

JOHN V. LOMBARDI
JAMES A. HANSON

THE FIRST VENEZUELAN COFFEE CYCLE

1830-1855

One of the most difficult problems encountered by students of the post-independence period of Spanish American history is the lack of reliable economic history for this era.¹ Clearly, the development of local and regional economies after the close of the wars for independence shaped the course of political, social, and diplomatic history in the new American republics. In many parts of Latin America, patterns of economic, political, and social behavior set during the first generation of independence would last out the nineteenth century.

Few newborn republics demonstrated this characteristically close relationship between economics, politics, and society as clearly as Venezuela. Liberated from Spain through a heroic continental struggle led by Simón Bolívar, Venezuela helped form the Liberator's dream republic of Gran Colombia in 1821. During the next decade most Venezuelans were occupied in reestablishing their war-ravaged economy, supporting, however reluctantly, Bolívar's far-off military campaigns, and struggling to make the cumbersome and highly unstable confederation of Gran Colombia viable.²

But once Venezuela's *llanero* hero, General José Antonio Páez, took his country out of Gran Colombia in 1830, agriculturists, commercial agents, and bankers turned their full energies to exploiting a booming economy. Under the watchful eye of General Páez, the country prospered amidst its newfound political tranquility. Rising coffee prices and easy credit helped the Conservative Party supporting

JOHN V. LOMBARDI is Assistant Professor of History at Indiana University and JAMES A. HANSON is Assistant Professor of Economics at Brown University. The authors wish to acknowledge the institutions contributing research support for this article: Indiana University; Fulbright-Hayes program; Fundación Creole (Caracas); Fundación John Boulton (Caracas); Lilly Library (Bloomington, Indiana); Brown University; Yale Economic Growth Center; and Banco Central de Venezuela (Caracas).

¹ Two notable exceptions are Miron Burgin's pioneer study, *The Economic Aspects of Argentine Federalism, 1820-1852* (Cambridge, Mass.: Harvard University Press, 1946); and Michael P. Costeloe, *Church Wealth in Mexico: A Study of the "Juzgado de Capellanías" in the Archbishopric of Mexico, 1800-1856* (Cambridge: Cambridge University Press, 1967).

² Particularly helpful are: David Bushnell, *The Santander Regime in Gran Colombia* (Newark, Del.: University of Delaware Press, 1954); Francisco González Guinán, *Historia contemporánea de Venezuela*, 15 vols. (Caracas: Presidencia de la República, 1954); Caracciolo Parra Pérez, *Historia de la Primera República de Venezuela*, 2 vols. (Caracas: Academia Nacional de la Historia, 1959); Parra Pérez, *Mariño y la independencia de Venezuela* (Madrid: Cultura Hispanica, 1954-1957); Charles C. Griffin, *Temas sociales y económicos en la época de la independencia* (Caracas: Fundación John Boulton and Fundación Eugenio Mendoza, 1962); Gerhard Masur, *Bolívar* (Albuquerque: University of New Mexico Press, 1948).

General Páez to keep the peace and encourage progress. But during the late 1840s declining coffee prices and rising interest rates ended this politically stable and socially tranquil period. Along with the collapse of the coffee economy came the disintegration of the Conservative coalition and its replacement by a faction-ridden Liberal Party in 1848. Unable to govern effectively or to keep the country peaceful by force, the Liberal government struggled vainly with power until a full-scale civil war broke out in 1858, initiating a new cycle in Venezuela's political and economic history.³

In retrospect the years 1830 to 1850, which encompass the rise and decline of the first coffee cycle, appear critical for the political and social development of Venezuela in the nineteenth century. Although many political and social forces of the late nineteenth century had their origins in the colonial period, or received their directions during the independence era, it was during the first coffee boom that they found their shape and mode of operation. It is, for example, extremely difficult to understand the abolition of slavery in 1854 without a clear notion of the causes and effects of the coffee cycle which preceded it.⁴

Yet to attempt an analysis of the development of Venezuela's domestic economy during this period is risky. Not only are there few reliable monographs to guide one through the confusion of the periodical press,⁵ but the basic statistical series on population, exports, imports, and the like have yet to be compiled.⁶ Nonetheless, with the aid of the reasonably reliable *Memorias* of the Departments of the Interior and of the Treasury, and the often perceptive contemporary analyses of the state of the nation, a relatively accurate outline of the structure and development of the Venezuelan economy can be obtained.

Throughout the period under consideration Venezuela had a model agricultural export economy. With almost no native manufactures, she produced

³ For the period 1830–1858 see Federico Brito Figueroa, *Ensayos de historia social venezolana* (Caracas: Universidad Central de Venezuela [U.C.V.], 1960); Ramón Díaz Sánchez, *Guzmán; eclipse de una ambición al poder* (Caracas: Ministerio de Educación Nacional, 1950); José Antonio Páez, *Autobiografía del general . . .*, 2 vols. (New York: Hallet y Breen, 1867); Parra Pérez, *Marisó y las guerras civiles*, 3 vols. (Madrid, 1958–1960); John G. A. Williamson, *Caracas Diary, 1835–1840. The Journal of . . . , First Diplomatic Representative of the United States to Venezuela*, ed. Jane Lucas de Grummond (Baton Rouge, La.: Camellia Publishing Co., 1954); and Robert Ker Porter, *Sir Robert Ker Porter's Caracas Diary, 1825–1842. A British Diplomat in a Newborn Nation*, ed. Walter Dupouy (Caracas: Instituto Otto y Magdalena Blohm, 1966).

