvian economy, by means of a practical examination of its condition as a colonial economy, secured some aid for its convalescence. With the completion of the railway to Oroya, traffic was opened to the industrial products of the department of Junin, permitting large-scale exploitation of its mining wealth.

Pierola fully adapted his economic policy to the same interests. The democratic caudillo, who for so long had thunderously aroused the masses against the wealthy, now took pains to carry out a civilismo administration. His tax system and fiscal measures removed any possible doubts that might have been raised by his phraseology and metaphysics. This confirms the principle that the meaning and shape of men, their policy and deeds, are more clearly revealed on an economic than on a political level. The fundamental aspects of this chapter, in which our economy, recuperating from its postwar crisis, slowly organized itself on less lucrative but more solid bases than those of guano and nitrates, can be outlined by the following facts:

1. The appearance of modern industry. The establishment of factories, plants, transport, et cetera, which has transformed life on the coast. The formation of an industrial proletariat with a growing natural tendency to adopt a class ideology, thereby blocking one of the traditional paths of caudillo proselytism and changing the terms of the political struggle.

2. The role of finance capital. The emergence of national banks which finance various industrial and commercial

enterprises but which are very limited in scope because of their subservience to foreign capital and large agricultural properties; and the establishment of branches of foreign banks serving the interests of North American and English finance.

3. The shorter distance and increased traffic between Peru and the United States and Europe. As a result of the opening of the Panama Canal, Peru's geographical position has notably improved and its incorporation into Western civilization has accelerated. 4. The gradual substitution of North American for British ascendancy. The Panama Canal seems to have brought Peru closer to the United States than to Europe. The participation of North American capital in the exploitation of Peru's copper and petroleum, which have become two of its most important products, furnishes a broad and enduring base for the growing influence of the United States. Exports to England, which in 1898 made up 56.7 percent of total exports, by 1923 came only to 33.2 percent. In the same period, exports to the United States rose from 9.5 percent to 39.7 percent. And this trend was even more striking in imports: whereas in that twenty-five year period, imports from the United States went up from 10.0 percent to 38.9 percent, those from Great Britain dropped from 44.7 percent to 19.6 percent.<sup>[4]</sup>

5. The development of a capitalist class no longer dominated by the old aristocracy. Although agricultural property owners retain their power, the authority of families with viceregal names has declined. The bourgeoisie has grown stronger.

6. The rubber illusion. In its halcyon days, Peru thought it had found El Dorado in its tropical forests, which temporarily acquired enormous value in the economy. They especially caught the imagination of the country and attracted hordes of "hardy adventurers." This illusion—tropical in origin and tone—faded with the fall in the price of rubber.<sup>[5]</sup>

7. The excess profits of the European period. The boom in Peruvian products caused a rapid increase in domestic private wealth. The hegemony of the coast in the Peruvian economy was reinforced.

8. The policy on borrowing. The reestablishment of Peruvian credit abroad has enabled the government once again to use loans to carry out its public works program.[6] North America also has replaced Great Britain as creditor. Overflowing with gold, the New York market offers the best terms. North American bankers study the possibilities of lending capital to Latin American governments. And they are careful, of course, that such investments benefit North American industry and commerce.[7]

These would appear to be the principal aspects of the economic evolution of Peru in its postwar period. This series of comments does not permit a thorough study of the foregoing statements or propositions. I have sought only to sketch some of the essential characteristics of the formation and development of the Peruvian economy.

I shall make a final observation: the elements of three different economies coexist in Peru today. Underneath the feudal economy inherited from the colonial period, vestiges of the indigenous communal economy can still be found in the sierra. On the coast, a bourgeois economy is growing in feudal soil; it gives every indication of being backward, at least in its mental outlook.

### ***The Agrarian Economy and the Feudal Latifundium System***

Peru, despite its expanded mining industry, remains an agricultural country. The great majority of the population is rural, with the Indian, who is usually and by tradition a farmer, making up four-fifths of the population. Since 1925, as a result

of price declines in sugar and cotton and of diminishing yields, mining exports have greatly exceeded agricultural. The rapid rise in exports of petroleum and derivatives from Lp. [libras peruanas] 1,387,778 in 1916 to Lp. 7,421,128 in 1926 has been a significant factor. But farm production is only partially represented by export products: cotton, sugar and derivatives, wool, and rubber. Agriculture and livestock supply domestic consumption, whereas mining products are almost entirely exported. Imports of food and beverages reached Lp. 4,148,311 in 1925. The largest item in these imports is wheat, which the country still does not produce in sufficient quantities. There are no complete statistics on domestic production and consumption. Estimating a daily per capita consumption of 50 centavos on agricultural and livestock products, more than Lp. 84,000,000 was spent by the population of 4,609,999 counted in 1896. If it is assumed that there are now 5,000,000 inhabitants, domestic consumption reaches a total of Lp. 91,250,000. These figures show the enormous importance of agricultural and livestock production in the country's economy.

