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The Development of Underdevelopment

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This chapter is the classic work that initiated what would eventually grow into a tidal wave of "dependency theory" research. In it, the author argues against the classical theory of economics, as articulated in works such as W. W. Rostow's "Stages of Economic Growth" (see this volume, Chapter 14), in which all countries will eventually become developed. Gunder Frank takes a very long-term view, as do Diamond (Chapter 7) and Acemoglu et al. (Chapter 9), but from his perspective the cause of underdevelopment is that great colonial powers became wealthy at the expense of the colonies that they exploited and continue to exploit even after the formal colonial period ended. ■

WE CANNOT HOPE TO FORMULATE ADEQUATE DEVELOPMENT THEORY AND POLICY for the majority of the world's population who suffer from underdevelopment without first learning how their past economic and social history gave rise to their present underdevelopment. Yet most historians study only the developed metropolitan countries and pay scant attention to the colonial and underdeveloped lands. For this reason most of our theoretical categories and guides to development policy have been distilled exclusively from the historical experience of the European and North American advanced capitalist nations.

Since the historical experience of the colonial and underdeveloped countries has demonstrably been quite different, available theory therefore fails to reflect the past of the underdeveloped part of the world entirely, and reflects

Excerpted from Andre Gunder Frank, *Latin America: Underdevelopment or Revolution?* (New York: Monthly Review Press, 1969). Reprinted with permission from the Monthly Review Foundation.

the past of the world as a whole only in part. More important, our ignorance of the underdeveloped countries' history leads us to assume that their past and indeed their present resembles earlier stages of the history of the now developed countries. This ignorance and this assumption lead us into serious misconceptions about contemporary underdevelopment and development. Further, most studies of development and underdevelopment fail to take account of the economic and other relations between the metropolis and its economic colonies throughout the history of the world-wide expansion and development of the mercantilist and capitalist system. Consequently, most of our theory fails to explain the structure and development of the capitalist system as a whole and to account for its simultaneous generation of underdevelopment in some of its parts and economic development in others.

It is generally held that economic development occurs in a succession of capitalist stages and that today's underdeveloped countries are still in a stage, sometimes depicted as an original stage of history, through which the now developed countries passed long ago. Yet even a modest acquaintance with history shows that underdevelopment is not original or traditional and that neither the past nor the present of the underdeveloped countries resembles in any important respect the past of the now developed countries. The now developed countries were never underdeveloped, though they may have been undeveloped. It is also widely believed that the contemporary underdevelopment of a country can be understood as the product or reflection solely of its own economic, political, social, and cultural characteristics or structure. Yet historical research demonstrates that contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries. Furthermore, these relations are an essential part of the structure and development of the capitalist system on a world scale as a whole. A related and also largely erroneous view is that the development of these underdeveloped countries and, within them of their most underdeveloped domestic areas, must and will be generated or stimulated by diffusing capital, institutions, values, etc., to them from the international and national capitalist metropolises. Historical perspective based on the underdeveloped countries' past experience suggests that, on the contrary, in the underdeveloped countries economic development can now occur only independently of most of these relations of diffusion.

Evident inequalities of income and differences in culture have led many observers to see "dual" societies and economies in the underdeveloped countries. Each of the two parts is supposed to have a history of its own, a structure, and a contemporary dynamic largely independent of the other. Supposedly, only one part of the economy and society has been importantly affected by intimate economic relations with the "outside" capitalist world; and that part, it is held, became modern, capitalist, and relatively developed precisely because of this con-

tact. The other part is widely regarded as variously isolated, subsistence-based, feudal, or precapitalist, and therefore more underdeveloped.

I believe on the contrary that the entire "dual society" thesis is false and that the policy recommendations to which it leads will, if acted upon, serve only to intensify and perpetuate the very conditions of underdevelopment they are supposedly designed to remedy.

