

Agrarian income distribution, land ownership systems, and economic performance: settler economies during the First Globalization

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Abstract

The aim of this paper is to explain the impact of the establishment of the system of landownership on the income distribution and economic growth of settler economies (Argentina, Australia, New Zealand and Uruguay) during the First Globalization. We consider a conceptual framework based on the New Institutional Economic Theory to describe the process of the distribution of the land property rights in historical perspective and to analyze the characteristics of the land tenure system in a comparative perspective. Our results identify two models of distribution of property rights within the “club”. One of them corresponds to Australasia and, the other, to the River Plate countries, and they represented different consequences in terms of productive expansion and inequality. The land rents absorb a much larger part of total output in River Plate than in Australasia and, as result, it represents a negative incentive to productivity growth that contributes to explain the relative failure of Argentina and Uruguay compared to Australia and New Zealand.

Keywords: Land ownership systems, functional income distribution, River Plate, Australasia
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Introduction and motivation

The modern settler societies of 19th and 20th centuries –Argentina, Australia, New Zealand and Uruguay– seem to share common characteristics that make them a comparable group of economies. During the First Globalization (1870-1914), these countries achieved levels of income per capita similar to some of the richest economies in the world. Relationships among waves of immigration, marginalization of native population, European capital inflows, abundant natural resources, free labour and useful politico-social institutions were similar for the members of the club and made their economic and social development comparable.

Settler economies participated actively in the expansion of world capitalism during the First Globalization combining the consequences of the Second Industrial Revolution – characterized by the railway, the refrigeration and the deep reduction in the cost of inter-oceanic transport– with temperate climate and fertile soils especially suitable for the production of meat, wheat, wool and diverse commodities. These conditions made possible for these countries to enter into a fast growth trajectory based on the primary exports, but with a persistent worsening in the income distribution. However, the evolution into the “club” did not occur in the same way for all countries and therefore the results differed. The income per capita was higher and the worsening in the inequality was less intense in Australia and New Zealand than Argentina and Uruguay. The main “domestic contribution” to economic growth was the incorporation of “new” land (of variable quality) into production, and this had consequences for structural change, the evolution of income rates and the quantity and intensity of the use of productive factors. However, natural endowments are not the whole story. The expansion of the land frontier was related to the constitution of land ownership rights and, consequently, to the establishment of different land ownership systems and different incentive mechanisms associated with them. These differences in land frontier expansion and the corresponding formation of the institutional arrangements governing it are one of the main factors that explain why the income and distributive patterns in the different settler economies evolved in different ways. Our guiding concept is that the mere existence of abundant natural resources can not explain the success or prosperity of the settler economies. Indeed, it was not only the discovery of natural resources or of commercial opportunities to utilize them but also the rate of

exploitation and the distribution of rents that acted together to create the conditions for economic development (McLean, 2004).

The objective of this paper is to explore some domestic factors that explain the differences between Australasia and the River Plate considering the role of the distribution of the land property rights in the processes of land frontier expansion.

The configuration of efficient and safe property rights depends on the state actions and the existence of a stable political and legal system. This conformation and distribution of land property rights determined different land ownership systems and different patterns of inequality. The historical processes that determined the distribution of land property rights in each country were associated with the legal framework, the political power of the state, the distribution of political power and the capacity of the political system to articulate the demand of land for the increasing population. The differences in the institutional arrangements implemented in the English and Spanish ex-colonies created specific inequality patterns and different conditions for economic growth.

Initially, we consider the economic performance and the evolution of the inequality in the settler economies (Section 1) and present our analytical line based on the New Institutional Economic Theory (Section 2). Next sections develop the components of the analytical model: the distribution of the land property rights in historical perspective to characterize two “models” of economic performance (Section 3) and then “outcomes” of the agrarian development in terms of functional income distribution and gross product per worker (Section 4). Finally, we present the conclusions and ending remarks and propose our research agenda (Section 5).

1. Economic performance and inequality in settler economies: an overview

Initially, we consider the economic performance and the evolution of the inequality in the settler economies. This section starts with the presentation of the “regions of recent settlement” (settler economies) as analytical category and its relevance to understand the expansion of the Atlantic economy from the second half of 19th century. Afterwards, we discuss the main stylized facts of settler economies in terms of economic growth and convergence, evolution of the income distribution and the identification –in a conjectural level– of two patterns of development that difference Australasian from River Plate countries.

1.1 Settler economies as analytical category

Settler societies of 19th and 20th centuries seem to share common features that make them a comparable group of economies. Their economic and social development often presented parallel paths, as a result of similar dynamic relations between immigration, marginalization of native people, European capital inflows, land abundance, free labour (at least after the mid-19th century), socially-useful political institutions¹ and development of neo-European cultures (Lloyd & Metzger, 2013). By the late 19th century the settler economies were well integrated into the world economy.

The regions of recent settlement (as the League of Nations would call them) considered in this research takes into account the group of countries that Lewis (1983:209) identifies as “*template economies*” and that includes Argentina, Australia, Canada, Chile, US, New Zealand, South Africa and Uruguay. According to Foreman-Peck (1995:105), these economies coincide with “the group of non-European countries which in the twentieth century can be classified as developed”.² In this paper we choose four countries of the “club” that have a long tradition in the comparative analysis: Argentina, Australia, New Zealand and Uruguay. In the 1970s and 1980s we attended an important wave of articles, comments and thoughts about the comparative evolution of these countries: Barrán & Nahum (1978); Denoon (1983); Dieguez (1969); Duncan & Fogarty (1984); Platt & Di Tella (1985); Rama (1979); Taylor (1992). However, the interest in comparative approaches had a reversal during the 1990s, when the economic recommendations were in more general terms (with minor emphasis on specific advices) and focused on commercial liberalization and monetary policies. The comparative work took a renewed impulse in the starting of the 21st century. Probably the combination of a broader debate in Economics, which incorporated actively concepts as institutional and technological change, and the increasing discussion about the development model in Australasia and Rive Plate (in the latter mediated by a severe economic crisis) motivated the resurgence of the topic. Articles as Álvarez (2007 a, b); Álvarez & Bortagaray (2007); Álvarez et al. (2011); Bértola &

¹ Institutions designed to develop the economy rather than extract rents for some domestic or foreign elite.

Porcile (2002, 2007); Carbajal & De Mello (2007); Gallo (2006); Greasley, Madsen & Oxley (2000); Duque & Román (2007); Willebald (2007, 2011); Willebald & Bértola (2013), illustrate the new interest in the comparative Economic History of Australasia and the countries of the River Plate.

The “golden age” of settler societies coincided with the First Globalization era (1870-1914), a process characterized by the integration of the markets of goods and productive factors, convergence, free trade and peace. In the 20th century the main challenge for these economies was how to deal with the transition from settler society to some form of post-settler configuration and the different trajectories and degrees of success that the process has produced. The adjustment began after the First World War (WWI), an event that meant an abrupt and catastrophic shock to the world economic system. The conflict supposed the massive disruption to trade, capital, and labour flows during the war. The mistaken efforts to re-establish the financial stability after the war, and the great shift that occurred in the debtor and creditor status between UK and US, induced the formation of a new scenario for the world economy, with deep change that were hidden during some years by the booming in the commodity markets and the recovery of the capital movements. The new collapse of the world trade in the 1930s (after 1929 Crisis) and the generalized and even higher commercial barriers and preferential blocs pushed the settler economies into the Great Depression. Even though international trade did not have recovered the level pre-crisis, the Second World War (WWII) supposed another hard impact for settler societies. Afterwards, the world conditions under the Bretton Woods arrangements

“favoured those areas that could industrialise sufficiently so that they could escape to some extent the settler trap of commodity-dependence. Outcomes varied from the success of Canada, the relative success of Australia, the rather limited success of New Zealand with its very small internal market and greater reliance on agricultural exports, to the less fortunate Southern South American zone that struggled to make a transition” (Lloyd & Metzger, 2013: 22).

1.2 Some stylized facts

² The author aggregates Japan to the list. When the author stays “*twentieth century*”, he refers to the period from 1900 to the First World War.

The period 1870-1914 was a real “golden age” for settler economies. At the root of the expansion was the Industrial Revolution, a process founded in a deep technological progress that changed the social and economic relationships in a world scale. The Industrial Revolution had started during the second half of 18th century in UK and spread slowly to Europe in the next hundred years. In the middle of 19th century only France and Belgium had internalized some of the main features of the modern manufacturing and the process started to spread over the following decades, transmitting the growth impulses from the core to the peripheral areas.

The integration of commodity and factor world markets during the first great globalization boom was one of the more important processes of the world economy in the last two centuries. Liberal dismantling of mercantilism and transport revolution worked together to generate global markets during 19th century.³ The decline in the transport costs was constant in the century, but there was an anti-globalization policy reaction after the 1870s that was not large enough to cause a return to the 1820 levels of economic isolation. Mass migration remained free by the end of the century (although the immigrant subsidies disappeared) and global capital markets became steadily more integrated as European investors believed in important growth prospects overseas.

The recent studies by Lindert, O’Rourke, Taylor and Williamson on globalization, growth and inequality set a prolific line of research and debate about a topic that have a great importance to understand the expansion of Atlantic economy (Lindert & Williamson, 2001; O’Rourke, Taylor & Williamson, 1996; O’Rourke & Williamson, 1994, 1999; Taylor & Williamson, 1997; Williamson, 1995, 1996, 1999, 2000).

In this conceptualization, the template regions, with scarce population, exposed to the effects of the First Globalization, took advantage of being endowed with abundant natural resources and received the “blessing” of their natural capital.⁴ These economies grew quickly from the last decades of 19th century to WWI encouraged by the international conditions of a dynamic demand and flows of productive factors (labour and capital).

³ Almost ¾ of the commodity price convergence was due to declining in the transport costs and the rest of the change corresponded to the liberal policy switch (Lindert & Williamson, 2001).

⁴ In the sense of the blessing and the “curse of the natural resources hypothesis”, an issue stayed by a fruitful literature initialized by the works of Sachs & Warner (1995, 2001).

However, “the blessing was diabolical”⁵ because was associated with a persistent worsening in the income distribution. The economic growth and the evolution of the inequality were mediated for the combination of technological and institutional factors that delineate several differences within the “club”.

Economic growth and income distribution

As it is usual in the literature, we represent economic growth with the trajectory of the GDP per capita and the evolution of inequality with the wage/rental ratio as a proxy for income distribution; both are indexes 1911=100 (Bértola & Porcile, 2002; Bértola & Williamson, 2003; Greasley & Oxley, 2004, 2005; O’Rourke, Taylor & Williamson, 1996; O’Rourke & Williamson, 1994, 1999; Williamson, 1996, 2002).

In terms of economic growth, the four economies share a common pattern. First Globalization encouraged productive expansion and WWI meant a harsh impact in the long run performance (see Figures 1, 2, 3 and 4). In spite of maintaining a productive structure based on primary production, they achieved high incomes per capita and very close to the core of the world economy. However, the comparison within the “club” offers a first interesting difference. While Australasia experienced some type of convergence “from above” to the core economies and showed an average gap of 40 per cent along the period, in the River Plate, the income per capita averaged out the 80 per cent of the core (see Table 1).⁶

[Insert Figures 1, 2, 3 and 4 here]

[Insert Table 1 here]

This expansive process was gone with the worsening in the income distribution of settler economies (see the decreasing trend of the wage-rental ratio, w/r).⁷ In those places where the

[...] “land was held by the favoured few and where industrialization had not yet taken hold, the pre-World War I commodity price convergence implied greater inequality in resource-abundant economies like those in Southeast Asia, the

⁵ Barran y Nahum (1978):189.

⁶ The “rich and impoverished cousins” (Bértola & Porcile, 2002).

Southern Cone, Egypt and the Punjab. It also implied lesser inequality in resource-scarce economies like those in Western Europe and East Asia. Of course, in those places where the family farm dominated and where land was distributed more equally, a fall in w/r would not have translated into such a sharp rise in inequality” (Williamson, 2000:14).

However, the trajectories were different within the settler “club. It is interesting to notice that the economies whose ratios showed the deeper decreases until the 1920s (where the income distribution worsened sharply) were, precisely, those that exhibited the worse relative performance in the long run. Argentina’s ratio started the period with levels around 600 and finished it in values near 50. Uruguay evidenced a similar direction, starting with a ratio of 1,100 and finishing the period in levels close to 150. On the other hand, in the same period, the changes in Australia and New Zealand were, respectively, from 400 to 120 and from 270 to 130. In other words, the worsening in the income distribution was more intensive in River Plate than in Australasia.

Convergence and the “parallel paths”

Figures 5 and 6 present the evolution of two ratios that compare the GDP per capita of the “large” and the “small” economies of, respectively, Australasia and River Plate. The ratio corresponding to Argentina/Australia changed appreciably during the 1870s and 1880s but from the 1890s –when started the “boom” of settler economies– the relation between both GDP per capita was very stable and registered an average of 0.7 until WWI. Similar pattern evidenced the ratio Uruguay/New Zealand (the average was 0.6) but the process started from the beginning of the period (on the contrary to the previous case, these economies did not show evidence of convergence). Therefore, effectively the distance between couple of economies did not decrease in spite of the expansion and the evolutions were very close, confirming the impression of classical authors in the comparative approach which argument in favour of the existence of “*parallel paths*” (Duncan & Fogarty, 1984). This would mean that the initial differences would not have reduced after the expansion of the 1890s and those similar economies –according to the natural

⁷ Argentina (1875-1939), Australia (1870-1939), New Zealand (1875-1939) and Uruguay (1870-1939). 5-year average, Index 1911=100. They are land rental and wage rates; in other words, they do not consider the number of unities of productive factors (hectares of land and workers).

endowments and international competitiveness conditions— did not consolidate a catching-up process within the “club”.

[Insert Figures 5 and 6 here]

Growth and income distribution: two pattern of development?