Mining, on the other hand, employs a small number of workers—28,592 in 1926, according to the Extracto estadístico. The manufacturing industry also uses little labor.!, Sugar cane haciendas alone employed 22,367 men and 1,173 women in their fields in 1926; cotton haciendas used 40,557 laborers in 1922-1923, the last period for which there are published statistics; and rice haciendas used 11,332 laborers in 1924-1925.

Most agricultural and livestock products consumed in the country come from the valleys and tablelands of the sierra. On the coastal haciendas, food crops amount to less than the minimum set by a law passed when food became very expensive because landholders were growing almost nothing but sugar and cotton in order to take advantage of the soaring prices of these two products.

The landowning class has not been transformed into a capitalist middle class, ally of the national economy.<sup>[8]</sup> Mining, commerce, and transport are in the hands of foreign capital. The latifundistas have been satisfied to serve as the latter's intermediaries in the production of sugar and cotton. This economic system has kept agriculture to a semi-feudal organization that constitutes the heaviest burden on the country's development.

The survival of feudalism on the coast is reflected in the stagnation and poverty of urban life. There are few towns and cities on the coast, and the village as such hardly exists except for the occasional cluster of plots that still adorns the countryside in the midst of a feudalized agrarian structure.

In Europe, the village is descended from the fief.<sup>[9]</sup> On the Peruvian coast, the village does not exist because the fief is still preserved virtually intact. The hacienda with its more or less classic manor house and usually wretched workers' compound [rancheria], and the sugar mill with its outbuildings [colcas], are the typical rural community. This lack of villages and scarcity of towns prolongs the desert into the cultivated and fertile land of the valley.

Cities, according to a law of economic geography, are formed regularly in valleys where roads intersect. The rich and broad-valleys of the Peruvian coast, which head the statistics of national production, have not yet produced a city. At their crossroads or railway stations may be found scattered towns—torpid, malaria-ridden and feeble, lacking either rural health or urban attire. And in some cases, as in the Chicama Valley, the lati-fundium has begun to suffocate the city. Capitalist enterprise, more than the castle or the feudal domain, opposed the prerogatives of the city by competing for its business and robbing it of its function.

Within European feudalism, the elements of growth—the factors of town life—were, in spite of the rural economy, much greater than within criollo semi-feudalism. The countryside, however secluded, needed the town. It had, above all, a surplus of food crops to dispose of. Instead, the coastal hacienda grows cotton or sugar cane for distant markets. Assured of the transport of these products, it has little interest in relations with its surroundings. Food crops, when not completely eliminated by the cultivation of cotton or sugar cane, are raised only for consumption on the hacienda. In many valleys, the town receives nothing from and possesses nothing in the countryside. Therefore, it lives in poverty from a few urban trades, from the men it sends to work at the hacienda, and from its wearisome employment as a way station for the many thousands of tons of agricultural products that pass through it annually. The rare stretch of farmland supporting an independent and industrious—community is an oasis in a succession of fiefs that, defaced by machinery and rails, have lost the stamp of a noble tradition.

In many cases, the hacienda completely closes its doors to outside trade: only its company stores are allowed to supply its workers. On the one hand, this practice indicates that the peasant is treated as a thing and not as a person; on the other, it prevents the town from fulfilling the role that would maintain it and guarantee its development within the rural economy of the valleys. The hacienda, by taking over the trade and transport as well as land and dependent industries, deprives the town of a livelihood and condemns it to a sordid and meager existence.

The industries and commerce of cities are subject to supervision, regulations, municipal taxes. Community life and services are sustained by their activity. The latifundium, however, escapes these rules and levies. It can compete unfairly with urban industry and commerce and is in a position to ruin them.



The favorite legal argument for large estates is that they are essential to the creation of great production centers. Modern agriculture, it is claimed, requires expensive machinery, huge investments, and expert management. Small properties cannot meet these needs. Exports of sugar and cotton safeguard Peru's balance of payments.

But the crops, the machinery, and the exports that the latifundistas boast of are far from being their own achievement. Production of cotton and sugar has flourished thanks to the stimulus of credits obtained for that purpose and on the basis of appropriated lands and cheap labor. The financial organization of these crops, which depend for development and profit on the world market, is not the result of either the foresight or the cooperation of landowners. The latifundium simply has adapted itself to outside incentives. Foreign capital, in its perennial search for land, labor, and markets, has financed and directed the work of landowners by lending them money secured by the latter's products and properties. Many mortgaged estates already are being directly administered by exporting firms.

