

The Economic Aspects of Spanish Imperialism in America, 1492–1810

JOHN R. FISHER



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CHAPTER 1

Introduction

THE HISTORIOGRAPHICAL CONTEXT

The traditional, stereotyped interpretation of economic relations between Spain and Spanish America during the colonial period may be summed up as follows: the principal motive for Spanish imperial expansion was the search for gold; the commercial system created in the sixteenth century for the regulation of trans-Atlantic trade succeeded on the whole in protecting treasure shipments, but its restrictive features encouraged Spanish Americans to turn to contrabandists for supplies of manufactures and outlets for their produce; an official preoccupation for over two centuries with shipping to Spain as much American bullion (initially gold, subsequently silver) as possible, caused inflation and industrial decline in the peninsula, and also inhibited the development of America's potential as an exporter of agricultural goods and raw materials; although the defects of the Hapsburg commercial system were widely discussed in Spain during the first half of the eighteenth century, it was not until the 1760s that serious attempts were made to restructure it; the commercial and economic reforms introduced in the reign of Charles III (1759–1788) encouraged rapid economic growth in both Spain and America, but their beneficial results were undermined by Spain's involvement from 1796 in a long cycle of international conflict which culminated in the collapse of the monarchy in 1808; during the subsequent Wars of Independence in Spanish America, economic grievances and aspirations constituted the fundamental force which impelled creoles to seek separation from Spain; however, the destructive aspects of the transition to independence ruined the modest prosperity of the late Bourbon period and left the emerging republics bankrupt, economically decadent and ripe for subjugation in the nineteenth century by British and United States economic interests.

This dark picture of incompetence and underdevelopment is not

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the product of the Anglo-Saxon 'black legend' of Spanish misrule, or of twentieth-century development theory, although proponents of both schools of thought have subscribed to its principal features. Instead, it was first articulated in the mid-eighteenth century within government circles in Madrid by statesmen who had convinced themselves that Spain's decline as an international power since the sixteenth century had been caused by the mismanagement of Spanish American resources. The key to revival, they argued, resided in a fundamental reformation of economic attitudes and policies towards the realisation of the empire's untapped potential for economic growth. For example, in his famous *Nuevo sistema de gobierno para la América*, written in 1743, José del Campillo y Cossio, a former Minister of Finance, issued a damning critique of the imperial economic structure which had been created in the sixteenth century for the regulation of economic relations between Spain and America, and which, despite his protests and those of other critics, would persist with only minor modifications until the reign of Charles III.¹ The fundamental defects of the economic system inherited from the Hapsburg period, Campillo lamented, were the twin evils of an insistence upon the overriding importance of precious metals as trading commodities, and the imposition upon trans-Atlantic trade between Spain and America of a restrictive commercial structure which, although well-designed to bring bullion safely back to Seville and Cádiz, had stifled rather than stimulated the Spanish and Spanish American economies. He accepted that 'the greed for mines' had provided great benefits for Spain during the initial period of conquest, 'when she produced the goods exchanged for gold and silver'. In his view, however, the failure properly to develop America's potential as a supplier of agricultural goods to the international market, coupled with the inability to protect and promote industry within Spain to supply the empire, meant that, in reality, 'the infinite treasure that we have continued to extract passed to and enriched other nations'.²

Arguing strongly in favour of a dual policy of administrative reform and liberalisation of trade—in his view the only means of developing America as a protected market for Spanish manufactures and a source of raw materials for Spanish industry—Campillo was prepared to concede that the production in America of gold and silver was not intrinsically harmful, but in the particular context of Hapsburg and early-Bourbon economic policies the consequential

neglect of agriculture and the imposition of rigid controls upon shipping had actually caused economic decline in Spain, because of the double error of restricting the supply of Spanish goods to America while failing, in practice, to deter foreigners from participating in direct, albeit contraband, trade. Spain's clumsy and grudging attempts to meet the demands of American consumers by means of a system of annual fleets, devised, as we shall see, in the 1560s primarily to protect returning treasure shipments, although perhaps necessary during periods of warfare, had served in peacetime only to benefit contrabandists by giving them early notice of when and to where official convoys would sail.

Views such as these were not novel by the 1740s. More than a century earlier prominent critics of government policy (such as Sancho de Moncada, writing in 1619) had argued vigorously that foreign capitalists and manufacturers were the principal authors of Spain's economic ills, and in the second half of the seventeenth century a number of prominent writers, including Juan de Castro, Eugenio Carnero, Francisco Martínez de Mata, and Luis Cerdeño de Monzón had taken up the theme of the need to liberalise the imperial commercial system.³ Then, however, they were regarded as dreamers and romantics, and were rarely taken seriously by their contemporaries. By the middle of the eighteenth century, however, the clamour for change, and by extension the condemnation of existing economic policies, were loudest in the circle of men who were not only theorists but also holders of high office. They included Bernardo Ward, a crown adviser on trade and finance, whose 1762 *Proyecto económico*—first published in 1787—argued strongly in favour of the abolition of the Cádiz monopoly of trade with America, and the lowering of taxes on American commerce.⁴ The powerful Pedro Rodríguez de Campomanes, who moved from the Council of Finance in 1762 to become a leading member of the Council of Castile, was also an outspoken critic of the unreformed commercial system, and in particular of the fact that the bullion which it shipped to Spain from America was by its very nature unproductive.⁵

The intellectual debt owed to Campillo by Ward and Campomanes—and by other statesmen of the 1760s concerned with Indies policy, including Miguel de Múzquiz and José de Gálvez—is widely recognised by analysts of Spanish imperial policy of the eighteenth century.⁶ Somewhat less derivative, although reaching remarkably similar conclusions, was the influential and secret report written for

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the crown in 1749 by two famous naval officers, Jorge Juan and Antonio de Ulloa, who had returned to Madrid in 1746 after a 10 year period of participation in a French scientific expedition which had taken them along the Pacific littoral of South America.⁷ In the work known to posterity as the *Noticias secretas de América*, the title given to it in 1826 by David Barry, the editor of the first published version, they made a number of crucial observations about the untapped economic potential of South America, which the ministers who had access to the report in the mid-eighteenth century realised were capable of application to the whole of Spanish America.⁸ Juan and Ulloa wrote enthusiastically of the resources of South America, which consisted of not only gold, silver, other metals and precious stones but also a multitude of medicinal plants and trees. Any nation but Spain, they argued, would have taken steps to exploit particularly the region's agricultural potential. However, unlike their French counterparts in the Caribbean islands or the British in North America, Spanish settlers, taking their lead from the crown, had failed to recognise the importance of natural resources other than gold and silver:

All those things that Peru produces . . . would be sufficient riches for any other nation that knew how to give them the estimation they deserve; but in the power of our (nation) we not only fail to make commerce with them, taking from other nations that do not possess them the utility of their value, but we do not even know how to take advantage of them for our own use . . . because we subjugate ourselves to the production of gold and silver, and we leave abandoned every type of plant, only to see ourselves then obliged to give up our gold and silver for the very plants that we previously scorned.

England, by contrast, in colonising North America, 'which lacks mines of gold and silver, has made itself powerful with only the fruits produced by the earth; and with paper money it has built cities of gold and silver'.⁹

Three decades after this report was written, Spain's third Bourbon king, Charles III, promulgated the *Reglamento y aranceles reales para el comercio libre de España a Indias* of 1778, the introduction to which acknowledged the above criticisms of the unreformed commercial system by declaring that 'only a free and protected commerce between European and American Spaniards is capable of restoring the Agriculture, Industry and Population of my Dominions to their former vigour'.¹⁰ Chapters 9 and 10 of the

present work will discuss the background to and the actual results of the process of commercial reform. For the present it is appropriate to note that within a further decade the reforming ministers of Charles III were convinced that the changes implemented in the imperial commercial structure and their general stimulation of the Spanish American economy had, indeed, restored Spain to the first rank of great powers, as evidenced by its victory over Britain in the War of American Independence. The well-known report presented to the king in 1788 by the Conde de Floridablanca, chief minister since 1777, was particularly eloquent upon this theme, proclaiming a three-fold expansion in colonial trade during the previous decade, the doubling of customs revenues, the high standing of public credit, and the success of a major programme to promote public works, including the construction of roads and canals.¹¹

It is at this point that traditional historiography and modern scholarship begin to move in different directions, disagreeing not only about the detail of when the thrust of imperial reform began to lose its momentum—some scholars argue that the decline began in 1787 with the death of the vigorous Minister of the Indies, José de Gálvez, whereas others insist that the programme persisted until 1792, when the division of the Ministry's functions between other government departments was just one of many conservative responses to the political instability created by the French Revolution—but also over the much broader issue of whether the Spanish American reforms of Charles III were as structured, as deliberate, and, above all, as prompt as their apologists have argued.¹² Increasingly, the historical research of the last twenty years has moved away from the characterisation of these reforms as cohesive and far-sighted, towards an emphasis upon their halting, uncertain, and essentially incomplete nature. The continuation of this discussion, and a consideration of its implications for the understanding of both the late Hapsburg–early Bourbon period, and the origins of the Spanish American Revolutions for Independence, will underpin a significant proportion of the later chapters of this book.

CHAPTER STRUCTURE AND METHODOLOGY

The fundamental aim of this book is to draw upon both traditional historiography and recent scholarship, primarily of the period since

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the late 1960s, as the basis for an analysis of economic relations between Spain and Spanish America, and their implications for the economic structures of both parties, from the very beginning of Spanish imperial expansion in the late-fifteenth century until the outbreak of the Spanish American Revolutions for Independence from Spain at the beginning of the second decade of the nineteenth century. It seeks to combine a necessary concentration upon the shifting aims and underlying assumptions of the metropolis with a consideration of American responses to its imperatives. It also attempts to keep in mind the fundamental question of whether the Spanish crown was actually capable of determining patterns of economic development over a long period in Spanish America, or, in reality, as recent commentators have suggested, tended, particularly in the eighteenth century, to react to changes which occurred spontaneously, and primarily as a consequence of internal, American factors of development. The consideration of the general economic policies pursued in America by the Spanish crown pays particular attention to its preoccupation in the Hapsburg period with the production and remission to Spain of gold and silver, its desire to restrict the development of colonial industries which might compete with those of the metropolis, its attempts to impose and maintain the exclusion of foreign ships from direct trade with America, and the significance of this policy for the definition of trade routes. It goes on to analyse the gradual shift in the first half of the eighteenth century towards a policy of trying to develop more effectively the vast productive potential of America which had been relatively ignored during the sixteenth and seventeenth centuries.

The effectiveness—or lack of it—of these fluctuating policies is examined by means of a discussion of the development of mining, agriculture, industry and commerce in America, and by analysis of the extent to which foreign producers and merchants were actually able to penetrate the Spanish American economic system, through both contraband trade and in some cases special privileges. The actual organisation of the book combines chronological and thematic approaches. It begins with a general overview of the economic aspects of Spanish imperial expansion in America until the mid-sixteenth century, juxtaposed with a brief discussion in Chapter 3 of what America was able to offer Spain (and, through her, Europe as a whole) in terms of products and resources. It goes on in Chapter 4

to provide a detailed explanation of the imperial commercial policy refined by the Spanish crown in the third quarter of the sixteenth century for the control of those resources, with an explanation of the development of the fleet system, commercial routes, and patterns of trade. Chapter 5 looks in detail at inter-colonial trade, and explains the ways in which it was articulated, directly and indirectly, towards trans-Atlantic structures. The focus then shifts in Chapter 6 from official channels of exchange to the theme of foreign intrusion into the Ibero-American economy in the seventeenth century. This analysis emphasises the economic significance of British, French and Dutch commercial and territorial intervention, primarily in the Caribbean, and the gradual ability of the intruders to secure a grudging Spanish acceptance of their presence in the American territories, initially claimed exclusively by Spain, through both territorial acquisitions and superior economic and commercial performance. Chapter 7 concludes the analysis of the economic structures and relations established during the Hapsburg period, by examining the development within Spanish America of mining, agriculture and industry. It shows, in other words, how Spanish Americans responded to the varied and sometimes contradictory stimuli provided by Spain's needs and aspirations, but also considers the economic consequences of the direct and indirect penetration of the Spanish American economic system by other European nations, and the pressures generated spontaneously within Spanish America by the infrastructural changes in social and economic life, especially in the seventeenth century.

Chapters 8–12 deal exclusively with the Bourbon era, inaugurated in 1700, following the death of the childless Charles II, with the accession to the Spanish throne of Philip V, grandson of Louis XIV of France and María Teresa (the daughter of Philip IV of Spain). Chapter 8 provides an overview of economic relations between Spain and Spanish America during the reigns of the first two Bourbons, Philip and his successor Ferdinand VI, a period when significant modifications were to be made to the imperial commercial structure without really altering its fundamental characteristics, and concludes with a brief discussion of the first few years of the reign of Charles III. The weaknesses, both economic and strategic, of that traditional commercial structure were brought home with sickening force to the third Bourbon monarch, Charles III (1759–1788) by Spain's naval and military

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humiliation at the hands of Britain following its tardy entry in 1762 into the mainly Anglo-French conflict known as the Seven Years' War (1756–63). The capture of Cuba by the British in August 1762 was so traumatic that the end of the war in 1763—Cuba was restored to Spain, but only in exchange for Florida—was followed immediately by a searching enquiry into and discussion of the whole imperial structure. Commercial and economic issues were at the heart of these debates, for the strengthening of defences would require greatly increased yields from taxation, and in 1765, as Chapter 9 explains, the process of freeing trade from old restrictions began with the opening of nine Spanish ports to direct trade with the islands of the Caribbean. In 1778 the *Reglamento de comercio libre*, already referred to in the first part of this Introduction, extended the system to all of South America except Venezuela, and the number of enfranchised Spanish ports was increased to thirteen. Finally, in 1788–89, free trade was formally extended to Venezuela and New Spain.

The second part of Chapter 9 examines in detail the results of this revolution in commercial policy for the Spanish economy, and provides details of the value of trade and its impact upon peninsular regional economies until the end of the eighteenth century, when the entry of Spain into a long period of warfare against Britain as an ally of revolutionary France brought the late-colonial cycle of economic and commercial expansion to an abrupt halt. Chapter 10 continues the analysis of the effects of commercial reform, concentrating on its impact upon economic life in America. It explains that, despite the significant and intended development of Spanish American agriculture in the last quarter of the eighteenth century, silver continued to dominate exports to Spain. To a large extent, therefore, economic and commercial growth was a reflection of the growth in silver production in America in the eighteenth century. The reasons for this growth in output are also considered in Chapter 10, which examines the impact of official attempts to develop the mining industry by means of, for example, technical improvement, tax concessions, and modernisation of its legislative framework.

Chapter 11 moves chronologically into the first decade of the nineteenth century, providing an overview of Spanish-Spanish American economic relations in the short but crucial period between 1797, when the crown granted permission for the ships of

neutral nations to trade directly with its American ports, and the outbreak of the Wars of Independence in many parts of America in 1810. The concluding Chapter 12 provides a partially retrospective analysis of the relationships between economic and fiscal grievances and the principal insurrections which occurred in Spanish America during the late colonial period. The Bibliographical Essay is intended to provide not an exhaustive listing of works relating to the economies of Spanish America and Spain during the colonial period—such an enterprise would call for a multi-volume study—but a practical working bibliography for non-specialists, directing them to key and accessible works on the topics discussed in the main text.

An anonymous reader of an early draft of the manuscript paid the author a profound compliment, almost certainly unintentionally, by describing it as an economic history apparently intended for readers who would not see themselves as economic historians. Precisely. The book is consciously aimed at non-specialists—undergraduates and postgraduates—seeking a work of reference which summarises the state of current understanding of the principal features of the economic policies of Spain in Spanish America, and of Spanish American responses to them, during the colonial period. At the same time, it is hoped that fellow-professionals will find it useful for teaching purposes. It is certainly not intended as the final word. Indeed, one of its key aims is to draw attention to the many gaps that exist in current historical understanding of economic life in colonial Spanish America, and thereby, perhaps, to encourage others to take advantage of the many opportunities that exist for further research.

NOTES

1 Although not published until 1789—as *Nuevo sistema de gobierno económico para la América. Con los males y daños que la causa el que hoy tiene, de los que participa copiosamente España; y remedios universales para que la primera tenga ventajas y la segunda mayores intereses* (Madrid: Imprenta de B. Cano)—Campillo's powerful analysis of the defects of the imperial economic structure circulated widely in government circles during the reigns of Ferdinand VI and Charles III. An enduring analysis of its influence in the 1760s and 1770s is provided by M.

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Artola, 'Campillo y las reformas de Carlos III', *Revista de Indias*, Vol. 12 (1952), pp. 685–714. More recent scholarship suggests, however, that Campillo himself, although endorsing the report, might not have been its personal source: L. Navarro García, 'Campillo y el nuevo sistema: una atribución dudosa', *Temas Americanistas*, Vol. 2 (1983), pp. 22–29.

2 Campillo, *op. cit.* Similar sentiments were expressed in the same author's 1741 *Lo que hay de mas y menos en España para lo que debe ser y no lo que es. España despierta*, ed. A. Alorza (Madrid: Universidad Complutense, 1969).

3 H. Kamen, *Spain in the Later Seventeenth Century, 1665–1700* (London: Longman, 1980), pp. 68, 114.

4 B. Ward, *Proyecto económico en el que se proponen varias providencias dirigidas a promover los intereses de España, con los medios y fondos necesarios, para su planificación, escrito en el año de 1762. Obra postuma* (Madrid: J. Ibarra, 1779).

5 For a general introduction to Campomanes, see L. Gil Fernández, *Campomanes: un helenista en el poder* (Madrid: Fundación Universitaria Española, 1976). A detailed analysis of his influence over colonial policy is provided by R. Krebs Wilckens, 'Campomanes y la política colonial española en el siglo XVIII', *Boletín de la Academia Chilena de Historia*, Vol. 53 (1955), pp. 37–72.

6 For a clear exposition of this theme see F. Murillo Rubiera, 'L'Amérique et le changement économique de Espagne du XVIIIe siècle: administration et commerce', in *L'Amérique espagnole à l'Époque des Lumières*, ed. J. Pérez and M.-M. Usselmann (Paris: Centre National de la Recherche Scientifique, 1987), pp. 11–26.

7 A clear, modern account of the expedition is provided by L. J. Ramos Gómez, 'El sevillano Antonio de Ulloa y el reino de Quito', in *II Centenario de Don Antonio de Ulloa*, ed. M. Losada and C. Varela (Seville: Escuela de Estudios Hispanoamericanos, 1995), pp. 141–67.

8 J. Juan and A. de Ulloa, *Noticias secretas de América sobre el estado naval, militar, y político de los reynos del Perú y provincias de Quito, costas de Nueva Granada y Chile: gobierno y régimen particular de los pueblos de Indios: cruel opresión y extorsiones de sus corregidores y curas: abusos escandalosos introducidos entre estos habitantes por los misioneros: causas de su origen y motivos de su continuación por el espacio de tres siglos* (London: Imprenta de R. Taylor, 1826).

9 J. Juan and A. de Ulloa, *Noticias secretas de América* (siglo XVIII), 2 vols (Madrid: Editorial América, 1918), pp. 281–82. This edition, the first to be published in Spain, followed the 1826 text and used its sensational title. The actual title of the original manuscript is less florid: see J. J. TePaske (ed.), *Discourse and Political Reflections on the Kingdoms of Peru. Their Government, Special Regimen of their Inhabitants, and Abuses which have been Introduced into One and Another, with Special Information on Why They Grew Up and Some Means to Avoid Them. Written by Don Jorge Juan and Don Antonio de Ulloa, Ship Captains of the Royal Armada. Year of 1749* (Norman: University of Oklahoma Press, 1978).

10 A good modern edition of this text is provided by B. Torres Ramírez and J. Ortiz de la Tabla (eds), *Reglamento para el comercio libre 1778* (Seville: Escuela de Estudios Hispanoamericanos, 1979).

11 'Memorial presentado al Rey Carlos III', in A. Ferrer del Rio (ed.), *Obras originales del conde de Floridablanca y escritos referentes a su persona* (Madrid: M. Rivadeneyra, 1867).