The “settler pattern” of economic growth and worsening in the income distribution during the First Globalization presents relevant differences when we consider the evolution of the economies of the “club”. It is possible to identify two modalities in the different trajectories. One of them corresponds to the rich and egalitarian economies represented by Australia and New Zealand –the ex-British colonies– and, the other, refers to the (relative) poor and less equitable countries represented by Argentina and Uruguay –the ex-Spanish colonies.

In the evolution of settler economies it is common put the emphasis in the impact of international markets on economic performance but, what can we tell about domestic conditions? How can we connect the results of the globalization –economic growth and worsening income distribution– with the conditions generated inside the economies? Why do we find so important differences within the “club”? Our theoretical and empirical strategy will find some initial answers in the field of institutional arrangements and political power.

The “domestic contribution” to economic growth was the incorporation of “new” land (of variable quality) into production, and this had consequences for structural change, the evolution of income rates and the quantity and intensity of the use of productive factors. However, natural endowments are not the whole story (see Álvarez et al., 2011; Willebald, 2013). The expansion of the land frontier was related to the constitution of land ownership rights and, consequently, to the establishment of different land ownership systems and different incentive mechanisms associated with them. These differences in land frontier expansion and the corresponding formation of the institutional arrangements governing it are one of the main factors that in explaining why the income and distributive pattern in the different settler economies evolved in different ways.

The recent literature on the evolution of the Atlantic economy during the First Globalization uses the Stolper-Samuelson theorem from the Heckscher-Ohlin trade theory

(H-O-S) to explain the performance of the New World economies. This framework can be used to explain the main stylized facts of the period in terms of international economic relationships and the formation of prices, but it does not pay enough attention to internal conditions. For this reason we are interested in an alternative analytical approach to place the constitutions of institutional arrangements in the focus of attention of our explanation. We follow the line of argument of Acemoglu et al. (2005) but instead of working with a macroeconomic perspective we prefer to advance by a sector approach to concentrate on a couple of central issues. On the one hand, we study the economic performance of the agriculture because this was the more dynamic activity of the period, it explained the high competitiveness of settler production in the international markets and it played a central role in the characterization of the land frontier expansion. On the other hand, making reference to specific institutions improves significantly our understanding of the conformation and change of the institutional arrangements, which constitutes one of the more important challenges of the current Neo-Institutional economic theory.

2 Conceptual framework and analytical model

In this section, we present our conceptual framework and, then, we propose the analytical model that guides the organization of the empirical evidence.

2.2 Conceptual framework: institutions, economic growth and income distribution

According with our objective, it is necessary to consider a theoretical framework that allows articulating the conformation of the institutional arrangements with the distributive pattern and the long run economic evolution. In the Institutional and Neo-institutional approaches the structure of the property rights is a crucial aspect in the conformation of an adequate system of incentives to promote the economic development.

Neo-Institutionalism considers the institutions as the pivot in the economic analysis and simultaneously discusses the main theoretical assumptions of the Neoclassical Theory to incorporate the concept of historical change in the economic analysis (North, 1995). Neo-Institutionalism emphasizes the reconstruction of concrete historical contexts considering the universal knowledge developed in each era, the cultural heritage and the recent experience, with the objective to question the assumption of substantive rationality and propose that agents act under conditions of uncertainty. The economic evolution and its

results –in terms of growth and welfare– depend on the specific institutions conformed in each society, which constitute an historical construction that is the outcome of the interaction of geographical, economic, political, cultural and ideological factors.

Institutions are modalities of cooperation and competence created by the human beings and the application of rule systems that organize the activity in a society (North, 1984). They are the “rules of the game” in a double character: formal rules (i.e. norms of the juridical systems, codes to regulate the behaviour in the organizations, etc.) and informal rules (belief systems and moral norms tacitly accepted) that determine the functioning of the economic system. Institutions emerge to reduce the transactional costs associated with the economic relationships (specifically the relations that mean to state, maintain and transfer property rights) in imperfect markets and a world with asymmetries in the information and uncertainty. They can be favourable or contrary to economic growth depending on if they reduce (or not) the costs to transfer property rights and create (or not) efficient mechanisms for economic functioning. Institutions are, as the last resort, the result of power relationships and the negotiating capacity of agents and organizations.

North (1984) states that the structures of property rights, that generate system of incentives to promote economic growth, have been absolutely exceptional in the history. Bad institutions persist because there are commitment problems inherent in the use of political power. Groups who have political power can not commit not to use it in their own interest, and this commitment problem creates inseparability between efficiency and distribution (Acemoglu et al., 2005). As societies maintain economic dynamism during long periods usually develop institutions that facilitate the exchange, induce the technological change and promote the human capital formation. Economic growth depend on the efficiency of the property rights that determine the rate saving, capital accumulation and technical progress. Within this framework, the state is the organization that defines, specifies and guaranties the property rights.

In accordance with Acemoglu et al. (2005), economic institutions are social constructions endogenously conformed as consequence of the inherent conflict of interests of the societies associated with the resource distribution. Economic institutions that promote economic growth combine property rights and markets operating in an efficient way with certain equity in the access of the population to economic resources. Institutions

modify slowly and tend to last because in societies with high inequality the top-income classes are predisposed to increase de jure political power (conjunction of political and economic power) pressuring on the configuration of political and economic institutions to support the own interests and reproduce the initial inequality. This dynamics tends to generate bad economic institutions that maximize the incomes of the upper classes where the wealth and the political power are concentrated. On the contrary, the good institutions – those that maximise the whole growth of the economy– emerge in societies with political institutions that guarantee the distribution of the political power and allow broad sectors of the society enjoy efficient and sure property rights. A schematic and simplistic representation of this framework is presented in Figure 7.

[Insert Figures 7 here]

The two state variables are political institutions and the distribution of resources (in time t). Political institutions determine the distribution of the jure political power in society and the distribution of the resources influence on the distribution of the facto political power. Both dimensions of the political power affect the choice of economic institutions and the influence of future evolution of political institutions. Economic institutions determine economic outcomes –en terms of economic performance and the distributive patter in the future ($t+1$)– as proximate causes, but they are determined by political institutions and the distribution of the resources in a society (therefore, economic institutions are endogenous).

2.3 Analytical model and hypotheses

Settler economies were subject to an intense political, social and economic movement that induced specific modalities of distribution of land property rights. The clearest expression of this process was the conformation of a land ownership system. Considering that these economies based their productive expansion on the exploitation of natural resources (land frontier expansion), it had immediate consequences in the generation and distribution of the wealth, incomes, opportunities and political power.

Therefore our analytical line starts in the historical description of the process of distribution of land property rights from the beginning of 19th century to WWI and, in consequence, the characterization of the land tenure system that predominated in each economy (see Figure 8). The resultant political power derived from the land frontier

expansion influenced on the endogenous formation of economic institutions that render productive growth in the agrarian sector and determined functional income distributions that would reinforce certain conditions associated with the corresponding colonial heritages of the both regions.

[Insert Figures 8 here]

Our initial hypothesis is that different ownership systems generate dissimilar wealth distributive models (more or less concentrated) and, consequently, different income distributive pattern. On the one hand, prevailing conditions contributed to the creation of a “rentist” pattern in Argentina and Uruguay because land ownership ensured the elite received incomes without having to make large investments, and because land concentration was high due to the scarce effectiveness of the redistributive land policies. Land frontier expansion occurred at the same time that the institutional arrangements that created a new land ownership rights system were set up. On the other hand, in Australia and New Zealand, the distribution of land ownership rights created a land ownership system that fostered economic growth and a more income egalitarian pattern than in South American Southern Cone. In the British territories, in relative terms, the conditions stimulated capital accumulation (physical and human) and moderated the crowding-out effects of natural resources, and therefore paved the way for better economic performance than that of the Spain’s ex-colonies.

In the next sections we present evidence to contrast the analytical model. Initially, we describe the distribution of the land property rights in historical perspective and the characteristics of the land tenure system. Then, we consider the outcome of the process in the last quarter of 19th century and the first decades of the 20th century in terms of agrarian production and income distribution.

3 Distribution of land property rights in Australasia and River Plate

In 19th century one of the main social and economic processes in the settler economies was frontier expansion and the creation of institutions (formal and informal) that determined wealth distribution and the general conditions of inequality. Initially we discuss two key components of the process: the characterization of the land tenure system and the

role of the state in this institutional configuration. Afterwards we present the features of both components in the particular cases of Argentina, Australia, New Zealand and Uruguay, and we identify two models. One of them – closer to the “British model” – is characterized by an active state with developmental features that promotes a pattern of greater equality. The other – which is the “Hispanic model” – is dominated by a state pressured by financial difficulties, recurring disorder in the administration of public land, and a high degree of intervention by the agrarian oligarchy in political power, all of which promote income (and asset) concentration.

3.2 Land tenure systems: characteristics and conditions

Land tenure refers to the collection of rights and obligations under which land is held, used, transferred and inherited. The meaning of the concept varies with the social and historical context. It is used to allude to land tenure prescribed by statutory or common law, to customary land tenure, and to practices or routines (Alston & Mueller, 2005; Moyo, 1995; Shivji et al., 1998). The specification (definition and interpretation) and the enforcement of land ownership rights constitute two fundamental dimensions in the process of the appropriability of natural resources because they affect the timing of settlement and the use of the land. Therefore, and from a conceptual point of view, the formation of land ownership system is as important as the role of the state in establishing land ownership rights.

Land ownership system

Arrangements vary enormously between rural and urban areas because land is used for agriculture in the former and for residential and business purposes in the latter. Land ownership systems can be categorized in line with three essential dimensions: (i) the presence or absence of formal land deeds, defined as the registration of land ownership rights with a government authority; (ii) the extent of landowner and landholder rights to contract voluntarily for use of the land; and (iii) the spectrum of private-communal ownership rights to the land, and in this there are two extremes, one is the independent farmer owning land with freehold (or fee-simple) deeds, and the other is bound labourers working on plots of land temporarily assigned to them by the authorities in a communal land system. Freehold ownership is perpetual, it can be inherited by a freely-designated

successor, it is freely alienable, it is often registered with a central authority that has undertaken a survey of the land (sometimes called a cadastral survey), and it is characterized by fixed annual obligations (La Croix, 2002). Leasehold land is based on a system of rentals for long periods. Land belonging to one entity –either the state or an individual– is leased by contractual agreement to another entity. These leases may be long or short. In practice, 99-year leases are considered to be as secure as a freehold tenure system. The lease agreement is then registered with the ownership of that land to create land rights that are enforceable (Economic Commission for Africa, 2004: 20-21).

Role of the state

The arrangements governing land ownership rights vary depending on who specifies them and who enforces them. In these two dimensions the possible actors range from the first person that claimed ownership of the land in question (the claimant) –or a group of claimants who act collectively– to the state, if it is interested in the “agrarian question” and acts on the matter.

Usually it is the state that defines, interprets and enforces land ownership rights. The definition of these rights is a legislative function of the state, the interpretation is a judicial function and enforcement is a police function. These functions entail costs and in consequence the state may leave some rights as open access. Many assets have numerous components and it is costly to define ownership rights for all the dimensions of value. Some attributes may be either de jure or de facto left as open access. There are incentives for individuals or groups to expropriate the right to use land exploiting attributes that the state leaves as open access. In many situations, individuals or groups use violence as a strategy to capture land ownership rights. By individual enforcement we mean the efforts that individuals make to maintain their rights (putting a fence around the land, posting “no trespassing” signs in strategic places, etc.). Governments enforce land ownership rights through the police and the courts (Alston & Muller, 2003, 2005).

In the economies of recent European settlement, the colonizer state (usually represented by the Crown) had an additional function. The doctrine underlying the traditional view of settlement was that in the age of discovery the “new” areas were “*terra nullis*”, that is to say land belonging to no one. European rulers adopted the position that territories without

political organization, systems of authority or legal codes could legitimately be annexed. This view, with slight differences, embodied the idea that Europeans were superior to native peoples because they were civilized and Christian, and this superiority was clearly expressed in the art of war (Reynolds, 1987). By definition, the focus of the debate was the “new” territories owned by the Crown, which then transferred land from the public to the private sphere. For decades there was debate about land ownership, tenure systems, prices, conditions of tenure and land taxes, and the authorities in different places established a variety of different frameworks and instruments, which yielded differing results.

As regards the typology of political states, some authors (Auty & Gelb, 2001; Lal, 1995; Leftwich, 1995) differentiate between “developmental” states and “predatory” states. Developmental states act in an autonomous manner and pay attention to long run welfare maximization, while predatory states have factions and act in the service of section interests. The participation of the state in the distribution of land ownership rights and the creation of a land ownership system provides interesting ways in which states can be characterized. It is not our aim in this study to find evidence about this, but our description will shed some light on the matter.

3.3 Australasia: definition of ownership rights and the intensification of settlement

It has been emphasized in Australasian historiography that the process of land distribution in Australia and New Zealand was highly idiosyncratic, and this contributed to the emergence of an agrarian society with high welfare levels and democratic values. The distribution of land constituted a political and economic resource that the state used widely in 19th century to promote efficient land use and to intensify settlement.

Australia

The development of agriculture depended on the application of capital and labour to abundant land, like in the other recent settlement economies, but in Australia two other factors were important as well: (i) government activity to provide the legal framework for land settlement, to encourage immigration and to install the social capital needed for economic growth; (ii) the development of agricultural technologies appropriate to the conditions of the environment (Clarkson, 1971:90). We attempt to identify the main features of the first dimension –“the vital and living issue in public affairs” (Reeves, 1902

[1968]: 193)— and we work only tangentially on the second one (we will consider this issue in detail in new steps in our research).