A mounting body of evidence suggests, and I am confident that future historical research will confirm, that the expansion of the capitalist system over the past centuries effectively and entirely penetrated even the apparently most isolated sectors of the underdeveloped world. Therefore, the economic, political, social, and cultural institutions and relations we now observe there are the products of the historical development of the capitalist system no less than are the seemingly more modern or capitalist features of the national metropolises of these underdeveloped countries. Analogously to the relations between development and underdevelopment on the international level, the contemporary underdeveloped institutions of the so-called backward or feudal domestic areas of an underdeveloped country are no less the product of the single historical process of capitalist development than are the so-called capitalist institutions of the supposedly more progressive areas. In this paper I should like to sketch the kinds of evidence which support this thesis and at the same time indicate lines along which further study and research could fruitfully proceed.

The Secretary General of the Latin American Center for Research in the Social Sciences writes in that Center's journal: "The privileged position of the city has its origin in the colonial period. It was founded by the Conqueror to serve the same ends that it still serves today; to incorporate the indigenous population into the economy brought and developed by that Conqueror and his descendants. The regional city was an instrument of conquest and is still today an instrument of domination."¹ The Instituto Nacional Indigenista (National Indian Institute) of Mexico confirms this observation when it notes that "the mestizo population, in fact, always lives in a city, a center of an intercultural region, which acts as the metropolis of a zone of indigenous population and which maintains with the underdeveloped communities an intimate relation which links the center with the satellite communities."² The Institute goes on to point out that "between the mestizos who live in the nuclear city of the region and the Indians who live in the peasant hinterland there is in reality a closer economic and social interdependence than might at first glance appear" and that the provincial metropolises "by being centers of intercourse are also centers of exploitation."³

Thus these metropolis-satellite relations are not limited to the imperial or international level but penetrate and structure the very economic, political, and social life of the Latin American colonies and countries. Just as the colonial and national capital and its export sector become the satellite of the Iberian

(and later of other) metropolises of the world economic system, this satellite immediately becomes a colonial and then a national metropolis with respect to the productive sectors and population of the interior. Furthermore, the provincial capitals, which thus are themselves satellites of the national metropolis—and through the latter of the world metropolis—are in turn provincial centers around which their own local satellites orbit. Thus, a whole chain of constellations of metropolises and satellites relates all parts of the whole system from its metropolitan center in Europe or the United States to the farthest outpost in the Latin American countryside.

When we examine this metropolis-satellite structure, we find that each of the satellites, including now underdeveloped Spain and Portugal, serves as an instrument to suck capital or economic surplus out of its own satellites and to channel part of this surplus to the world metropolis of which all are satellites. Moreover, each national and local metropolis serves to impose and maintain the monopolistic structure and exploitative relationship of this system (as the Instituto Nacional Indigenista of Mexico calls it) as long as it serves the interests of the metropolises which take advantage of this global, national, and local structure to promote their own development and the enrichment of their ruling classes.

These are the principal and still surviving structural characteristics which were implanted in Latin America by the Conquest. Beyond examining the establishment of this colonial structure in its historical context, the proposed approach calls for study of the development—and underdevelopment—of these metropolises and satellites of Latin America throughout the following and still continuing historical process. In this way we can understand why there were and still are tendencies in the Latin American and world capitalist structure which seem to lead to the development of the metropolis and the underdevelopment of the satellite and why, particularly, the satellized national, regional, and local metropolises in Latin America find that their economic development is at best a limited or underdeveloped development.

That present underdevelopment of Latin America is the result of its centuries-long participation in the process of world capitalist development, I believe I have shown in my case studies of the economic and social histories of Chile and Brazil.⁴ My study of Chilean history suggests that the Conquest not only incorporated this country fully into the expansion and development of the world mercantile and later industrial capitalist system but that it also introduced the monopolistic metropolis-satellite structure and development of capitalism into the Chilean domestic economy and society itself. This structure then penetrated and permeated all of Chile very quickly. Since that time and in the course of world and Chilean history during the epochs of colonialism, free trade, imperialism, and the present, Chile has become increasingly marked by the economic, social, and political structure of satellite underdevelopment. This development of underdevelopment continues today, both in Chile's still in-

creasing satellization by the world metropolis and through the ever more acute polarization of Chile's domestic economy.