The country's landowning aristocracy has most clearly shown its incompetence in the department of La Libertad, where it owned large valley haciendas. Many years of capitalist development brought the following results: the concentration of the sugar industry in the region of two huge sugar mills, Cartavio and Casa Grande, both foreign-owned; the absorption of domestic business by these two enterprises, especially the second, which also monopolized import trade; and the commercial decline of the city of Trujillo and the bankruptcy of most of its import firms.<sup>[10]</sup>

The old landowners of La Libertad, with their provincialism and feudal customs, have not been able to resist the expansion of foreign capital enterprise, with its scientific methods, discipline, and determination. In general, all this has been lacking

in local landholders, some of whom could have accomplished as much as the German industrialists if they had had the same entrepreneurial temperament.

The criollo landowner is handicapped by his Spanish heritage and education, which keeps him from clearly perceiving and understanding all that distinguishes capitalism from feudalism. The moral, political, and psychological elements of capitalism apparently have not found a favorable climate here.<sup>[11]</sup> The capitalist, or rather the criollo landowner, believes in income before production. The love of adventure, the drive to create, and the organizing ability that characterize the authentic capitalist are almost unknown in Peru.

Capitalist concentration has been preceded by a stage of free competition. Great modern property does not arise, therefore, from great feudal property, as the criollo landowner probably imagines; all to the contrary, it could only emerge after the great feudal property had been broken up and dissolved. Capitalism is an urban phenomenon; it has the spirit of the industrial, manufacturing, mercantile town. Therefore, one of its first acts was the liberation of land and the destruction of the fief. The development of the city had to be sustained by the free activity of the peasant.

In Peru, the meaning of republican emancipation has been violated by entrusting the creation of a capitalist economy to the spirit of the fief—the antithesis and negation of the spirit of the town.

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## Notes

1. Commenting on Donoso Cortes, the late Italian critic Piero Gobetti described Spain as “a race of colonizers, of seekers after gold, known to take slaves in case of hardship.” Gobetti was

mistaken in considering mere conquistadors to be colonizers. But his next observation merits reflection: “The cult of the bullfight is an aspect of this love of entertainment and of this Catholicism of spectacle and form; it is natural that an emphasis on the purely decorative should be the ideal of the man in rags who puts on lordly airs and cannot follow either the Anglo-Saxon teachings of resolute and stubborn heroism or the French tradition of subtle skill. The Spanish ideal of an arrogant nobility borders on indolence and, therefore, finds its proper expression and symbol in the court.”

2. “If Europe is obliged to recognize the de facto governments of America,” said Viscount Chateaubriand, “its entire policy should be aimed at establishing monarchies instead of these republics that will send us their principles along with the products of their soil.”

3. J. Caillaux, *Whither France? Whither Europe?*, trans. H. B. Armstrong (New York: Alfred A. Knopf, 1923).

4. Extracto estadístico del Perú. From 1924 to 1926, trade with Great Britain fell farther and farther behind trade with the United States. By 1926, Peru’s imports from Great Britain had declined to 15.6 percent of total imports and its exports to Great Britain represented only 28.5 percent. On the other hand, imports from the United States had reached 46.2 percent, which more than offset the drop in exports to 34.5 percent.

5. See the sixth essay, “Regionalism and Centralism,” footnote no. 4.

6. Peru’s foreign debt, according to the Extracto estadístico of 1926, went up to Lp [libras peruanas] 10,341,906 by December 31 of this year. Since then, under the law that authorizes the president to place government bonds abroad at a price no lower than 86 percent and with interest no higher than 6 per cent, a loan of 50 million dollars has been floated in New York in order to refinance previous loans contracted with interest at 7 1/2 to 8 percent.

7. The Extracto estadístico del Perú furnishes no data on this, nor does the *Estadística industrial del Perú* (1922), of Carlos P. Jimenez give any overall figure.

8. The conditions in which the country's agricultural life develops are studied in the third essay, "The Problem of Land."

9. Lucien Romier writes: "The village is not the result of a grouping together, as is the town or city; it is produced by the breaking up of an old feudal domain, of an estate, or of the lay or church property surrounding a bell tower. The unitary origin of the village has come down to us in such current expressions as 'the spirit of the bell tower' and in the traditional rivalries between parishes. It also explains the striking fact that old roads skirt villages as though they were private properties rather than go through them." *Explication de Notre Temps* (Paris: Bernard Grasset, 1925), pp. 37-38.

10. Alcides Spelucín recently has published in a Lima newspaper a very objective and thoughtful discussion of the causes and the stages of this crisis. Although his criticism stresses the invasive action of foreign capital, he concludes by placing the primary responsibility on local capitalism for its absenteeism and its lack of vision and energy.

11. Capitalism is not just a technique; it is also a spirit. This spirit, which reaches its height in the Anglo-Saxon countries, is weak, incipient, and rudimentary in Peru.