⁴ For some provocative long range views of Venezuelan history see Germán Carrera Damas, *Crítica histórica: ensayos y artículos* (Caracas: U.C.V., 1960); Brito Figueroa, *Historia económico-social de Venezuela; una estructura para su estudio*, 2 vols. (Caracas: U.C.V., 1966); Robert L. Gilmore, *Caudillism and Militarism in Venezuela, 1810–1910* (Athens, Ohio: Ohio University Press, 1964); and Laureano Vallenilla Lanz, *Cesarismo democrático; estudios sobre las bases sociológicas de la constitución efectiva de Venezuela*, 4th ed. (Caracas: Tipografía Garrido, 1961).

⁵ Little indeed has been written analyzing Venezuelan economics during this period with the exception of the relevant chapters in Bushnell's *The Santander Regime*. The most helpful Venezuelan efforts have been in the genre of the interpretative historical essay. See Carrera Damas, *Tres temas de historia* (Caracas: U.C.V., 1951) and Brito Figueroa, *Ensayos de historia social venezolana* (Caracas: U.C.V., 1960).

⁶ The statistical information on population and exports used for this article comes from a set of preliminary tables included in the Appendixes of a forthcoming book by John V. Lombardi, *The Decline and Abolition of Negro Slavery in Venezuela, 1820–1854* (Westport, Conn.: Greenwood Publishing Corp., 1971). These tables are designed primarily to show the relative orders of magnitude involved.

coffee, cacao, sugar, hides, and indigo for export along with smaller quantities of other commodities.⁷ But the crucial crop was coffee. Not only did it earn the most money, it was also the item most susceptible to price fluctuations. Much of the story of Venezuela's development in this period is the story of coffee expansion.⁸

Once the aftermath of the wars for independence had passed and Venezuela, ruled by the firm hand of President-General José Antonio Páez, separated herself from the Colombian Confederation, the economic recovery begun in the late twenties grew during the thirties into a full-fledged boom. Everything conspired to aid the expanding economy. Planters, whose lands, houses, and slaves had been destroyed or dispersed by the war, began the task of reconstruction with good prospects for a full and rapid recovery.

Before 1810 Venezuela had concentrated her exports on cacao almost to the exclusion of other crops.⁹ However, by the beginning of the nineteenth century some of the more adventuresome planters began experimenting with coffee, and by 1810 some 6.5 million pounds of this important crop were being exported from the Caracas province alone.¹⁰ This tendency to shift from cacao to coffee cultivation was accelerated by the independence movement. Not only did these fourteen years of warfare drain the country of manpower needed to care for and harvest cacao, but the most destructive campaigns in Venezuela took place in the major cacao-growing regions of the country, the Valleys of Aragua and Caracas and along the coast of Barlovento.¹¹

When the planters could safely return to their fields they had to devise some way to effect a quick recovery. Those whose cacao plantations still could be saved continued producing and marketing the valuable seeds, but for most planters all or large parts of their holdings were lost. New plantings would have to be made and for these men continued investment in cacao was difficult.

⁷ The statistics on Venezuela's coffee and cacao exports come from the customs information included in the annual *Memorias* of the Secretaría de Hacienda between 1833 and 1856. Hacienda, 1833, *Exposición que dirige al Congreso de Venezuela en 1833 el secretario de Hacienda sobre los negocios de su cargo* (Caracas: Valentín Espinal, 1833) [Title, date, and place of publication vary].

⁸ We concentrate on coffee because of its importance among exports (33-48 percent by value) and its rapid growth. The other crops expanded more slowly and their fluctuations paralleled those of coffee.

⁹ See Alejandro de Humboldt, *Viaje a las regiones equinocciales del nuevo continente*, trans. Lisandro Alvarado (Caracas: Ministerio de Educación, 1956), 3: 137-139, and Roland D. Hussey, *La compañía de Caracas, 1728-1784* (Caracas: Banco Central de Venezuela, 1962), *passim* and especially Apéndice 2. Also helpful are the figures and discussion of agriculture in Caracas province by José Domingo Díaz, *Semanario de Caracas* (Caracas: Academia Nacional de la Historia, 1959), *passim*.

¹⁰ See *Semanario de Caracas*, No. 9, 30 December 1810; Humboldt, *Viaje*, 3: 42-43; and Francisco Depons, *Viajes a la parte oriental de Tierra Firme* (Caracas: Banco Central de Venezuela, 1960), 2: 38-39.

¹¹ Evidence of large scale destruction is widely scattered throughout the records of the Secretaría de Interior y Justicia. See *Archivo General de la Nación* (Caracas), Gran Colombia—Intendencia de Venezuela, 32 (1821): 43-46; 63 (1822): 184 [hereafter *AGN*]. One of the hardest trials for most planters was the disorganization in the labor force of slaves and peons due to levies and the general instability. See also *AGN* 4 (1822): 190-193; 148 (1823): 31; Porter, *Caracas Diary*, pp. 141, 354, 432, 434, and 596; and Robert Ker Porter (Caracas) to Colonel Campbell (Bogotá), 6 February 1829, Lilly Library, Indiana University, 1828-1840, Porter mss., Sir Robert Ker Porter, Autograph Letter Books, 1: 48-50.

Not only were the trees expensive, but they took about six years to begin producing.¹² Coffee, on the other hand, appeared much more attractive. In addition to producing a marketable crop within three years of planting (half the time required by cacao), coffee could be planted at up to four times the density. Although producing only one harvest a year, each unit of land could generate up to twice as much income when planted in coffee as when planted in cacao.¹³ Given these conditions, plus an expanding world market in coffee which kept prices high for a time, the decision to plant coffee is not surprising. An additional encouragement to expansion was the fact that, beginning in the late 1820s, planters found it relatively easy to borrow the capital necessary to establish a plantation and maintain it for a number of years, albeit at extremely high interest rates.¹⁴

The boom which lasted almost unabated until the 1840s was extraordinary from almost every point of view. The export figures show that, while the total quantity of cacao exported grew very slowly between 1830 and 1840, the production of coffee doubled and then almost tripled in the same period.¹⁵ Such unprecedented growth had profound effects on all aspects of Venezuelan society and economy. Traditional relationships between capitalists, workers, commercial factors, planters, and government could not withstand both the onslaught of war and the exposure to the dynamics of rapid economic expansion.