The history of Brazil is perhaps the clearest case of both national and regional development of underdevelopment. The expansion of the world economy since the beginning of the sixteenth century successively converted the Northeast, the Minas Gerais interior, the North, and the Center-South (Rio de Janeiro, São Paulo, and Paraná) into export economies and incorporated them into the structure and development of the world capitalist system. Each of these regions experienced what may have appeared as economic development during the period of its respective golden age. But it was a satellite development which was neither self-generating nor self-perpetuating. As the market or the productivity of the first three regions declined, foreign and domestic economic interest in them waned; and they were left to develop the underdevelopment they live today. In the fourth region, the coffee economy experienced a similar though not yet quite as serious fate (though the development of a synthetic coffee substitute promises to deal it a mortal blow in the not too distant future). All of this historical evidence contradicts the generally accepted theses that Latin America suffers from a dual society or from the survival of feudal institutions and that these are important obstacles to its economic development.

During the First World War, however, and even more during the Great Depression and the Second World War, São Paulo began to build up an industrial establishment which is the largest in Latin America today. The question arises whether this industrial development did or can break Brazil out of the cycle of satellite development and underdevelopment which has characterized its other regions and national history within the capitalist system so far. I believe that the answer is no. Domestically the evidence so far is fairly clear. The development of industry in São Paulo has not brought greater riches to the other regions of Brazil. Instead, it converted them into internal colonial satellites, de-capitalized them further, and consolidated or even deepened their underdevelopment. There is little evidence to suggest that this process is likely to be reversed in the foreseeable future except insofar as the provincial poor migrate and become the poor of the metropolitan cities. Externally, the evidence is that although the initial development of São Paulo's industry was relatively autonomous it is being increasingly satellized by the world capitalist metropolis and its future development possibilities are increasingly restricted.⁵ This development, my studies lead me to believe, also appears destined to limited or underdeveloped development as long as it takes place in the present economic, political, and social framework.

We must conclude, in short, that underdevelopment is not due to the survival of archaic institutions and the existence of capital shortage in regions that have remained isolated from the stream of world history. On the contrary, underdevelopment was and still is generated by the very same historical process which also generated economic development: the development of

capitalism itself. This view, I am glad to say, is gaining adherents among students of Latin America and is proving its worth in shedding new light on the problems of the area and in affording a better perspective for the formulation of theory and policy.⁶

The same historical and structural approach can also lead to better development theory and policy by generating a series of hypotheses about development and underdevelopment such as those I am testing in my current research. The hypotheses are derived from the empirical observation and theoretical assumption that within this world-embracing metropolis-satellite structure the metropolises tend to develop and the satellites to underdevelop. The first hypothesis has already been mentioned above: that in contrast to the development of the world metropolis which is no one's satellite, the development of the national and other subordinate metropolises is limited by their satellite status. It is perhaps more difficult to test this hypothesis than the following ones because part of its confirmation depends on the test of the other hypotheses. Nonetheless, this hypothesis appears to be generally confirmed by the non-autonomous and unsatisfactory economic and especially industrial development of Latin America's national metropolises, as documented in the studies already cited. The most important and at the same time most confirmatory examples are the metropolitan regions of Buenos Aires and São Paulo whose growth only began in the nineteenth century, was therefore largely untrammelled by any colonial heritage, but was and remains a satellite development largely dependent on the outside metropolis, first of Britain and then of the United States.

A second hypothesis is that the satellites experience their greatest economic development and especially their most classically capitalist industrial development if and when their ties to their metropolis are weakest. This hypothesis is almost diametrically opposed to the generally accepted thesis that development in the underdeveloped countries follows from the greatest degree of contact with and diffusion from the metropolitan developed countries. This hypothesis seems to be confirmed by two kinds of relative isolation that Latin America has experienced in the course of its history. One is the temporary isolation caused by the crises of war or depression in the world metropolis. Apart from minor ones, five periods of such major crises stand out and seem to confirm the hypothesis. These are: the European (and especially Spanish) depression of the seventeenth century, the Napoleonic Wars, the First World War, the depression of the 1930s, and the Second World War. It is clearly established and generally recognized that the most important recent industrial development—especially of Argentina, Brazil, and Mexico, but also of other countries such as Chile—has taken place precisely during the periods of the two World Wars and the intervening depression. Thanks to the consequent loosening of trade and investment ties during these periods, the satellites initiated marked autonomous industrialization and growth. Historical research demonstrates that the same thing happened in Latin America during Europe's seventeenth-century depres-

sion. Manufacturing grew in the Latin American countries, and several of them such as Chile became exporters of manufactured goods. The Napoleonic Wars gave rise to independence movements in Latin America, and these should perhaps also be interpreted as in part confirming the development hypothesis.