12 For an introduction to this debate, see J. R. Fisher, 'The culmination of the Bourbon reforms in the viceroyalty of Peru', *Hispanic American Historical Review*, Vol. 58 (1978), pp. 83–86.

CHAPTER 2

Economic Aspects of Spanish Imperial Expansion, 1492–1550

MOTIVES FOR EUROPEAN OVERSEAS EXPANSION

The discovery (or rediscovery by Europeans) of America in 1492, although in one sense accidental, was also an inevitable feature of a general process of European expansion into the Atlantic, which had gathered pace in the first half of the fifteenth century and of which in 1492 only Spain was capable of taking full advantage in the American hemisphere.¹ Any attempt to distil the complex mosaic of Spanish religious, cultural and economic motives and impulses into a single causal factor explaining its willingness and ability to begin to colonise America in the late-fifteenth century is bound to be simplistic. It is true, however, that for the vast majority of the discoverers and conquerors who followed in the wake of Christopher Columbus, as indeed, for the crown itself, and the tens of thousands of ordinary settlers who migrated to America in the sixteenth century, the quest for wealth (which, it was believed, would bring in its turn power and influence) was of paramount importance. The search for material wealth was also a fundamental characteristic of Portuguese overseas expansion, which had begun in the fifteenth century, and the same motive would also underlie English settlement in North America in the late-sixteenth and early-seventeenth centuries. In the 1570s Martin Frobisher, for example, diverted precious time and resources from his (fruitless) attempts to find a north-west passage to Asia to mine hundreds of tons of black rock in the Arctic, which on being shipped back to England in 1577–78 turned out to be iron pyrites (fool's gold).² Despite this disappointment, English explorers continued to try to emulate the achievements of the Spaniards a century earlier by searching for treasure and mines wherever they landed in North America. Sir Walter Raleigh's explorations in Virginia and Guiana, for example, were clearly motivated by the search for gold, and in

1589 he took care in an agreement which he signed with various merchants for settlement in North America to reserve for himself ‘the fifth part of all the ore of gold and silver that ... shall be obtained’.³ In fact, the initial English settlements in Virginia were abandoned in part because of their failure to produce wealth in its most immediate and recognisable form, namely treasure. Nevertheless, the search for gold continued in English North America as in Spanish America, sometimes to the dismay of the leaders of the early settlements: John Smith, the leader of the first successful English settlement in Virginia, that founded in 1607 at Jamestown, protested that until the realisation that, although precious metals were not found, the colony’s economic future was assured by the fact that tobacco (introduced there from Trinidad) could be grown easily for sale at high prices in England, there was ‘no talk, nor hope, nor work, but dig gold, refine gold, load gold’.⁴

What determined the eventual development of the English and Portuguese colonies in America as primarily agricultural producers (although Brazil, too, would become a major gold producer in the early-eighteenth century)—and, somewhat later, those of the French and the Dutch—was not a disinterest among Spain’s imperial rivals in gold and silver nor a peculiar Spanish fascination with these products, but the simple fact that in the early colonial period the founders of the non-Spanish settlements failed to find precious metals in significant quantities. Their economic survival, therefore, made it necessary for their settlers to concentrate upon the production of crops such as sugar and tobacco for the European market. In Spanish America, by contrast, as many Spanish commentators lamented in the eighteenth century, the very success of the early settlers in finding gold and silver created economic attitudes and an economic structure which led them to evaluate the importance of settlements in terms of their ability to deliver precious metals to both the colonists and the crown.

As is well known, the expansion of Europe into the Atlantic in the fifteenth century was led not by Spain but by Portugal. As early as the 1440s Portuguese explorers, inspired by Prince Henry the Navigator, had already conquered the Azores, Madeira, and the Cape Verde islands, and had begun to bring back from West Africa Touareg gold obtained by barter. It is not known how much gold reached Lisbon in the years which followed, but it was sufficient to allow Portugal, one of the few states in Europe without a gold

currency in the first half of the fifteenth century, to resume issue in 1457 of a fine gold coin, the *cruzado*. The ultimate Portuguese goal, of course, was the search for a sea-route to the east, specifically to the legendary Cipangu (Japan) and Cathay (China) identified centuries earlier by the Venetian traveller Marco Polo. That these lands existed in reality as well as legend was not in doubt in the Europe of the fifteenth century, for a trickle of their exotic silks and spices, as well as their gold, had always reached Christendom by means of the overland route from the east. However, the territorial expansion in the fifteenth century of hostile Islam, dramatically underpinned in 1453 by the capture of Constantinople, the eastern capital of the Holy Roman Empire, had both reduced this supply and made its future more uncertain. An additional consideration was that the spread of Islamic authority had made the Christian rulers of southern Europe feel increasingly isolated and vulnerable—economically, culturally and politically as well as religiously—to the threat of further encroachment from the east. Consequently, their search for a maritime route to the far east was inspired in part by material considerations and in part by the hope that the heirs of the Great Khan, who Marco Polo had reported had been favourably disposed towards Christianity, might be induced to support, directly or indirectly, Christendom in its increasingly universal struggle against Islam.

THE FIRST VOYAGE OF CHRISTOPHER COLUMBUS

Although the details of Columbus' early life remain obscure, it is accepted by historians that when he had formulated his belief that Cipangu and Cathay might be reached by sailing west across the Atlantic, he made strenuous efforts from 1484 to obtain support for such a venture from commercial and court circles in Portugal. During this period of his career he is believed to have made at least one voyage to West Africa in a Portuguese ship, and he forged close links with groups interested in exploration and expansion by marrying the daughter of a prominent settler of the island of Madeira. By this period, however, the Portuguese crown was convinced that the true route to the east lay around Africa, a point seemingly confirmed by the rounding of the Cape of Good Hope by Bartholomeu Dias in 1488, and, after much consideration

and debate at court, Columbus' proposal for a speculative expedition to the west was turned down. The monarchs of France and England, to whom Christopher's brother Bartholomew was sent as envoy, also refused him their support. Queen Isabella of Castile, too, reacted coolly at first, but eventually, after a long delay, granted him formal approval for his project. It was thus on behalf of Castile that Columbus set out for the west from the small Andalusian port of Palos de la Frontera on 3 August 1492, armed with a letter of introduction to the Great Khan, and a contract granting him, amongst many privileges, one-tenth of the profits from all the precious metals and stones that he might acquire.

Columbus' personal motives for undertaking not only his original westward voyage but also the three subsequent expeditions which left Spain for the islands and mainland of the Caribbean in 1493, 1498 and 1502 respectively, were complex and confused. He not only continued to insist until his death in 1506 that the lands in the west which he had found lay off the coast of Asia, but also adopted a much more ambivalent attitude than many of his followers to the purely economic and financial advantages which accrued from their discovery. In a long letter to the Spanish sovereigns, written from Jamaica on 3 July 1503, during his fourth and final Indies voyage, for example, he recapitulated at considerable length upon what he had said in earlier reports about the riches available in the Indies in the form of gold, pearls, precious stones, and spices, before going on to stress the particular importance of gold as a treasure which enables those who possess it to do whatever they wish in the world. However, invoking the deep-rooted medieval preoccupation with the need to reverse the Moslem taking of Jerusalem, he immediately made the further suggestion that gold's principal utility was to assist with the bringing of souls into Paradise, a point which he underlined by biblical references to passages in the Book of Chronicles and the Book of Kings which detail the large gift of gold made in his will by Solomon to King David to aid in the building of the Great Temple in Jerusalem.⁵ The relevance of this reference and other similar observations to the dual motivation for Spanish expansion in the New World—the desire to carry Christianity to the heathen and the search for material wealth—is obvious, and does not require detailed exposition.

Eleven years earlier—to be precise on 13 October 1492, the very

day after his landfall on the island in the Bahamas archipelago which he named San Salvador (now known as Watlings Island)—Columbus' entry in his journal describing his first encounter with the indigenous inhabitants of America had revealed the paramount importance to him and his companions of the search for gold:

And I was attentive and laboured to know if they had gold, and I saw that some of them wore a small piece hanging from a hole which they have in the nose, and from signs I was able to understand that, going to the south or going round the island to the south, there was a king who had large vessels of it and possessed much gold . . . So I resolved to go to the south-west, to seek the gold and precious stones.⁶

The Great Khan, and the mainland of Asia, Columbus believed, lay further to the west, but, as the above quotation indicates, the attraction of gold was so powerful that he immediately altered direction to go in search of it. The island of Cuba, which he found on 27 October by taking his new course, proved, in fact, to be something of a disappointment as a source of immediate wealth. Columbus had hoped that it might be Marco Polo's Cipango, recording, for example, on 21 October his intention to sail on from the island of Isabella, discovered on 16 October, in search of 'another very large island, which I believe must be Cipango, according to the signs given to me by these Indians whom I have brought with me, who call it Colba'.⁷ However, despite sailing along its northern coast for a week and sending ambassadors to the interior of 'Colba' (Cuba) in the hope of getting information from the local ruler about the whereabouts of the Great Khan, Columbus obtained no useful intelligence from the timid, poor inhabitants of this land which he called Juana (after the Infanta of Spain), and which he believed to be not an island but a mainland province of the Great Khan's empire. The only consolation, emphasised by Bartolomé de las Casas (whose handwritten abstract, discovered in 1791, of the now-lost journal is the nearest we can get to Columbus' original observations), was that the gentle disposition of the natives promised to make their conversion to Christianity relatively easy.

If Cuba proved to be a disappointment in material if not religious terms, prospects brightened considerably on the north coast of Hispaniola, reached on 6 December 1492 and destined to become the focus of colonising activity for the next two decades. On 16 December Columbus and his men were met by friendly Indians, some of whom 'wore some grains of very fine gold on their ears and

noses, which they immediately gave with great readiness'. Their 'king' was told that 'the Christians came from heaven and that their journey was in search of gold'.⁸ The following day, some Spaniards visited a village where:

in exchange for some glass beads they secured some pieces of gold worked into a thin leaf. They saw one man . . . whom they called 'cacique' [this is the first recorded use by Spaniards of this now ubiquitous word] with a piece of gold leaf as large as the hand, and it seemed that he wished to exchange it.⁹

References to gold, and the eagerness of the Indians of Hispaniola to hand over large quantities of it in return for trinkets, abound in the journal entries for late-December 1492. On 26th, for example:

another canoe came . . . which brought certain pieces of gold, which they wanted to give for a hawk's bell, because they wish for nothing so much as hawks' bells. So while the canoe had not yet reached the ship's side, they called out and showed the pieces of gold, crying 'chuque chuque', meaning hawks' bells, for they go almost crazy for them.¹⁰

Finally, on 8 January 1493, having already decided to return to Spain to report to Ferdinand and Isabella—for, on 31 December Columbus had concluded: 'the matter appeared . . . to be so great and of such moment to be a marvel'—the preoccupation of the discoverers with finding the source of the Indians' gold was unexpectedly satisfied when Columbus went ashore with a small party of men to take on water:

and he found that the sand at the mouth of the river . . . was all full of gold and of such quality that it was a wonder . . . The admiral . . . says that in a little space he found many grains as large as lentils . . . The admiral called the river *Rio del Oro* . . . and it is seventeen miles from the town of La Navidad.¹¹

Having left 41 men behind on Hispaniola at the fort of La Navidad, constructed from the timbers of the ship-wrecked *Santa María*, Columbus set sail for Spain with the *Pinta* and the *Niña* on 16 January 1493, reaching his home port of Palos (via Madeira and Lisbon) on 15 March. Although his formal written report to Ferdinand and Isabella (who received him in Barcelona in mid-April) has been lost, a parallel account, despatched as soon as he landed to Luís de Santángel, a prominent courtier of Ferdinand and one of those who had urged the sovereigns to back Columbus' project, is extant.¹²

It laid particular stress upon Hispaniola's material resources and economic potential, emphasising not only the fact that most of its rivers contained gold—something of an exaggeration, of course—but also the wealth of its soil and pastures, which would be ideal for breeding cattle, and its almost unbelievable endowment of trees, fruits, plants and spices. Appealing to his sovereigns' material self-interest, Columbus offered to provide them with as many slaves as they might require (taken, he hastened to add, from the idolaters), and as much gold, spice, cotton, mastic, aloë-wood and other products (rhubarb and cinnamon were mentioned) as they needed in return for the modest assistance required to mount a second expedition.

COLUMBUS' SECOND, THIRD, AND FOURTH VOYAGES

Columbus' 1493 letter was misleading in several respects, a central inaccuracy being his claim to have found 'mines' in Hispaniola, for not only in this and other islands but also on the mainland of America all pre-Columbian gold was probably obtained from placer deposits. However, this minor discrepancy was overlooked as the sovereigns and their subjects were dazzled by the display at court and in the streets of Barcelona of gold objects, jewels, parrots, balls of cotton, strange fishes and plants, and six bewildered human specimens taken captive on the island of Cuba. The response of Ferdinand and Isabella is well-known. They were immediately persuaded that Hispaniola could be turned into a profitable, self-sufficient colony, one-fifth of whose gold production would come directly to them as the yield of the *quinto* (one-fifth) tax, and that it also offered an immediate opportunity for extending the crusade of religious conversion and military expansion that had seemingly reached its apex on 1 January 1492 with the surrender of the Moorish kingdom of Granada. With the support of the sovereigns, and the confirmation of his privileges, Columbus was ready by September 1493, only six months after his return to Spain, to sail from Cádiz for Hispaniola with no less than 17 ships, 1,200 settlers (including priests, artisans, farmers and miners), tools, seed and animals. As many commentators have pointed out, very few trade goods were carried, for the search for Asia had been forgotten—or,

at least, deferred—and the clear purpose of this second expedition was to settle Hispaniola and make it a flourishing colony in its own right.

The details of Columbus' second voyage, in the course of which he discovered and explored Dominica, the principal islands of the Lesser Antilles, the Virgin Islands, Puerto Rico, and Jamaica before his return to Spain in 1496, need not detain us here. What should be stressed, however, is that even in these early years it became abundantly clear that there was an incompatibility between the crown's assumed responsibility for preserving and converting the native inhabitants of the islands—a responsibility recognised and turned into a duty by the 1493 bulls (notably *Inter caetera* and *Dudum siquidem*) of Pope Alexander VI and the 1494 Treaty of Tordesillas with Portugal, which, put simply, recognised Spain's territorial rights in the west in return for its proselytising work—and the settlers' short-term economic interests, which, most of them believed, could be satisfied by enslaving Indians and searching for gold rather than building a proper economic infrastructure.

This contradiction was underscored by Columbus' maladroit decision to ship to Spain as slaves some 500 Indians from the island of Hispaniola who had resisted his authority. It became even more apparent during the third voyage (1498–1500), again funded by the monarchy, which discovered the island of Trinidad and the mouth of the Orinoco river, before ending in chaos when Columbus reached Hispaniola in August 1498. His clumsy attempts to buy off settlers who had revolted against the authority of his brother, Bartholomew, by agreeing to a distribution between them of tributary rights over the native population, were brought to an abrupt end in October 1500 by the despatch to Cádiz in chains of Columbus and members of his family, and the temporary installation of their captor, Francisco de Bobadilla, as governor of the island. Moreover, even before this humiliation, the departure from Spain in 1499 of separate expeditions under the command of Vicente Yáñez Pinzón and Alonso de Ojeda, which discovered northern Brazil, Guiana and Venezuela, had abrogated Columbus' personal monopoly of exploration, granted by the crown in 1492. Throughout these and related expeditions, including Columbus' fourth and final voyage (1502–04), which reached the coast of the isthmus of Panama, economic motivation continued to be the principal driving force behind exploration. It is true that the

more far-sighted settlers, particularly those who had access in the islands to the rapidly-dwindling supplies of Indian labour through tributary grants, realised that gold could be obtained not only directly (from prospecting and seizure) but also indirectly from, for example, the supply of bacon and dried beef to exploring expeditions.

However, it was not until the 1520s, when supplies of alluvial gold became exhausted and the native population—the Tainos—had been almost entirely wiped out by a combination of severe treatment, cultural shock, and the ravages of measles and smallpox, that the settlers who remained in Hispaniola began to produce sugar as an export crop, and began to purchase black slaves, shipped from the west coast of Africa, to grow and refine it for them. By then Hispaniola had become an economic backwater, following the migration of its more dynamic settlers, first to Cuba, and from there to the settlements of New Cádiz on the small island of Cubagua (where great fortunes were made from pearl-fishing), to the isthmus of Panama with and in the wake of Vasco Nuñez de Balboa, who crossed it in 1513 to ‘discover’ the Pacific, and from 1519 to Mexico with and after Hernán Cortés.¹³ Throughout this period, the ideal for the bands of conquerors who rampaged through the Antilles in the first two decades of the sixteenth century continued to revolve around the confiscation of accumulated treasure stocks from conquered natives, and the conscription of labour for the working of alluvial deposits of gold.

HERNAN CORTES AND THE CONQUEST OF MEXICO

The best-known and most successful of the conquerors who followed this route was, of course, Hernán Cortés, who, according to tradition, when offered land on his arrival in Santo Domingo from Sanlúcar de Barrameda in 1504, retorted that he had come to the island to get gold, not to till the soil like a peasant. Fifteen years later, following his landing on the east coast of Mexico at the head of an expedition despatched by Diego Velázquez, the governor of Cuba, his dreams (and those of the Emperor Charles V) of great wealth began to be realised in the most dramatic and conspicuous manner imaginable. To an even greater degree than other conquerors Cortés was punctilious in accounting for and remitting to Spain

the *quinto* due to the Emperor of all treasure obtained by trade or plunder, primarily, although he did not admit it, because of his concern to obtain royal endorsement of his repudiation of the authority of Velázquez at Veracruz. Indeed, his first shipment of treasure to Spain, detailed in his famous first letter from Mexico of 10 July 1519 (that is before he penetrated inland) and despatched in a ship navigated by Antonio de Alaminos, ostensibly contained all the loot amassed up to that date, his companions having decided, he reported, to forgo their shares in order to present them as a gift to their sovereign.¹⁴

Fifteen months later, following the escape of many of his treasure-laden men from Tenochtitlán but before the definitive capture of the Aztec capital and its vast stores of gold and silver objects, Cortés reported to Charles V in his second letter, written on 30 October 1520 at Segura de la Frontera:

I spoke one day with Mutezuma and told him that Your Highness had need of gold for certain works You had ordered to be done . . . I also asked him to give me something of what he possessed, for I wished to send it to Your Majesty . . . Later he asked for the Spaniards he wished to send, and . . . dispatched them to many provinces and cities . . . With them he sent some of his own people, and ordered them to go to the chiefs of those provinces and cities and tell them I demanded that each of them should give me a certain quantity of gold. And so it was done, and all the chiefs to whom he sent gave very fully of all that was asked of them, both in jewelry and in ingots and gold and silver sheets, and other things which they had . . . When all was melted down that could be, Your Majesty's fifth came to more than 32,400 *pesos de oro*, exclusive of the gold and silver jewelry, and the featherwork and precious stones and many other valuable things which I designated for Your Holy Majesty and set aside . . . All these, in addition to their intrinsic worth, are so marvellous that considering their novelty and strangeness they are priceless; nor can it be believed that any of the princes of this world, of whom we know possess any things of such high quality.¹⁵

When part of this Mexican treasure was put on display in Brussels by Charles V, the amazed Albrecht Dürer reportedly described it as 'more beautiful than the things of which miracles are made'.¹⁶ Every single piece was eventually melted down, however, for the bullion-hungry treasury of the Emperor, who, perhaps understandably, saw American gold objects provided by the *quinto* as a commodity without aesthetic significance, valuable only as a means of financing his European wars. Of course, this was the mirror image of the native American attitude towards the metal,

which had no intrinsic monetary value until it became an item of trade with the invaders.