In the early days of colonization, land was alienated by grants and orders from the Crown. The first Crown instructions (1787-1788) authorized the governor to make grants only to liberated prisoners, but in subsequent instructions issued by the Secretary of State in 1789 the privilege of obtaining grants was extended to free immigrants and men belonging to the detachment of marines serving in New South Wales. The maximum grant did not exceed 100 acres and was subject to a quit-rent of one shilling per annum for every 50 acres, to be paid within five years of the date of issue. In many cases these grants were made conditional upon a certain proportion of the land being cultivated or upon certain services, but these conditions do not seem to have been enforced.

In 1811 the governor started to grant town allotments on lease for periods of 14 or 21 years, and the rents varied significantly from time to time depending on the governor. In the 1820s further regulations relating to grants to immigrants were issued. In 1825 the principle of alienation of land by sale to free settlers was introduced, and in 1829 leases were entirely abolished and grants of freehold estates were established. However, in 1834 leases were re-introduced. Land was allowed to be sold to private agents at a minimum price of 5 shillings an acre, but no individual was allowed to buy more than 4,000 acres and no family more than 5,000 acres.

In the 1820s grants were usually tied to the applicants' capital resources, and the policy of land grants was continued until 1831. In the same decade sheep and cattle farmers were taking their flocks into outlying areas without any formal land grant. The governor of New South Wales sanctioned this by issuing tickets of occupation, but in 1826 the British government imposed settlement limits (this was adjusted in 1829) beyond which no land could be occupied before it was surveyed, and within which the title to land had to be obtained by grant or purchase.

In 1831 the government issued an order that no Crown lands could be disposed of in the future except by public auction. The minimum price for country land was fixed at 5 shillings an acre, and in 1839 this was raised to 12 shillings, and the applicant had the power to select land at the upset price, for which there was no bid at the auction, or upon which the deposit paid at the time of sale had been forfeited. This was the time the

selection principle was introduced into Australia's land laws, and it was then applied to land which was put up for sale by auction.

The British government now regarded Australia not as a prison but as a place with economic activity and an outlet for Britain's poor. As a result, New South Wales was settled by a significant number of farmers with the resources to buy their land, and they provided employment for landless labourers shipped to Australia on the proceeds of revenues from the sale of land. However, the effective action of colonial sheep farmers was in a way more effective. These farmers simply occupied land beyond the limits of settlement and produced wool for the British textile industry. This squatting was a spectacular manifestation of the desire to use what was unused. Enormous areas were occupied in a short time, practical-minded pioneer farmers learned about the potential uses of Australia's environment and transformed the country into a place that could be lived in (Williams, 1975). In the 1830s, the New South Wales government was forced to recognize the squatters and it granted annual grazing licenses to sheep farmers upon payment of a quit-rent of 20 shillings per 100 acres and with the proviso that if the conditions were not fulfilled the land would have to be vacated six months after notification. In 1839, a border police force was set up to preserve law and order in these districts and it was financed by a tax on the number of head of livestock held by the squatter (Roberts, 1924: 176-180). As their wealth increased the squatters acquired political power and during the 1840s these sheep farmers forced changes in land legislation (Clarkson, 1971; Williams, 1975).

In 1842, new regulations from an Imperial Act of Parliament came into force. The principle of sale by auction was maintained, land was surveyed before being put up for sale, and the upset price was fixed at 20 shillings per acre. It was established that, after deducting an initial charge for the survey, half the proceeds from land sales would be used to finance immigration into the colony in which the revenue was acquired.

In 1846, a new land classification system was established in the Waste Lands Act. The land was divided into "settled districts", "intermediate districts" and "unsettled districts" (Roberts, 1924: 186-188). The principles of sale by auction or by private contract were maintained, but a system was introduced whereby leases were granted for various terms and for pastoral purposes only. While the lease was valid the leaseholder could purchase the freehold at the upset price of £1 per acre, and when the term expired he had a pre-

emptive right to purchase all or any part of the land at the same price. An entirely new system for the occupation of pastoral land was introduced whereby fixity of tenure of the lease was granted and the fee was paid on the stock carrying capacity. In unsettled districts the term of the lease was fixed at 14 years, in the intermediate districts it was for 8 years and in the settled districts the yearly tenure system was retained.

The 1846 legislation remained in force in New South Wales until 1861 and in the colonies of Victoria, Tasmania, and Queensland (which were separated from the mother colony in 1851, 1856 and 1859, respectively) until repealed by acts of the colony parliaments. Gold was discovered in 1851 and the subsequent gold rush greatly changed the conditions of colonization. States of the Commonwealth have found it to their advantage to adopt different systems for securing the settlement of an industrial and agricultural population (Yearbook, Australia, 1911).

Western Australia and South Australia did not feel the influence of the New South Wales legislation because in these states new conditions prevailed. Under a different set of circumstances and origins (very different from the original convict base of the other colonies) settlement was affected by legislation of a special and novel nature, and it was not until a later date that the land laws in these territories were brought more into line with those of the eastern states. During the 1860s, 1870s and 1880s all the colonies tried to make land available to small farmers who would grow food for the expanding population, and they did this by allowing cultivators to select holdings from among the livestock grazing leases. Except in South Australia these efforts to “unlock the land” were not very successful. The advantages of the country favoured sheep and cattle rather than crops, and where the land was suited to crops, as in South Australia, farms were large rather than small. The stock-rearers were firmly in control of the situation and policies for the disposal of Crown land could not successfully run counter to economic realities (Clarkson, 1971:93).

In New South Wales, the passing of the Crown Lands Act and the Occupation Act in 1861 promoted the interests of small farmers. The aim of these Acts was to facilitate the establishment of an agrarian population side by side with stock-rearing tenants. Men with limited capital found it difficult to establish themselves with any chance of success, but under the new principle of free selection before survey, land was sold in limited plots of

from 40 to 320 acres at a price of £1 per acre, partly payable by deposit (one quarter of the purchase price), and carrying an interest rate of 5 per cent per year. The colony was divided into first- and second-class settled districts and unsettled districts, and all the pastoral leases were left open to the operations of free selectors. The system of unconditional sales was still continued and remained in force until its abolition in 1884. This Act represented benefits, but the way it operated also caused considerable mischief, mainly because the fact that land was held under pastoral leases meant it was not exempt from free selection and could be the target of speculators who had no bona fide intention to settle on it. The Crown Lands Act of 1884 and the supplementary Act of 1889 were aimed at bringing this situation under control. These regulations maintained the principle of free selection before survey and were designed to give fixity of tenure to pastoral leaseholders, but at the same time they tended to restrict the land area sold without conditions. Pastoral leases were required to be surrendered to the Crown and divided into two equal parts. One of them was returned to the lessee under a lease with fixity of tenure for a certain period, and the other half (“the resumed area”), the lessee was allowed to hold under an annual occupation license, but it was always open to selection.

Further Acts in 1884 and 1889 did not succeed in their objectives. Settlement proceeded very slowly and the accumulation of land into large estates continued. Parliament introduced new principles into agrarian legislation in the state, embodied in the Crown Lands Acts of 1895 to 1909, the Labour Settlements Act of 1902, the Closer Settlement Acts of 1904 to 1909 and the Closer Settlement Promotion Act of 1910. These measures still gave fixity of tenure to pastoral leaseholders, retained the principle of free selection before survey and offered bona fide settlers special inducements by the introduction of new forms of tenure on easy terms and conditions (Yearbook, Australia, 1911).

The early history of land settlement in Victoria was closely connected to that of New South Wales. For the first fifteen years of its existence, the regulation of the alienation of Crown lands was governed by the Orders in Council of the mother state and was in accordance with the general regulations. The Orders in Council were established under the Imperial Acts of 1842 and 1846 and remained in force until 1860, when an Act was passed by the Victoria state government that divided all Crown lands into country and special classes. The former were available after survey for selection in allotments (from 40 to 60

acres), while special lands, situated near towns, railways, rivers, etc., were sold quarterly by auction at an upset price of £1 per acre.

Free selection before survey was introduced in 1862, it provided for large agricultural areas to be set apart and in these areas land could be selected at a uniform price of £1 per acre. This regulation imposed alternative conditions, such as the effect of certain improvements or cultivating part of the land, and the mode of payment was changed. As regards pastoral lands, license fees and assessments of stock were abolished, and provision was made for the payment of rent for runs in accordance with their value, based on their stock-carrying capacity. There was more legislation in 1869 that consolidated and amended all previous regulations. The system of free selection before survey was retained in the Land Act and the Pastoral Act, and it applied to all unoccupied Crown land, but the selected area was limited to 320 acres and was held under license for a term of 3 years. During the first two and a half years the selector had to reside on the land, fence it, and cultivate a certain proportion of it. At the end of the license period the selector could either purchase the land outright or obtain a further lease of 7 years, with the right to purchase at any time during this term. The regulations governing the occupation of land for pastoral purposes comprised two systems: runs under license or lease, or grazing rights. After this there were repeated changes in land legislation until WWI that covered special forms of tenure and small-improved holdings.

Like in Victoria, the initial history of land settlement in Queensland is closely related to that of New South Wales. Queensland separated from its mother colony in 1859, and the first Parliament of the new colony passed three acts dealing with Crown lands that involved pastoral leases and general settlement. In the subsequent decades the regulations were more an expansion of existing laws than the adoption of a new land policy. Several situations were defined and amended in terms of conditional purchases, the government had the power to repurchase land to promote closer settlement, and cooperative land settlement communities were set up.

In a similar way, the early settlement of Tasmania was carried out under the regulations framed for the disposal of Crown lands in New South Wales, because it was a part of this colony until its constitution as a separate administration in 1825. In 1828 the first land sales on the island took place, and in 1831 the system of issuing free grants of land was

abolished. In 1855-56, the government of the island colony became more autonomous and took responsibility for a land settlement policy. The Waste Lands Act of 1858 introduced the principle of free selection before survey. During the 1860s several Land Acts were passed and the Waste Lands Act of 1870 embodied and consolidated many of the salient features of previous enactments. It gave the governor the power to reserve such land as might be considered necessary for public purposes, and the rest was divided into “town”, “agricultural” and “pastoral” land. The upset price for agricultural land was £1 an acre and that for pastoral lands was a sum equivalent to 12 years of rents, but not under any circumstances more than 5 shillings an acre. Numerous amendments to the 1870 Act were passed, and in 1890 the various Acts then in force were consolidated. The 1890 Act was itself amended from time to time and subsequently included Crown lands and closer settlement Acts.

In 1834, the British Government approved the colonization of South Australia, and under an administrative Act the colony was founded. The members of a special commission executed the plan and declared all the land in the colony, except what was reserved for roads and footpaths, to be open to purchase by British people. The commission made regulations for the survey and sale of this land at an appropriate price for letting unsold land for periods of not less than three years. They might sell the land by auction or otherwise, but only for cash, at a uniform price, and at not less than 20 shillings per acre. This system ran into problems due to the financial crisis of the early 1840s and had to be modified, but it was not until 1872 that the authorities approved regulations that conformed more to the legislation in the neighbouring colonies. The new legislation gave settlers with only a small amount of capital an opportunity to settle on Crown land under fair conditions and with a reasonable chance of success. The Act of 1872 was amended from time to time, and in 1888 it was repealed and its provisions consolidated by the Crown Lands Act. The principles of closer settlement were introduced by the Closer Settlement Act of 1897, which was repeatedly amended in subsequent years.

The colonization of Western Australia started in 1829. The first settlers received large grants of land proportional to the amount of capital they brought in, at a rate of 40 acres for every sum of £3, and of 200 acres for every labourer brought into the colony. However, the grants were subject to various conditions about land improvements. In 1832, free grants were abolished and land was sold at a minimum price 5 shillings per acre. In 1837 the price

of allotments in Perth, Fremantle, and Albany was fixed at a minimum of £5 per acre. New land regulations were formulated by the Colonial Office in the subsequent decades. In 1890, the colony was granted constitutional government and from time to time the land laws were changed until a Land Act was passed in 1898 amending and consolidating previous legislation. The colony was divided into six divisions; sale by auction was permitted in all of them but the occupation conditions differed. This Act was repeatedly amended, and the Agricultural Lands Purchase Acts 1896 to 1904 introduced the principle of the administration being able to repurchase Crown land for the purposes of closer settlement (Year Book Australia, 1911).

In 1863, part of New South Wales that lay in the north (latitude 26° S., and between longitude 129° and 138° E.) was annexed to South Australia. However, the regulations governing the sale and occupation of land differed in this state and they were regulated by the Northern Territory Crown Lands Act 1890, the Northern Territory Lands Act 1899 and the Northern Territory Tropical Products Act 1904.

The review of this complex field, with its formidable array of Acts, varying attitudes, different regional realities and a persistent strategy of trial and error make it difficult to identify a clear settlement pattern. However, “it is suggested that the single theme of intensification, the idea that more and smaller holdings was a desirable aim, unites much of the complexity” (Williams, 1975: 62). The vigorous (and belligerent) squatter movement transformed the livestock-rearing settlers of the first half of 19th century into a strong social class that was active in politics and spread its economic influence throughout the territory. Nevertheless, if there was a turning point in Australian history it was the Gold Rush of 1851 (Williams, 1975: 74-75). This altered the basic economic profile of the country and the composition of the population as around 750,000 new inhabitants arrived over the next ten years. One expression of these changes at the administrative level was the creation of colonial legislatures in New South Wales, Victoria, South Australia and Tasmania. Gold became increasing difficulty to get in the second half of the 1850s and it was natural to advance on the land which, in fact, was sparsely settled. This was in line with the progressive and predominant view which, explicitly or implicitly, was held by politicians and theorists, about that the Australian society evolved from one stage to another. But many people believed that this vision did not fit in with the “squattocracy” that held the land. What was the reaction of society to the pretensions of this quasi-aristocracy? According to

Rosecrance (1964: 286), “the pastoral way of life could not support a full-blown aristocracy. Despite the peculiar nature of the Australian frontier, the ‘squattocracy’ provided no more than rudimentary insight into the nature of traditional European conservatism”.