The other kind of isolation which tends to confirm the second hypothesis is the geographic and economic isolation of regions which at one time were relatively weakly tied to and poorly integrated into the mercantilist and capitalist system. My preliminary research suggests that in Latin America it was these regions which initiated and experienced the most promising self-generating economic development of the classical industrial capitalist type. The most important regional cases probably are Tucumán and Asunción, as well as other cities such as Mendoza and Rosario, in the interior of Argentina and Paraguay during the end of the eighteenth and the beginning of the nineteenth centuries. Seventeenth- and eighteenth-century São Paulo, long before coffee was grown there, is another example. Perhaps Antioquia in Colombia and Puebla and Querétaro in Mexico are other examples. In its own way, Chile was also an example since, before the sea route around the Horn was opened, this country was relatively isolated at the end of the long voyage from Europe via Panama. All of these regions became manufacturing centers and even exporters, usually of textiles, during the periods preceding their effective incorporation as satellites into the colonial, national, and world capitalist system.

Internationally, of course, the classic case of industrialization through non-participation as a satellite in the capitalist world system is obviously that of Japan after the Meiji Restoration. Why, one may ask, was resource-poor but unsatellized Japan able to industrialize so quickly at the end of the century while resource-rich Latin American countries and Russia were not able to do so and the latter was easily beaten by Japan in the War of 1904 after the same forty years of development efforts? The second hypothesis suggests that the fundamental reason is that Japan was not satellized either during the Tokugawa or the Meiji period and therefore did not have its development structurally limited as did the countries which were so satellized.

A corollary of the second hypothesis is that when the metropolis recovers from its crisis and reestablishes the trade and investment ties which fully incorporate the satellites into the system, or when the metropolis expands to incorporate previously isolated regions into the world-wide system, the previous development and industrialization of these regions is choked off or channelled into directions which are not self-perpetuating and promising. This happened after each of the five crises cited above. The renewed expansion of trade and the spread of economic liberalism in the eighteenth and nineteenth centuries choked off and reversed the manufacturing development which Latin America had experienced during the seventeenth century, and in some places at the beginning of the nineteenth. After the First World War, the new national industry of Brazil suffered serious consequences from American economic invasion.

The increase in the growth rate of Gross National Product and particularly of industrialization throughout Latin America was again reversed and industry became increasingly satellized after the Second World War and especially after the post-Korean War recovery and expansion of the metropolis. Far from having become more developed since then, industrial sectors of Brazil and most conspicuously of Argentina have become structurally more and more underdeveloped and less and less able to generate continued industrialization and/or sustain development of the economy. This process, from which India also suffers, is reflected in a whole gamut of balance of payments, inflationary, and other economic and political difficulties, and promises to yield to no solution short of far-reaching structural change.

Our hypothesis suggests that fundamentally the same process occurred even more dramatically with the incorporation into the system of previously unsatellized regions. The expansion of Buenos Aires as a satellite of Great Britain and the introduction of free trade in the interest of the ruling groups of both metropolises destroyed the manufacturing and much of the remainder of the economic base of the previously relatively prosperous interior almost entirely. Manufacturing was destroyed by foreign competition, lands were taken and concentrated into latifundia by the rapaciously growing export economy, intraregional distribution of income became much more unequal, and the previously developing regions became simple satellites of Buenos Aires and through it of London. The provincial centers did not yield to satellization without a struggle. This metropolis-satellite conflict was much of the cause of the long political and armed struggle between the Unitarists in Buenos Aires and the Federalists in the provinces, and it may be said to have been the sole important cause of the War of the Triple Alliance in which Buenos Aires, Montevideo, and Rio de Janeiro, encouraged and helped by London, destroyed not only the autonomously developing economy of Paraguay but killed off nearly all of its population which was unwilling to give in. Though this is no doubt the most spectacular example which tends to confirm the hypothesis, I believe that historical research on the satellization of previously relatively independent yeoman-farming and incipient manufacturing regions such as the Caribbean islands will confirm it further.⁷ These regions did not have a chance against the forces of expanding and developing capitalism, and their own development had to be sacrificed to that of others. The economy and industry of Argentina, Brazil, and other countries which have experienced the effects of metropolitan recovery since the Second World War are today suffering much the same fate, if fortunately still in lesser degree.