Traditionally, investment capital for Venezuelan agriculture had come from three major sources: Spanish capitalists, the Venezuelan rich, and the Church.¹⁶ But the wars for independence ended these relationships. By the end of the eighteenth century large-scale Spanish investment in Venezuela was over, and the remaining individual capitalists were effectively destroyed or driven out by the war.¹⁷ Meanwhile, the same sort of calamities that forced planters to borrow money in the post-war era also ruined or blocked most of the Church's sources of capital. Before the war the Church had invested most of her resources in agri-

¹² There is an excellent chart included in a treatise by Agustín Codazzi on Venezuelan political and economic geography that shows relative maturation times, yields, and similar information for Venezuela's major crops during the late 1830s. Agustín Codazzi, *Obras escogidas* (Caracas: Ministerio de Educación, 1960), 1: 154–155.

¹³ Of course this income producing estimate is based on coffee prices during the 1825–1835 decade which tended to be higher in relation to cacao prices than they would be later on in the 1840s and 1850s. Codazzi, *Obras* 1: 154–155 and see n. 6, *supra*.

¹⁴ See for example *El Liberal*, 19 July 1842, No. 366; 22 July 1842, No. 367; *El Venezolano*, 26 April 1843, No. 174; 9 May 1843, No. 177; Alberto Rojas, *Influencia de la ley de 10 de abril de 1834 sobre la propiedad territorial en Venezuela* (Caracas: Imprenta Boliviana, 1844); *El Liberal*, 4 July 1846, No. 605; and the classic pamphlet by Fermín Toro, "Reflexiones sobre la ley de 10 de abril de 1834," *Pensamiento político venezolano del siglo XIX: textos para su estudio* (15 vols, Caracas: Presidencia de la República, 1960–1962), 1: 107–225; U.S. Department of State, *Diplomatic Despatches* (Venezuela); Microcopies of Records in the National Archives, No. 79, 1 (J. G. A. Williamson, Caracas, 12 April 1838); Great Britain, Public Record Office (London), *Foreign Office* 80 (Venezuela), v. 14, f. 36 [PRO, FO 80/14, 36] (D. F. O'Leary, Caracas, 22 February 1841), FO 80/22, 46–51 (D. F. O'Leary, Puerto Cabello, 30 June 1843).

¹⁵ See the export figures in Hacienda, 1833–1856, *Memoria* and *supra*, n. 6.

¹⁶ See Brito Figueroa, *La estructura económica de Venezuela colonial* (Caracas: U.C.V., 1963), pp. 285–300. Also revealing are the nostalgic commentaries of hard-pressed planters about the happy days of Church-dominated credit and lenient cacao factors. *El Venezolano*, 13 April 1844, No. 234. For an example of Church operations of this kind see Costeloe, *Church Wealth in Mexico*.

¹⁷ *El Venezolano*, 29 March to 26 April 1845, Nos. 274, 275, 276.

culture. *Censos, obras pías, capellanías*, and other holy loans were widely distributed among Venezuelan planters, and as their fortunes declined so did the Church's. In equally bad shape, Church-owned and administered properties added little or no revenue to the priestly coffers.¹⁸ Given the rate of expansion between 1825 and 1840, it appears that the Church was never in a position to contribute the large sums needed to support such a boom.

The credit vacuum existing in Venezuela soon after the war quickly filled with European and American speculators with an eye on the high prices of coffee and the desperate straits of the local planters. Evidently there was no lack of capital during these years, but the interest rates were phenomenal. In the late 1820s planters commonly paid two or three percent a month, although by the end of the 1830s this had fallen to around one percent a month.¹⁹ A more subtle danger for the planter lay in a change in the terms of credit. Long accustomed to the long-term, low-interest agricultural credit supplied by the Church, the planters were ill equipped to handle the intricacies of short-term, high-interest commercial credit extended by the exporters and their agents. Since the primary sources of capital, banks and commission houses, wanted loans that could be paid off in a year or less, most planters found themselves in the disagreeable position of having to deal with middlemen. Naturally, this raised the cost of money still higher as the middlemen took their cut.²⁰

Yet so desperate were Venezuelans for money that agricultural, cattle raising, and commercial interests joined together to remove all the restrictions on moneylenders imposed by Spanish legal tradition. As an inducement to foreign investors, the legislators voted to eliminate the protection Spanish law had placed around the debtor to guard him against exploitation by avaricious capitalists. This famous law, cursed and praised throughout the Páez era as the *Ley de 10 de abril de 1834*, showed the amount of political control gained by the

¹⁸ Churchmen were forever bewailing the decline of their terrestrial goods. *AGN* 4 (1822): 190-193; 147 (1823): 31; *Representación dirigida al soberano Congreso sobre que se reduzcan los réditos de los censos constituidos al dos y medio por ciento* (1831) in *Sociedad Económica de Amigos del País, Memorias y Estudios, 1829-1839* (2 vols., Caracas: Banco Central de Venezuela, 1958), 1: 141-152; *El Patriota Venezolano*, 26 January 1832, No. 6. See also *Archivo Arquidiocesano, Obras Pías*, carpeta 15, 1833; and Eduardo Arcila Farias et al., *La Obra Pía de Chuao, 1568-1825* (Caracas: U.C.V., 1968), p. 1.