In the second half of 19th century, Australia emerged as a truncated version of a European socio-economic environment. In political terms, Australia was the “radical” fragment of British society. “A certain admixture of ‘philosophical radicalism’ mitigated the working-class ethos of convicts, gold diggers, Chartists, and trade-unions. At the same time, Australian’s political bias was already skeptical of the liberal position” (Rosecrance, 1964:285). The colonial social hierarchy did not seem to be fixed or permanent, and it was relatively common for people to change status. This social homogeneity made for powerful unity in political questions. The grazers maintained a privileged political position into the 1850s and land control into the 1860s, but in the 1890s they fell very far from their high status due to the consolidation of militant radicalism of society.

In general, the authorities’ strategy to tackle land concentration and open the frontier consisted of four connected elements: survey, price, residence, and improvement, and was supported by a combination of supervision, progressive taxation and repurchase. The results were not always successful. There were many limitations on surveys and supervision, and the average size of estates increased progressively, which indicates a certain relationship between expansion (to land of lower quality) and land productivity. Price exigencies were subject to the better organization of credit channels, and in the absence of suitable financial conditions, certain requirements meant that in fact the rich had privileges. Conditions of residence and improvement were dominated by evasion and corruption. Estate subdivision (often more fictitious than real), closer settlement (associated with the state purchase and new sale of lands), “[s]ettlement and cultivation advanced at snail’s pace ... Alienation of land in small holdings went on apace, but under some strange adaptation of Gresham’s Law the big holdings drove out the small ones” (Heaton, 1925: 415).

In consequence, the pattern of occupation established by the squatters well over fifty years before endured. They maintained their economic primacy but did not retain political power (Rosecrance, 1964; Williams, 1975) which was disputed with “small farmers [that]

increasingly resorted to the creation of political associations to do their bidding in the colonial legislatures” (Denoon, 1983: 102). This balance echoes the idea we commented on other papers about the incomplete picture that an analysis of the land ownership distribution indicators offer when it comes to understanding inequality in settler economies (Willebald, 2011 and Willebald & Bértola, 2013). Income distribution in general and particularly functional income distribution are key elements in the explanation of economic performance in our “club”. Nevertheless, an analysis of institutional achievement must not obscure the fact that the intensification of settlement was equally a matter of environmental factors like quality of the soil, rainfall, vegetation and distance, all of which contributed to the final outcome and make our analysis pertinent.

New Zealand

Land distribution among the colonizers followed the British custom of the Crown being the ultimate owner of the land. Colonizers could not negotiate directly with the natives but required the intermediation of the Crown (in this first stage of colonization, the Crown’s right of pre-emption was only suspended in the period 1844-1845). The Colonial authorities and the representatives of the autonomous government created a legal framework that regulated the expropriation of land from the Maoris and the granting of ownership to European colonizers. These conditions were formally expressed in the Treaty of Waitangi in 1840, which established that only the government could buy land from the natives. Once land was acquired, the government wanted to get it into productive use as soon as possible and aimed at distributing it among individuals (Hawke, 1979).

The government resold part of this land in order to finance immigration, disposed of some of it as grants to individuals in return for services, and retained some on a perpetual leasehold basis (Keall, 2000). In Article II of the Waitangi Treaty, the UK acknowledged the individual and collective rights of the native Maoris to their territories. The Waitangi Treaty was a turning point in New Zealand economic history as it was when the Maoris ceded sovereignty of their territory in exchange for autonomy and land ownership rights. For the most part the Treaty was systematically disregarded and land was transferred to European colonizers on a massive scale (Hawke 1985; Prichard Lloyd, 1970). In 1852 the Constitution Act empowered the General Assembly to make laws regulating the sale, disposal, and occupation of Crown land and authorized the division of New Zealand into

provinces. The governor approved the regulations in the provinces, which ensured that there was a degree of consistency in their settlement policies even though there were different systems in operation (sales with deferred payments, ballot systems, sales by auction, etc.).

A lot of land was held by speculators who were asking excessive prices for it, and new settlers looked to the Crown for low-priced land. This increasing demand coincided with the rise of Maori nationalism and there was more resistance to the sale the land, which exacerbated existing conflicts and led to serious fighting between government forces and the native inhabitants. In 1862, the Crown's right to pre-empt Maori land was abolished and it was not re-established until 1892. This meant there was a thirty-year period of uncontrolled dealing, and together with Crown purchases and confiscations it made for the take-over of large swathes of Maori land. In 1891, a Royal Commission commented that these alienations of land were against the public interest, and in most of the leases and purchases land was obtained on a large scale by capitalists (McLintock, 1966).

The provincial governments were abolished in 1876 and the "labyrinth" of local legislation was replaced by the Land Act of 1877, which abolished 56 land statutes and created a uniform system. The new Act provided for Crown land to be sold for cash or with deferred payments and it required the purchaser to improve the land and reside there. In Canterbury and Otago special conditions were applied to sheep runs, leases were offered at auction and occupiers were given the right to obtain freehold land around their homesteads. There was a lot of speculation in both provinces and a great deal of aggregation took place.

In the 1880s, there were several experiments in land organization public land such as a 30-year perpetual lease with the right to renew or purchase, small grazing run leases, associative modalities of settlement and village homesteads, but small farming still did not prosper because large estates thrived on demand from the wool industry. Only in the 1890s were the conditions suitable to make lasting changes to the land ownership system, and the focus was on breaking up the big estates. The population was increasing, the labour market was troubled (there were high unemployment rates in the 1880s) and refrigeration arrived, all of which made small farming more important. In addition to these economic pressures there were political changes. The Liberal Party won the 1891 general election with a policy that included promoting closer settlement, extending state leasehold rather than freehold,

re-purchasing large estates and sub-dividing them, introducing a land tax to force sub-division, and providing cheap finance for the development of new farms.

The 1892 Land Act proposed a lease in perpetuity for 999 years with no right to freehold, established restrictions on the acquisition of Crown land by individuals who already had sufficient land, limited the area for new settlers and introduced changes in the small grazing and cooperative modalities. In the same year a progressive land tax was introduced, which was aimed at breaking up the big estates. In 1892, the government was authorized to buy private land to promote closer settlement. The land was disposed of on the basis of leases in perpetuity or small grazing runs with fixed rents (5 per cent on capital value), and mechanisms to facilitate farming credit were set up. The same Law granted the government a budget of £50,000 per year to expropriate land and promote the sub-division of the big estates, and in 1894 the amount was raised to £250,000.

In 1903, the government implemented a policy of land recovery and undertook to drain, reclaim and settle swamp land. In 1907, the lease in perpetuity was abolished and tenants had the right to purchase the land outright. However, most leaseholders preferred to retain the benefits of low rents (with contracts for 33 or 66-year terms and periodic revaluations) and the state established a new system of land tenure whereby only leasehold was admitted (National Endowment). The state bought and distributed land and thereby contributed to dividing up the large estates, particularly in North Island where small farmers now formed a numerous and important class. The total surface area of the large estates fell from 3.2 million hectares in 1891 to 1.4 million in 1910 as a result of public policies and because more capital-intensive types of exploitation were coming to the fore with dairy farming challenging the wool industry.

On the eve of the WWI, a new political change closed a long and intensive period of formation of the land system landownership. The Reform Party extended the right to obtain freehold Crown leases, made the terms on which perpetual leases could be purchased more favourable to tenants, and extended freehold rights (with some limitations) to leaseholders of national endowments. WWI marked the end of the era of general land settlement. From then until 1961, official land settlement was geared to placing restricted classes of settlers on land, particularly ex-servicemen from the two world wars and unemployed people during the Great Depression of the 1930s.

In New Zealand democracy can be seen as a movement that used the instrument of expanded state action and intervention to bring about a more humane, democratic and egalitarian society. “New Zealand shared the same fragment culture as Australia, even its Liberal reforms would reflect the same underlying egalitarian, communally-focused, working-class radical values and presuppositions as Australia’s ‘mateship’ society.” (Paulson, 1988). In a similar way to Victoria and New South Wales, in South Island, “...most of the colonial wealthy had their origins in the British lower-middle class or among wage-earners” (Mcaloon, 2002:208), which made for shared values and a consensus in society about certain questions. This socio-political context made land one of the main issues in public policy, and politicians, theorists, and common citizens identified these concerns early on.

“Two main aspects of the land question have from time to time loomed large in the public mind in New Zealand. The first of these is, ‘Should the state sell its lands at all or merely lease them? The second is, ‘What is the most effective means of preventing land monopoly and the aggregation of large estates’ (Downie, 1909b:82).

These concerns at the beginning of the 20th century clearly reflected the problems that different governments had faced since the closing decades of 19th century. From the very beginning, land regulations in New Zealand seem to have been expressly designed to prevent land aggregation, but people circumvented the regulations by various strategies like “gridironing” and “spotting”, and the common pattern was land grabbing. The Land for Settlement Act of 1894 was the main starting point of the state policy to acquire and divide up large estates for closer settlement. These regulations promoted the re-purchase of land (supported by external financial resources) and its division into small farms that had long-run leases (initially for 999 years and afterwards on a lease renewable every 33 or 66 years) at a fixed rental rate on capital value. This policy placed many settlers on the land but at an increasing financial cost to the government, and there were serious conflicts of opinion between experts about the value of land (Downie, 1909a). The administration reacted to this situation by passing the Land and Income Assessment Act in 1907 to implement a graduated land tax. According to the figures, it “...would appear that there has been a reduction in the total held in areas of 10,000 acres and over of 2,797,658 acres during the period 1889-1906. Purchasing by government contributed to this result, but only to the

extent of about one-third, voluntary subdivision accounting for the balance.” (NZOYB, 1908). This change in the remainder was due to new economic conditions, especially the growth of the dairy industry (Hawke, 1985), and people avoided the taxes in the most ingenious ways. There were many methods to evade taxes such as bogus partnership, one-man companies, collusion in sales and leases, declaring trusts and making nominal gifts (Downie, 1909b), but the most common way was to divide ownership of the property among members of the family but continue working it as one estate.

The state had a central role in challenging the economic conditions and the rational behaviour of agents so as to promote the intensification of settlement and the break up of the large estates. The results show that it seemed more successful in terms of incomes than assets and that probably because reforms contributed with a better functioning of the markets and a more efficient assignation of resources. Additionally, social culture and predominant ideology would contribute significantly in this direction with the formation of appropriability conditions more favourable to promote an egalitarian structure of the income.

3.4 River Plate: land-ownership concentration and weak states

In the historiography of Argentina and Uruguay it has been emphasized that the process of land distribution in 19th century was characterized by confused and insecure arrangements that usually favoured the accumulation of land in few hands. Only in the 1870s did local governments at last establish the institutional structure of land ownership systems. They gave security and effectiveness to the different types of land tenure, but it was the same old story and the result was that land ownership was concentrated, there was owner absenteeism, and agrarian production was mainly based on large estates.

Argentina

In 19th century the expansion of the Argentine frontier was led by successive governments that waged various military campaigns to conquer land that was controlled by native communities. From a long run perspective, frontier expansion and the distribution of land ownership rights was a process of acquisition and territorial concentration by rich owners (mostly stockbreeders and speculators) who were closely connected to political power and the social elites. In this process the state was consolidated and organized on a national scale. Most land was appropriated and distributed before the mass arrival of

European immigrants, which happened towards the end of 19th century and in the first decades of the 20th century.

Starting in the independence period (1816-1822), different governments tried to set up a new legal framework for the ownership of land. After years of revolutionary confrontation and the dissolution of the Spanish colonial dominion, land distribution was a problem that had to be solved as the new state was organized and national authorities took control. During this time provincial governments granted land ownership rights called *moderada composición* (with the obligation to make some improvements) or simply made grants called donations (*donación* or *mercedes*). The liberalism that inspired Argentine governments facilitated the private ownership of the land and eliminated restrictions that during the colonial period had tended to keep the *realengas* lands or fiscal territories subject to public authority. Thus, after independence, cattle farmers expanded their estates, and the territorial borders of Buenos Aires province pushed outwards at a time when the natives were a permanent threat to settlers outside its borders. The state had a problem in that it was difficult to sell land if ownership rights were not adequately protected, and the solution was to concede the land to private agents. In this agrarian regime the diffusion and propaganda of novel democratic ideas represented liberty and equality in land distribution, encouraged work and guaranteed property rights. However, this ownership system was in fact based on compulsion and fraud, and legislation governing land suffered from the severe ill effects of the country's colonial heritage (Cárcano, 1917[1972]:26).

During the Rivadavia presidency (1826-1827), the government enacted a law to consolidate the public debt, which affected liabilities contracted before 1820. This law established that public land was the guarantee for the payment of the debts and forbade the sale of land throughout the country (Avellaneda, 1865). In 1826, the National Law of enfiteusis banned the sale of state land (Halperin Dongui, 1963, 1971; Trías, 1974) and created a new public land regime. Public land was a financial and political resource and enfiteusis was the mechanism to provide the guarantee for international credit and to meet the need to populate the countryside. This law meant that land was given to individuals on 20-year leases and subject to the payment of annual canons. In the first 10 years, the holder (*enfiteuta*) would pay a canon equivalent to 8 per cent of the value of the land for cattle breeding purposes and 4 per cent for agricultural production. The valuation was made by a panel of neighbours, and at the end of 10 years the legislature set the rent to be paid from

then on, which depended on new estimates (Scorkink, 2001). This national law was not applied nation-wide but only in the province of Buenos Aires (where it came into force in 1822) and Corrientes (from 1830). In the initial stage, the law did not cover basic aspects such as the establishment of maximum land areas or the obligation to occupy the estate. This situation not only fostered speculation but also allowed transfers among private individuals and contributed to the concentration of land (Ramos, 1965). The state's main aim in renting out public land was to increase fiscal income, and a secondary objective was to make the state financially stable so it did not have to depend on customs duties. However, the government did not try to prevent the concentration of land in the hands of a few rich owners. The *enfiteusis* law did not work towards this end, and in fact huge areas of land were given to private agents (some of these properties exceeded 27,000 hectares). Between 1826 and 1837 around 1 million hectares were given as *enfiteusis* but the fiscal incomes generated from leasing were poor and the *enfiteusis* system did not improve public finances (Burgin, 1946). The *enfiteusis* system was problematic for a number of reasons. The government had very few tax collectors. A commission of owners (a panel or jury, who were not public servants) valued the land in accordance with their own economic interests so land was consistently undervalued. Until the first half of 19th century, land ownership laws were not completely consolidated and occupiers of land confused *de jure* and *de facto* occupation. Landowners, tenants or squatters without legal title enjoyed the advantages of the "open countryside" and used grazing land without any limits.