A third major hypothesis derived from the metropolis-satellite structure is that the regions which are the most underdeveloped and feudal-seeming today are the ones which had the closest ties to the metropolis in the past. They are the regions which were the greatest exporters of primary products to and biggest sources of capital for the world metropolis and which were abandoned

by the metropolis when for one reason or another business fell off. This hypothesis also contradicts the generally held thesis that the source of a region's underdevelopment is its isolation and its pre-capitalist institutions.

This hypothesis seems to be amply confirmed by the former super-satellite development and present ultra-underdevelopment of the once sugar-exporting West Indies, Northeastern Brazil, the ex-mining districts of Minas Gerais in Brazil, highland Peru, and Bolivia, and the central Mexican states of Guanajuato, Zacatecas, and others whose names were made world famous centuries ago by their silver. There surely are no major regions in Latin America which are today more cursed by underdevelopment and poverty; yet all of these regions, like Bengal in India, once provided the life blood of mercantile and industrial capitalist development—in the metropolis. These regions' participation in the development of the world capitalist system gave them, already in their golden age, the typical structure of underdevelopment of a capitalist export economy. When the market for their sugar or the wealth of their mines disappeared and the metropolis abandoned them to their own devices, the already existing economic, political, and social structure of these regions prohibited autonomous generation of economic development and left them no alternative but to turn in upon themselves and to degenerate into the ultra-underdevelopment we find there today.

These considerations suggest two further and related hypotheses. One is that the latifundium, irrespective of whether it appears as a plantation or a hacienda today, was typically born as a commercial enterprise which created for itself the institutions which permitted it to respond to increased demand in the world or national market by expanding the amount of its land, capital, and labor and to increase the supply of its products. The fifth hypothesis is that the latifundia which appear isolated, subsistence-based, and semi-feudal today saw the demand for their products or their productive capacity decline and that they are to be found principally in the above-named former agricultural and mining export regions whose economic activity declined in general. These two hypotheses run counter to the notions of most people, and even to the opinions of some historians and other students of the subject, according to whom the historical roots and socioeconomic causes of Latin American latifundia and agrarian institutions are to be found in the transfer of feudal institutions from Europe and/or in economic depression.

The evidence to test these hypotheses is not open to easy general inspection and requires detailed analyses of many cases. Nonetheless, some important confirmatory evidence is available. The growth of the latifundium in nineteenth-century Argentina and Cuba is a clear case in support of the fourth hypothesis and can in no way be attributed to the transfer of feudal institutions during colonial times. The same is evidently the case of the postrevolutionary and contemporary resurgence of latifundia particularly in the north of Mexico, which produce for the American market, and of similar ones on the coast of Peru and the

new coffee regions of Brazil. The conversion of previously yeoman-farming Caribbean islands, such as Barbados, into sugar-exporting economies at various times between the seventeenth and twentieth centuries and the resulting rise of the latifundia in these islands would seem to confirm the fourth hypothesis as well. In Chile, the rise of the latifundium and the creation of the institutions of servitude which later came to be called feudal occurred in the eighteenth century and have been conclusively shown to be the result of and response to the opening of a market for Chilean wheat in Lima.⁸ Even the growth and consolidation of the latifundium in seventeenth-century Mexico—which most expert students have attributed to a depression of the economy caused by the decline of mining and a shortage of Indian labor and to a consequent turning in upon itself and ruralization of the economy—occurred at a time when urban population and demand were growing, food shortages became acute, food prices skyrocketed, and the profitability of other economic activities such as mining and foreign trade declined.⁹ All of these and other factors rendered hacienda agriculture more profitable. Thus, even this case would seem to confirm the hypothesis that the growth of the latifundium and its feudal-seeming conditions of servitude in Latin America has always been and still is the commercial response to increased demand and that it does not represent the transfer or survival of alien institutions that have remained beyond the reach of capitalist development. The emergence of latifundia, which today really are more or less (though not entirely) isolated, might then be attributed to the causes advanced in the fifth hypothesis—i.e., the decline of previously profitable agricultural enterprises whose capital was, and whose currently produced economic surplus still is, transferred elsewhere by owners and merchants who frequently are the same persons or families. Testing this hypothesis requires still more detailed analysis, some of which I have undertaken in a study on Brazilian agriculture.¹⁰