EARLY TRADE BETWEEN SPAIN AND AMERICA

Even in these early years of exploration and conquest, before the discovery and subjugation of the great native civilisations of South America (primarily in modern Colombia and Peru) and the seizure of their treasure stocks, the nature and the value of trade between Spain and America was determined in large measure by the availability of gold as a return cargo, although a number of other factors, including the state of Spain's international relations and the incidence of privateering, were also significant. The meticulous and voluminous analyses undertaken in the 1950s by the French scholars Huguette and Pierre Chaunu, which list all sailings to and from the Indies recorded in Sevilla by the *Casa de la Contratación* (House of Trade) between 1503 and 1650, are of enduring value in providing a very clear picture of the development of this trade, and are particularly reliable for this early period when contraband and fiscal fraud were relatively rare.¹⁷ They show that until the end of the first decade of the sixteenth century, Spain was in one sense running the American enterprise at a loss, as the steady export from the peninsula of the basic commodities (primarily flour, oil, wine) which the settlers required for subsistence, together with tools, weapons, animals, seeds, and building materials, tended to be of greater value than the gold and tropical produce which returned. This imbalance was accentuated by the tendency for a significant number of ships to remain in the Indies, not only for negative reasons (for example, the need for repairs and a shortage of return cargoes) but also because of the attractions to owners and crews of participating in profitable expeditions which were being organised increasingly from 1506 from the Caribbean islands rather than from Spain itself. In the perhaps untypical year of 1520, when imaginations were stirred by the exploits of Cortés in Mexico, 71 ships reached the islands from Spain, and less than half that number (32) made the return journey in 1521.¹⁸

The conquest of Panama and Costa Rica in the first half of the second decade of the sixteenth century brought remittances of gold to an early peak in 1511–15, as it provided the conquerors of the

isthmus with access, by looting and barter, to the artefacts, and to a lesser extent the placer deposits, of more advanced native societies than those found in the islands, which had been accumulating for centuries gold objects produced by the sophisticated technique known as lost-wax casting. Although remittances declined briefly after 1515, as production from alluvial deposits in the islands and, more significantly, the native labour force conscripted to work them both declined, the conquest of Mexico in 1519–21 set the scene for a general expansion of trade from 1524 which was to continue with only occasional interruptions until mid-century. Although the number of ships sailing to and from Seville did not increase dramatically—in 1540, for example, 79 sailed for America and 47 returned, figures which were only marginally larger than those recorded in 1530—a clear shift to the use of larger vessels meant that the tonnage employed increased by over 50 per cent. By the beginning of this decade over 1,000 passengers a year were leaving Seville for Veracruz alone, and an increasing number of returning vessels were carrying not only bullion but also cattle hides, cochineal, and sugar from Santo Domingo, where the importation of black slaves had begun to provide some modest compensation for the virtual disappearance of the native population from the labour market.

The initial conquest of Peru in 1532–33, the completion of the subjugation of all but the most remote parts of the Inca empire in the later 1530s, and the penetration of the greater part of the interior of modern Colombia in the 1540s were, of course, factors of enormous importance in consolidating the economic substructure of Spanish imperial expansion, both by intensifying the demand for Spanish agricultural and industrial products in America and by generating the precious metals, at first primarily gold and subsequently silver, to pay for them. Parallel expeditions mounted from Mexico and the Caribbean into vast areas of the present-day territory of the United States south-west and south-east were, by contrast, economic failures. In 1540–43, for example, Hernando de Soto explored Florida as far north as the Savannah River in the fruitless quest for treasure, and Francisco Vázquez de Coronado penetrated as far as eastern Kansas before finally realising that the legendary Seven Cities of Cibola were in reality the humble dwellings of the Pueblo Indians of New Mexico and Arizona.¹⁹ Thereafter, Spain effectively abandoned the inland territories to the north

of modern Mexico until the second half of the eighteenth century (when strategic considerations led to systematic penetration of California, New Mexico, Arizona, and Texas) and, except for Florida, the eastern seaboard of North America was left to the attention of other European powers (primarily England, France and Holland).

EXPLORATION IN SOUTH AMERICA

In South America as in North America, the search for legendary cities drew Spanish explorers into vast areas of inhospitable territory. In this case the lure was the fabulous city ruled by *El Dorado* (the Man of Gold), who, according to fantastic tales, stood in his boat in the light of the setting sun, his greased body covered in gold dust, before bathing in his lake.²⁰ This legend would continue throughout the sixteenth century to draw Spaniards into the vast areas of the Amazon and Orinoco river systems in the vain hope of finding native civilisations comparable in size and wealth to those of Colombia and Peru. As early as 1538, for example, Pedro de Candía's expedition to the appalling jungles of south-eastern Peru lost half of its 300 men. Gonzalo Pizarro, one of the four half-brothers of the conqueror of Peru, Francisco, opted for a north-easterly route in 1542–43 in his search for El Dorado. Having taken to the River Napo in search of food, one group of his followers, led by Francisco de Orellana, was forced, primarily by its inability to turn its boats against the stream, to follow the entire length of the Amazon River to its mouth, finding neither gold nor sedentary natives in the process. The obvious lack of immediate material returns meant that, although Spanish expeditions continued to search for El Dorado in the second half of the sixteenth century—by this period popular opinion believed that the fabulous city was located in the highland region between the Amazon and the Orinoco basins—pushing the imperial frontier in the process into Guiana, vast regions of South America's inhospitable interior, to which Spain was technically entitled under the terms of the Treaty of Tordesillas, were eventually incorporated in Portuguese Brazil. Portuguese resources, too, were thinly stretched, a consideration which allowed first French and later Dutch traders and settlers to establish a significant presence in northern Brazil. As we shall see in

Chapter 6, the Dutch were also able to come and go freely in southern Chile in the first half of the seventeenth century—there the disincentives for Spanish settlement encountered east of the Andes were compounded by fierce Araucanian resistance to conquest—and the greater part of what is now central and southern Argentina was ignored by all European nations throughout the colonial period, again because it offered no immediate economic or commercial rewards.

The Pacific coast from southern Ecuador through Peru to central Chile, and behind it the Andean chain and its valleys running from Colombia and western Venezuela in the north through Ecuador and Peru to modern Bolivia, offered quite different economic prospects and reality, for there Spaniards found in abundance the two prerequisites for the foundation of an economically viable imperial structure: precious metals and a passive indigenous population, accustomed to providing tribute for both the state and its priests. A foretaste of the riches, both material and human, awaiting them in Inca Peru, was provided by Francisco Pizarro's second expedition (1526–28) down the inhospitable Pacific coastline of modern Colombia–Ecuador as far as Tumbes in northern Peru, where he found Indians in possession of a wide range of decorative and even utilitarian objects made of gold and silver, including cups, crowns, belts, bracelets, armour, tweezers, bells and mirrors. In material and symbolic terms the highlight of the subsequent conquest proper of Peru—initiated in May 1532 with the march to the interior from Tumbes of Pizarro's third expeditionary force—was the capture of the Inca emperor, Atahualpa, at Cajamarca, the subsequent vain attempt of his subjects to provide a ransom of gold and silver by filling a room (measuring some seven metres by five) once with gold and twice with silver up to a line over two metres high, and, once the treasure had been delivered, in 1533, the greatest melt-down of gold and silver in the history of Iberoamérica.²¹ The majority of the precious objects fed to the nine Spanish furnaces which worked continuously for four months at Cajamarca in 1533 were in a strict sense not 'Inca', but the products of a long series of earlier cultures, some of which, such as the Chimú of northern Peru, had been absorbed into the Cuzco-based empire a relatively short time before the arrival of Pizarro. Indeed, Peruvian craftsmen had been working gold for at least 2,000 years, and were masters of advanced hollow-case casting and of decorative tech-

niques involving the use of soldering. Showing even less aesthetic sensitivity than had Cortés in Mexico, the unsentimental Francisco Pizarro melted down virtually everything he could get his hands on, producing at Cajamarca alone no less than 13,420 pounds of 22½ carat gold and 26,000 pounds of silver. Even the simple foot soldiers among the 168 men at Cajamarca each received 45 pounds of gold and 90 of silver, and a number retired immediately to Spain to spend the rest of their lives in comfort, and by their ostentatious example to encourage thousands more to set out for America in the hope of making their fortunes. Although Francisco Pizarro was aware of the dangers of letting too many men go back to Spain, he was also conscious of what one scholar has called 'the demonstration effect' for getting reinforcements, and he decided to allow 20 men to leave for home in July–August 1533, with a second small group soon following the first.²² For those Spaniards who remained in Peru, the subsequent march on Cuzco, the Inca capital, reached in November 1533, revealed even more incredible treasures (the vast majority of which were also fed to the furnaces), including life-size animal and human figures made from fine gold.

On each of these occasions when Peruvian treasure was distributed, scrupulous care was taken to set aside and account for the one-fifth due to the Spanish crown. The first consignment of this royal booty—part of the Cajamarca distribution—reached Seville on 9 January 1534, under the personal supervision of Hernando Pizarro, one of Francisco's four half-brothers, who, following a splendid reception at court during which he was able to negotiate significant concessions for Francisco from a grateful Emperor, returned to his native Extremadura to recruit more men for the Peruvian adventure. As men flowed one way from provincial towns such as Cáceres and Trujillo—the 168 men at Cajamarca had included no less than 14 from the Pizarros' native Trujillo and others from neighbouring towns—the gold and silver which fired their imaginations continued to pour into Seville from Peru (via Panama), giving a significant boost to the volume and value of trade in each direction, pushing up freight rates, and actually creating a shortage of both seaworthy ships and experienced sailors capable of being used in the Indies trade.²³ Trade with the Caribbean islands, which until 1530 had accounted for over 70 per cent of the movement of trans-Atlantic shipping, declined both relatively and absolutely in the 1530s—when the number of ships visiting them fell by

about half in real terms to the level of a little over 30 per cent of total movements—as merchants eagerly responded to the new opportunities available to them in New Spain, Panama and Peru. Moreover, in the 1530s the nature of the return cargoes began to assume the configuration which would characterise them for the Hapsburg period as a whole, with silver beginning to challenge gold as a commodity in terms of value, and exceeding it by a ratio of seven to one in terms of volume (in the 1520s, by contrast, silver had accounted for only three per cent of bullion imports into Spain, even when measured by weight).

In New Spain by the 1530s and in Peru by the 1540s the more far-sighted settlers had realised that the bonanza provided by the plunder of native gold was over, and that in the future bullion would be provided not by traditional barter and looting, but by the development of the mining industry. The production of placer gold was to become of considerable importance in New Granada (modern Colombia) in the second half of the sixteenth century, and, although overshadowed by silver, was to remain of modest importance in Peru, Mexico and to a lesser extent Chile. However, even when allowance is made for the greater value of gold—in the sixteenth century the ratio between the two metals was about ten to one—it was already clear by 1550, following the discovery of fabulously rich silver deposits at Potosí (in modern Bolivia) in 1545 and at Zacatecas (Mexico) in 1548 that silver rather than gold mining would underpin economic relations between Spain and America. The relative importance of the two metals is starkly indicated by the estimate that, between 1500 and 1650, registered trade conveyed 181 tons of gold and 16,000 tons of silver to the metropolis from its American kingdoms. As early as the 1540s, Peru, which throughout the Hapsburg period was to produce the bulk of American silver (as we shall see in Chapter 10, it was supplanted as the leading producer by Mexico in the eighteenth century), supplied in this period via the isthmus of Panama, was attracting more ships from Spain and providing richer return cargoes than New Spain and its port of Veracruz, despite the continuing political instability in the 1540s (caused by the civil wars between the Pizarrists and the Almagrists and the resistance of both factions to the attempts of the first viceroy, Blasco Nuñez de la Vela, and the first *audiencia* to impose the New Laws of 1543, which would have deprived most of the prominent settlers of their

encomiendas). By the end of this decade—which, except for a single year, 1544, witnessed a steady upward curve in the volume of trans-Atlantic shipping—40 per cent of the ships plying to and from Seville were trading with the isthmus of Panama, and the remaining 60 per cent were divided in roughly equal proportions between the islands (which many of them visited on the way to or from the mainland ports) and Veracruz. Moreover, the number of ships employed in the Indies trade as a whole had increased by over 70 per cent—in 1550 133 vessels made the outward journey and 82 returned, compared, as we have seen, with 79 and 47 respectively in 1540, an expansion which becomes even more impressive if we take into account the continuing trend in favour of the use of larger ships, for the total tonnage which sailed in 1550 was more than double that of 1540.

As we shall see below in more detail in Chapter 4, the decade of the 1550s was one of depression in the Indies trade, primarily because of the negative commercial results of prolonged warfare between Spain and France, before a return in the early 1560s to a second cycle of growth which would continue until the early seventeenth century. During this late-sixteenth-century period frontiers continued to be pushed forward and consolidated, cities continued to be founded—for example, a number of the capitals of the interior provinces of modern Argentina were founded in the 1560s by settlers moving south from Upper Peru, and in 1580, a band of settlers sailed downriver from Asunción to re-establish the outpost of Buenos Aires, which had been abandoned since 1540—but the age of great discoveries and conquests was over. The middle of the sixteenth century provides, therefore, a suitable point at which to interrupt this general analysis of the economic aspects of Spanish imperial expansion in order to provide a brief discussion of the commodities and resources whose production and exchange would underpin the economic and commercial relations between Spain and America during the remainder of the colonial period.

NOTES

1 A succinct analysis of the significance of the Spanish conquest and settlement of the Canary Islands, a transitional process between late medieval trading expeditions and full-blown imperialism in America, is provided by the opening chapters of F. Fernández-Armesto, *The Canary Islands after the Conquest: The Making of a Colonial Society in the Early Sixteenth Century* (Oxford: Clarendon Press, 1982).

2 A. McFarlane, *The British in the Americas 1480–1815* (London: Longman, 1994), p. 27.

3 J. R. Fisher, 'Gold in the search for the Americas', *Gold Bulletin*, Vol. 9 (1976), p. 63.

4 *Ibid.*

5 The full text of this letter is reproduced in J. H. Parry and R. G. Keith (eds), *New Iberian World: A Documentary History of the Discovery and Settlement of Latin America to the Early 17th Century* (New York: Times Books), 5 vols, Vol. ii, pp. 111–20.

6 *Ibid.*, Vol. ii, p. 30.

7 L. Arranz Márquez (ed.), *Cristóbal Colón: diario de a bordo* (Madrid: Historia 16, 1985), p. 105. The 'Indians' referred to were seven taken on board at San Salvador.

8 Parry and Keith, *op. cit.*, Vol. ii, p. 38.

9 *Ibid.*

10 *Ibid.*, Vol. ii, p. 47.

11 *Ibid.*, Vol. ii, pp. 50, 54.

12 *Ibid.*, Vol. ii, pp. 59–62.

13 For a detailed account of the development and importance of pearl-fishing, see E. Otte, *Las perlas del Caribe: Nueva Cádiz de Cubagua* (Caracas: Fundación John Boulton, 1977).

14 Technically the letter—'Carta primera, enviada a la reina Doña Juana y al emperador Carlos V'—was despatched by the town council of Veracruz. It is reproduced, in English, in Parry and Keith, *op. cit.*, Vol. iii, pp. 201–04.

15 *Ibid.*, Vol. iii, pp. 216–55. This quotation is from p. 236.

16 Fisher, 'Gold in the search for the Americas', p. 19.

17 H. Chaunu, P. Chaunu and G. Arbellot, *Seville et l'Atlantique, 1504–1650* (Paris: Colin, 8 vols, 1955–59).

18 For a good summary of trade in the period up to 1550, derived largely from the analyses of the Chaunus, see J. H. Parry, *The Spanish Seaborne Empire* (London: Hutchinson, 1966), pp. 53–65, 117–22.

19 The 'failure' of Hernando de Soto's expedition provides a good example of Spaniards' inability to recognise the potential of alternative sources of economic wealth, in this case furs which he saw being worn by an Indian chief.

20 For a lively, brief account of the origins and importance of this myth, see M. Lucena Salmoral, 'El mito de El Dorado', *Cuadernos Historia 16*, Vol. 101 (1985), pp. 4–32.

21 J. Hemming, *The Conquest of the Incas* (London: Penguin, 1983), pp. 47–49.

30 Economic Aspects of Spanish Imperialism

22 J. Lockhart, *The Men of Cajamarca: A Social and Biographical Study of the First Conquerors of Peru* (Austin: University of Texas Press, 1972), pp. 44–45.

23 I. Altman, *Emigrants and Society: Extremadura and Spanish America in the Sixteenth Century* (Berkeley: University of California Press, 1989), p. 11.

CHAPTER 3

Commodities and Resources During the Conquest Period

THE COLUMBIAN EXCHANGE AND ITS ECONOMIC POTENTIAL

The social, biological and ecological consequences, for both Europe and America, of what is commonly called ‘the Columbian exchange’—that is, the transfer between the European and American continents of animals, seeds, plants and diseases (and, of course, subdivisions of the human species) not common to them before 1492—constitute a fascinating, complex and important field of study, of great significance for not only historians but also many other groups of disciplinary specialists, including geographers, epidemiologists, pharmacologists, and agronomists.¹ At the human level the unconscious introduction by Spanish settlers to first the Caribbean, and subsequently Central America, Mexico and Peru of common epidemic diseases which normally caused a relatively low mortality rate for Old World residents—principally influenza, measles, smallpox, scarlet fever, rubella, chicken pox, and mumps—had a devastating impact upon native Americans, who had no natural resistance to them. Although the deliberate consequences of the conquest (warfare and overwork), coupled with the less deliberate famine and cultural shock suffered by many Indians in the immediate post-conquest period, also affected the mortality rate for those who became ill, it is now generally accepted by scholars that the massive demographic disaster which afflicted the indigenous population of Spanish America (and, of course, Brazil) in the sixteenth century was a product not of the deliberate killing of Indians by their conquerors (although examples abound of gratuitous violence and cruelty) but of biological factors which few contemporaries understood, and certainly could not control. As Alfred Crosby has eloquently suggested:

When the isolation of the New World was broken, when Columbus brought the two halves of this planet together, the American Indian met for the first time his most hideous enemy: not the white man nor his black servant, but the invisible killers which those men brought into their blood and breath.²

In this aspect of the 'exchange', the Old World (but not its representatives who migrated to the New World) fared rather better than the New, for, although tropical diseases were to take a heavy toll of European settlers in America throughout the colonial period—in 1509, for example, virtually all of the 1,000 men who sailed with Diego de Nicuesa and Alonso de Ojeda to settle Veragua and the north coast of Colombia died from sickness, and three centuries later an estimated 12,500 British troops in Saint Domingue (now Haiti) died of disease during the six years (1793–98) that they occupied the French colony—few New World diseases were taken back to Europe, the principal exception being venereal syphilis.³ The unevenness of the exchange was caused primarily by biogeographical factors, which to some degree were also influential in the New World in limiting the impact of epidemics at the high altitudes encountered in the Peruvian Andes, where the indigenous population did survive the conquest, albeit in drastically reduced numbers, and began to recover numerically in the late seventeenth century.⁴

Although not planned by the Spanish conquerors, the physical destruction of the local population had important economic consequences, as settlers sought alternative sources of manpower to replace the native Americans lost in the epidemics, and, in a broader context, in reducing the human pressure on irrigated land, thereby providing both the space and the need for the establishment of European-style agriculture to feed the rapidly growing settler population. In the coastal valleys of Peru, for example, hemorrhagic smallpox, introduced from Panama, killed many thousands of Indians (including the Inca emperor, Huayna Capac and his probable heir) in 1524–26, before the physical arrival of the Spanish conquerors (who also brought the scourge of measles) in 1531–32. Immediately, the Spaniards began to fill the ecological and spatial vacuum left by native depopulation by planting wheat and other grains, vines, olive trees, sugar cane, and Old World vegetables, and, adopting an expedient already resorted to in the Caribbean islands, to import black slaves to work their fields for them. The city

of Lima alone had over 1,500 black slaves by 1554, less than 20 years after its foundation, and by the end of the eighteenth century the population of the city and its immediate environs, where food-producing *haciendas* proliferated, numbered 18,000 slaves and 10,000 free blacks in its total of 63,000 inhabitants. Slaves were also numerous in the fertile wine-producing valleys to the south of the viceregal capital (principally Chancay, Cañete and Ica), and, further north around Trujillo and Lambayeque, where large *haciendas* grew wheat and sugar for consumption throughout the viceroyalty.⁵ After 300 years of Spanish rule, the coast of Peru, like western Colombia, northern Brazil, and the Caribbean islands in general—British, French and Spanish—were regions populated primarily by black slaves and additionally, in the Iberian cases, large numbers of free blacks. However, with the sole exception of Cuba, where the production and export to Spain of sugar and tobacco boomed in the second half of the eighteenth century, following the liberalisation of trade (see Chapter 9)—thereby further stimulating the demand for slaves—the Spanish slave-owning territories lagged a long way behind their British, French and Portuguese counterparts in efficiently exploiting their agricultural and human potential to maximise the production of cash crops for the international economy.