During the period dominated politically by Juan Manuel de Rosas (1829-1852) the *enfiteusis* system underwent progressive changes. In 1828 the law had been amended to establish a uniform valuation for all land (\$ 3,000 to the north of the Salado River and \$ 2,000 to the south) and to fix the canon at the low rate of 2 per cent of the arbitrary fixed value. In 1832 Rosas enacted a decree which authorized grants of properties of 2,328 hectares in areas where the province of Buenos Aires bordered on land controlled by native communities. This was part of the preparations for the *Campaña del Desierto* (Desert Campaign), an armed invasion and war against those autochthon communities that took place in 1833 and 1834. This was a part of the official policy to extend the productive land frontier and it involved the privatization of public land on a massive scale.

In 1836, a new land law authorized the government to sell off millions of hectares of public land, and a huge part of the land under the *enfiteusis* system passed into private

hands. About 2.5 million hectares were donated to army officers who took part in the *Campaña del Desierto*, and the dominant pattern was for land ownership to be concentrated. Like in the past, the aim was not to foster the population of the frontiers with military forces but to reward the military for their services in the campaign. The officers sold their titles or just gave the land away, which opened up great opportunities for speculation. From 1836 to 1840, various regulations crucially undermined people's rights in the *enfiteusis* system and the government sold huge swathes of land to private agents. In 1840, 52,000 square miles of Argentina, that is to say 13.3 million hectares, was owned by just 893 individuals (Avellaneda, 1865:122). Between 1830 and 1852, people occupied 16.5 million hectares which belonged to 782 landowners (Ramos 1965; Trías, 1974). There were over 100 estates of more than 40,000 hectares. At that time there were internal conflicts, Argentina was very unstable, and each province was administered as an independent region in accordance with the intentions and interests of its local leaders (*caudillos*). Cattle production developed considerably during the period,

“However, this system of exploitation did not induce people to settle in the countryside and nor did it give the country greater capacity to progress. It preserved the same features as in colonial times: links between power groups, rootless individuals and land devaluation.” (Cárcano, 1917 [1972]: 72; own translation).

The Constitution of 1853 established individual land ownership as a right for everyone throughout the country, but conflicts and confrontations about the form of government caused a brief separation between Buenos Aires and the Confederation of Provinces (1853-1860). The two sides had contrasting settlement strategies: Buenos Aires was confident that spontaneous immigration would come, attracted by rich land and liberal institutions, but the Confederation was proactive in the process and contracted colonizer entrepreneurs, financed ship tickets, granted land and gave economic support.

After the Rosas' administration, new laws governing the sale and leasing of public land were enacted. By that time, the *enfiteusis* system had deteriorated and it was abolished in 1857 through a law that regulated the leasing of large areas for long periods. All the people in the *enfiteusis* system were recognized as the legal holders of public land (Scornik, 2001) under a form of a leasing for a period of 8 years, but the state retained the right to sell the land at any time, although it had to give preference to the current occupier. Between 1858

and 1863, more than 2,000 square leagues (9,660 km²) outside the frontier line had been conceded and 759 within the defended borders. Subsequent laws (1859, 1864) reiterated the conditions and served the government's purposes in terms of coping with financial difficulties and raising the value of the currency. Part of the government's intention was to attract settlers to these lands, but that was a secondary objective in the overall plan. From 1856 to 1876, some 650 leasing contracts were signed, and as a result private individuals occupied some 5 million hectares (D'Agostino, 2005). In 1864, the authorities sold 2 million hectares in Buenos Aires province, and in 1871 there was a new law that allowed leasing contracts for public land outside the province boundaries. As a consequence, 3.8 million hectares went into the hands of just 438 owners.

During Mitre's presidency the consolidation of the Argentine union began, the country was reorganized and central authority was enforced. In 1862 it was legally established that all land not in the possession of province authorities was "national" land, and this was a fundamental change in the distribution and land ownership. Demand for public land for colonization increased, the construction of railways and roads was reactivated and politicians and authorities came to recognize that the best way to attract immigrants and settle the land was to have stable institutions and secure land ownership systems. This new attitude found expression in the "Avellaneda" law of 1876. In the 1870s, economic and political conditions were changing and the authorities moved from a "defensive conception" of the territory to an offensive and active stance (Rapoport, 2007:42).

During Avellaneda's presidency a law with some elements from North American land legislation was enacted, and the authorities changed their priorities from fiscal concerns to two other main objectives: to attract settlers to the countryside and to distribute land on the basis of individual ownership. In accordance with the law of 1876, leasing was not a suitable system for holding land, and the state established the progressive sale of public land when leasing contracts expired. These regulations involved graduated prices depending on the region, no interest payments, and that the current occupier had the option to buy. If he did not wish to take up his option the land was sold by auction, or as a last resort was bought by the government. At the same time the government faced up to the problem of the sale and subdivision of the *ejidos* and areas adjacent to cities and villages. Slowly the character of Buenos Aires province changed from an economic structure based on cattle exploitation to an increasing share for agriculture. The first signs of the "wheat

boom” that surprised the world by the end of the century started to emerge in the 1870s. The law authorized five settlement or colonization systems: (i) Direct control by the state; (ii) Indirect state control through private enterprises; (iii) By individual initiative; (iv) By provincial governments and stimulated by the central government; (v) By private agents. The national government supported immigration, subdivided the land and prepared the soil. The first 100 families to arrive at each colonization section (a land area of 16 square leagues) received plots of 100 hectares free of charge, and those who came later paid a fixed price of \$ 2 per hectare, in instalments, and when this was fully paid the holders would acquire definitive legal ownership. According to Cárcano (1972 [1917]), the law had many limitations but it would have been possible to improve it within the same conception of public land. However, subsequent administrations opened the door to large land grants, speculation and favouritism and the consequence was that “public land was distributed all over the country without people were being settled on it” (Cárcano [1972 (1917)]:163).

In 1878 a new frontier law was passed that established the borders of the provinces of La Pampa, Buenos Aires, Córdoba, San Luis and Mendoza, which traditionally had jurisdiction ambitions that extended to Patagonia. Expansion to the south was up and running. The government issued land titles of \$ 400 (from a total emission of \$ 1.6 million that was increased to \$ 2.2 million) with an interest rate of 6 per cent and repayment with adjudication of the ownership of the land within a 5-year period. The land price was fixed at \$ 400 per league and the purchase only could be effective in titles. This solved the financial difficulties of the project, and land was acquired by the military conquest of new territory. In 1879 Julio Roca led the “*Conquista del Desierto*” (Conquest of the Desert) and overthrew many native communities (Mapuches, Tehuelches, Ranqueles). The main aim of this effort was to extend the frontiers to the west of Buenos Aires and to the south into the Patagonia region. The *Conquista del Desierto* (1879-1884) added huge areas of land to the productive system. According to Di Tella (1989), around 30 million hectares were added as a result of wars against the native population.

In 1882 the government enacted legislation that showed how little expertise it had, how much it was guided by wishful thinking and how completely it was dominated by the interests of speculators. This law classified land as either cattle or cultivation land and provided for its division into sections of 1 million and 10,000 hectares, respectively, subdivided into estates of 10,000 and 100 hectares. Cattle land would be auctioned with a

fixed upset price, with a maximum (40,000 hectares) and a minimum (2,500 hectares) that each purchaser could acquire, and with the obligation to capitalize the estate in two years. Cultivation land was sold privately in lots of between 24 and 400 hectares, at fixed prices, and with the obligation to cultivate the land within a 3-year period. Most of the purchasers did not pay the stated price and claimed that official information about the quality and location of land and about the threat from native communities was false, and then legal procedures were delayed. Ruffini (2006) points out that people used false names and fake documents to break the rules. The end result of all of this was that, yet again, land ownership was concentrated in few hands. Evidently, institutions were not capable to reduce the appropriability conditions of natural resources and landowners capturing rents derived from the high quality land that characterized land frontier expansion in Argentina.

A number of conditions established previously were consolidated in a law of 1884 and, in addition, the norm included a couple of specific clauses related to pioneering people and national organization of territories. On the one hand, this legislation dealt with a group of particular cases and different situations concerning “pioneers” and people settled in the southern region in special relationships with native communities or other countries’ jurisdictions (Chile or Britain). To a large extent the actual expansion of the frontier was being realised by these people, and the state was compelled to recognize and institutionalize a *de facto* situation. However, speculators and swindlers took advantage of loopholes in the law and weak central control of the system to appropriate large areas for themselves. On the other hand, “national territories” were set up, which constituted administrative divisions that were not provinces. This concept lasted until the first half of the 20th century in the margins of the federal system, and then these areas were officially changed into provinces (Chaco, Chubut, Formosa, La Pampa, Misiones, Neuquén, Río Negro, Santa Cruz and Tierra del Fuego) and integrated into the federal regime.

Previous analysis refers to rules issued from Buenos Aires or central government, but each province had public lands under own jurisdiction and acted in particular way. In the middle of 19th century, Santa Fe, which owned large areas of fertile public land, began to improve and organize these properties. The government implemented a colonization policy as a more general way to distribute land and contracted private firms to administer it. Land was offered freely, but this was not in line with a general regulation but flowed from a succession of special dispositions. Construction of railways contributed to a policy that

combined the promotion of small holders, cultivation and groups of colonies. Like Santa Fe, province of Entre Ríos did well in regularizing the public property situation and organizing land ownership, but it was always very compromised by *de facto* situations inherited from tradition and custom. The provincial government rented out and sold public land, created official registers of estates, imposed the obligation to measure land and promoted settlement by groups of colonizers. In Córdoba, the law of 1862 regularized and clearly divided private property from public land, and this facilitated the transfer of estates. The province government set up a new land deeds register and used auctions as its main sale mechanism. In the 1870s it started to receive immigrants and it promoted colonization, especially after 1887. The province government used public land to obtain resources, and between 1860 and 1885 all fiscal land had been transferred. On the eve of WWI, Corrientes had a land ownership system very similar to the regimes that dominated rural environment in the first half of 19th century, in spite of the fact that it was relatively close to the Pampa region. Its successive governments undertook various public land distribution initiatives, first by leasing and later by private sales, and they promoted centres of colonization, but significant progress was impeded by persistent political struggles and fiscal financial problems. It is not casual we find evidence about institutions arrangements ruling – informal and formally– the distribution of lands in those provinces that we called “La Pampa” in previous articles (see Willebald, 2011, 2013b) and constituted the core of the land frontier expansion. This was the more dynamics region of Argentina in the First Globalization and it was permanently subject to pressures derived from the land frontier expansion.

The land legislation structure and its effective application were the result of historical circumstances, where “the power of facts was superior to the power of ideas” (Cárcano, 1917 [1972]:291), and specific action and regulations were often overturned in power struggles between rival interest groups. The initiatives of the Confederation government and the first constitutional presidents, the mechanisms to protect immigrants and farmers, the private colonization projects in Santa Fe, Entre Ríos and Córdoba, the Avellaneda law and the railway concessions all created firm bases for agrarian progress. The 17 million hectares sold from 1880 to 1895 was in no way equally distributed, nor was the sale carried out on a scientific land ownership organization basis; it was the disorderly occupation of these territories by different social groups. Special laws were used continually to distribute

fiscal land. From 1884 to 1896 41 laws were enacted to administer the sale or granting of large areas of land. In 1895, the government decreed the auction of 100 leagues in Rio Negro but did not take responsibility for the land's productive condition. Authorities knew very little about public land in question, and it was also an effective way to keep small capitalists away from the expanding southern land frontier. Only the big capitalists had the resources to invest in territory that might be useless or unsafe. However, in the 1890s these government laws and deals began to come in for angry criticism.

Starting in 1895, the authorities undertook new exploration and measured and subdivided land to offer title deeds and contracts, and they also organized agrarian statistical offices and set out to exploit forests and *yerbatales*. In 1903 a new land law was enacted to organize the 8 general laws that were in force plus other special laws, decrees and resolutions. The starting point of the new regulations was a careful exploration and characterization, in terms of land aptitudes, of the new territories. Seven land categories were established: cultivation, cattle breeding, forest, mineral, *yerbatales*, mixed production and islands. There were various mechanisms for land transfers including grants, direct sales, auction, and leasing with an option to buy and the obligation to make improvements (buildings, crops, cattle) within a 2-year period. However, this law did not alter the country's traditions in the agrarian sphere; speculation and corruption continued under weak governments, and capitalists took over federal lands before the settlers arrived.

Cárcano (1917 [1972]) emphasizes that abuses were rife under all the governments and under all the different laws. The power of the big landowners (*latifundistas*) and the central administration's lack of knowledge about public land were the main factors that undermined the successive land laws, and the situation was exacerbated by the fact that administrations were politically weak and corrupt. The provinces of Buenos Aires, Santa Fe, Córdoba and Entre Ríos consolidated their agrarian wealth and successfully penetrated international markets with cereals and meat products. There were also other successful developments like vineyards in Mendoza, the expansion of sugar cane cultivation in Tucumán and the forestry industry in Santiago del Estero. The country left its internal armed struggles behind and moderated the risk of international conflicts. It was taking advantage of the long upward trend of the First Globalization and the time was ripe to incorporate all its national resources into development effort. On the eve of WWI government was promoting large infrastructure projects like railways to the south and,

along with irrigation law, this was a clear indication it intended to bring the new territories of Neuquén, Chubut, Santa Cruz, Formosa and Chaco into general economic movement. In sum, institutions were functional to economic growth, but were not capable to moderate the curse of a worsening income distribution derived from the land frontier expansion in the interaction with the natural resources.