All of these hypotheses and studies suggest that the global extension and unity of the capitalist system, its monopoly structure and uneven development throughout its history, and the resulting persistence of commercial rather than industrial capitalism in the underdeveloped world (including its most industrially advanced countries) deserve much more attention in the study of economic development and cultural change than they have hitherto received. Though science and truth know no national boundaries, it is probably new generations of scientists from the underdeveloped countries themselves who most need to, and best can, devote the necessary attention to these problems and clarify the process of underdevelopment and development. It is their people who in the last analysis face the task of changing this no longer acceptable process and eliminating this miserable reality.

They will not be able to accomplish these goals by importing sterile stereotypes from the metropolis which do not correspond to their satellite economic reality and do not respond to their liberating political needs. To change their reality they must understand it. For this reason, I hope that better confir-

mation of these hypotheses and further pursuit of the proposed historical, holistic, and structural approach may help the peoples of the underdeveloped countries to understand the causes and eliminate the reality of their development of underdevelopment and their underdevelopment of development.

Notes

1. *América Latina*, Año 6, No. 4, October–December 1963, p. 8.
2. Instituto Nacional Indigenista, *Los centros coordinadores indigenistas*, Mexico, 1962, p. 34.
3. *Ibid.*, pp. 33–34, 88.
4. “Capitalist Development and Underdevelopment in Chile” and “Capitalist Development and Underdevelopment in Brazil” in *Capitalism and Underdevelopment in Latin America*, New York, Monthly Review Press, 1967.
5. Also see, “The Growth and Decline of Import Substitution,” *Economic Bulletin for Latin America*, New York, IX, No. 1, March 1964 and Celso Furtado, *Dialéctica do Desenvolvimento*, Rio de Janeiro, Fundo de Cultura, 1964.
6. Others who use a similar approach, though their ideologies do not permit them to derive the logically following conclusions, are Anibal Pintos S.C., *Chile: Un caso de desarrollo frustrado*, Santiago, Editorial Universitaria, 1957; Celso Furtado, *A formação econômica do Brasil*, Rio de Janeiro, Fundo de Cultura, 1959 (translated into English and published under the title *The Economic Growth of Brazil* by the University of California Press); and Caio Prado Junior, *Historia econômica do Brasil*, São Paulo, Editora Brasiliense, 7th ed., 1962.
7. See for instance Ramon Guerra y Sanchez, *Azúcar y población en las Antillas*, Havana 1942, 2nd ed., also published as *Sugar and Society in the Caribbean*, New Haven, Yale University Press, 1964.
8. Mario Gongora, *Origen de los “inquilinos” de Chile central*, Santiago, Editorial Universitaria, 1960; Jean Borde and Mario Gongora, *Evolución de la propiedad rural en el Valle del Puango*, Santiago, Instituto de Sociología de la Universidad de Chile; Sergio Sepulveda, *El trigo chileno en el mercado mundial*, Santiago, Editorial Universitario, 1959.
9. Woodrow Borah makes depression the centerpiece of his explanation in “New Spain’s Century of Depression,” *Ibero-Americana*, Berkeley, No. 35, 1951. François Chevalier speaks of turning upon itself in the most authoritative study of the subject, “La formación de los grandes latifundios en México,” Mexico, *Problemas Agrícolas e Industriales de México*, VIII, No. 1, 1956 (translated from the French and recently published by the University of California Press). The data which provide the basis for my contrary interpretation are supplied by these authors themselves. This problem is discussed in my “Con que modo de producción convierte la gallina maíz en huevos de oro?” *El Gallo Ilustrado, Suplemento de El Día*, Mexico, Nos. 175 and 179, October 31 and November 28, 1965; and it is further analyzed in a study of Mexican agriculture under preparation by the author.
10. “Capitalism and the Myth of Feudalism in Brazilian Agriculture,” in *Capitalism and Underdevelopment in Latin America*, cited footnote 4 above.