¹⁹ It is extraordinarily difficult to chart the fluctuations of interest rates. While the material for such a task exists in such places as the *Registro Principal de Caracas* and the *Archivo Arquidiocesano*, the organization and analysis of these widely scattered data is a job for a trained economist or economic historian armed with the might of computer technology. Nevertheless, it is possible to glean enough information from the contentious periodical press to hazard an interpretation of the trends. The one percent per month figure is probably what planters paid for their money; merchants and moneylenders most likely paid less. See, *supra*, in addition to the items in n. 14, *La ley de 10 de abril y el comercio de Venezuela* (Valencia: Bartolomé Valdés, 1838); *La Bandera Nacional*, 18 September 1838, No. 60; *El Promotor*, 15 May to 26 June 1843, Nos. 4 to 10; *El Agricultor*, 21 February 1844, No. 1; *Gaceta de Venezuela*, 14 November 1847, No. 888; PRO, FO 80/25, 84-91 (Belford H. Wilson, Caracas, 13 March 1844); FO 80/25, 151 (Belford H. Wilson, Caracas, 20 April 1844).

²⁰ See Tomás Lander, "Continuación del apego sacerdotal a los bienes terrenales," *Pensamiento político* 4: 143-159; *El Liberal*, 19 July 1842, No. 366; *El Manzanares*, 28 March 1843, No. 3; *El Promotor*, 15 May 1843, No. 4; *El Relámpago de Marzo*, 9 March 1844, No. 1; *Pensamiento político* 4: 620-622.

commercial-mercantile elite under the first years of the Conservative Oligarchy's rule.²¹

Nor were the legislative triumphs of the commercial elite limited to the *10 de abril* law. Although this law allowed any rate of interest under any conditions, a special court was deemed necessary to avoid delays in the settling of commercial and financial claims. A commercial tribunal, created in 1836, had special jurisdiction over economic cases and followed few of the formalities usually prevalent in courts of law.²² Safely ensconced behind this legal barricade, the commercial sector created a National Bank in 1841 at the height of the coffee boom to help in their financial transactions and to handle the banking of the federal government.

This series of legislative victories testifies eloquently to the political ascendancy of the financial elite as well as to the necessity and optimism of Venezuelan planters. As long as the high price of coffee continued, and barring political calamities, the planters believed they could get out from under their high debts. By the same token the moneylenders willingly extended, renegotiated, or increased loans as long as the export market held up.

But the happy merry-go-round of debts, expansion, and high interest rates could not last forever. By the end of the 1830s numerous cracks began to appear in the foundations of the coffee boom. About 1840, planters began to feel the squeeze of their creditors as coffee prices sagged and loans were called in.²³ When a planter could not make good on his obligations or renegotiate the debt, the provisions of the *10 de abril* law went into effect, and his goods, land, or slaves were sold at public auction. This arrangement was not very satisfactory for the planter, since he generally lost his assets for the amount of his debt.²⁴

This type of transaction helped bring about a profound division in Venezuelan society between those who identified with the agricultural interests and those who sided with the commercial-mercantile elite. The split was symbolically formalized in 1840 when the planters helped found *El Venezolano*, edited by Antonio Leocadio Guzmán, and then organized the Liberal Party later in the same year. Originally concentrating on a change of leaders in the government, the party soon became more concerned with the economic crisis that gripped the nation, particularly the agricultural sector, in the years after 1842. Meanwhile, the Conservatives concentrated on keeping their privileges and control.²⁵

When crisis struck in 1842 and planters found themselves overextended, each individual quickly enlisted in the ranks of those leaders who promised a way out of his dilemma. Naturally enough, no one, planter or financial oligarch, wanted

²¹ González Guinán, *Historia* 2: 298-300; and *El Conciso*, 12 April 1834, No. 81.

²² Particularly useful are the revealing polemics conducted by Tomás Lander. *El Venezolano*, 8 August to 24 October 1843, Nos. 194, 197, 199, 202, 206, and 207, in *Pensamiento político* 4: 627-667.

²³ In addition to the above, see *La ley de 10 de abril y el comercio*; *La Bandera Nacional*, 18 September 1838, No. 60; *El Relámpago*, 2 November 1843, No. 2 in *Pensamiento político* 4: 590-592.

²⁴ Perhaps the best and most significant denunciation of this system is Fermín Toro's "Reflexiones sobre la ley de 10 de abril de 1834," in *Pensamiento político* 1: 107-225.

²⁵ In addition to articles cited in the three notes directly above, see the suggestive essay by Brito Figueroa in *Ensayos de historia social*, pp. 233-277.

to acknowledge himself responsible for his own problems. Prominent publicists vied with one another in analyzing the causes of and remedies for the crisis. There were three major areas of the economy which contributed most to the severity and duration of the crisis: production, labor, and credit.

During the decade of the 1830s Venezuelan planters, obsessed by the single-minded mania of coffee expansion, operated so energetically that between 1830 and 1842 coffee production almost tripled. Such a massive increment in exports of this vital crop reflected an equally massive commitment of capital and labor to the clearing, planting, and harvesting of new coffee plantations. Although some of the growth in the export figures can be traced to the substitution of coffee for cacao on already cleared land, or to the more intensive cultivation of existing plantations, most of it probably represented new plantings in new areas. This is clarified by the export figures for cacao during the boom period. Had the planters conducted an energetic campaign of conversion from cacao to coffee we could expect to see a rapid decline in the quantities of cacao exported. But nothing of the kind occurred, and in fact cacao production registered a slight increase during this period.²⁶ Since cacao was grown at much the same altitude-temperature combination as coffee, it seems safe to assume that most of the coffee growth came from new establishments on virgin land.²⁷

Nor does it appear accurate to attribute much of the expansion to improved methods or denser plantings in the coffee fields. Venezuelan planters were very slow to adopt new methods or employ new tools. The series of newspaper articles advocating improvements in pruning, fertilizing, planting, and harvesting contained the same ideas which had been advocated in the twenties.²⁸ Moreover, denser planting was a self-defeating method of expansion, since the yield of a coffee plantation declined in quantity and quality if the trees were crowded too closely together.