Uruguay

In Uruguay, like other settler societies, the distribution of land during the colonization process meant the transfer of land ownership rights from the state to colonists. The distribution of land began in the colonial period, before the 1810s, and the landowner was the King of Spain, who held the land as a “trophy of conquest” (Ots Capdequi, 1946). Land distribution was governed by the *Leyes de Indias* (1680) which were established especially in the River Plate. There were several ways in which colonists could acquire land rights: i) *repartimiento* (sharing out) to settlers of the first urban centres established on the territory; ii) *gracia* or *merced real*, a type of grace and favour which amounted to enormous areas of land being given to individuals that the Spanish authorities regarded as favourites; iii) *venta*, an expensive, intricate bureaucratic procedure that could only be carried out in Buenos Aires; iv) *composición*, a procedure which meant occupation and the exploitation of natural resources.

In the second half of 18th century the process of land occupation and frontier expansion received a new impulse, and there were several reasons for this. First, native communities moved to the North; second, the *Real Instrucción* of 1754 made grants of land occupied before 1700 automatic and ownership did not require royal confirmation; and lastly, the *Pragmática de Libre Comercio* (free trade rule) of 1778 made it easier to export agrarian production, and consequently stimulated the institution of land ownership rights.

In general, appropriation of land took place in an imprecisely-defined legal framework. In most cases the people occupying land did not have title deeds, and many of the legal owners lived in the cities (Montevideo or Buenos Aires) and knew nothing about their land. In the colonial period large estates came into being and there was a lack of legal transparency about property rights. There were three reasons for this: i) the territory was very sparsely populated; ii) the economy was extractive but the main wealth was in cattle, not land; and iii) the Kingdom of Spain was politically weak in the region because the main

aim was to consolidate the border against the Portuguese Empire rather than to define internal land ownership rights.

In 1830, when Uruguay enacted its first Constitution, some 80 per cent of the territory was public land, the country's frontiers had been explored and the borders fixed, and the total population was only 70,000 inhabitants. Acquiring land was a very conflictive process and the government failed to organize it properly because of pressure from the big landowners, the financial demands of frequent fiscal crises, and the military and political power of the *caudillos*. The occupation of public land was so chaotic that at the beginning of the 20th century, when the Batlle y Ordoñez's administration tried to implement new policies to encourage agricultural production, it did not know what the actual extent of public land was. It is likely that at that time some 15 per cent of the country's territory was public land but the state received no income at all from it.

In 19th century there was no clearly defined policy on public land. On the contrary, the state was very vulnerable politically as regards institutions and it suffered recurring financial crises and did not effectively control the national territory. Between 1830 and 1870, successive governments followed a policy of selling public land instead of leasing it, and between 1830 and 1836 private ownership rose from 20 per cent to 42 per cent of total land. Laws were enacted in 1831, 1833 and 1835 to promote private ownership and to regulate the leasing of public land, the extension of granted land and the contract duration of leasing. But the political instability in Uruguay at that time was such that a genuine land market was not established before 1870. The state lost its control of public land and was unable to determine precisely how much land it had and where it was.

In the period from 1850 to 1870, after the *Guerra Grande*, the authorities sought to bring order to the public land situation. This was part of a process that included the political reorganization of the country. The 1852 land law forbade the sale of public land to individuals so as to use it to guarantee the service of the public debt. A decree enacted in 1854 again suspended the prohibition on sales of public land. In 1860 there was another decree, which made it incumbent upon people who were occupying land but had no legal title deeds to declare their current situation and obtain the land as renters, and if they did not comply they could be expelled from their holding. In accordance with this decree, some 313,580 hectares were reported by their informal owners.

It was only in the second half of the 1870s, in the context of a military regime under Lorenzo Latorre (who came to power in March, 1876), that land ownership rights in the rural sector were finally established. The government acquired a decisive advantage over the rural *caudillos* thanks to new technologies in weaponry (Mauser and Remington rifles), transportation (the railways) and communications (the telegraph). In addition, the delimitation of rural properties was made possible by the diffusion of the wire fence (*alambramiento*) in the countryside (Barran and Nahum, 1967, 1971, 1972, 1973, 1977, 1978; Jacob, 1969; Millot & Bertino, 1996; Moraes, 2001; Vázquez Franco, 1968). This consolidated the dominance of large estates in the rural sector, and a substantial amount of public land was eventually incorporated into these holdings. A significant proportion of rural population, almost 10 per cent (Barrán and Nahum, 1971), was driven off land as a consequence of the consolidation of large estates.

In the early years of 20th century various governments tried to limit the estates and the economic power of the cattle stock-rearers by imposing taxes on land, but this initiative was not successful. The main characteristic of the agrarian structure in Uruguay was the concentration of land ownership, and this was consolidated even more during the First Globalization. As in the Argentine case, where the functional income structure was “dominated” by land rents, the concentration of the land meant, in fact, the concentration of the income. Institutional arrangements did not moderate the capacity of the landowners for capturing rents, and the incomes derived from the natural capital structured an unequal income distribution.

3.5 Discussion about the main characteristics: two “models” of land tenure systems

An overview

In our analysis we have identified two land distribution patterns in our settler economies, which are connected to different ownership structures and land tenure systems.

In Australia and New Zealand, the British colonial regime established a strong state that regulated the settlement of European colonists and attempted to promote equitable land distribution. This process was regulated by a legal framework that transferred property rights since early in the 19th century from the Crown (the “original” owner) to the colonists, and this ensured the effective ownership of land and moderated land concentration. These

objectives were achieved because these two states had enough political and institutional power to guarantee secure property rights and this favoured a suitable functioning of the productive factor markets. The high salary mass in agrarian activity in the two economies is a clear effect of this process and makes Australasia different from the settler economies of the River Plate where the rentist profile predominated. Land was considered as an important economic resource in economies like Australia and New Zealand that were based on agrarian production and that needed immigrants in order to develop, and this importance was expressed in public policies. Land was also important as a source of fiscal income, together with transferences of land ownership rights, and different tenure regimes were set up (leasing, grants, sale by auction, etc.). The leasing systems made it possible for small agrarian producers to access land even though they did not have enough capital to become owners. In addition, state limitations on the size of estates moderated (but they did not eliminate) the trend towards land ownership concentration.

In Argentina and Uruguay the processes of land distribution started before the wars of independence and, then, initially it developed under the Spanish legal regime. In that period land was not very valuable and the main economic resource was wild cattle. Large estates (*latifundia*) came into being because populations were very small and the Spanish forces in the Viceroyalty of the River Plate were politically weak and mainly concerned with combating resistant native populations to the west and the south and the Portuguese Empire in the east. According to Spanish land distribution laws, colonists were supposed to physically occupy the land and to produce on it, but in fact these conditions were rarely fulfilled.

Most land frontier expansion and the transfer and distribution of land ownership rights occurred after Argentina and Uruguay became independent. Public land was transferred from the state to settlers through a variety of legal regimes that moved incoherently between direct sales and leasing. The former was inspired in liberal principles and it was aimed at transferring land to private sector, and the latter was an effort to retain public land as a source of fiscal income and support the public debt. However, it turned out that neither Argentina nor Uruguay benefited for the transfer of land. Both countries lacked the political power to make an ordered distribution of land. Until the last quarter of 19th century these states were weak in political, institutional and military terms, and land distribution process favoured social and economic groups and local elites. During First

Globalization land became much more valuable because of its connection with rising international commodity prices, and the large estates consolidated their position in the land ownership structure. These social groups also supported the oligarchy regimen that dominated political scene up to WWI. A basic concept in the Argentine Constitution of 1853 was “to govern is to settle”, a notion first advanced by Juan María Alberdi. But it turned out that facts were stronger than ideas and most of land fell into the hands of capitalists and absentee landowners rather than settlers.

Land distribution pattern in the River Plate did not have secure ownership rights and was further undermined by political weakness on part of the authorities. Public policies were incoherent and inefficient, and when land ownership rights finally became more secure (in the 1880s) the result was that a highly concentrated ownership pattern was consolidated. For decades authorities focused their efforts on organizing the country and the provinces instead of on how land was distributed within those boundaries, and this weakened the state’s capacity for action in that matter. A combination of deficient functioning of the productive factor markets, a strong association between economic and political power (with features of the colonial heritage), and a persistent social differentiation (based also on idiosyncratic factors) are, at least partially, the result of land concentration, and it created the “environment” of worsening of income distribution experienced by both countries in the last decades of the 19th century.

Similarities and differences

On a conceptual level and taking a broad view, the process of land and property rights distribution during 19th century was dominated by four principles:

- (i) The creation of a private land tenure system whereby, depending on the period and with differing intensity, land ownership was transferred to colonizers. Initially the land was freehold and this was seldom questioned, but it was not long before doubts began to arise, especially towards the end of 19th century, and there were tentative experiments with leasehold systems that were not always well thought out.
- (ii) There was a permanent idea that a new population should be brought onto the land so as to create a society based on immigrants.

- (iii) The authorities were convinced that land was the nation's wealth and land settlement would be the basis of prosperity.
- (iv) There was a notion that equality in land distribution was valuable as the basis to construct an independent and democratic nation.

The authorities in the different countries all had these notions and all faced similar problems:

- (i) Strictly, the land was not "empty". The expansion of the frontier meant displacing native population and taking over the land they had subsisted on for centuries. However, land had to be brought into civilization and put to use, and the best results would be obtained by bringing in settlers to establish a stable, sedentary society of farmers (Williams, 1975: 63).
- (ii) There was a certain amount of theory involved, but basically the way land was administered and how ownership rights for public land came into being was a matter of trial and error. It was very difficult to define land boundaries because of ignorance and information asymmetries, and there were problems too with determining the size of estates and their productive aptitude.
- (iii) Land policies were dominated by conflicts among interest groups in which each faction played its own game. Occupiers used their wealth and influence to evade attempts to reallocate land, and many evasion methods were used such as "dummying", "peacocking" and forcing auctions. In addition, land oligarchies usually participated actively in the various levels of government and fostered legislation that furthered their own interests.

There are two main models, and there are four main differences between them:

- (i) Colonial heritage in the River Plate –as explained by Acemoglu et al. (2001, 2005) and Engerman & Sokoloff (1997, 2002)– contrasts with the delayed institutional development of Australasia. In some sense, in Australia and New Zealand the absence of "path-dependence" allowed a really "new" system to be created that was close to the British tradition and had the North American system as a model.
- (ii) The oligarchic elites in the River Plate exerted broad control over land ownership, and with the development of constitutional government they consolidated their

hold on political power. This contrasts with the pastoral economy of Australasia that was shaped by rules imposed by a bureaucracy that was relatively disinterested –it was dependent on the Crown– and involved the active political participation of small farmers (Denoon, 1983), who were motivated by democratic values.

(iii) In Australasia the various states participated in the “agrarian question”, and a well-organized public administration made it possible to implement and enforce autonomous action. In the River Plate, on the other hand, chronic fiscal deficits and continuous political struggles –even after the independence– prevented the implementation of long-run policies. As a result, the governments of Australasia set up administrative and institutional arrangements that were closer to the notion of a developmental state.

(iv) Australia and New Zealand shared the same fragment culture and the reforms reflected the same fundamental egalitarian, communally-focused, working-class radical values. Both societies shaped a socio-political context in which the land question was one of the main aspects of public policy, and quite early on politicians, theorists, and citizens identified with these concerns. The colonial social hierarchy lacked the appearance of permanence and a change of status was a relatively common experience. This social homogeneity made for a powerful unity in political questions (Paulson, 1988; Rosecrance, 1964).

Questions of land tenure were enormously important in the political economy of newly settled regions, and there was concern “with property as a function rather than a right” (Hawke, 1979: 382). This notion can help us understand the differences that emerged. In conceptual terms, the institutional arrangements that governed the distribution of land ownership and the behaviour of landowners (effective as well as potential) were similar between regions. Regulations were written with similar concerns and interests in mind, and the American system was identified as an attractive model. Agents acted in accordance with their own interests, created mechanisms to obtain land for themselves and took advantage of other proprietors when circumstances permitted. The great difference between two systems were that governments in the River Plate were weak when it came to enforcing

regulations, and there were elites (whose power was based on land ownership) that influenced state policy.

Australasia created a more favourable environment for colonization and land settlement because they had the power to enforce the regulations, they were guided by notions of development that stemmed from the colonial government, and they enjoyed a context that was more stable economically and politically. In terms of land distribution the differences were not so significant between regions (see Willebald, 2011b and Willebald and Bértola, 2013) but, in terms of the functioning of markets and incomes derived from the productive factors, they were. In particular, different appropriability capacity of agents might go some way towards explaining why income evolved differently in the two regions. The conditions of appropriability were clearly different; they were more intense in the River Plate where they influenced distinctly income distribution rather than wealth distribution, and where they were accompanied by idiosyncratic factors that reinforced the negative consequences of natural resources exploitation on inequality (see Willebald, 2011a).

4 Outcomes in terms of agrarian development

In terms of our analytical model, economic institutions derived from the game of the political power in the agrarian sector –and expressed in terms of the functioning of the productive factor markets and the systems of incentives to the production and the investment– should generate different outcomes within the “club”. In particular, our hypothesis is that English ex-colonies experienced better performance than Spanish ex-colonies because their institutional conditions would have been more favourable.

