1. Examine the impact of colonial economic structures on the socio-economic development of Latin America.

Ans: The Spanish empire and the Portuguese empire ruled much of the New World from the early sixteenth century until the early nineteenth, when Spanish America and Brazil gained their independence. The wealth and importance of colonial Latin America was based on two main export products: silver and sugar. Many histories of the colonial era end with the political events of independence, but a number of economic historians see important continuities between the colonial era and the post-independence era up to around 1850. The continuities from the colonial era in the economies and institutions had an important impact on the new nation-states' subsequent development.

Spanish conquest and the Caribbean economy
Spain quickly established full colonies on Caribbean islands, especially Hispaniola (now Haiti and the Dominican Republic) and Cuba, following the first of Christopher Columbus in 1492. They founded cities as permanent settlements, where institutions of crown rule were established for civil administration and the Roman Catholic Church. Cities attracted a range of settlers. Although the Spanish were to encounter the high civilizations of the Aztecs and the Incas in the early sixteenth century, their quarter-century of settlement in the Caribbean established some important patterns that persisted. Spanish expansionism had a tradition dating to the reconquest of the peninsula from the Muslims, completed in 1492. Participants in the military campaigns expected material rewards for their service. In the New World, these rewards to Spaniards were grants to individual men for the labor service and tribute of particular indigenous communities, known as the encomienda. Evidence of gold in the Caribbean islands prompted Spanish holders of encomiendas to compel their indigenous to mine for gold in streams, often to the detriment of cultivating their crops.

Silver and labor systems
The Spanish discovery of silver in large deposits was the great transformative commodity for the Spanish empire's economy. Discovered Upper Peru (now Bolivia) at Potosí and in northern Mexico, silver mining became the economic motor of the Spanish empire. Spain's economic power was built on silver exports from Spanish America. The silver peso was both an export commodity as well as the first global money, transforming the economies of Europe as well as China. In Peru silver mining benefited from its single location in the zone of dense Andean settlement, so that Spanish miner owners could utilize the forced labor of the prehiapan system of the mita. Also highly important for the Peruvian case is that there was a source of mercury silver and gold amalgamation, used in processing, at the relatively close-by Huancavelica mine. Since mercury is a poison, there were ecological and health impacts on human and animal populations.

Sugar, slavery, and plantations
Sugar was the other major export product in the colonial era, using the factor endowments of rich soils, tropical climate, and areas of cultivation close to coasts to transport by the refined sugar to Europe. Labor, a key factor for production was missing, since the indigenous populations in the tropical areas were initially small and did not have a pre-existing system of tribute and labor requirements. That small population then disappeared entirely. Brazil and islands in the Caribbean, cultivated sugar on a huge scale, using a labor force of African slaves traded to the tropics as an export commodity from Africa, dating from the earliest period of Iberian colonization until the mid nineteenth century.

The development of the colonial economy
In Spanish America, the initial economy was one based on the tribute and labor of settled indigenous populations that were redirected to the small Spanish sector. But as the Spanish population grew and settled in newly founded Spanish cities, enterprises were created to supply those urban populations with foodstuffs and other necessities. This meant the development of agricultural enterprises and cattle and sheep ranches near cities, so that the development of the rural economy was closely tied to the urban centers. A major factor in the development of the colonial economy and its integration into the emerging global economy was the difficulty in transportation. There were no navigable rivers to provide cheap transportation and few roads, meaning that pack animals were used extensively, particularly sure-footed mules loaded with goods. Getting goods to markets or ports generally involved mule trains. The environmental impact of economic activity, including the Columbian Exchange have become subjects for research in recent years. The importation of sheep damaged the environment, since their grazing grass down to the roots prevented its regeneration. Cattle, sheep, horses, and donkeys imported from Europe and proliferated in haciendas and ranches in regions of sparse human settlement, and contributed to the development of regional economies. Cattle and sheep were used for food as well as leather, tallow, wool, and other products. Mules were vital to transporting goods and people, especially since roads were unpaved and virtually impassable during the rainy season. A few large estate owners derived wealth from economies of scale and made their profits from supplying the local and regional economies, but the majority of the rural population was poor.

Manufactured goods
Most manufactured goods for elite consumers were mainly of European origin, including textiles and books, porcelain, and silk coming from China via the Spanish Philippine trade, known as the Manila Galleon. Profits from the colonial export economies allowed elites to purchase these foreign luxury goods. There was virtually no local manufacturing of consumer goods, with the exception of rough woolen cloth made from locally raised sheep destined for an urban mass market. The cloth was produced in small-scale textile workshops, best documented in Peru and Mexico, called obrajes, which also functioned as jails. Cheap alcohol for the poor was also produced, including pulque, chicha, and rum, but Spanish American elites drank wine imported from Spain. Tobacco was cultivated in various regions of Latin America for local consumption, but in the eighteenth century, the Spanish crown created a monopoly on the cultivation of tobacco and created royal factories to produce cigars and cigarettes.