Since heavy investments in land, trees, and labor usually implied heavy planter indebtedness, the only way for a coffee baron to meet his financial obligations was to produce more and more coffee. However, at the end of each cycle of borrowing and planting, the planters found themselves in as much debt as before since coffee prices declined slowly through the boom period.²⁹ The price decline was the natural result of increased production by the major exporters—Brazilian, Ceylonese, and Venezuelan exports all expanded at roughly

²⁶ Hacienda, 1833-1856, *Memoria*; and *supra*, n. 6.

²⁷ Of course some of the increase in coffee production must have come from planters impressing food-producing lands into coffee cultivation. Indications of this can be seen in the discussion of food shortages in *El Liberal*, 22 July 1842, No. 367.

²⁸ For example, an 1809 treatise on coffee and cacao cultivation methods was thought valid enough in 1833 to be reprinted. [*Memoria de los abonos, cultivos y beneficios que necesitan los diversos valles de la provincia de Caracas para la plantación de café. Presentado al Real Consulado por un patriota que se interesa en la prosperidad de la agricultura, en 26 de octubre de 1809. Adicionada por un amigo de la agricultura con una instrucción para el gobierno de las haciendas de cacao* (Caracas: Tomás Antero, 1833). Typescript copy in possession of Don Pedro Grases, Caracas. In 1836 a long series of articles encouraged farmers to import machinery: *El Liberal*, 2-30 August 1836, Nos. 10-14. The same ideas reappeared in *Correo de Caracas*, 18 and 25 June 1839, Nos. 24 and 25.

²⁹ See Hacienda, 1833-1856, *Memoria* and n. 6, *supra*.

the same rate—³⁰ coupled with slowly growing demand in the United States and Europe, where panics and depressions slowed income growth. If the price declines did not completely bankrupt him, the planter typically reacted by seeking new loans in an attempt to expand production still more,³¹ but new production only contributed to further declines in coffee prices.

This extensive expansion also brought a rise in costs. As the boom decade progressed, most of the readily accessible land came under cultivation, and planters had to go further afield to find suitable undeveloped land. Once outside the traditionally cultivated areas they had to contend with Venezuela's abominably bad roads. In answer to their complaints Congress studied many projects for roads, but none of them was backed by sufficient interest or cash to become a reality. Thus, while the price of coffee declined, planters saw much of their diminishing margin of profit cut still further by rising transportation charges. When the sharp drop in coffee prices occurred in 1842, the rest of the planters' profit probably disappeared, and the cycle of expansion had to end.³²

At the beginning of the boom, plantation workers were easy to find. The relative stability established and guaranteed by the Páez regime, plus the return of discharged soldiers, encouraged better organization of rural labor. More importantly, peons found planters willing to pay well on the basis of the high price of coffee and rural laborers found it more advantageous to trade their work for the wages offered by planters than to remain occupied in subsistence agriculture. Since coffee production is a seasonal operation, the growers needed large numbers of workers only at harvest time. For the duration of the growing season, a smaller maintenance force was all that could be kept busy with the cleaning and pruning operations. With a large floating work force readily available, few planters worried much about labor problems.³³

As coffee production soared and more land came under cultivation, a larger percentage of the labor force became occupied with maintenance, which reduced the men available for seasonal harvest work.³⁴ In addition, falling coffee

³⁰ Brazil and Ceylon contributed to the abundance of coffee on the world market and thus to the decline in world coffee prices. See Donald Snodgrass, *Ceylon: An Export Economy in Transition* (Homewood, Ill.: Richard D. Irwin, 1966), p. 20; and Brazil, Instituto Brasileiro de Geografia e Estatística, Conselho Nacional de Estatística, *Anuario Estatístico, Ano V, 1939-1940* (Rio de Janeiro, 1940[?]), pp. 1374-1375.

³¹ This pattern was denounced in the press. See for example *El Liberal*, 19 July 1842, No. 366 (Remitidos: Crisis de 1842).

³² It is difficult to get an accurate estimate of transportation costs. But few Venezuelans doubted that the rising cost of transportation hurt the planters. See Lander, *Fragments Semanales*, "A los ciudadanos de la provincia" in *Pensamiento político* 4: 174-81; *El Liberal*, 22 July 1842, No. 367; *Instituto de crédito territorial* (Caracas: George Corser, 1845); PRO, FO 80/11, 33-35 (R. K. Porter, Caracas, 29 March 1840); FO 80/14, 36 (D. F. O'Leary, Caracas, 22 February 1841).

³³ Planters were never satisfied with their workers. However, complaints registered during boom times were mainly about behavior, not shortages or excessive cost. Caracas, 1833, *Memoria que presenta gobernador de la provincia de Caracas a la honorable Diputación de la misma reunida en sus sesiones ordinarias de 1833* (Caracas: Damirón y Dupuy, 1833), p. 21; and *Memorias de la Sociedad de Amigos del País*, 15 November 1834, No. 23 in *Sociedad Económica de Amigos del País*, 2: 345-356.