In evaluating the agricultural and pastoral aspects of the Columbian exchange, it is legitimate to conclude that in the long term America certainly gained from the latter and probably gained from the former. To deal first with animals, few American species made a significant impact upon social or economic life in Europe, notwithstanding, for example, occasional attempts to introduce herds of llamas and other Andean cameloids to Spain, Wales and other countries. By contrast, the capacity of America to produce and export the products—meat, hides, wool—of animals introduced there from Europe was of major importance to Europe's Industrial Revolution of the eighteenth and nineteenth centuries, but that is a separate issue. In terms of American consumption, the highly food-efficient pig (the modern pig converts one-fifth of what it eats into food for human consumption, compared with the cow's one-twentieth, and in the colonial era the ratio, if not the absolute value, was probably similar) was swarming all over Hispaniola, Cuba, Mexico and Peru by the 1530s, omnivorously destroying the fruits of native agriculture in the process, prompting Bartolomé de las Casas to

comment upon the fecundity of the original eight animals which Columbus had purchased in the Canaries in 1493 during his second voyage to America.⁶ The horse, too, was reintroduced to America by Columbus (the prehistoric horse having disappeared there 10,000 years earlier), and again propagated rapidly, in response to both deliberate breeding for sale of a creature which was essential for Spanish martial practices and socially and economically important—in Peru in the 1530s a horseman was entitled to a much higher share of treasure than a foot-soldier, and Francisco de Jérez reports one case of a horse being bought for 3,300 *pesos de oro*⁷—and in wild herds, which soon proliferated in northern Mexico and southern South America. When Buenos Aires was refounded in 1580, the settlers from Asunción found large herds of feral horses grazing there, in mute testimony to the failure of the initial settlement 40 years earlier.

Throughout the colonial period, and beyond it into the nineteenth century, European observers were constantly astounded by the natural fecundity of these wild herds: in nineteenth-century Argentina, for example, where, as a source of cavalry mounts, horses were protected from civilian harvesting, they increased at a rate of one-third a year. Cattle also proliferated in great numbers, following their 1493 introduction to Hispaniola by Columbus, particularly in the highlands of Mexico, the southern *pampas* of South America, and the *llanos* of Colombia and Venezuela. Notwithstanding Las Casas' critical observation that in the islands cattle ate native plants down to the roots, thereby encouraging the spread of ferns, thistles, nettles and other unproductive plants, these animals possessed several advantages over pigs from the point of view of the settlers, including their capacity for use as draught animals, the varied utility of their hides, and a capacity for converting cellulose (grass, leaves, etc.), which humans cannot digest, into meat and milk. Particularly in the Río de la Plata region, cattle ran wild, as they were abandoned by or escaped from settlements, and multiplied rapidly: to give but one example of how and why this occurred, the Jesuits left behind 5,000 cattle when they abandoned one of their Paraguayan missions in 1638, in the face of attacks from Brazilian intruders.⁸ By 1619, the governor of Buenos Aires was able to report that 80,000 cattle a year could be culled for their hides in the region around the city, without diminishing the herds, and a century later Félix de Azara estimated

the number of cattle in the southern grassland region as a whole at no less than 48 million. Of course, these feral animals were virtually useless as a source of milk for local consumption or meat for export: although some salted and dried beef was exported to Cuba from Buenos Aires in the colonial period to feed the growing slave population, the systematic export of beef to the world market, made possible in the second half of the nineteenth century by the introduction of refrigerated ships, also required fencing and selective breeding. However, in the second half of the eighteenth century, following the opening of Buenos Aires and Montevideo to direct trade with Spain (see Chapters 8 and 9), the wild cattle herds began to supply large numbers of hides, usually valued at 1 *peso* each, and other by-products (principally hooves, horns and tallow) for export to Europe.

The galaxy of economically important animal introductions to the Americas in the wake of the conquest is completed by the sheep and the goat. Both animals were less ubiquitous than the pig, cow and horse. The sheep in particular was incapable because of its timid nature of surviving untended or of competing with carnivores, but it proved to be a highly-efficient and productive beast (a provider primarily of wool for local textile production rather than meat) especially in the highlands of central Mexico and throughout the central Andes. As we shall see below in Chapter 7, sheep wool (little of which was exported to Europe before the nineteenth century) underpinned the development, particularly in the seventeenth century, of significant domestic production in the *obrajés* of not only coarse woollen cloth—*ropa de la tierra*—for popular and utilitarian consumption, but also of fine textiles which helped fill the economic vacuum created by the chronic undersupply of the market by the Hapsburg imperial commercial system.

Turning to seeds and plants, brief mention has already been made of the introduction to America from Europe of wheat, sugar, the vine, and the olive tree. The list also includes coffee and the banana, both of which, particularly the latter, are now so closely identified with popular images of America (cf. the 'banana republics' of Central America) that twentieth-century readers might find it difficult to believe that they were not native products. The seeds and plants which moved in the opposite direction, from America to Europe, need to be divided into two categories: the first embraces those which were capable of being produced only in the tropics,

and, thus, could not be transplanted to Europe, although in some cases, they were already grown in or could be introduced to other tropical regions of the world—this category includes, for example, cinnamon and cloves, in one sense Columbus' initial goals in 1492, and rubber—and thus were capable of becoming important items of commercial intercourse between America and Europe. The fact that Spain, unlike the other European colonising nations, did not fully exploit this potential will be discussed in the second half of this chapter. The second category of seeds and plants embraces the American products which were successfully introduced to European agriculture in the colonial period, and, accordingly, significantly affected both the European diet and even social behaviour, but which, after the initial transplantation, did not feature significantly in trans-Atlantic trade. This latter category includes the tomato, now ubiquitous throughout Europe but particularly important in Spain and Italy where it can be grown outdoors for most of the year; maize, which became an important item of human consumption in central and southern Europe and an essential fodder crop in northern Europe; the humble but vitally important potato, which spread from America first to Ireland and then throughout northern Europe in the sixteenth century; and various varieties of beans. Mention might also be made at this juncture of *cassava*, which, although of minor importance in European agriculture, became the staple food of West Africa, following its introduction there from America by slave traders. The fact that the majority of these food items, with the arguable exception of beans, had a greater impact upon the diet of non-Iberians than upon that of Spaniards themselves is a reflection of the relative cultural conservatism of the discoverers of America and their descendants, as well as of their limited commercial initiative.

Leaving to one side the Old World products—cane sugar, for example—which could be grown more efficiently after 1500 in America than in Europe, the range of American natural products which could not be transplanted to European agriculture, and which, therefore, became important items of commerce includes a wide variety of commodities which the European consumer now takes for granted. The list is almost endless, but particular mention must be made of chocolate, produced from the bean of the *cacao* tree, a favourite drink in pre- and post-conquest Mexico, which became popular in eighteenth-century Europe, tobacco (exported to

Europe in the form of both leaf and snuff) and a wide range of dyes to supply the European textile industries, including indigo, cochineal, and the colourings derived from dye-wood trees. In addition, there were other plants which had industrial applications (for example, henequen and the aforementioned rubber), and medicinal plants and drugs, including quinine, obtained from the bark of the *cascarilla* tree, the much-maligned cocaine, sarsaparilla (believed in the colonial period to be effective in the treatment of that other American export, syphilis), and *curare*, the basic anaesthetic used in modern medicine. It became fashionable, particularly in the eighteenth century, for Spanish writers such as Campillo, Uztáriz and Juan and Ulloa to itemise these and the many other natural products which Spanish America was capable of exporting to the European market, and then to bemoan the fact that Spain's preoccupation with gold and silver had blinded its subjects to their potential importance. In the second half of the chapter we will examine this suggestion in a little more depth.

THE REALITY OF ECONOMIC AND COMMERCIAL EXCHANGE

The ideal economic relationship between a European imperial power and its overseas colonies, as defined by the mercantilist theorists of the seventeenth and eighteenth centuries, was one in which the dependencies would supply the taxation revenues required to provide the metropolitan power with a fiscal surplus after paying for their local administration and defence, together with raw materials for processing in the factories of the mother-country (and for re-export to third parties) and protected markets for metropolitan manufactured goods. Leaving to one side the somewhat abstract issue of whether Spain's possessions in America should properly be considered to have been colonies or overseas kingdoms, technically of equal status to the kingdoms of peninsular Spain, in favour of a consideration of economic and commercial realities, it becomes immediately clear that the actual relationships between Spain and America during at least the core of the colonial period deviated considerably from this notional norm. As Chapter 10 explains, even in the last quarter of the eighteenth century, a period in which for the first time Spain began to exploit effectively

the potential of formerly-neglected regions such as Venezuela, Cuba and the Río de la Plata as large-scale exporters to Europe of hides, sugar, tobacco, cotton, cocoa-beans, indigo and similar products, bullion, primarily in the form of silver coin, remained the most important commodity in Spain's imports from America, representing 56 per cent of the registered value of all imports. Even towards the end of the colonial era bullion continued to dominate imports into Spain from Peru and New Spain, despite the agricultural prosperity of the latter region in the eighteenth century, accounting for approximately 90 and 80 per cent respectively of imports from these viceroyalties. Two centuries earlier, the preponderance of bullion was even more overwhelming, partly because of a deliberate preoccupation (both official and private) with immediate wealth in its most recognisable form and partly because the majority of the regions which possessed the potential to become major exporters of pastoral and agricultural products were either marginalised by the official routes of international trade (which will be explained below in Chapter 4) or were still in a primitive state of economic development. The predictable outcome was that during the peak period 1580–1630, bullion always accounted for at least 80 per cent of the value of all American commodities imported into Spain. The highest levels were reached in the 1590s, with treasure accounting for 96 per cent of imports in the peak year of 1594, and adding up to a total value of 35 million *pesos* in the quinquennium 1591–95 (by this period the *peso*, a silver coin weighing one ounce and subdivided into eight *reales* of thirty-four *maravedis*, was becoming the standard unit of account and exchange in the Spanish empire, corresponding to the gold *peso de oro común* and the *peso de a ocho* or 'piece of eight' so prized by the English buccaneers in the Caribbean).

In principle a heavy dependence upon treasure imports did not necessarily spell disaster for the domestic economy of Spain—its neighbour, Portugal, for example, was later to show considerable finesse in combining a reliance on Brazilian gold to finance its international trade deficit in the period 1690–1750 with both some protection of the domestic economy against English penetration and continued development of Brazil's agricultural resources—but in the context of Hapsburg Spain the peculiar combination of the failure to articulate (or, at least, enforce) an effective industrial policy, high taxation, conspicuous consumption, ruinous interna-

tional conflicts, and perhaps even a lack of entrepreneurial spirit, at least among the politically dominant Castilians, combined to translate the steady increase in the circulation of American silver into a continuous and ultimately ruinous rise in commodity prices. The trend was a general European one, but prices rose first and fastest in Spain: the overall increase in the sixteenth century is generally reckoned to have been about 400 per cent (a very modest figure by the standards of modern Latin America but a cripplingly high one for that period). There is some evidence that until the 1570s this inflationary process stimulated Spanish industrial production, as the increase in wage rates tended to lag behind prices, thereby making labour cheaper, but the reversal thereafter of this relationship (partly because of the labour shortage caused by the emigration of artisans to America), coupled with an increasing technological gap between Spanish textile producers and those of northern Europe, raised Spanish costs and prices above those of other countries. Of course, the nature and the intensity of the problem should not be exaggerated: virtually every ship which sailed from Seville for Veracruz or the isthmus of Panama carried bales of woollen cloth from Castile, Basque iron, swords and cutlery from Toledo, books, furniture, tiles, pottery and works of art from Seville, leather goods from Córdoba, and many other products drawn from the traditional industries of the whole of Spain, including hats, gloves, fans, combs, cosmetics, glassware, paper and so on, as well as the typical products of the Andalusian rural economy, of which the most important were wines, brandies, flour, oil, nuts, beans, fish, sausages, hams, fruit and raisins. Some commentators have suggested that the demand in the Indies for these relatively low-value, high-bulk foodstuffs declined after 1550, as the colonists adapted to American foodstuffs or turned to local vineyards, *haciendas* and olive-groves to satisfy their needs for beverages and foodstuffs of European origin. The reality is that, although the relative importance of Spanish agricultural exports as a proportion of exports to America did, indeed, decline, as merchants in Seville turned increasingly to foreign suppliers for the fine textiles (laces, silks, linens, light woollens, velvets, damasks and so on) demanded by the increasingly prosperous and sophisticated inhabitants of the colonial cities, the absolute demand for them continued to rise as American consumers grew wealthier and more ostentatious in their consumption. Even in the eighteenth century,

when Barcelona was finally granted access to direct trade with first the Caribbean and subsequently the mainland ports of America, the oft-remarked boost to its production of cotton and silk manufactures for the American market was almost matched by the growth in demand for Catalan *aguardiente*, which accounted for 31 per cent of the value of the port's exports of Spanish goods to America, compared with 27 per cent for printed textiles. Throughout the colonial period wealthy and ostentatious American consumers were prepared to pay more for a sweet Málaga wine, a Catalan brandy, or a Sanlúcar *manzanilla* than for a cheaper but poorer local substitute; similarly, in the late-twentieth century ostentatious city dwellers throughout Spanish America prefer for social as well as sensory reasons to serve their guests Scotch whisky rather than local rum and brandy.

Returning to the matter of imports from America, it is again worth making the point that virtually every ship which sailed into a Spanish port from America throughout the colonial period, unless a naval vessel carrying only crown silver, included in its cargo American agricultural and natural products. They ranged from merely curious and exotic items (parrots, monkeys, coconuts for example), through those of intermediate economic significance, such as copper bars, *vicuña* wool, a wide variety of herbs, spices and medicinal products, lead and tin. Many varieties of cereals such as wheat, rice and barley were also carried, as were coffee and tea, although usually in small quantities, at least until the late-eighteenth century. The same was true of animal products such as furs, horns, hooves, tallow, and sheep's wool. Hides were more important, as were sugar, cocoa beans and tobacco. Although in the 1590s the value of these agricultural products stood at truly insignificant levels—in 1594, for example, cochineal, hides and indigo made up only 4.5 per cent of the value of imports, the rest consisting, as noted, entirely of bullion—between 1550 and 1700, they usually accounted for about 15 per cent, rising to much higher levels thereafter. There is some evidence that even the low figures recorded for agricultural imports in the late-sixteenth century exaggerated the real demand in Hapsburg Spain for colonial products, a number of which were already widely available from local sources: cattle hides, for example, which were shipped in considerable quantities from Veracruz in the late-sixteenth century, had a very low market value in Seville, and served essentially to

ballast ships which could not find profitable return cargoes because of the low volume of space required by the principal commodity, silver. Sugar, too, although imported into Spain from Hispaniola as early as the 1520s, enjoyed only a limited market in Seville, partly because of the availability of supplies from southern Spain and the Canary Islands. Nevertheless, the city's merchants were slow to exploit the unsatisfied demand for the product in northern Europe, where, of course, sugar cane would not grow. By the end of the sixteenth century the demand for both hides and sugar in northern Europe had grown to considerable levels, promoting some increase in re-export, but by then the Spanish commercial dependence on apparently inexhaustible supplies of American silver seemed to have reduced entrepreneurial initiative, and it was left to Dutch and English traders to satisfy northern European demand by obtaining these commodities not in Seville but by means of direct, albeit illegal, trade with smaller Caribbean islands far removed from the patrols of Spanish naval and coastguard defences. The Portuguese, who had probably always been more perspicacious traders than their Spanish counterparts, also began in the late-sixteenth century to exploit the growing demand for sugar by introducing large-scale commercial production to northern Brazil, and, of course, the majority of the islands seized from Spain in the seventeenth century by her foreign rivals—notably Barbados, St Kitts, Martinique and Guadeloupe, followed in due course by Jamaica and Saint Domingue—built their initial prosperity upon the production of tobacco and sugar for Dutch traders. Spanish producers showed considerably greater interest in dyestuffs—including indigo and the wild forest trees whose wood yielded the striking dyes much in demand among textile manufacturers. Ideally, and according to mercantilist principles, these dyes would have been consumed in Spain itself, but by the end of the sixteenth century domestic industrial decline had reached such depths that not only dyestuffs but also fine Spanish wool were being exported in raw form without any significant added value to England, France, the Netherlands and Italy. Isolated theorists such as the canon lawyer Martín de Azpilcueta Navarro were quick to see the connection between the influx of American treasure and the inflation which eventually forced Spanish merchants to look to northern Europe for both the major markets for their tropical products and the sources of their industrial products for re-export to America. He commented as

early as 1556 that ‘money is worth much more where and when it is scarce than where and when it is abundant’.⁹ However, neither the crown, itself a great exporter of silver to pay for its wars in northern Europe, nor the majority of its advisers seemed unduly concerned about, or even aware of, Spain’s relative economic decline until remittances of American treasure itself began to fall in the second quarter of the seventeenth century. The details of and the reasons for this decline are discussed below in Chapter 4.

NOTES

1 A. W. Crosby, *The Columbian Exchange: Biological and Cultural Consequences of 1492* (Westport, Conn.: Greenwood Press, 1972).

2 *Ibid.*, p. 31.

3 D. Geggus, *Slavery, War, and Revolution: The British Occupation of Saint Domingue, 1793–1798* (Oxford: Clarendon Press, 1982), pp. 347–72.

4 On biogeography, see A. W. Crosby, *Ecological Imperialism: The Biological Expansion of Europe, 900–1900* (Cambridge: Cambridge UP, 1986), pp. 269–93; on Peru, N. D. Cook, *Demographic Collapse: Indian Peru, 1520–1620* (Cambridge: Cambridge UP, 1981).

5 J. R. Fisher, *Government and Society in Colonial Peru* (London: Athlone Press), 1970, pp. 251–53, contains a 1795 *estado* which breaks down the population of Peru by locality and race.

6 Crosby, *Ecological Imperialism*, pp. 174–75.

7 Hemming, *op. cit.*, p. 112.

8 Crosby, *Ecological Imperialism*, p. 178.

9 Quoted in J. Lynch, *Spain under the Hapsburgs*, Vol. 1 (Oxford: Basil Blackwell, 1965), p. 124.

CHAPTER 4

The Hapsburg Commercial System

ORIGINS

Although historians continue to debate and differ over the perhaps insoluble issue of when the medieval world ended and modern history began, virtually all are agreed that the expansion of European trade beyond the Mediterranean and the North Atlantic—first with Portuguese expansion down the coast of Africa throughout the fifteenth century, and, from 1492, with the initiation of Spanish expansion in the Caribbean, into the American hemisphere—was crucial in the transition from an essentially inward-looking Europe to a truly global economy, albeit one which European powers would continue to dominate until the twentieth century. The dramatic expansion after 1500 of the lines of maritime and commercial communication—with both Spain and Portugal looking, at least in theory in the case of the former and in practice in that of the latter, beyond America and Africa to the fabulous Orient—also extended both the scope for the sources of international conflict to manifest themselves beyond Europe, and, increasingly in the seventeenth and eighteenth centuries, for the threats of war between European powers to be located, at least in part, beyond the geographical confines of the Old World. In so far as Portuguese trade with Brazil was concerned, the relatively low-value (in relation to volume) cargoes of dye-woods which began to flow to Europe in increasing quantities by the middle of the sixteenth century attracted few predators. Cargoes of sugar, too, were generally unattractive to intruders. In contrast, cargoes of gold and diamonds, which became of great importance from the late-seventeenth century, were, in principle, much more vulnerable to attack, but the protection usually afforded by the English navy both deterred French intruders and nullified the potential threat from England itself. In the case of Spain, the almost total reliance upon precious metals for

return cargoes from America, and the country's inability to secure a permanent rapport in the Hapsburg period with either England or France (and, of course, its long-standing difficulties with the Dutch) combined to ensure that its shipping was under almost constant threat of attack from foreign intruders—official and unofficial—particularly from the middle of the sixteenth century, when France and England began to emerge from a long period of internal instability to challenge Spain for at least the profits of empire, if not the territories which produced them.