The product per worker in agriculture showed a persistent increasing trend (Figures 9 and 10) during the whole period in the large economies –Argentina and Australia– although with different paces. Argentina experienced a real agriculture “boom” –initially, it was stimulated by the mutton production and, from the 1890s onwards, by the cereal production– and became one of the agrarian leaders of world. However, the trajectory in Australia was not so steep and it slowed down in the 1890s. After a decreasing evolution, New Zealand (Figure 11) followed a trajectory similar to Australia and, on the contrary, Uruguayan agriculture only increased until the end of 19th century and it declined onwards (Figure 12). Land frontier expansion was, in absolute terms, a bigger process in the large economies and it contributed significantly in the increase of the product per worker. In the

small economies, the expansion only was noticeable when the commodity price boom created the adequate incentives to expand and improve the agriculture and stimulate higher returns. In spite of this, differences were not so clear to recognize patterns within the “club” in the production side. However, the clearest discrepancies respond to the distributive patterns.

We estimate functional income distribution in agrarian sector (see Willebald, 2011b; and Álvarez & Willebald, 2009, for a first version) and we can identify two “patterns” in the average for the period (see Table 2). In the South American Southern Cone countries, income composition is dominated by land rents, with shares of over half total agrarian income. On the other hand, this share is smaller in New Zealand (43 per cent) and Australia (50 per cent) and with a very interesting direction. In Australasia there was higher total wages in the agrarian sector, with ratios of almost 30 per cent.

“Australian settlers ranged in a gamut extending from the humble poor to the propertied middle class ... More of the upper class was omitted from the fragment of British society which was Australia. The working classes predominated in its founding, and their attitudes were of a special character.” (Rosecrance, 1964: 282).

In Australia, “(...) the cleavage between labour and capital was much more pronounced than in North America. Even farming was more capitalist (...) The average Australian was not his own economic boss. He was a wage earner, like the native of Britain (...)” (Burt, 1965: 75).

In the English-speaking countries, and in relative terms, these conditions stimulated a more efficient functioning of productive factor markets, with increasing capital accumulation (physical and human) and salarization of the agrarian production. The result was a better economic performance than that of the South American Southern Cone in the long run, where the rental profile of the agrarian production characterized economies with small markets and low chances to affront the structural change. Persistent primary specialization was a feature present in all settlers, but it was more intensive in the Spanish speaking economies where industrialization delayed and constituted a truncated process (Fajnzylber, 1983).

5 Conclusions and final remarks

During First Globalization (1870-1913), settler economies experienced a strong economic growth as a result of the increasing integration into the world economy that, led by Britain, incorporated extensive regions of the planet to international markets. The intense expansion of international demand for food and raw materials and the reduction in inter-oceanic freight costs turned into rentable incorporation of new frontiers –as Argentina, Australia, New Zealand and Uruguay– into world capitalism.

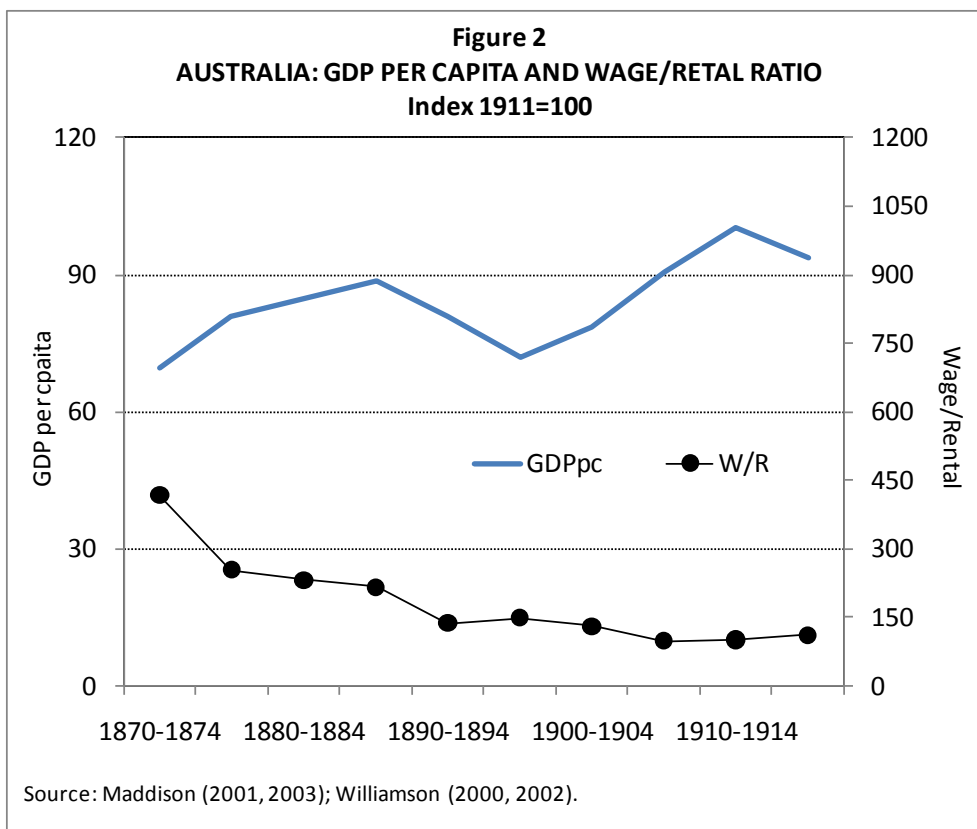
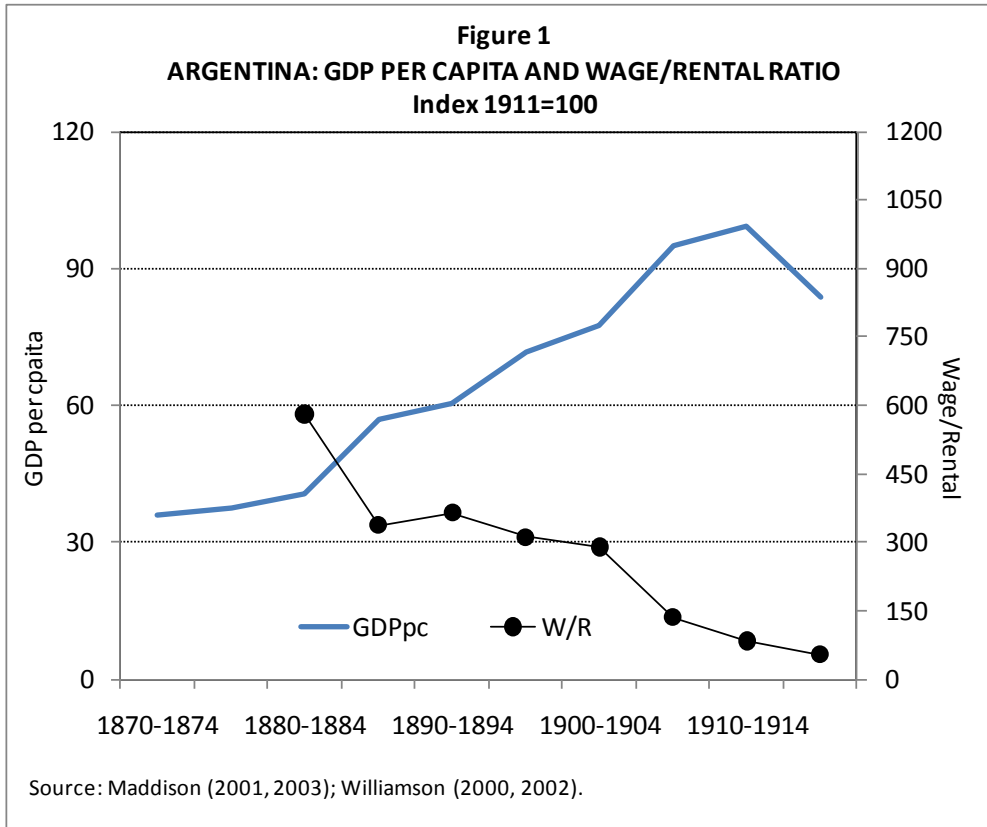
Settler economies were favoured by improvements in the terms of trade and the production –with very competitive prices– of goods that integrated the consumption structure of leader countries of Europe (meat, wool, wheat, maize, dairy products). In this new context, countries of the River Plate and Australasia appropriated increasing rents of international markets that meant relevant stimulus to domestic production and employment. The abundance of natural resources –specially land suitable for agriculture– attracted important migrant and capital inflows to the “new lands” and placed settler economies within the group of the richest countries of the world. However, the differences within the settler club were significant, with Australia and New Zealand showing incomes per capita 40 per cent higher than the “core” of world economy and Argentina and Uruguay presenting an average close to 80 per cent.

The recent mainstream of the analysis of the expansion of Atlantic economy during the last decades of 19th century (Williamson, O’Rourke and followers) puts emphasis in worsening income distribution that characterized the increasing evolution of settler economies. These analyses are based on conventional approaches of international trade –in the tradition of the Heckscher-Ohlin-Samuleson model– and they do not consider the historical specificities and domestic institutions that affected differently the effects of the “globalization forces” on income and inequality. In our paper, we consider some internal and relevant institutions that affected economic development of settler economies and we propose a framework consistent with New Institutional Economic Theory in accordance to the approach of Acemoglu, Robinson and followers.

Our approach proposes that institutional change and configuration of economic institutions were determined by the distribution of the political and economic power (distribution of the wealth). Therefore, we assume that wealth distribution was associated with land distribution, and we analyze land frontier expansion process and landownership

rights distribution until WWI. We identify two different models of land and property distribution in Australasia and River Plate. Both were associated with long-term heritages – related to colonial times–, the state capacity to regulate land distribution –faced to commodity boom–, and political power achieved by different agents that integrated the social structure. As a result, functional income distribution in Australasia was less inequitable than River Plate where, on the other hand, land rents absorbed larger parts of agriculture income.

Figures and Tables



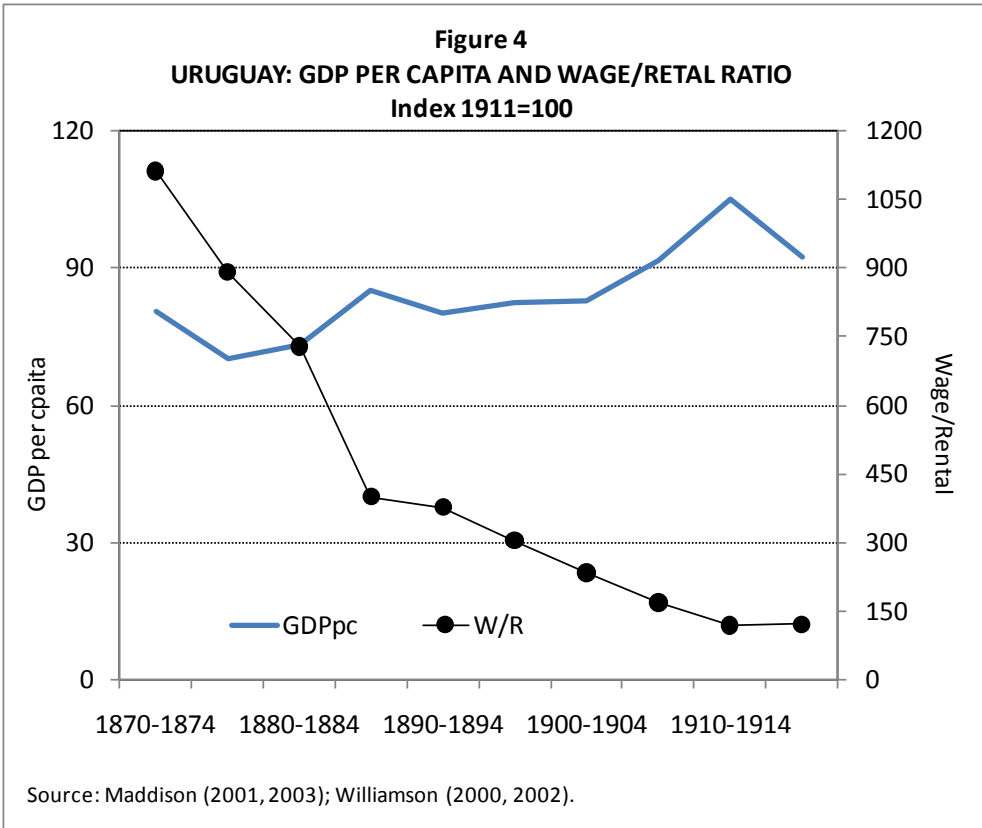
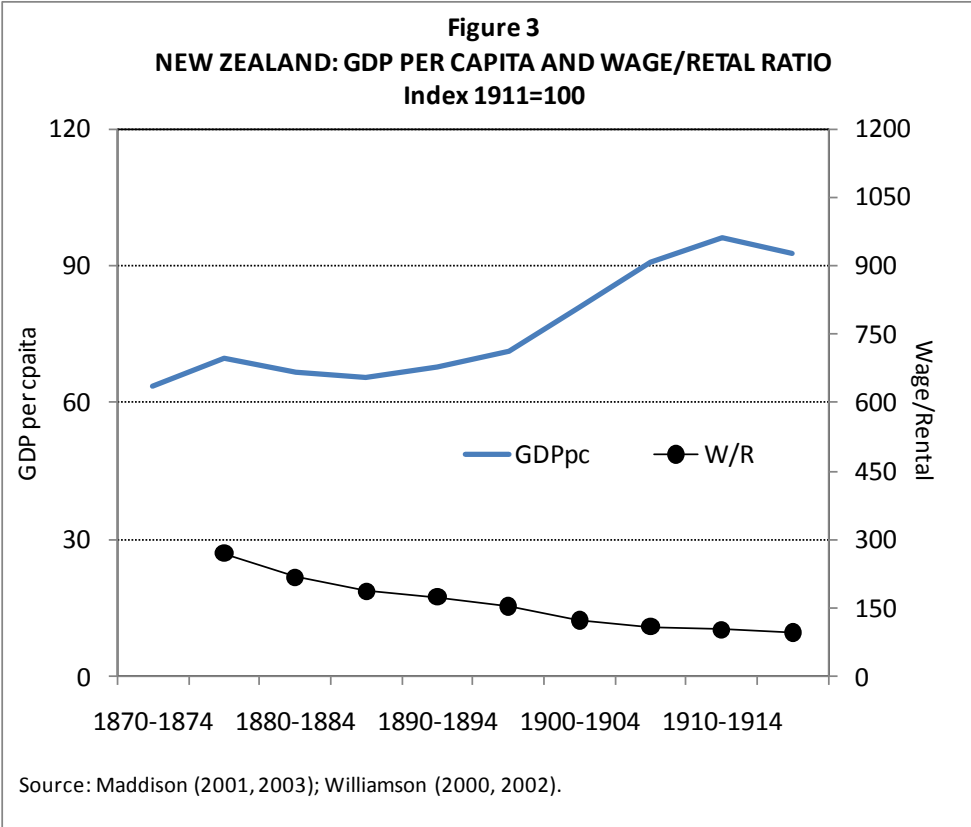