³⁴ Indicative of this shift was the increasing scarcity of foodstuffs as laborers became more occupied in commercial agriculture and spent less time on the production of food crops. U.S. Dept. State, Consular 4: No. 84 (B. Renshaw, La Guaira, 12 March 1837); 4: No. 84 (B. Renshaw, La Guaira, 12 January 1841).

prices made it harder for planters to attract any but the most temporary workers to their plantations, since they could no longer afford to pay the peons much more than could be made in subsistence agriculture.³⁵ This explains the sudden burst of interest in labor problems evidenced by planters and their supporters in the late thirties and through the forties.³⁶

In an attempt to control their labor force, planters devised codes of conduct which, if enforced, would have controlled the rural worker's every movement. Unfortunately for the planters, Venezuela's police force was so inefficient that almost none of the elaborate ordinances actually affected the peons.³⁷ And though provincial legislatures might pass and repass restrictive labor rules, no one could push through a law that would improve the conditions and wages of plantation peons—the only remedy with any possibility of success.³⁸

As the commercial agricultural sector shifted from overpopulation to underpopulation in the late 1830s, the Congress and the Department of the Interior became more and more interested in the possibilities of immigration.³⁹ Venezuela's population grew only twenty-five percent⁴⁰ in the decade of expansion, and many statesmen saw immigration as the answer to labor shortages. Unfortunately, Venezuela had little to offer prospective citizens, and government support of immigration remained limited.⁴¹ By and large most of the immigration to Venezuela in this period came from Spanish possessions, particularly the Canary Islands, and these immigrants were more interested in commerce than in agriculture.⁴² Nor was the decadent institution of slavery any help to the labor-hungry planters. In Venezuela slavery had reached its peak in the late

³⁵ See *El Eco Popular*, 3 March and 10 March 1840, Nos. 5 and 6; *El Liberal*, 31 March 1840, No. 205.

³⁶ Ads offering plantations for sale included information about available peon populations. *El Liberal*, 17 October 1837, No. 75; *El Venezolano*, 31 May 1841 and 31 May 1842, Nos. 51 and 113.

³⁷ Fernando Ignacio Parra Aranguren, *Antecedentes del derecho del trabajo en Venezuela, 1830-1928* (Maracaibo: Universidad del Zulia, 1965), pp. 283-360, 465-468; *El Venezolano*, 12 April 1842, No. 104; 3 January 1843, No. 151; 30 May 1843, No. 181; *El Liberal*, 19 April 1845, No. 541; *Protesta razonada* (Caracas: Valentín Espinal, 1845); *Gaceta de Venezuela*, 15 November 1847, No. 826; PRO, FO 80/8, 171 (Mackay, Maracaibo, 7 April 1838); FO 80/11, 33-35 (R. K. Porter, Caracas, 29 March 1840); FO 80/22, 51 (D. F. O'Leary, Puerto Cabello, 30 June 1843).

³⁸ This radical proposition received little support. *El Republicano*, 11 June 1845, No. 57.

³⁹ See González Guinán, *Historia* 2: 185, 220, 259, 297, 427; 3: 29, 60, 79, 121, 135, 140, 176, 181, 183, 223, 326, 379; 4: 17, 31, 88, 139, 256, 366, 371, 435; 5: 183, 204, 217, 265, 327 where the various efforts at encouraging immigration are listed.

⁴⁰ See the annual reports of the Ministerio del Interior y Justicia, 1832-1858. The birth and death figures in these *Memorias* plus the 1844 census and the population estimates of Agustín Codazzi, *Obras*, 1, provided the statistical basis for these estimates. Complete charts are in the Appendixes cited in n. 6, *supra*.

⁴¹ All parties agreed with the principle of immigration but many wanted only workers, not new citizens, and few could afford to pay immigrant laborers more than they paid their Venezuelan peons. *La Bandera Nacional*, 26 December 1837 and 9 January 1838, Nos. 22 and 24; *El Liberal*, 31 March 1840, No. 205; *El Venezolano*, 31 May 1841, No. 51.

⁴² See the list of Spanish nationals resident in Venezuela with their occupations in *Gaceta de Venezuela*, 6 June 1848, No. 918. An exception to this rule was the group of Scotsmen who came to Venezuela in the late 1820s. Privately financed, these people were so unsuccessful in setting up an agricultural colony that the British government had to pay their passage out of Venezuela. Porter, *Diary*, pp. 10, 24, 45-46, 51, 59-60, 146-147, 157, 170, 213-214, 236, 237, 253, 270, 281, 337-338.

eighteenth century and was on the wane at the time of the wars of independence. As a result of the military necessities of the war, Venezuela's founding fathers abolished the slave trade, and later, in 1821, they assured the eventual extinction of slavery by passing a free-birth law. In any event, slaves and free-born slave children could not have exceeded four or five percent of the population in the period under discussion. This could have had only a relatively small impact on the agricultural fortunes of the country.⁴³

Although planters had difficulties enough coping with labor problems and land shortages, even these were secondary when compared to the credit squeeze that set in with the crisis. Since the entire coffee boom depended on credit for its existence, restrictions on the amount of money available or any rise in the rates of interest were bound to wreak havoc among planters mortgaged far beyond their ability to pay. Throughout the boom period, and particularly in the early years, credit was readily available although at high interest rates, but, as the country stabilized and coffee production soared, interest rates fell from one or two percent monthly to about nine percent yearly between 1830 and 1840.⁴⁴ Nevertheless, as planters never tired of pointing out, few agricultural enterprises could boast of returning even six percent a year on capital invested.⁴⁵

Consequently, most planters were heavily in debt to commission houses, financial middlemen, the Church, or all three. Counting on continued coffee prosperity, growers evidently placed their hopes for economic survival on the income from increased plantings. But as prices declined slowly throughout the late 1830s, the average planter's margin of profit declined as well. In hopes of postponing the inevitable, planters borrowed more money to make more plantings or to pay off insistent creditors, thereby increasing their debt.⁴⁶ When the crisis of 1842-1843 occurred, these hacendados were in trouble as creditors began calling in loans and demanding payment of back interest. When payment was not forthcoming, the moneylenders put their cherished debt laws into effect and auctioned off the delinquent's property.⁴⁷ Planters beseeched the federal government for some kind of relief or protection, but that body, long dominated by the financial elite, appeared to have little interest in bailing out the desperate planters.⁴⁸

⁴³ For a discussion of the slave question see the following articles; Lombardi, "Los esclavos negros en las guerras venezolanas de la independencia," *Cultura Universitaria* 93 (October-December 1966): 153-168; "Los esclavos en la legislación republicana de Venezuela," *Boletín Histórica*, Fundación John Boulton 13 (January 1967): 43-67; "Manumission, Manumisos, and Aprendizaje in Republican Venezuela," *Hispanic American Historical Review* 49 (November 1969): 656-678. See also n. 6 *supra*.