Even without the increasing threat of international interference with the lines of imperial communication, both Spain and Portugal would probably have moved towards the use of a convoy system for much of their commercial contact with America and Africa (and beyond them the Pacific and the Indian Oceans), if only because of the enormous distances involved in maintaining communication with their far-flung possessions and trading-partners, and the vulnerability to natural hazards of the small, fragile ships of the early-sixteenth century. The additional danger of direct attack from corsairs, privateers and pirates—initially in the eastern Atlantic and increasingly, in Spain's case at least, in American waters—confirmed this development, and the related tactic of organising naval squadrons to patrol particularly dangerous waters in the hope of affording protection to merchant shipping. As early as 1521—that is, when the first of the fabulous gold and silver objects obtained in the penetration of Aztec Mexico reached Europe and opened the eyes of Spain's potential rivals to the material wealth of the American mainland—Spanish naval squadrons began to patrol the triangle of perilous waters bounded by the coast of western Andalusia, the Canaries and the Azores, in an attempt to provide protection against both northern European intruders and the ever-dangerous Barbary corsairs of North Africa. In the following year regulations were issued by the crown requiring merchant ships to carry some artillery for self-defence, and in 1526 further instructions ordered merchant ships to sail in groups for mutual protection. By the early 1540s, the origins of the rigid maritime system which would be consolidated during the reign of Philip II (1556–98) had begun to emerge, although in this early period—that is 1543–54 (in the latter year trade ground to a virtual halt in the face of persistent French attacks)—there was still some elasticity for individual ships to sail, particularly if carrying unusual or perish-

able commodities, such as slaves. Between 1543 and 1554 an annual fleet left Seville for the Caribbean, dividing into two groups in the region of the island of Dominica, with one part continuing in a south-westerly direction for Cartagena and Nombre de Dios on the isthmus of Panama, and the other heading due west for Santo Domingo and Veracruz. Although contact between Seville and these American destinations was maintained during the final years of the reign of Charles I, a prolonged period of Franco-Spanish warfare in mid-century brought in its train a steep and progressive decline in trans-Atlantic shipping in 1551–54, as French privateers and naval squadrons blockaded the coast of Andalusia and remorselessly picked off merchant ships which attempted to break through. No less than 25 Spanish vessels were sunk or captured in 1553–54, and the consequent effect upon mercantile confidence (which was also reeling from a combination of crown sequestration of commercial capital, a downturn in the Spanish domestic economy, and over-supply of the American market with luxury goods up to 1550) was sufficient to reduce the movement of shipping to the lowest level recorded since the early 1520s. Moreover, the great majority of the 23 ships which notionally sailed to America in 1554 and of the 36 which set out from America for Spain (the equivalent figures for 1550 were 133 and 82) actually terminated their voyages in the Canaries, where naval protection was relatively strong, rather than Seville at the Spanish end or Nombre de Dios and Veracruz at the American end of the trading system, thereby further immobilising capital. Although regular communication was resumed between Seville and America in 1555, partly as a result of more effective naval action off the Spanish coast against privateers and pirates, and was consolidated by a suspension of hostilities with France in 1556–57, it was not until 1559 and the signing of the Treaty of Câteau-Cambrésis that the conditions were created for a return to a long period of commercial expansion.

The growth in trade after 1559, which in the 1560s and 1570s was characterised by steady rather than spectacular expansion, gathered pace in the 1580s and 1590s, by which period, of course, Philip II's foreign policy had become crucially dependent upon the ability of Spanish America to supply the taxation revenue—primarily in the form of the crown's one-fifth share of silver production—which would pay for the maintenance of large armies in Italy, the Netherlands and Germany, and naval forces in both the Mediter-

anean and the Atlantic. This commercial and fiscal expansion took place against the background of the consolidation and institutionalisation of the commercial and defensive framework which had been tentatively introduced in the 1540s, and whose prime aim was to protect the Indies trade from the armed attacks of foreign intruders. As we shall see, although this principal goal was largely secured, the rigidity and inelasticity of the system was one factor in a process of gradual but inexorable decline in trade between Spain and America which began to manifest itself in the second decade of the seventeenth century and continued until the Bourbon period. First, however, we will examine the principal characteristics of the structure introduced by Philip II in the 1560s, features, moreover, which were to survive largely intact until the eighteenth century.

STRUCTURE AND PRINCIPAL FEATURES

Like the Portuguese monarchy, with which it shared a monopoly of systematic European overseas expansion until the second half of the sixteenth century, and like the monarchies of France and England, which supervised the creation of major overseas empires in the seventeenth century, the Hapsburg monarchy of sixteenth-century Spain firmly believed that the benefits of commercial intercourse with its subjects in America should be reserved for Spaniards alone. This attitude was also preserved by the Bourbon monarchy of eighteenth-century Spain, which, although anxious to promote commercial expansion by means of freer trade, was determined, as we shall see in Chapter 9, to attempt to exclude foreign ships from direct participation in the commercial exchange between the metropolis and its American dependencies. The suggestion of both eighteenth-century economic theorists and twentieth-century regional autonomists in the Spanish historical profession that an unnatural Andalusian-Castilian monopoly functioned within this nationalist framework of the colonial period is somewhat fanciful, for the emergence of Seville in the first decade of the sixteenth century as, first, the principal and soon the only port permitted to send ships to America and receive them from America—in succession to Palos de la Frontera, Cádiz (the successive ports of departure for Columbus' first two voyages), Sanlúcar de Barrameda and other small ports nearer to the Atlantic—reflected not an artificial

privilege but a natural transfer of both administrative and commercial authority to the principal city of south-western Spain, whose natural advantages included a secure port, a rich agricultural hinterland, and a sophisticated commercial-financial-artisan infrastructure capable of satisfying the needs of the rapidly-developing American enterprise. To some degree the monopoly was elastic, for returning vessels, particularly if heavy-laden, often put into Sanlúcar to unload at least part of their cargoes, and agricultural producers in the whole of western Andalusia were also closely articulated into the imperial commercial structure organised from Seville. This participation was a natural reflection of their geographical location and their close economic and financial links with the merchant houses of Seville. However, more artificial attempts to introduce ports in other parts of Spain to the American trading network did not prosper. In 1529, for example, there was a negligible response in northern Spain to the decision of Charles I formally to license a number of other Spanish ports, including La Coruña, to trade with America. Similarly, more than two centuries later Mediterranean ports such as Cartagena and Alicante did not respond positively to the decision of Charles III to break the monopoly of American trade enjoyed in the eighteenth century by Cádiz (to which the Seville monopoly was transferred formally in 1717).¹ This formal shift did not breach the principle of monopoly, but its local significance was considerable, particularly, of course, for Seville which had managed hitherto to retain the bureaucratic control of trade, despite the fact that the fleets themselves had begun to use Cádiz as the port of departure and return from 1680.

Until the late-seventeenth century the defence of Spain's monopoly of American trade, and in the process the control of emigration, was based initially upon the administrative control over trade provided by the creation in Seville in 1503 of the *Casa de la Contratación* (House of Trade). This powerful body, housed symbolically in the city's fortress, combined a variety of commercial, political, scientific and judicial functions, the majority of which it retained even after the formal establishment of the Council of the Indies in 1519. The *Casa* registered every ship sailing to and from the Indies, organised convoys, trained pilots, made maps and charts, functioned as a post office and a receptory for royal treasure, and fulfilled important legal functions, including the exercise of probate in respect of the estates of Spanish citizens who died in

America. From 1543 it worked closely with the *consulado*, or incorporated merchant guild, of Seville, whose members—drawn from the city's leading commercial families—received from the crown not only a grant of a formal monopoly of the Indies trade in the form of an obligation to organise the financing and defence of periodic fleets, but also, to quote the still relevant observation of Clarence Haring, the ability to 'control the character and size of outbound cargoes, and to dictate at will prices in America'.²

The organisation of shipping into convoys, protected by war-ships, a further key feature of the Hapsburg imperial commercial system which Bourbon reformers were wont to criticise as a hindrance to commercial freedom and flexibility, again represented, at least in its origins, an institutionalisation of two related, spontaneous devices for the protection of Indies shipping from both privateers and the naval forces of other European powers rather than the imposition from above of an artificial structure. As early as 1512 the House of Trade sent armed ships to the Canaries to protect Indies traffic from French corsairs, and in the following year the crown instructed it to arrange for an armed patrol along the coast of Cuba, again primarily in response to French intrusion. From 1521, as we have seen, naval squadrons regularly patrolled the maritime triangle between the Andalusian coast, the Canaries and the Azores to counter attacks from not only French predators (throughout the sixteenth century La Rochelle-based Huguenots considered Spanish shipping to be fair game even in the rare years when France and Spain were at peace) but also Barbary pirates. From 1522 the larger merchant ships were obliged to carry artillery for self-defence, and from 1526 they were forbidden to sail alone to or from the Indies, funds being raised from the latter date for the provision of both real protection and a growing bureaucracy by the imposition of a new duty on cargoes, the *averia*. Following the renewal of hostilities with France in 1542, further restrictions on individual enterprise were formalised with the prohibition from 1543 of expeditions to the Indies of less than 10 ships, and, in fact, from that year until 1554, when the French blockade of the mouth of the Guadalquivir interrupted virtually all trade for two years, an annual fleet, organised by the city's newly-established merchant guild, sailed from Seville for the Caribbean, dividing in the vicinity of the island of Dominica into two groups destined for Cartagena-Nombre de Dios and Santo Domingo-Veracruz respectively. In 1554, at the

request of the guild, the crown ordered that two fleets a year, protected by four specialised warships paid for by the *avería*, should sail for America, in January and September. However, the new system did not come into effect, with certain variations to be described below, until 1564, when the crown decided, because of the increasing fear and reality of Dutch and English attacks upon shipping, to persist with its defensive precautions, despite the 1559 peace with France.

From 1564, the formal structure of the Indies trade assumed the configuration, depicted in Figure 1, which it was to retain without any significant modification until the War of the Spanish Succession (although, as we shall see, it sailed with diminishing regularity, particularly in the second half of the seventeenth century).³ Thereafter, virtually all shipping to and from the Indies sailed in armed convoy, the principal exceptions being the dispatch vessels (*avisos*), which maintained communications with America between convoys. In principle, two fleets a year were to sail from Seville: the first, known as the *flota*, was supposed to leave in April for Veracruz, accompanied by a few vessels destined for Santo Domingo (whose share of trade, both relative and absolute, declined considerably after the conquest of Mexico), other islands and Honduras; the second fleet, known as the *galeones*, intended primarily to trade indirectly with the viceroyalty of Peru, was intended to leave in August for the small port of Nombre de Dios on the isthmus of Panama. Once it reached the island of Dominica, following an outward journey of 10–12 days to the Canaries and a further 23–25 days to the Caribbean, a few ships would break off for Cartagena and the coast of Venezuela, the main fleet continuing to the isthmus in the hope, sometimes forlorn, of synchronising its arrival with that of the silver sent north by sea and across the isthmus from Peru. There were some minor modifications to the structure in the course of its long history—for example, following its sacking by an expedition led by the English adventurers Francis Drake and John Hawkins, Nombre de Dios was superseded in 1598, by the better-defended Portobelo—but the principal features remained intact throughout the Hapsburg period.

The apparently arbitrary departure dates from Seville for the convoys, although in practice usually subject to slippage (often considerable), were actually chosen with great care, primarily to enable the respective fleets, having discharged their cargoes, to

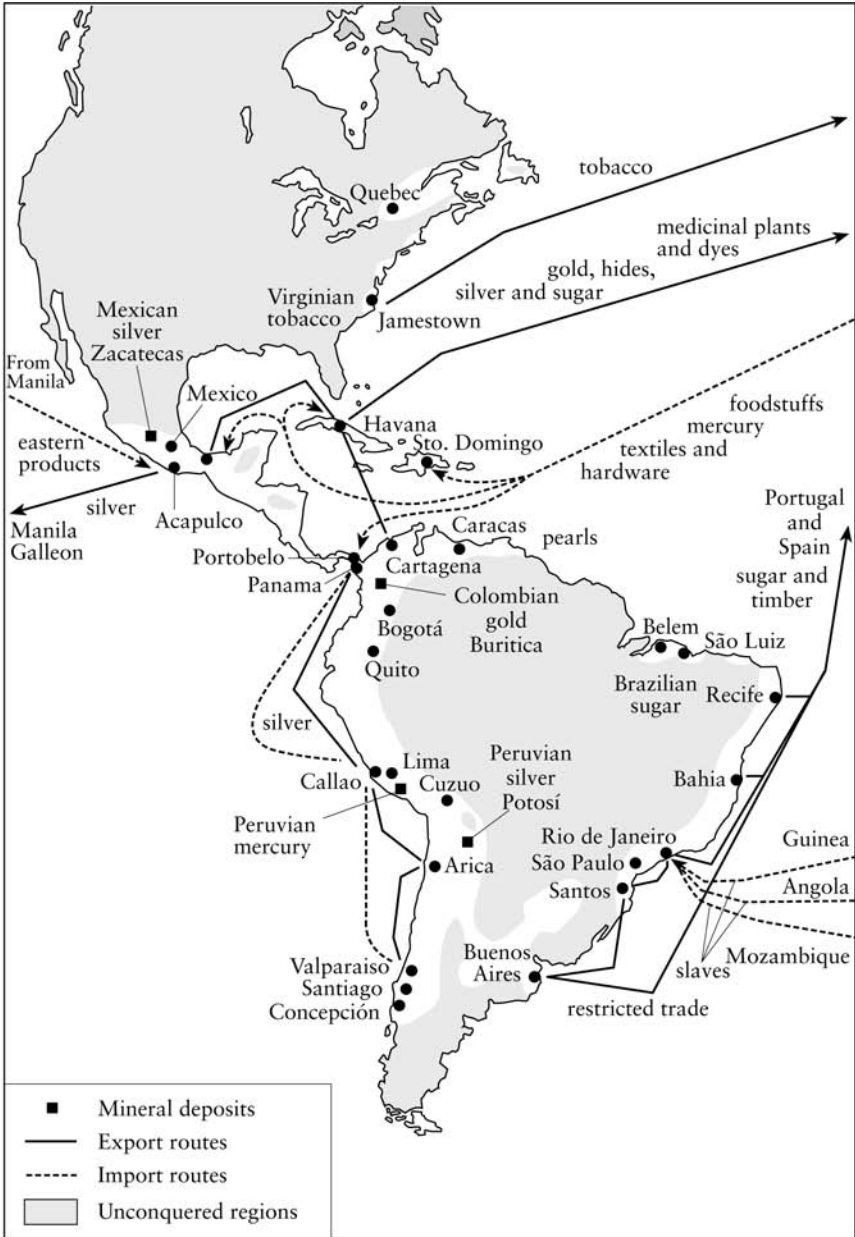


Fig. 1 The American economy and the principal routes of maritime trade (source: F. Morales Padron, *Atlas historico cultural de America*, 2 vols [Las Palmas, 1988], i, p. 332)

winter in Veracruz and Cartagena, before meeting in Havana in March–April for repairs and revictualling, and leaving together for Spain sufficiently early in the summer to enable them to get out of the Gulf of Mexico before August, when hurricanes were most likely to strike. The articulation into this system of the port of Santo Domingo became in reality increasingly irrelevant, particularly by the seventeenth century, with the consequence that the needs of the mainland ports were of paramount importance. The attempts to synchronise arrival and departure dates clearly represented an idealised structure, which in reality was vulnerable to a wide variety of imponderable factors, including adverse weather conditions, attack by pirates, the suspension of trade during periods of formal warfare (or, more frequently, fear of hostilities which kept ships in port), the availability of cargoes, ships and capital, and commercial confidence. In reality the synchronisation of the returning fleets was frequently not achieved, and increasingly the returning *flota* sailed for Spain alone in April–May, eventually reaching Seville in August–September, while the *galeones*, which often spent more time at the isthmus than anticipated, delayed their departure from Cuba until September–October. Moreover, from as early as 1580 there was a clear shift towards biennial rather than annual departures from Seville because of the difficulty in preparing outward fleets before the previous year's had returned. A profound problem at a different level was the widespread fiscal fraud attempted by shippers and tolerated by customs officials to avoid payment of the *averia*; in extreme cases merchandise was smuggled on board escorting warships, although the story that the mouths of cannon were used to store it is probably apocryphal. Despite these and other problems, the system functioned reasonably effectively within its somewhat narrow terms of reference, the essential purposes of which were to protect the main convoys from attack and, thereby, to bring back to Spain the silver remitted from New Spain and Peru for the crown, the merchants of Seville and, beyond them, the Spanish suppliers of agricultural produce and the increasingly foreign providers of the manufactured goods consumed in America.

The principal armed escort for the convoys, the *Armada de la Guardia de la Carrera de las Indias*, usually consisting of at least two and more commonly up to eight large, well-armed vessels, was never able to prevent attacks upon isolated ships which became separated from the main fleets or upon those involved in local trade,

particularly in the Caribbean, where foreign intruders based upon isolated islands were able to operate with relative impunity. However, the returning *galeones* were never plundered in their entirety, and the treasure of the New Spain *flota* was lost only once, when the Dutch privateer, Piet Heyn, captured it at Matanzas Bay, off the north coast of Cuba, in 1628. The booty—15 million guilders—was enormous, permitting not only the payment of a 50 per cent dividend to the shareholders in the Dutch West Indies Company which had underwritten Heyn's expedition, but also the financing of the systematic Dutch penetration of north-east Brazil, where, by the 1630s, they controlled both Pernambuco and the entire region between Paraibo do Norte and São Francisco. The Dutch returned to the Caribbean in strength in the early 1630s, seizing control of a number of islands, including Curaçao, Aruba and Tobago, and San Martín. In a desperate attempt to consolidate the defence of shipping, if not of territory, the crown turned to the traditional device of an armed squadron. The *Armada de Barlovento*, based in Puerto Rico, and paid for by an increase in the rate of the sales tax (*alcabala*) levied in New Spain, consisted of ships built in Havana, and was established in principle in 1636, although it did not become fully effective until the 1640s; this new force succeeded in preventing another Matanzas, but it was incapable of curbing both the settlement of uninhabited islands by foreigners and the widespread contraband with Spanish settlements undertaken by the Dutch, English and French intruders from their island bases. Similar measures were undertaken in Pacific waters to protect the integrity of convoys carrying Peruvian silver northwards from Callao to Panama, following the depredations in 1578–79 of Francis Drake, who passed through the Strait of Magellan in April 1578 and spent a year attacking Spanish shipping and settlements as he slowly headed north to the western coast of New Spain. The establishment of the *Armada del Mar del Sur*, based in Callao, came too late to prevent Drake's seizure of bullion worth 450,000 *pesos* from the treasure fleet bound for Panama, but thereafter it succeeded in deterring similar attacks by other intruders.⁴

If the fleet system functioned on the whole effectively in its prime task of protecting trans-Atlantic shipping and the subsidiary Pacific convoys which carried the silver of Upper Peru first from Arica to Callao and then on to the isthmus of Panama under the watch of the *Armada del Mar del Sur*, it had two distinct dis-

advantages. The first, which was probably unavoidable, was that of cost. As, in the course of the second half of the seventeenth century, total government receipts declined, the amount spent on defence increased not only relatively but also absolutely. In the decade 1591–1600, for example, when total crown revenues in the viceroyalty of Peru reached 31 million *pesos*, 64 per cent of that sum was remitted to Spain, leaving 11 million *pesos* to meet the local costs of the viceregal bureaucracy; in 1681–90, by contrast, total revenues, 24 million *pesos*, were lower, and more significantly, all but five per cent (1,200,000 *pesos*) were retained in the viceroyalty, primarily to pay for the maintenance of the Pacific fleet, the support of the Guayaquil shipyard which built its vessels, and the costs of maintaining the defensive walls of the strategic port of Callao, through which virtually all of Peru's silver exited to Panama, and through which the viceregal capital, Lima, lying some 12 kilometres inland, was supplied with both European products and imports from other parts of Spanish America.⁵ The maintenance of the walls of Lima, begun in 1687 (40 years after those of Callao), was also a heavy burden on the viceregal exchequer, as, too, were the costs of fortifying and garrisoning Valdivia.⁶

The second, and perhaps even more insidious problem arising from the constriction, both geographical and structural, imposed upon trade by the Hapsburg system was that of an inability to respond to the changing needs of American consumers and producers, particularly in the late-seventeenth and early-eighteenth centuries. In part, this inflexibility resulted from the restriction of trans-Atlantic trade at the American end of the system to a small number of ports: Veracruz, Nombre de Dios-Portobelo on the isthmus of Panama, and to a lesser extent Santo Domingo. Although both historical and geographical considerations made the city of Panama, for example, the natural route for the supplying of Peru and the return of its silver to Spain in the sixteenth century, the consequent failure of crown and merchants alike to respond in the later Hapsburg period to the growth of contraband trade in the Río de la Plata by legalising trade with Buenos Aires starkly demonstrated the inflexibility of vested commercial interests.