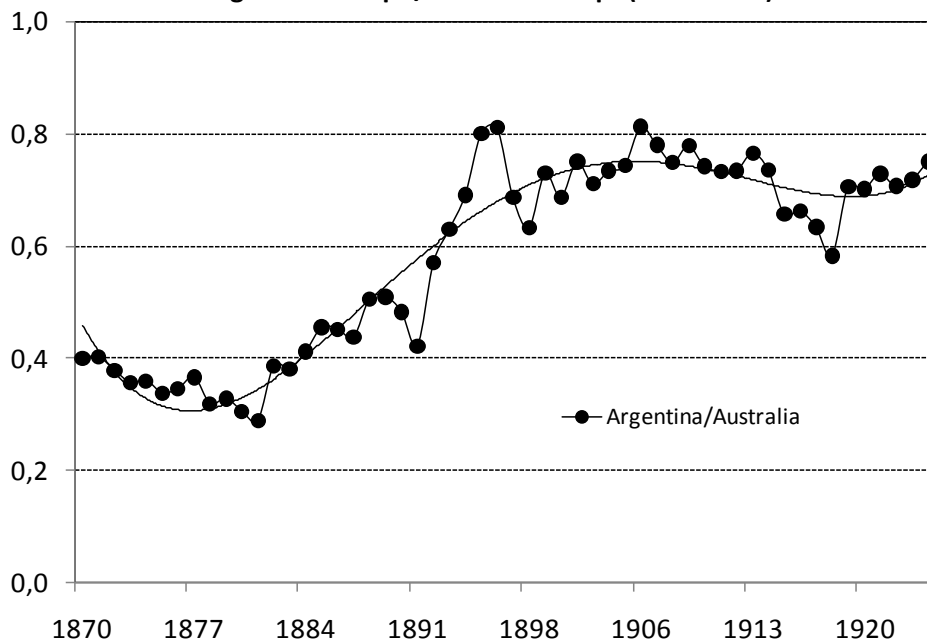
Table 1
SETTLER ECONOMIES: CONVERGENCE INDICATORS
GDP pc/GDP pc "core" ^{1/}

	Argentina	Australia	New Zealand	Uruguay
1870-1874	0.56	1.47	1.44	0.99
1875-1879	0.56	1.64	1.52	0.82
1880-1884	0.58	1.64	1.40	0.82
1885-1889	0.77	1.64	1.31	0.91
1890-1894	0.76	1.39	1.26	0.79
1895-1899	0.82	1.12	1.20	0.77
1900-1904	0.85	1.17	1.30	0.72
1905-1909	0.99	1.28	1.39	0.75
1910-1914	0.97	1.34	1.38	0.81
Average	0.76	1.41	1.35	0.82

1/ Core: simple average Germany, France, UK.

Source: Maddison (2001).

Figure 5
CATCHING-UP PROCESS WITHIN THE "CLUB": LARGE ECONOMIES
Argentina GDP pc /Australia GDP pc (1870-1924)



Source: Maddison (2001, 2003).

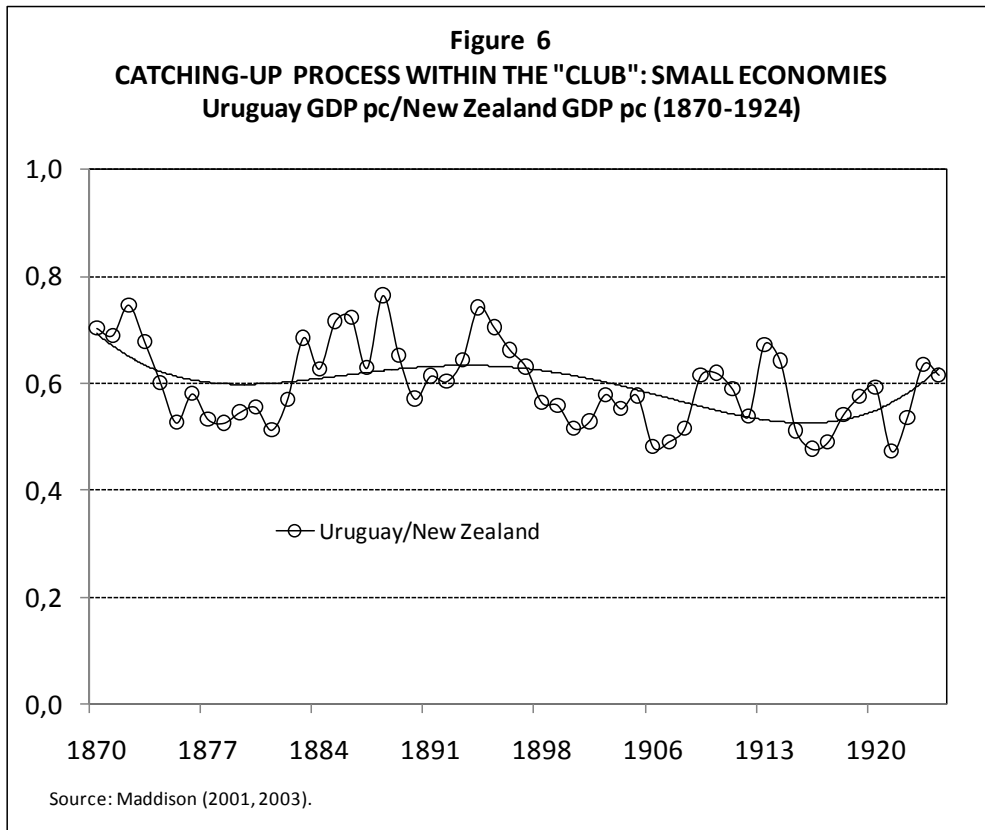
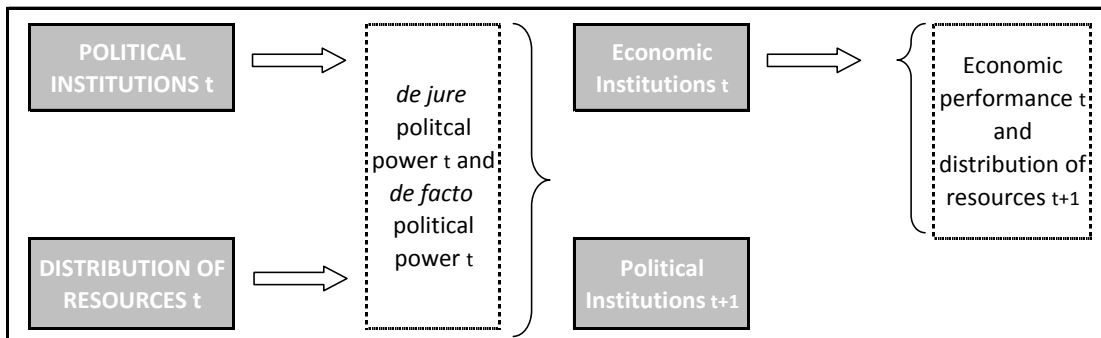
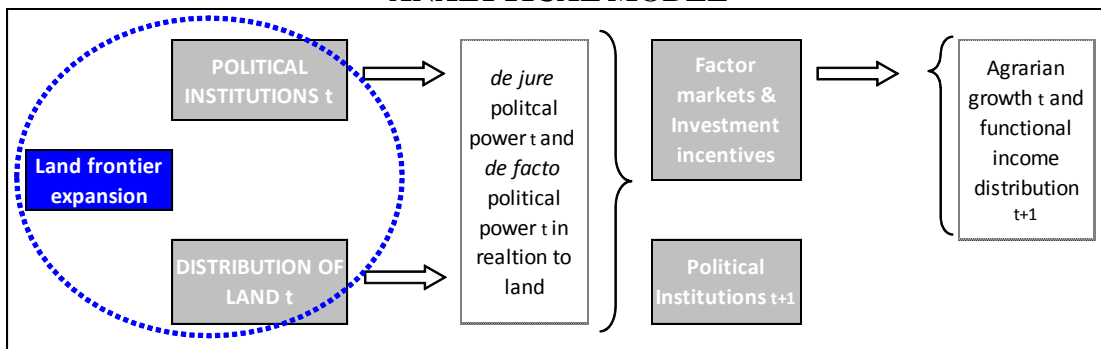


Figure 7
CONCEPTUAL FRAMEWORK

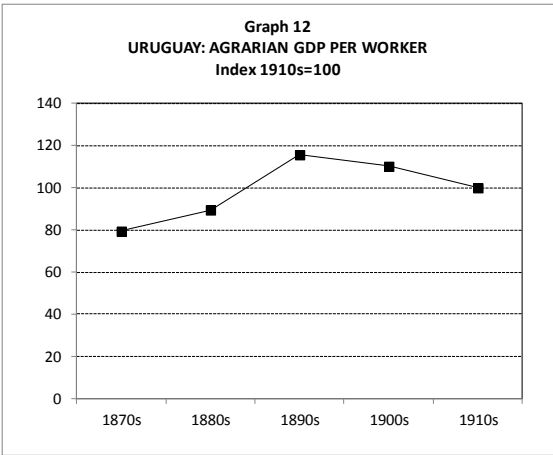
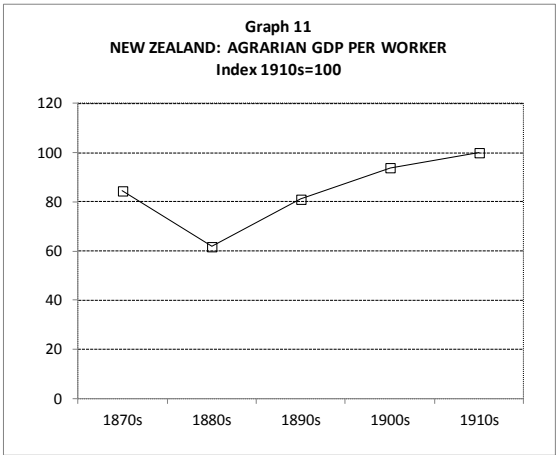
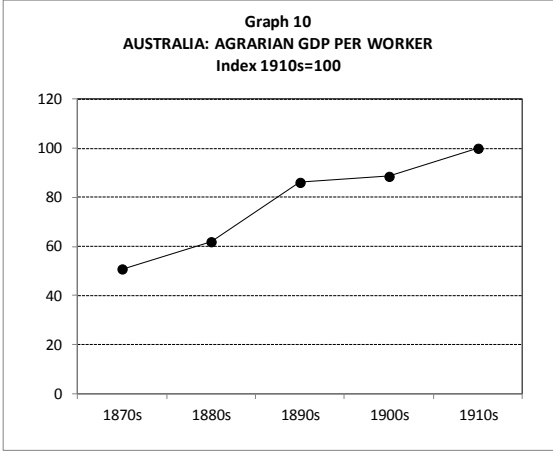
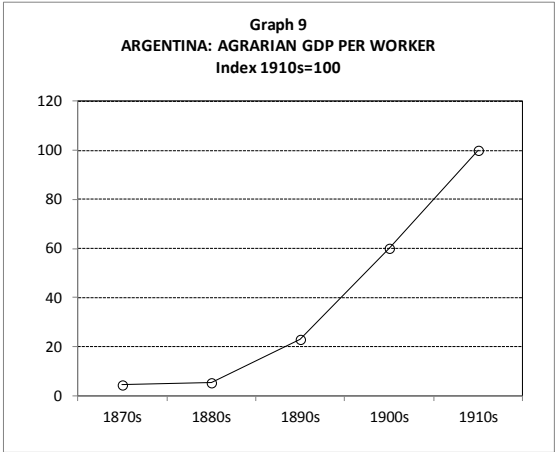


Source: Acemoglu et al. (2005).

Figure 8
ANALYTICAL MODEL



Source: own elaboration based on Acemoglu et al. (2005).



Sources: see Willebald(2011b).

Table 2
AGRARIAN SECTOR: FUNCTIONAL INCOME DISTRIBUTION
Shares on the total Agrarian GDP (%)

ARGENTINA				AUSTRALIA			
	Wage	Rent	Profit		Wage	Rent	Profit
1869	34%	54%	12%	1871	31%	51%	18%
1875	27%	59%	14%	1881	28%	46%	26%
1888	32%	48%	21%	1891	26%	60%	14%
1895	24%	41%	35%	1901	34%	53%	13%
1914	21%	67%	12%	1911	25%	39%	36%
Average	28%	54%	19%	Average	29%	50%	21%
NEW ZEALAND				URUGUAY			
	Wage	Rent	Profit		Wage	Rent	Profit
1874	23%	33%	44%	1874	37%	46%	17%
1881	35%	42%	22%	1883	26%	49%	24%
1891	30%	41%	29%	1893	21%	49%	29%
1901	26%	48%	26%	1903	25%	48%	27%
1911	30%	51%	20%	1912	21%	68%	11%
Average	29%	43%	28%	Average	26%	52%	22%

Source: Willebald (2011b).

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