⁴⁴ *Supra* ns. 14 and 19.

⁴⁵ See for example the series of articles on interest rates in *El Promotor*, 15 May to 26 June 1843, Nos. 4 to 10. See also *El Venezolano*, 9 May 1843, No. 177; *El Agricultor*, 13 March 1844, No. 4. However there is some evidence that *El Promotor* pleaded the case of agricultural distress to stir up ill will against the British Colonial Bank branch operating in Caracas. PRO, FO 80/25, 84-91 (B. H. Wilson, Caracas, 13 March 1844); FO 80/25, 151 (B. H. Wilson, Caracas, 20 April 1844).

⁴⁶ *El Liberal*, 19 July 1842, No. 366.

⁴⁷ See particularly the articles by Tomás Lander in *El Venezolano*, 8 August to 24 October 1843, Nos. 194, 197, 199, 202, 206, and 207 in *Pensamiento político* 4: 627-667.

⁴⁸ For some planter pleas see *El Eco de Venezuela*, 1 March 1846, No. 2 and *Gaceta de Venezuela*, 28 November 1847, No. 890. Conservative reactions can be seen in Santos Michelena, "Movilización del crédito territorial," *Pensamiento político* 12: 434-444.

Each group affected by the crisis of 1842-1843 developed elaborate schemes for economic recovery. Analyses of the causes of depression reflected rather clearly the analyst's interests. The moneylenders saw the sloppy management, extravagance, and improvidence of the majority of agriculturalists as the cause of crisis. They maintained that the planters had made their contracts with capitalists with open eyes and, if they now were unable to fulfill their obligations, they had no one but themselves to blame. In any case, a short crisis was probably a good thing, since it tended to weed out the weak planters and would serve eventually to strengthen the economy.⁴⁹

Such equanimity in the face of crisis was not shared by the hacendados. They clearly identified the major cause of trouble with the high cost of money and the ruthless methods of moneylenders, sanctified by the iniquitous *10 de abril* law. Although admitting that some farmers might have agreed to loans with interest far beyond their ability to repay and acknowledging the extravagance of a very few planters, the agricultural bloc claimed that the vast majority of coffee growers were honest, hardworking, frugal, and farsighted men. Such an exemplary group could hardly have brought the crisis on itself; the blame could be laid on the parasitic class of moneylenders and their puppet government. While the agriculturalists produced the crops that made Venezuela rich, the usurers collected all the money and took no risks.⁵⁰

Equally incompatible projects for stimulating recovery were propounded by the two groups. The Conservatives, firm believers in liberal economic doctrines, called for belt tightening and government aid to road building and immigration, which they felt would secure the long-term prosperity of Venezuela. By leaving intact the enlightened free credit laws, Venezuela would remain an attractive place for the foreign investment so necessary for her development.⁵¹

The planters said that roads and immigration were fine, but more direct and drastic measures were necessary to deal with the crisis. Since they believed the major illness of Venezuelan agriculture was financial rather than structural, the most effective remedies would be those aimed at changing the financial climate. First they proposed repeal of the law of *10 de abril*, as it legalized the worst forms of extortion and exploitation under the guise of freedom of contracts. Once the money power lost its stranglehold over the country, adequate credit laws could be passed regulating the amount of interest legally collectible. Even these reforms would have little effect on the immediate predicament of the only productive class in society; what all growers needed more than anything else was money—money to employ peons to harvest their crops, money to tide them over until the price of coffee turned upward, but most of all money at a low interest rate so the planters could get out of their credit bind. The best plan, the growers thought, would be to establish an agricultural credit institution which would provide capital by foreign loans guaranteed by the nation. Since few agricultural enterprises made more than six percent on their capital, loans

⁴⁹ *El Liberal*, 19 July and 22 July 1842, Nos. 366 and 367; 31 January 1846, No. 583; 4 July 1846, No. 605.

⁵⁰ See the articles in *El Venezolano* and *El Agricultor* as well as the items by Tomás Lander and Fermín Toro previously cited.

⁵¹ Conservative views are found principally in the columns of such papers as *El Liberal*.

to farmers should be fixed at six percent interest per year and should be available only to those with agricultural properties to mortgage. According to its proponents, this scheme would be self-supporting, since agriculture was a good investment at six percent.⁵²

The Conservatives called the plan special interest legislation and protested that it was unfair for the entire nation to pay for the relief of a small group of backsliding farmers. All the country needed was more honesty and industriousness among the agricultural population. Moreover, such a plan would never pay for itself, and the nation would eventually have to pay off the foreign loan. Besides, the nation already had the Banco Nacional whose wise policies had resulted in a steadily declining interest rate since it was founded in 1841.⁵³ The solution to Venezuela's ills, the Conservatives reiterated, was morality, industry, and prudence coupled with an energetic road program and increased encouragement to immigrants.