To a large extent this rigidity in the Hapsburg commercial structure derived from not only legal restrictions but also the monopoly of trade within the American system enjoyed by the *consulados* of Mexico and Lima, incorporated in 1592 and 1593

respectively, along similar lines to that of Seville, with whose members the Mexican and Peruvian merchants enjoyed extremely close ties of business, friendship and often family. For these powerful, privileged merchant houses, whose capital and influence controlled the despatch of fleets from Seville, the conduct of the trade fairs of Veracruz and Portobelo, and the subsequent transfer of merchandise to the warehouses of Mexico and Callao for distribution throughout New Spain and Peru, shortages of goods did not necessarily constitute a problem. On the contrary, scarcity could almost be construed as an advantage when viewed from their narrow perspective, for, as early Bourbon critics such as José del Campillo were to point out, unsatisfied demand guaranteed high prices and easy profits. The danger, of course, was that consumer demand would be satisfied by either the development of domestic production, or the much greater evil of supply through contraband channels, a remedy which was capable of meeting the needs of consumers but which from the standpoint of officialdom combined the evils of competing effectively with metropolitan production and not contributing revenue to the exchequer. These factors, of course, were precisely those which gave contrabandists the competitive edge over the merchants and producers who functioned inside the official commercial structure, whose combination of heavy-handed bureaucracy and high duties tended to stifle initiative and enterprise. The fundamental economic problem, in fact, of the Hapsburg commercial system was that the merchandise required by American consumers increasingly could not be supplied in adequate quantities and at acceptable prices not only because of the restrictionist attitudes of the monopolists but also because by the end of the Hapsburg period Spain possessed neither the productive capacity nor the initiative to satisfy even the basic needs of the American market.

Why, then, did the unreformed system survive for over two centuries, despite clear evidence by the second quarter of the seventeenth century that it was losing its dynamism and its effectiveness? Some of the answers to this semi-rhetorical question have already been hinted at or touched upon: restrictions upon the licensing of ports, for example, helped to preserve the illusion that the crown and its agents could control the flow of emigration, and thus were capable of excluding from America undesirable religious groups such as Jews and New Christians, as well as the

potentially troublesome citizens of the nations of northern Europe, in whom the defect of Protestantism tended to be combined with the obvious danger of lack of respect for broader Hispanic cultural values. Geographical curbs on direct commercial exchange also seemed to guarantee greater security for shipping, by enabling the crown and its agents to concentrate defensive measures—primarily the construction of fortifications and the installation of cannon—at a limited number of key sites. Seville, for example, was secure from foreign penetration (although Cádiz was obviously vulnerable to both direct attack, such as the combined Anglo-Dutch onslaught of July 1596, when the ships of the outgoing *flota* were burnt at their moorings, and the more insidious problem of blockade during periods of formal warfare). In the Pacific, the substantial fortifications (walls and/or forts of stone) built not only in Callao and Lima but also at Trujillo (1687) and Valdivia (1647), although expensive to maintain, ensured that none of these settlements suffered serious assaults, driving buccaneers to turn their attention to minor, poorly-defended settlements such as Paita, Huaura and Santa. Matters were more difficult in the Gulf of Mexico, particularly in the late-seventeenth century. The major port of Veracruz was well-fortified, as was its harbour of San Juan de Ulúa where the ships of the *flota* tied up when they arrived to supply New Spain with its European imports and take away its silver. When, in 1568, John Hawkins put in to San Juan de Ulúa with five ships—one of them captained by Francis Drake—in an attempt to obtain supplies and engage in contraband, he found himself trapped by the incoming *flota* under the command of no less a figure than the new viceroy, Martín de Enríquez, and most of his vessels were destroyed. A century later—in 1683—by contrast, when buccaneers based upon the island of Tortuga were also found there by an arriving *flota*, the intruders were so powerful and the convoy so weak (it consisted of only 14 ships) that the captain-general remained helpless outside the harbour while the buccaneers calmly loaded the spoils of their sack of the port and sailed away to divide it.⁷ Ultimately, therefore, as this example demonstrates, commercial decline brought in its train strategic problems, by encouraging contrabandists to resort to the use of force when it seemed to them to be appropriate—either to avoid capture or to intimidate their victims—and by depriving the royal authorities of the revenues required to maintain adequate defences for even key ports.

Throughout America, by the second half of the seventeenth century, the perennial shortage of goods supplied through official channels, and the high prices charged for those which did arrive, induced American producers and consumers, particularly in areas remote from the viceregal capitals, to indulge in contraband with foreign ships which sailed into the many unguarded harbours open to them along the Atlantic and Caribbean coasts. Moreover, local officials tended to turn a blind eye to and even participate in these illegal practices. To give but one absurd example, the coast guard squadron established in Cartagena, the principal Caribbean port of New Granada, with the specific duty of curbing smuggling, was often so short of flour for its basic subsistence that its officers felt obliged to purchase illegal supplies from the very contrabandists based in Jamaica whom they were supposed to keep out, paying for their supplies with gold and local agricultural produce even during periods of formal hostilities between Spain and England.⁸ Not surprisingly, such clear examples of Spain's inability to preserve the commercial integrity of its American possessions encouraged its imperial rivals to go beyond mere contraband to engage in selective territorial expansion, a theme which will be examined in more detail in Chapter 6 after a brief consideration in Chapter 5 of inter-colonial trade. First, Chapter 4 will conclude with a summary of the principal trends in trans-Atlantic trade between Spain and America in the period between 1550 and 1700.

TRANS-ATLANTIC COMMERCIAL TRENDS, 1550-1700

In the preceding section of this chapter several reasons have been advanced to explain the durability of the Hapsburg imperial system in the later seventeenth century, despite the accumulation in that period of a great deal of objective evidence that, although the legal commercial structure was still able to protect most official treasure shipments from foreign predators, it was failing to fulfil the other prime objectives of preserving America as a closed market for the agricultural and industrial products of Spain, and ensuring that the American products, primarily precious metals, available to pay for imported goods, were shipped exclusively to Spain. A fundamental factor in the system's longevity, the significance of which has been implied rather than clearly articulated in the earlier discussion, is

that for approximately half a century after their introduction in the 1560s, the laws and regulations of Philip II for the control of the *Carrera de las Indias*—the general term used to describe the whole of the shipping and commercial exchange between Spain and America—actually did function very effectively. By the time that their limitations and inefficiency began to manifest themselves, as they did by the 1620s, too many powerful vested interests, in both Spain and America, were already committed to the preservation of what had become an institutionalised structure, and the relatively weak monarchy of the later Hapsburgs lacked the will, or even the awareness of the need, to make radical changes.

The determination of Philip II and his successors to preserve access to the American market exclusively for the subjects of the crown of Castile and to accumulate and retain wealth in the form of bullion, although criticised from the eighteenth century by economists as the fundamental cause of ruinous price inflation, was not controversial in the Hapsburg period. As one scholar has noted, 'it is likely that if any other of the European countries had discovered rich mineral deposits in its colonies, its policies would have been based on the same principles'.⁹ In the first instance, therefore, it is appropriate to evaluate the effectiveness of the crown's economic and commercial policies in the light of the somewhat narrow mercantilist ideas prevalent throughout Europe in the late-sixteenth century. For Spain, this was a period when, despite the increasing attempts of emerging colonial rivals—notably England, which, of course, destroyed the invading *armada* in 1588—to challenge its territorial and commercial monopoly in America, and the growing determination of the Dutch to consolidate their prolonged revolt for national independence (1576–1609) by attacks on Spanish shipping, colonial trade expanded steadily in the 1570s and 1580s, and then grew rapidly in the 1590s and the first decade of the seventeenth century. The record year for sailings for America was 1608, when over 200 ships left Seville for the Caribbean—in the 1590s the average number of west-bound sailings had been about 130—and large fleets were also despatched in 1609–10, before a sharp downturn in 1611, provoked primarily by a fall in demand and prices in New Spain.¹⁰

Merely counting ships is, of course, a somewhat crude way of measuring commercial trends, particularly over a long period, although it has some validity as a short-term device, given the

paucity of reliable quantitative data on the value of export cargoes. Nevertheless, there is much qualitative and some quantitative information which confirms that the increase in the number of west-bound sailings from 60–70 a year in the 1570s to well over 100 in the 1590s (despite a sharp recession in 1597–98 as a consequence of Drake's attack on Cádiz, crown financial difficulties and a devastating epidemic in New Spain) and, as noted, to even higher levels in 1608–10, actually understates the commercial expansion experienced during the latter part of the reign of Philip II and the first half of that of Philip III. Not only did larger ships, obviously capable of carrying greater tonnages of cargo, come into use by 1600, but, as the developing economic infrastructure of America made the colonists increasingly able to produce their own wines, oil and foodstuffs, as well as some craft goods, the export from Spain of high-volume, low-value commodities gave way in part to the shipping of much richer cargoes of manufactured goods—woollens, linens, silks, clothing, tools, weapons, hardware, furniture, glassware, paper, and so on—most of which, unfortunately for Spain, were not produced in Andalusia. Theoretically, these and other manufactures might have been supplied from other parts of the peninsula, and, indeed, some were, but increasingly the merchants of Seville turned to foreign suppliers, whose capacity to increase production to supply (indirectly) the American market with high-quality products at acceptable prices exceeded that of domestic producers, hampered by technological stagnation, poor terrestrial communication within Spain, and rampant inflation. The facade of the mercantilist monopoly survived in all its splendour, but its structure was weakened, even in this period of commercial expansion, by the need of many of the members of the Seville *consulado* to become *testaferros*, men-of-straw, who sacrificed their notional financial independence to Genoese or Dutch bankers, and looked increasingly to foreign suppliers for the manufactured goods which they required for shipment to America.¹¹

As exports from Seville to Veracruz and the isthmus of Panama grew in volume and value between 1570 and 1610, the value of imports from America also increased proportionately, despite occasional interruptions caused by, for example, the diversion of merchant ships to carry the ill-fated Spanish invasion force to England in 1588, and the aforementioned attack on Cádiz in 1596, led by Francis Drake. The goods imported included cochineal (the red dye

of Oaxaca, in New Spain), and the blue vegetable dye, indigo (most of which was produced in this period in Guatemala and San Salvador), both of which were in great demand among textile producers throughout Europe. Dye-woods, sugar, pearls and hides also figured prominently as imports—in 1589, for example, 144,000 American hides were landed in Seville, the largest number in any year before the eighteenth century—along with a broad range of less important commodities: Chinese silks, cotton, sarsaparilla, ginger, amber, tobacco, balsam, chocolate, and vanilla.¹² Some—tobacco and sugar, for example—were to become major items of trade in the Bourbon period, as we shall see, but in the Hapsburg era they were overshadowed by gold and silver, especially the latter, the proportion of which by value never fell below 80 per cent throughout the late-sixteenth and early-seventeenth centuries; in the peak year of 1594, gold and silver made up no less than 95.6 per cent of imports. In terms of absolute values, silver imports peaked in the following year, and the decade of the 1590s as a whole was also the most important of the Hapsburg period, with average bullion imports of almost seven million *pesos* a year. Although tailing off slightly in the first quarter of the seventeenth century, treasure imports remained above five million *pesos* a year until 1630. Thereafter, for both external and internal reasons, including a clear tendency for a greater proportion of the output of the American mines to be retained in the empire to meet the soaring costs of defence, remittances fell sharply to an estimated average of 3.3 million *pesos* in the 1630s, 2.6 million *pesos* in the 1640s, and 1.7 million in the 1650s.

In the last four decades of the seventeenth century, the decline in treasure imports (which inevitably both caused and reflected the parallel fall in exports to America in view of their linkage in a vicious circle of depression) accelerated, falling to an annual average of a little less than one million *pesos* in the 1660s and 1670s, before plunging, as Table 1 indicates, to the truly insignificant level of 340,000 *pesos* a year in the last two decades of the century.¹³ These figures raise serious questions about the validity of the revisionist historiographical trend of the early 1980s, which argued that the nadir in Spain's weakness and, therefore, in relative terms, the onset of the country's stabilisation and recovery, should be located not in 1700 but some 20 years earlier in 1680.¹⁴

In the short term the Spanish crown itself was somewhat better

Table 1
Imports of American bullion into Spain, 1650–99
(figures in pesos)

<i>Years</i>	<i>New Spain (flota)</i>	<i>South America (galeones)</i>	<i>Individual ships</i>	<i>Total</i>
1650–59	6,187,167	11,167,287	12,892	17,367,346
1660–69	4,030,049	5,242,506	93,659	9,366,214
1670–79	5,784,144	4,213,109	45,104	10,042,357
1680–89	2,276,852	1,445,398	156,159	3,878,409
1690–99	1,551,631	1,389,437	65,377	3,006,445
Total	19,829,843	23,457,737	373,191	43,660,771
%	45	54	1	100

protected from economic and commercial decline in the seventeenth century than were the mercantile communities of Spain and America, for it was in the apparently advantageous position of being able to increase taxation (normally in the late-sixteenth century, the crown's share of treasure imports reached 25–30 per cent with the balance being consigned on behalf of private citizens, but this figure fell in the seventeenth century, as the bulk of exchequer receipts were retained in America). In the long term, of course, resort to this device of turning the fiscal screw merely intensified the economic-financial crisis, by encouraging both fiscal fraud at the Spanish end of the system and outright contraband in the Americas. The question of the extent to which the commercial crisis of the seventeenth century reflected actual economic downturn in America—as opposed to the diversion of American production to illegal outlets and its retention within an increasingly sophisticated American economic orbit—will be considered in Chapter 7. In the meantime it is important to stress two points which might appear, at first sight, to be somewhat contradictory. The first, on the negative side, is that as official trade between Spain and America declined, and as smaller proportions of the crown revenues raised in America were remitted to Spain, the ability of the monarchy to wage an aggressive foreign policy in Europe and to provide an adequate defence of both its ships and islands in the Caribbean became increasingly circumscribed. In the 1590s it could expect to receive as clear profit, once local administrative expenses had been met, in excess of two million *pesos* a year from America, primarily from its one-fifth share of mining production, supplemented by the yield of the *alcabala* (sales

tax), customs revenues, Indian tribute, and a wide range of other fiscal levies. The first significant fall in these remissions occurred in the second decade of the seventeenth century with a gradual fall to 800,000 *pesos* in 1620, an average of less than 300,000 a year in the 1650s, and less than 100,000 a year in the last two decades of the century.¹⁵ Returning, however, to the contradiction, or at least the counterpoise, referred to above, it is important to stress that throughout the sixteenth century and for a substantial part of the seventeenth the crown could rely upon the receipt of a secure, significant income from America, and it succeeded in protecting both the sources of that wealth, its American possessions, and the commercial system which conveyed it to Spain from the hostile attentions of emerging imperial rivals and their predators, both official in the form of wartime navies and unofficial in the form of privateers, pirates and buccaneers. The activities of both groups will be examined in more detail in Chapter 6, following an analysis of inter-colonial trade.

NOTES

1 The reason for the formal transfer of the bureaucratic control of trade to Cádiz was primarily strategic. See A. J. Kuethe and L. Blaisdell, 'French influence and the origins of the Bourbon colonial reorganization', *Hispanic American Historical Review*, Vol. 71 (1991), pp. 579–607.

2 C. Haring, *The Spanish Empire in America* (New York: Harcourt, Brace and World, 1947), p. 300.

3 Figure 1 is reproduced, with the permission of the author, from F. Morales Padrón, *Atlas histórico cultural de América* (Las Palmas de Gran Canaria: Comisión de Canarias Para La Conmemoración del V Centenario del Descubrimiento de América, 2 vols, 1988), Vol. 1, p. 332.

4 A comprehensive history of this process is provided by P. E. Pérez-Mallaina Bueno and B. Torres Ramírez, *La armada del Mar del Sur* (Seville: Escuela de Estudios Hispano-Americanos, 1987), p. 340.

5 K. Andrien, *Crisis and Decline: The Viceroyalty of Peru in the Seventeenth Century* (Albuquerque: University of New Mexico Press, 1985), pp. 33–34.

6 Further information on the relative costs of different defence-related items is provided by P. T. Bradley, 'The cost of defending a viceroyalty: crown revenue and the defence of Peru in the seventeenth century', *Ibero-Amerikanisches Archiv*, Vol. 10 (1984), pp. 267–89.

7 Parry, *op. cit.*, pp. 254, 265–66.

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8 For a detailed discussion of this matter, see L. R. Grahn, 'An irresolvable dilemma: smuggling in New Granada, 1713–1763', in J. R. Fisher, A. J. Kuethe and A. McFarlane (eds), *Reform and Insurrection in Bourbon New Granada and Peru* (Baton Rouge: Louisiana State UP, 1990), pp. 123–46.

9 G. J. Walker, *Spanish Politics and Imperial Trade* (London: Macmillan, 1979), p. 11.

10 An excellent general analysis of commercial trends in this period is provided by Parry, *op. cit.*, pp. 246–50.

11 See M. J. Macleod, 'Spain and America: the Atlantic trade, 1492–1720', in *The Cambridge History of Latin America. Volume I: Colonial Latin America*, ed. L. Bethell (Cambridge: Cambridge UP, 1984), pp. 341–88.

12 *Ibid.*, pp. 367–68.

13 This table is adapted from that in L. García Fuentes, *El comercio español con América 1650–1700* (Seville: Escuela de Estudios Hispano-Americanos, 1980), p. 383.

14 See, for example Kamen, *op. cit.*, p. 7.

15 Detailed figures are given in *maravedís* in García Fuentes, *op. cit.*, pp. 537–41.

CHAPTER 5

Inter-Colonial Trade and the Hapsburg Commercial System

CURRENT HISTORIOGRAPHY AND ITS LIMITATIONS

As we have seen in Chapter 4, in the discussion of trans-Atlantic trade in the Hapsburg period, and as we shall confirm in Chapters 8–9, when we examine the trading developments of the eighteenth century, historians of commercial relations between Spain and Spanish America now have a reasonably comprehensive macro-level understanding of the general trading patterns of the entire colonial period. Indeed, it might almost be argued that they have a better grasp of the issue than did the Spanish crown and its officials, even in the relatively efficient eighteenth century, for it is clear to any twentieth-century historian who has undertaken research on Spain's colonial trade with America that the vast majority of the tens of thousands of shipping registers, which provide the documentary raw material for modern scholarship, went straight to the archives of the colonial period without being scrutinised by ministers and their subordinates, as did even the annual summaries prepared by customs officials in some ports. However, despite the abundance of virgin documentation in the archives of Spain and America, historians of trade do have to try to come to terms with a number of rather intractable problems, including the impossibility of measuring with any degree of accuracy the all-pervasive but elusive contraband activity of the seventeenth and eighteenth centuries, which, by its very nature, was not clearly documented. They also face the parallel difficulty of evaluating the reliability of the official registers prepared in Seville-Cádiz for every vessel which sailed to or returned from America from the early-sixteenth century until the late-eighteenth century (between 1765 and 1778, as we shall see in Chapter 9, a number of other peninsular ports were gradually licensed to trade with America, although about four-fifths of all shipping continued to use Cádiz). Despite these and

related difficulties, it remains true, nevertheless, that the broad movements of trans-Atlantic commercial activity have been established, as have the general causes of its principal peaks and troughs. Considerable progress has been made during the last decade or so, moreover, with the analysis of the economic consequences for Spain as a whole, and, in particular, for industrial and agricultural production at the regional level, of the opening and the development of the American market. However, relatively little research has been undertaken so far upon the regional impact in America of the commercial and economic framework imposed upon the empire by the Spanish crown, or, in general terms, on the internal reality of the American economic system during the entire colonial period.

What is clear is that the understandable but, nevertheless, narrow preoccupation of economic historians of the Hispanic world with the routes of trans-Atlantic trade during the colonial period distorts, or at least over-simplifies, both the reality and the complexity of the inter-American economic and commercial systems which once every two or three years finally delivered silver to the trade fairs of Veracruz and Portobelo, where it was exchanged for European imports and exported to Seville. Similarly, the consequential scholarly emphasis upon the development and maintenance of the mining industry, which, of course, provided from the mid-sixteenth century the Mexican and Peruvian silver and the New Granadan gold which not only featured as the principal commodities of official trade but also lubricated contraband and the slave trade, tends to obscure the very important point that throughout the colonial period, as in the century after independence, the vast majority of Americans were dependent for their livelihoods and their social organisation upon the production and exchange of agricultural goods. Even in the late-eighteenth century, when mining output reached record levels, the number of Spanish Americans engaged *directly* in work in the mines was probably less than 75,000, out of a total population of some 17 million.

Obviously, there was a close relationship in Mexico and Peru between mining and agriculture, and, at a broader level, complementarity between the combination of American agriculture and mining on the one hand, and trans-Atlantic and inter-colonial trade on the other. Potosí, for example, the principal source of Peruvian silver until the late-eighteenth century, and, thereby, the motor of both the viceroyalty's trans-Atlantic trade with Seville via Panama

and Portobelo, and its Pacific trade with the viceroyalty of New Spain, also acted as a magnet for the vast range of imported goods supplied to the barren highlands of Upper Peru legally via Panama–Callao–Arica, and illegally via Buenos Aires and Brazil. Silver from Potosí paid eventually for sugar, slaves, iron goods and textiles shipped to the Río de la Plata from Brazil, as well as imported goods supplied via the isthmus of Panama. Moreover, complex internal trading networks tied the agrarian and industrial economies of southern Peru, Paraguay, Chile, and the Andean provinces of modern Argentina—variously suppliers of mules, wine, sugar, *aguardiente*, *coca* leaf, *yerba*, vegetables, meat, coarse cloth, copper, mercury and many other local products—to the economic fortunes of Potosí and other Upper Peruvian mining centres such as Oruro. Many of these local and inter-colonial networks overlapped, moreover, with each other and even with the trans-Atlantic system. The chronic shortage of high-quality European textiles in Lima and other Peruvian cities, for example, provided space for the development of an important wool textile industry in seventeenth-century Quito (modern Ecuador), despite repeated prohibitions from the metropolis of the encouragement of local industrial production which might compete, in theory at least, with that of Spain. Similarly, Guayaquil exported local products such as *cacao* and timber to Peru, both for local consumption and re-export to other regional markets and to Spain itself.

PERUVIAN-MEXICAN TRADE AND THE MANILA GALLEON

The best-known and most conspicuous network of inter-colonial trade in the Hapsburg period, although in the long term certainly not the most important, was that which bound the viceroyalties of Peru and New Spain to each other through the Mexican port of Acapulco, and, following the Spanish conquest of the Philippines in the 1560s, also permitted the growth of a trans-Pacific trade to Manila, the capital of the Philippines, which served essentially as an entrepôt for the exchange of American (primarily Peruvian) silver for Chinese silks and porcelain shipped to the Philippines through Macao from Canton. The basic pattern consisted of the export from Callao to Acapulco of Peruvian silver (in this period, Peru produced much

more silver than Mexico) and, by the early-seventeenth century, of mercury from Huancavelica (America's only significant source of the essential amalgamating agent required for the refining of silver ore), together with much less important consignments of copper, fine *vicuña* wool, and *cacao* (from Guayaquil). The return cargoes carried from Acapulco to Callao included both Mexican products (for example, sugar, preserved fruits, mules, pottery, and leather goods) and above all Chinese silks brought in via Manila, for which there was an almost insatiable demand among the wealthy, status-conscious elite of Lima and other Peruvian cities. Following the arrival of the first consignment of Chinese goods in Acapulco in 1573, the crown—torn between, on the one hand, tolerating a trade from which it, too, could profit through the imposition of taxes, and, on the other, permitting the diversion from the Atlantic system of both American silver and, thereby, purchasing power for peninsular goods—ordered in 1581 that only the port of Acapulco could trade between America and Asia (permission, subsequently withdrawn, had been granted in 1579 for Callao and Panama, too, to participate directly). Subsequently the crown also acceded to the requests of the *consulado* of Seville (which, of course, had a vested interest in ensuring that Peruvian and Mexican silver should not filter out of the Atlantic economy) that the number of ships permitted to trade between Acapulco and the Philippines should be restricted to two a year, and the value of the silver exported be limited to 500,000 *pesos* a year. In practice, this latter limit was almost invariably exceeded, with the value of exports to Manila usually ranging from one to two million *pesos*. The 1597 figure of 12 million was an aberration, although one which had a profound and negative effect on the demand in New Spain for European goods. Inevitably, the level of trade was determined less by the authority and instructions of the crown than by the preferences of the *consulados* of Mexico and Lima, whose members controlled the distribution of silks throughout the two vicerealties and, in the former case, even their re-export through Veracruz to Seville. These merchants generally preferred not to flood the viceregal markets and, thus, risk lower prices and lower profits but, at the same time, frequent shortages of manufactures supplied from Seville encouraged them to look to Asian sources of supply when business was slack.

The outward crossing from Acapulco to Manila was made in two stages: the first, to the Pacific island of Guam, where a small garrison

was maintained to provide water and other supplies, was long but was less dangerous than the shorter second leg to the Philippines port of Cavite (opposite Manila on the island of Luzon), whose surrounding waters abounded with pirates. Nevertheless, the one or two ships used were usually large galleons (300 tons in the sixteenth century; 1,000 tons by the end of the seventeenth), with up to 250 crew and soldiers on board, as befitted the values of both the outward and return cargoes, and, although occasionally captured (on one occasion by Japanese forces), they usually succeeded in getting back to Acapulco some eight or nine months after their initial departure from Mexico, laden with rich consignments of not only silks and porcelain but also spices, tea, precious stones, ivory, and lacquer. The importance of this trading link gradually declined, particularly in the eighteenth century, when the crown-sponsored Philippines Company began to make direct voyages from Callao to Manila, but intermittent sailings continued until 1821, when the final galleon was captured by the forces of the Mexican independence leader, Agustín de Iturbide, on its entry to its home port of Acapulco.¹

By the late-sixteenth century, as Chapter 7 will explain in more detail, the development of a sophisticated agricultural infrastructure for the production of European-style products along the northern and central coasts of Peru, and to a lesser degree in the fertile valleys around the southern city of Arequipa, led, too, to the growth in export to New Spain (and Panama) of wine, olives and olive oil. Both the high quality of these products and the relatively low transport costs incurred in the Pacific trade gave them a distinct price advantage over Andalusian products, which, in any case, tended to be in short supply. Under pressure from Spanish producers and merchants, the crown banned the importation of Peruvian wine and oil into Panama in 1614 and into New Spain in 1620, and in 1631 went much further in forbidding all trade between New Spain and Peru, a prohibition which formally persisted until the eighteenth century when it was lifted as part of the general liberalisation of trade.² Although these curbs had some effect, and were partially responsible for the decline in the size and frequency of inter-colonial trade in the Pacific in the mid-seventeenth century, a more significant factor was the growing capacity of Mexican agricultural producers to satisfy internal demand for foodstuffs from their own production.

CARIBBEAN AND SOUTH AMERICAN TRADE

The viceroyalties of New Spain and Peru, as the twin foci of economic power and administrative authority in America in the sixteenth and seventeenth centuries, also stood at the centre of complex networks of Caribbean and South American trade, which to a certain extent overlapped with each other in the northern regions of modern Colombia (which in 1739 would be separated from Peru as the core of a third viceroyalty, that of New Granada). Within the Gulf of Mexico the ports of three principal parties—New Spain, the islands, and the northern littoral of South America, embracing the coasts of modern Colombia and Venezuela, commonly known as *tierra firme*—traded with each other. New Spain, for example, exported to Havana, capital and principal port of Cuba, the flour of Puebla and Atlixco, the maize and chickens of Campeche, the biscuit of Veracruz, local cloth, weapons, and other products both to feed its garrison and citizens and also for redistribution throughout the island. Cash subsidies were also provided for the payment of Havana's garrison, given that viceroys in Mexico saw Cuba as the first line of defence against possible foreign attacks. Havana, for its part, exported to Veracruz in return Cuban sugar, tobacco and hides. Margarita, Puerto Rico and other Spanish islands in the Caribbean (including Jamaica until its seizure by England) developed similar, although less voluminous, exchanges with Veracruz. La Guaira, the principal port of Venezuela, shipped flour and groceries to Cartagena (importing in return Colombian gold), hides and leather goods to Cuba, Santo Domingo and Puerto Rico, and *cacao* to Veracruz. Other important items in this regional trade included Mexican silver (of course), the tobacco of Barinas (Venezuela), cochineal, dye-woods, earthenware, sarsaparilla, guaiacum, canvas, honey, emeralds, hardwood, coarse woollens and the copper of Santiago de Cuba (which was vital for the casting of machinery and artillery). Many of these products were consumed in part by the refitting and victualling of the ships of the trans-Atlantic fleets, and by local shipbuilding (Havana, like Guayaquil, had important shipyards), and some were eventually exported to Spain as return cargoes; a much greater proportion, particularly from the second half of the seventeenth century, entered the channels of contraband trade in return for the European manufactures which the official structures of commerce proved incapable of

supplying. Aware of the strategic dangers of unlicensed commerce, particularly with Dutch intruders, but incapable after the first decade of the seventeenth century of maintaining even existing levels of trade, let alone increasing output to satisfy the ever more sophisticated economic demands of its developing American possessions, the Spanish crown resorted for a brief period to the opposite extreme, by prohibiting the cultivation of tobacco along the Venezuelan coast. Although a hindrance rather than a real deterrent, this was one factor which led Venezuelan producers and merchants to concentrate instead upon the production of *cacao*, the export of which to Veracruz to satisfy the apparently insatiable Mexican demand for chocolate increased substantially after 1620.³

In South America beyond the northern coastline of *tierra firme* some interior regions were poorly articulated into the trans-Atlantic and inter-colonial trading networks, primarily because of their geographical isolation and poor communications: the area around Santa Fe de Bogotá, for example, although capable of exporting its local products (maize, honey, timber and wool as well as gold and emeralds) down the Magdalena river and eventually to Cartagena, was somewhat marginalised as both a producer and a consumer of imported products by the slowness and cost of this route. A further consideration which throughout the colonial period tended to create the incorrect impression that New Granada was economically backward was the preference of the region's inhabitants to evade official trade routes in favour of contraband via, for example, Riohacha and Santa Marta.⁴ Further south and west, the two principal commercial structures were, first, local trade in the Pacific, which was fully controlled by the merchants and administrators of Peru, and a second, focused upon the Río de la Plata (and built around illegal and semi-legal trade with Brazil and non-Iberian shipping), which the *consulado* and viceroys of Peru largely ignored, except as a conduit for the overland supply of African slaves to the Andean region. Within Pacific waters Peru enjoyed an extensive trade with not only Panama but also Chile, from which it imported copper, tallow and wheat from the port of Valparaíso in exchange for silver and re-exported European manufactures. The southern Peruvian port of Arica was the principal conduit for the supply of imported goods from Callao to Potosí and the export of silver bars from Upper Peru first to Callao and eventually to Panama. Guayaquil, in

modern Ecuador, supplied Peru with *cacao*, timber, pitch and woollens, in return for sugar, flour, wine, *aguardiente*, imported and domestic textiles, and silver coin. These commercial relationships fluctuated throughout the sixteenth and seventeenth centuries. By the late-seventeenth century, for example, following a severe earthquake on the northern coast of Peru in 1687, the grain and sugar *haciendas* of the Trujillo region had entered a spiral of recession, losing both their market in Chile for sugar (which the latter now obtained via Buenos Aires from Brazil), and even the capacity to supply Lima with wheat at prices which could compete with those of Chilean producers. By the same period unquantifiable amounts of silver from Upper Peru were filtering out of the Arica-Callao straitjacket to pay for slaves, sugar, iron, textiles and hides supplied overland through Córdoba from Buenos Aires. The future capital of the viceroyalty of the Río de la Plata (the viceroyalty, the fourth in Spanish America, was separated from Peru in 1776) had been formally closed to international trade by Philip II in 1595—a principal consideration had been the desire to protect the established system of supplying Upper Peru and the Andean provinces of modern Argentina by the long and tortuous Pacific and overland extensions of the convoyed fleets to the Caribbean—but even in that early period licences were granted for the importation of slaves destined for Tucumán and Upper Peru. Indeed, throughout the colonial period Spain's inability to provide in its own ships the slaves required by the colonists to replace the declining Indian population of its islands and tropical coasts—Spain, unlike her colonial rivals, had no factories or colonies on the African coast, the Treaty of Tordesillas having ensured that African exploration was controlled by Portugal—provided a back-door into its mercantilist commercial structure for Dutch, French and English contractors, particularly after 1640, when the Portuguese revolt against Spanish rule, imposed in 1580, deprived Spain of easy access to Portuguese concessionaires. Once opened to foreigners this back-door proved to be unlockable. In the early-seventeenth century the crown, unable to decide definitively on its attitude towards the possibility of trade through the Río de la Plata, formally authorised the export overland from Tucumán to Buenos Aires of flour (1606) and silver (1613), and in 1623 established a customs house in Córdoba in the hope of at least getting some revenue from the expanding trade between the coast and the

interior which, it was realised, could not be effectively prevented, despite repeated appeals from the *consulados* of Sevilla and Lima for the prohibition. By the second half of the seventeenth century Dutch traders, often en route to the Pacific, were coming and going almost at will in the Río de la Plata. This general theme of foreign penetration of the imperial economic system, via both contraband and the even more problematic acquisition of territory, is considered in more detail in Chapter 6.

NOTES

1 Morales Padrón, *op. cit.*, Vol. 1, p. 348. This source also provides useful maps and textual explanations of the patterns of local trade in South America and the Caribbean: *ibid.*, pp. 340, 343.

2 Macleod, *op. cit.*, p. 369.

3 The standard work on Venezuelan–Mexican trade in general is E. Arcila Farias, *Comercio entre Venezuela y México en los siglos XVII y XVIII* (México: El Colegio de México, 1950).

4 A succinct summary of economic realities in New Granada in the Hapsburg era is provided by the early chapters of A. McFarlane, *Colombia before Independence: Economy, Society and Politics under Bourbon Rule* (Cambridge: Cambridge UP, 1993).

CHAPTER 6

Foreign Penetration of the Ibero-American Economy in the Hapsburg Period

MOTIVES AND SIGNIFICANCE

As we have seen in Chapter 4, the Spanish crown's overriding insistence on the need to impose an effective control upon the extraction of silver from the mines of New Spain and Peru, coupled with its aspiration to ensure the safe and regular despatch of treasure to Spain, underpinned the development by the second half of the sixteenth century of a trans-Atlantic commercial structure whose three administrative centres were Lima, Mexico and Seville, and whose principal ports were Callao (linked to Spain via Panama-Portobelo), Veracruz and Seville-Cádiz. In some respects this restrictive system was less rigid than it might appear superficially, for, as Chapter 5 has demonstrated, complex networks of inter-American trade provided some scope for the agricultural and natural products of regions isolated from the official routes of trade with the metropolis to eventually reach the trade fairs of Portobelo and Veracruz for shipment to Europe. At the Spanish end of the system, too, a wide range of non-Andalusian products (for example, iron from the Basque region and silk goods from Valencia) were taken by local traders and coastal shippers to Seville-Cádiz for onward despatch to America. It remains true, nevertheless, that the Hapsburg policies developed for the regulation of both economic life in America and commercial relations between Spain and America, although in one sense obeying a coherent pattern of historical development—the conquest of Peru from Panama, for example, provided a logical basis for the growth of a commercial network which linked the viceroyalty to Spain via the isthmus rather than the Strait of Magellan—marginalised vast territorial expanses, particularly in South America, from the permitted routes of direct

trade. The inevitable consequences, as we shall see, were economic underdevelopment in the peripheral regions of America, at least until the liberalisation of trade in the second half of the eighteenth century; a willingness (born of necessity) among the scanty populations of regions such as the Río de la Plata, and the officials appointed to watch over them, to seek illegal or semi-legal outlets for their products and sources of supply of scarce European goods; and the even greater strategic danger that the foreign merchants and adventurers who came to unprotected islands and unguarded ports initially to trade would turn, first, to piracy and plunder, and in due course to the seizure of territory theoretically granted to Spain (by the bulls of a papacy which many of the intruders did not recognise) but which it was incapable in many cases of even populating, let alone defending.

A further factor which brought intruders to the undefended coasts of South America in particular was the somewhat paradoxical combination of myth and reality. The myth, which would persist beyond the era of independence well into the nineteenth century, and, arguably, even further to the twentieth century, until finally destroyed by the Latin American debt crisis of the 1970s, was that Ibero-America was a fabulous region, of staggering wealth and potential, whose undiscovered cities, buried treasures, and mountains of silver would provide instant riches for those intruders who succeeded in evading the Spanish authorities and entering its territory. The reality was that occasionally these aspirations were realised, as evidenced by Piet Heyn's capture of the treasure of the returning *flota* at Matanzas Bay for the Dutch West India Company in 1628, and Francis Drake's seizure of 450,000 *pesos* of silver en route from Callao to Panama in 1578–79. These successes, rather than the deaths of intruders from disease and deprivation in hostile jungles and swamps, were what impressed the European imagination which, in any case, was also fed by the incontrovertible reality of the arrival of vast amounts of New World treasure in Seville throughout the sixteenth century. As a recent analysis of foreign intrusion into the Pacific in the seventeenth century has indicated, triumphs such as those of Drake and Heyn seemed 'to prove beyond doubt the existence of fabulous wealth for the taking only indifferently guarded by Spain', a myth consolidated in the Spanish language in phrases such as *valer un Perú* (to be worth a Peru), and *valer un Potosí* (to be worth a Potosí), and succeeded in drawing

to Spanish American shores from the nations of northern Europe 'their seafarers and bold adventurers, the merely curious, the dreamers, and the practical merchants'.¹

The causal relationship between contraband trade at one extreme and formal transfer of American territory to Spain's maritime and imperial rivals at the other—with the related phenomena of piracy, buccaneering and filibustering between the two—can be seen with greatest clarity in the Caribbean, where, by the second half of the seventeenth century, England, France and Holland had succeeded in acquiring not only remote, relatively insignificant islands, far from the principal trade routes, but also strategically-located islands, originally settled by Spain, which in the hands of their new masters served as springboards for the commercial and strategic penetration of its mainland possessions. The backdrop to these developments, it must also be remembered, was the undermining of the theoretical monopoly of American commerce enjoyed by Spain at the peninsular end of the trading system, as first Seville and to an even greater extent Cádiz (from 1680) became entrepôts for the exchange of American precious metals and other primary products for non-Spanish manufactures with which the stagnant industries of peninsular Spain were incapable of competing in terms of either price or quality in the supply of the American market. Although a detailed analysis of the phenomenon of French, English, Dutch (and even Portuguese) penetration of the theoretical monopoly of American trade within Spain lies beyond the scope of this monograph, it is worth noting—and endorsing—the observation of a recent study that by the end of the seventeenth century:

Contraband in the Indies trade began in Cádiz itself, where the greater part of the foreign merchandise received to constitute the bulk of the manufactures despatched in the fleets was introduced illicitly, so as to avoid paying up to 23 per cent of its value in customs duties. In the periods prior to the departure of the fleets the business was easier, since the products did not have to be brought into the city, but simply transferred from one ship to another. When the fleets returned, fraud also occurred, as precious metals were unloaded clandestinely, to be brought into the city by smugglers.²

In view of its illicit nature, this contraband trade, even in the relatively accessible port of Cádiz, cannot be properly quantified. It is also quite difficult to establish with accuracy what lay behind even the figures for the registered (and, therefore, normally legal) trade

because of the practice of recording goods by volume and/or weight rather than values. To take one year at random, it was estimated in 1689, for example, that only 1,500 of the 27,000 metric tons of goods legally dispatched to America from Cádiz originated in the fields and factories of Spain, the bulk of the exports consisting of manufactured goods imported from northern Europe for re-export.³

The ministers and advisers of Spain's last Hapsburg king, Charles II (1665–1700), who watched impotently over this fiscal and economic debacle in Cádiz, were aware of both the extent of foreign penetration of the official trade with the Indies, and the inexorable decline in the frequency and the size of fleets: the *galeones*, for example, sailed for the isthmus of Panama on only eight occasions between 1669 and 1700, and, although the *flota* to Veracruz was more regular, it, too, left on only 14 occasions in the same period of over 30 years. In 1695, the last time in the reign of Charles II that both fleets sailed in the same year, the combined tonnage was well below the 20,000 metric tons regarded as the normal capacity some 30 years earlier.⁴ Echoing and to a degree modifying the question posed in the mid-seventeenth century by the commentator Francisco Martínez de Mata, who wondered if it was really in Spain's interests to invest so much expenditure, risk and effort into the maintenance of the *Carrera de las Indias*, when the bullion and merchandise brought back went straight to the French and Genoese, one revisionist historian, who believes that Spain's domestic economy began to recover during the last two decades of the reign of Charles II, suggests, ingeniously but unconvincingly:

Because the bulk of the Indies trade was . . . in foreign hands, the trade was in no way a reflection of Spain's economy. The decay of American commerce was even to be welcomed, in so far as it weakened the hold of foreign finance on Cádiz.⁵

At a much broader level, apologists for Spain's last Hapsburg king (or, at least, his ministers, who had effective control of policy in view of the monarch's incompetence), during whose reign the country formally recognised by treaties the presence of rival powers in the Caribbean, have tended to seek some comfort in the fact that, despite its manifold problems in the later seventeenth century, Spain entered the eighteenth century with the territorial

integrity of at least its American possessions on the mainland virtually intact. This point is broadly accurate if one overlooks the presence of the English in Belize and on the Mosquito coast of modern Nicaragua, and that of the Dutch in the Guiana region. Those who seek to revise the traditional depiction of the seventeenth century as one of disastrous decline have to concede, however, that the long international conflicts between Hapsburg Spain and the other European powers—with the Dutch, in Germany, with France, with England—certainly drained Spanish wealth and manpower into non-productive enterprises. Moreover, they provided Spain's imperial and, above all, commercial rivals with not only excuses—if excuses were needed—for direct attacks on Spanish possessions and Spanish shipping in the Atlantic, but also with incentives and motives for, first, the settlement of uninhabited islands which could be made profitable as both bases for buccaneering and contraband, and as producers of sugar and tobacco—and, second, for direct attacks upon and seizure of more important Caribbean islands which Spain had settled but was unable to defend. The following section of this chapter examines this theme in more detail.