As the crisis which began in 1842 lingered on through 1843 and 1844, the discussion over these issues grew more and more strident, and the dividing line between money men and planters grew sharper. In the elections of 1844 the planter-dominated Liberal Party scored a number of triumphs at the polls which prompted them to present to Congress their plan for an agricultural bank. After much public controversy the Liberals forced a vote and passed the measure. But Conservative President Carlos Soublette vetoed the bill and sent it back to Congress. Although the Liberals counted one vote more than the two-thirds needed to repass the measure over the presidential veto, the defection of two members of the Liberal majority allowed the Conservatives to defeat this sensitive measure. Outraged Liberals, crying bribery, began laying plans for victory in the elections scheduled for 1846.⁵⁴

In the supercharged atmosphere fostered by the bitter legislative battles no one could hope for a peaceful election. Liberals, fighting in a campaign marred by violence and fraud, were severely handicapped by divisions within the party over the choice of a presidential candidate. Conservatives, united behind Páez's choice, General José Tadeo Monagas, enjoyed all the advantages of controlling most public offices. Given such a situation it was not surprising that the Conservatives, by means of fraud and force, captured the presidency. With all avenues of peaceful conquest of power closed, desperate planters turned to armed rebellion in some of the richest agricultural districts of Venezuela. For most of 1846 and the first part of 1847 the outgoing Conservative administration of President Soublette had to chase down the rebels.⁵⁵

⁵² This theory was propounded by almost all the defenders of agriculturalists. The classic exposition is Francisco Aranda's "Un pensamiento para ser examinado," in *El Venezolano*, 13 April 1844, No. 234. See also Antonio Leocadio Guzmán in *El Venezolano*, 29 March to 26 April 1845, Nos. 274, 275, and 276. On interest rates, see Toro, "Reflexiones sobre la ley de 10 de abril de 1834," *Pensamiento político* 1: 107-225; *El Nacional*, 4 May to 24 May 1848, Nos. 1 to 4; and *Diario de Debates*, 28 March to 9 May 1849, Nos. 65, 94, and 98.

⁵³ See *El Liberal*, 19 April 1845, No. 541; *Instituto de crédito territorial*; and *El Liberal*, 31 January 1846, No. 583.

⁵⁴ González Guinán, *Historia* 3: chaps. 40-48; Ramón Díaz Sánchez, *Guzmán*, passim; Rafael Agostini, . . . *a sus conciudadanos* (Caracas: Imprenta Boliviana, 1845).

⁵⁵ González Guinán, *Historia* 4: chaps. 52-62. Also very helpful for the political history of this period is Parra Pérez, *Mariño y las guerras civiles*.

Evidently the desperation and strength of the Liberal rebels, as well as the social and economic prominence of some of the leaders, enlightened Monagas about the gravity of the depression. By late 1847, soon after taking office, Monagas cut himself loose from the political tutelage of Páez and began to bring prominent Liberals into his administration. By January 1848 this shift to Liberal dominance was so complete that the Conservative caudillo, Páez, rose in rebellion against the president he himself had elected.⁵⁶

Although short-lived, the rebellion contributed one more blow to the already sagging economy. While the price depression continued to plague coffee growers, their peons were drafted by one side or the other to fight out the rebellion.⁵⁷ Nor did the military defeat of Páez in 1849 end the problem, because the conservative exiles kept up an unending stream of propaganda and subversion from the neighboring islands, always a haven for out-of-favor Venezuelans.⁵⁸

Enjoying almost complete support from the planter elite, the Monagas government proceeded to pass into law much of the Liberal program. The major pieces of pro-creditor legislation such as the *10 de abril* law were repealed and replaced by more lenient credit arrangements. Unfortunately, the agricultural credit bank failed to become a reality for lack of resources, and the only two commercial banks in the country folded in the early 1850s.⁵⁹

Thus the Liberal political triumph could not be transformed into economic recovery. Civil war and its attendant disorganization of agriculture, together with continued low coffee prices, prolonged the depression through the late 1840s and into the 1850s until 1858 when the long Federal War began. The lack of statistical information available during and after 1855 prevents any comparison of output levels; due to the massive dislocation and destruction, it is unlikely that coffee production reached levels much above those in 1870.⁶⁰ Then a new golden age for Venezuelan coffee based on Andean production ensued; the analysis of this new boom and its political impact is beyond the scope of this article.

⁵⁶ González Guinán, *Historia* 4: chaps. 1-13. See also PRO, FO 80/26, 109-111 (B. H. Wilson, Caracas, 1 July 1844); FO 80/32, 117-121 (B. H. Wilson, Caracas, 31 March 1845); FO 80/33, 201-205 (B. H. Wilson, Caracas, 7 December 1845); FO 80/39, 322-324 (B. H. Wilson, Caracas, 21 August 1846); FO 80/40, 20-26 (B. H. Wilson, Caracas, 19 September 1846); FO 80/44, 84-86 (B. H. Wilson, Caracas, 4 February 1847); FO 80/44, 185-188 (B. H. Wilson, Caracas, 4 March 1847); FO 80/45, 156-158 (B. H. Wilson, Caracas, 20 May 1847); U.S. Dept. State, Diplomatic, No. 79, 2 (A. A. Hall, Caracas, 25 May 1844); No. 79, 2 (A. A. Hall, Caracas, 27 June 1844); No. 79, 2 (A. A. Hall, Caracas, 28 October 1844); No. 79, 2 (V. Ellis, Caracas, 10 December 1844); No. 79, 3 (B. G. Shields, Caracas, 30 September 1846); No. 79, 4 (B. G. Shields, Caracas, 7 January 1848); No. 79, 4 (B. G. Shields, Caracas, 29 January 1848); No. 79, 4 (B. G. Shields, Caracas, 17 February 1848).

⁵⁷ González Guinán, *Historia* 4: chaps. 7-13; 5: chap. 14; and *El Centinela de la Patria*, 9 December 1846, No. 8.

⁵⁸ González Guinán, *Historia* 5, *passim*. For the state of public order in the provinces see *Archivo General de la Nación*, Interior y Justicia 361 (1848): 1-187; 361 (1848): 358-494; 362 (1848): 1-106; 362 (1848): 162-252; and 511 (1853): 185-358.

⁵⁹ González Guinán, *Historia* 5: chaps. 14-20.

⁶⁰ The small amount of empirical evidence shows constant or declining export levels during the period and it is not until the 1870s that significantly higher average levels are reached. Veloz, "Comercio exterior de Venezuela, 1830-1 a 1936-37," *Revista de Hacienda* (Caracas) 10 (1938): 27-112.