THE CARIBBEAN

The majority of the specialised analyses that have been undertaken of war, diplomacy and foreign economic/commercial penetration in the Caribbean basin in the Hapsburg period, see, with the benefit of hindsight, the Dutch seizure of the island of Curaçao in 1634 as a decisive turning point in the transition from hostile interference based on piracy and plunder alone to the perhaps even more insidious undermining of Spanish hegemony in the region by means of contraband activity. It should come as no surprise to any reader to discover that Spanish settlements along the coasts and on the islands of the Caribbean had been attacked and sacked many times by foreign pirates, buccaneers, and corsairs during the previous century. From the mid-1530s until 1580, Spain and France were almost constantly at war, and, as a consequence, French ships attacked various Cuban ports, including Havana, in 1537, 1538, 1543, 1546 and 1555; Cartagena, too, came under frequent attack, and in 1554 was occupied by French intruders for several weeks.

Later in the sixteenth century the focus shifted to Anglo-Spanish hostilities. Following fierce Spanish reprisals in 1567 against the English intruder John Hawkins, whose chequered career in Caribbean waters had begun in 1562 with a relatively pacific attempt to supply slaves and other goods to Spanish settlements, Francis Drake and Hawkins turned (with the implicit support of their sovereign, Elizabeth I, and the explicit support of French Huguenot pirates) to outright plunder, penetrating the Chagres river as far as Cruces in 1571 and returning to the isthmus in 1572 to attack Nombre de Dios. Drake's 1577-80 circumnavigation of the globe, during which he attacked Spanish settlements along the Pacific coast and seized the Callao-Panama silver fleet, has already been mentioned; it was followed in 1585 by his attacks on Santo Domingo, Cartagena and San Agustín. Although his death from dysentery at Portobelo in 1596, following his burning of Nombre de Dios, was greeted with acclaim in the Hispanic world, other English intruders (including Anthony Shirley, who sacked Santiago de la Vega, capital of Jamaica) came in his wake before a temporary respite was afforded in 1604 by the Treaty of London, signed between representatives of Philip III and the new, less belligerent king of England, James I. One factor in the new willingness of the English crown to recognise, at least in theory, Spain's commercial monopoly in the territories which it had succeeded in settling during the sixteenth century, was the switch in English interest (and resources) to its own colonial enterprise in Virginia, which began in 1607 with the foundation of Jamestown. Taken in conjunction with the beginnings of French settlement in the St Lawrence valley of Quebec in 1608, this shift northwards of rival European interest marked a decisive challenge to the 'continental exclusivity flaunted by the Iberian people', although, as noted, in the short term it promised to balance this long-term disadvantage with the provision of greater security for Spanish settlers and traders in the Caribbean.⁶

The first two decades of the seventeenth century—the most successful period, as we have seen in Chapter 4, for the *Carrera de las Indias*—were marked by relatively good relations with not only England but also France. This rapprochement had begun earlier, in fact, with the signing of the Treaty of Vervins in 1598, an accord made possible by the accession to the French throne in that year of the pragmatic Henry IV (of Navarre). In the short term, too, better

relations with the Dutch came in the wake of Spain's *de facto* agreement in 1609 by the Treaty of Antwerp to recognise the independence of the Low Countries.

However, after a brief period of cordial relations with Spain, the Dutch proved to be the fly in the ointment of 'the period which might be described as the pacifist generation (1598–1618)'.⁷ Their 'sea dogs', as the fierce Dutch sailors were known, had already made their presence felt along the Caribbean and Atlantic coasts of South America in the 1580s and 1590s, undertaking contraband trade in dye-woods in northern Brazil and exploiting the vast salt deposits of Araya in eastern Venezuela to build up a lucrative trade in an apparently modest but valuable commodity which was in great demand for the preservation of fish. Although the foundation in 1602 of the East India Company, a federated organisation with state backing, seemed to suggest that the Dutch would concentrate their commercial activities in the east, the very success of this enterprise, and the powerful financial support available from the Bank of Amsterdam (founded in 1609) encouraged renewed attempts in the Americas both to explore and settle uninhabited (and unclaimed) territories in the north and to exploit the Spanish and Portuguese presence in the centre and south. In 1609 the directors of the East India Company employed the navigator Henry Hudson to search for a north-west passage to Asia, but abandoned the project once it became clear that the route via what is now called the Hudson river and Hudson Bay was impossible, and they showed little interest in the cargoes of deerskins remitted from the small settlement of New Amsterdam, now named New York, and obtained by trade with the native inhabitants of Manhattan island.

Frustrated in the north, the Dutch, whose guiding spirit, according to the poet of expansion, Joost van den Vondel, was the belief that 'Wherever profit leads us, to every sea and shore / For love of gain, the wide world's harbours we explore', turned their attention to the richer pickings offered by the Iberian settlements.⁸ The vehicle for penetration was the West India Company, founded by a powerful group of Amsterdam merchants in 1621, the year of the renewal of formal hostilities with Spain, essentially as a piratical organisation which the States-General was prepared to back, not least with a fleet of 20 warships, because of the strategic importance of its declared aim of seizing Spanish bullion en route for Seville. In fact, the Company almost foundered, following the prompt recap-

ture by a strong Spanish force, of Bahia, the capital of Brazil, which Piet Heyn had seized in 1624 and held for a year (in this period, of course, Portugal and Spain were united under one monarchy). However, the enormous success of his 1628 seizure of the returning *flota* at Matanzas Bay, which has already been referred to, permitted not only the payment of large dividends to shareholders, but also the fitting-out of a major expeditionary force (8,000 men, 65 ships) which first took Recife and, after a six-year campaign, finally succeeded, by 1637, in establishing control over the rich sugar plantations in its hinterland and effectively controlling, until its expulsion in 1654 (when the metropolitan Dutch were distracted by war with England) the 1,000 miles of coastline between the mouths of the Amazon and São Francisco rivers.

During this same period, the Dutch also made their presence forcefully felt in the Spanish Caribbean both as predators upon shipping (as noted already) and, even more seriously, in terms of territorial acquisition. Between 1628, when the *flota* was seized, and 1636, no less than 547 Spanish vessels, many of them admittedly small coastal craft, fell into Dutch hands, and, as one of the East India Company's directors noted in 1644, 'the operations of the company have been carried out so successfully that the pride of Spain has not been able to withstand them'.⁹ Between 1630 and 1640 the Dutch took control of the islands of Curaçao (1634), Saint Eustace (1634), and Sabra (1640), the possession of which was formally recognised by Spain in 1648 by the Treaty of Münster, along with that of Saint Martin, taken in the year of the treaty. Although in global terms, Dutch power began to recede from mid-century, as a consequence of the rise of English and French economic and maritime competition, they remained a serious threat to the weaker Spain: in 1665, for example, Edward Mansvelt successfully raided the port of Sancti Spiritus in southern Cuba, before moving on to capture the small but strategically-located island of Old Providence, off the coast of Nicaragua, and then penetrating inland from the coast of Central America as far as Granada; Tobago, too, fell to a Dutch attack in 1678.

Not to be outdone by the Dutch, the English, who had co-operated with their rivals in 1623–24 in the settlement of convicts on Saint Kitts, took Barbados in 1625, Saint Vincent in 1627, Barbuda and Nevis in 1628, Montserrat, Antigua and Dominica in 1632, Marie Galante in 1648, and Anguilla in 1650. The French,

for their part, occupied Guadaloupe and Martinique in 1635 (in 1654, 300 Jews expelled from Brazil were settled on the latter), an enterprise organised by the Dutch-style *Compagnie des Isles d’Amerique*, formed in 1626, moving on to Granada and Saint Barthélmy in 1640 and Saint Lucia in 1660. These and other islands in the Leeward and Windward groups which fell into the hands of Dutch, English and French intruders were small, unoccupied and unproductive, and Spain could take some comfort from the fact that they were relatively isolated from the main channels of trade and the major islands and ports (Puerto Rico, Cuba, Santo Domingo, Trinidad, Margarita, Veracruz, Cartagena, and Portobelo) which either acted as the termini for the convoys of the *Carrera de las Indias* or provided strategic bases for its defence. Curaçao was in a different category, for its proximity to the coast of Venezuela made it an ideal base for illicit trade with Coro and Maracaibo, and, somewhat further west, Riohacha (where hostile and well-organised indigenous resistance made the Spanish presence very tenuous throughout the colonial period), Santa Marta and Cartagena. Moreover, the English and French succeeded not only in turning islands such as Barbados and Martinique into prosperous producers of sugar, but, emboldened by their success there, looked further west to larger and/or strategically-located islands, which Spain had populated and sought to retain. Thus, in 1655, although beaten off from Santo Domingo, an English expeditionary force entrusted with the execution of Oliver Cromwell’s ‘Western Design’ met little resistance from the 1,500 Spanish inhabitants of Jamaica when it moved on to Port Royal later that year. The French again followed the English example, seizing control of Tortuga in 1654 (before that date this small island, lying between eastern Cuba and western Hispaniola, provided a haven for buccaneers of all nations), and using it as a base for the gradual penetration of the western half of the latter island. Following its formal recognition as the French possession of Saint Domingue in 1697 by the Treaty of Ryswick, this now-impoverished Haitian territory became the world’s greatest sugar producer in the eighteenth century. In the late-seventeenth century its inhabitants, like those of Tortuga and Jamaica, relied instead for their livelihoods on buccaneering, a name derived from their use of the *bucán* (in its turn, an adaptation of the French word *boucan*, essentially a type of barbecue used for the smoking of the carcasses of the wild cattle that abounded in their

islands). After the death of Mansvelt in 1667, the most prominent of the buccaneers was the Englishman Henry Morgan, whose violent and lucrative activities included the sack of Puerto Principe (Cuba) and Portobelo in 1668, and of Maracaibo in 1669, and, following a daring crossing of the isthmus, the burning to the ground in 1671 of Panama, terminus of the Peruvian silver fleets. A further notorious raid on settlements in the unfortunate Maracaibo basin was that made in the late 1660s by the French interloper Francois l'Olonnois, whose ruthless barbarity in the sacking of small settlements was extreme even by the lax standards of the period. Somewhat later, in 1683, as we have seen, a force of buccaneers was able to sack San Juan de Ulúa with impunity, as the pathetically small incoming *flota* watched helplessly.

By the 1660s, then, Spain's three major imperial rivals in northern Europe—Holland, France and England—had established a *de facto*, soon to become *de jure*, presence in the Caribbean, and were able with relative impunity to attack shipping and settlements, and, more insidiously, to undermine the integrity of the restrictive Hapsburg commercial system established a century earlier with the aims of preserving Spanish America as a closed market for Spanish products, and as a source of precious metals for Spain alone. Their mere presence deterred Spanish merchants from putting to sea without strong naval protection. Moreover, as we have seen, the theoretical monopoly of American commerce enjoyed by Spain was already being undermined at the Spanish end of the trading system, as Cádiz became essentially an entrepôt for the exchange of American precious metals and other primary products for non-Spanish manufactures, which were then re-exported to America. It was now also being eroded by direct intervention at the American end of the system, primarily by means of contraband conducted from the islands which had been seized by other European powers. The English island of Jamaica—'lying in the very belly of all commerce', to quote one contemporary—was particularly prominent in this respect, especially when the far-sighted English government declared it to be a free port, through which English manufactures could be exchanged for American silver and other raw materials without bureaucratic restrictions or the imposition of duties. The former characteristic means that detailed records of contraband activity are difficult to find—by contrast, the declining official trade of the Veracruz *flota* and the Portobelo *galeones* was meticu-

lously documented by short-sighted Spanish officialdom—and it is thus impossible to provide accurate statistics for its value. What is not in doubt is that as the seventeenth century ended—and worse disasters were to occur during the forthcoming War of the Spanish Succession (1700–1713)—the theoretical monopoly of American trade, although superficially intact, in reality lay in ruins as consumers, producers and officials alike in the Caribbean basin looked to the contrabandists rather than to legal channels for the supply of European manufactures and the purchase of their produce.

Almost paradoxically, the very success of the buccaneers in undermining Spanish influence in the Caribbean—and, thus, providing the springboard for the establishment of the flourishing contraband trade—soon began to work to their disadvantage. Initially, in the 1660s and 1670s, the governors of the Dutch, English and French islands were ready and willing to provide them with harbours and with markets for their plunder, secure in the knowledge that they could seek their armed assistance against Spanish naval forces and settlements in times of formal warfare. However, the buccaneers were a two-edged sword, particularly as they did not always confine their predatory activities to Spanish possessions and shipping. They were soon destroyed, in fact, not by their victims, the Spaniards, but by their masters. Once it became clear that the Spanish crown, fatigued by constant warfare, was prepared to concede formal possession of major islands to Holland, France, and England, but only on condition that buccaneering should cease, Spain's rivals, rather than Spain itself, began to clean up the Caribbean. The Treaty of Madrid of 1670, although allowing England to retain sovereignty over those colonies held at that time in America, including those in the Caribbean, did not produce a decisive policy for the suppression of English buccaneers, but 'rather the continuance of the see-saw of support and check'.¹⁰ In fact, the first English squadron to hunt down buccaneers was sent to Jamaica in 1685, following the signing of a 1680 agreement with Spain which again confirmed English possession of the island. Some of the buccaneers resisted and resorted to open piracy; others accepted generous land grants, and turned to the safer and, ultimately, more profitable production of sugar and tobacco. The most notorious of all the buccaneers, Henry Morgan, who had been recalled to London under arrest on his return to Jamaica after the 1671 sack of Panama, was granted a pardon in 1675 and returned to

Jamaica as lieutenant-governor. His collaborator Thomas Modyford, who as governor of Jamaica had authorised Morgan's exploits in the 1660s, became the island's chief justice. A similar agreement was made by Spain with the Dutch in 1673. The even more ambitious and aggressive French persisted longer in their refusal to come to terms with Spain, until finally in 1697, having realised that there was a real prospect of obtaining control of the entire Spanish world by diplomacy rather than warfare, as the childless Charles II grew older and more infirm, Louis XIV signed the Treaty of Ryswick with the Spanish king, and acquired formal recognition of French sovereignty over Saint Domingue. As this island rapidly developed in the eighteenth century as the world's greatest producer of sugar—with England's Jamaica not far behind—rueful Spanish commentators had to concede that in economic terms the remedy to the problem of buccaneering—transfer of islands—was probably worse than the illness, particularly as contraband continued unabated.

By the end of the seventeenth century, then, although Spain continued relatively secure—at least until the Seven Years' War (1756–1763)—in its possession of the major islands of Cuba and Puerto Rico, it had been forced to concede half of Hispaniola, the original stepping-stone for all conquest and discovery in the Americas, to France. The English possessed not only Jamaica but also the Bahama islands. Curaçao was firmly in the hands of the Dutch, and all three powers shared possession of the Lesser Antilles. On the mainland Belize was firmly under English control from 1638, although Spain refused to recognise formal possession, and English penetration of the Mosquito coast (Nicaragua) was also largely unchecked. In South America, all three of Spain's rivals had established a somewhat complicated presence in the Guiana region, which was technically under the jurisdiction of the Spanish authorities in distant Santa Fe, capital of New Granada. The English penetration was the least successful, at least in the short term; the settlement of Willoughby, established at the mouth of the Surinam River in 1651, having been seized by the Dutch in 1667. In 1653 the Dutch also took control of the French colony of Cayenne, established in 1644, but the French resettled it in 1664. Spain recognised Dutch possession of Surinam in 1674, and the secure existence of French Guiana also dates from the same year. The Dutch also settled the mouth of the Essequibo River in 1624. In

territorial terms, this pattern of foreign penetration established in the Caribbean by the end of the seventeenth century was to remain largely unchanged in the eighteenth century; in that sense, Spain succeeded in the eighteenth century in stemming the tide of territorial shrinkage in the Caribbean basin which had characterised the later Hapsburg period, but, as noted, the losses of the seventeenth century profoundly circumscribed her ability to preserve America as a uniquely Iberian environment.

THE PACIFIC

In the far south of the American continent, Spain's weakness in the seventeenth century was both more profound and, yet, less seriously exploited by its European rivals, with the significant exception of Portugal, which, as we shall see, was able almost with impunity to expand the frontiers of Brazil. Vast areas of southern Chile and the Río de la Plata (modern Argentina) remained outside effective Spanish control, partly because of the determined resistance to penetration and settlement by well-organised, warlike Indian groups—notably the Araucanians—whose decentralised political structures ruled out the sort of clinical, decisive conquest that had been effected by small bands of conquerors in Peru and Mexico, and partly because of a lack of real Spanish interest in remote territories which seemed to offer few immediate prospects in terms of both human and mineral resources. In the second half of the sixteenth century a considerable number of English expeditions were drawn to the barren coasts of Patagonia, with a few going beyond them through the Strait of Magellan to the Pacific. They were driven by a variety of impulses, including the lure of the wealth (mythical and real) of Peru, the possibility of establishing both trade and settlements in areas which were patently not under Spanish control, and the continuing search for a westerly route to China and Japan. The exploits of Francis Drake in the Pacific in the late 1570s have already been mentioned, and it is worth noting that one clear antecedent of his voyage was the proposal put to Elizabeth I of England in 1574 by Richard Grenville for the establishment of English settlements between the Río de la Plata and Chile with the hope 'of bringing in great treasure of gold, silver and pearl into this realm from those countries'.¹¹ Another was the exploit of Richard

Oxenham, who in 1576 set a precedent for seventeenth-century tactics by crossing the isthmus and seizing a Spanish ship in Pacific waters, although ultimately to suffer execution, with most of his crew, after being captured. The third circumnavigator of the globe, Thomas Cavendish (1586–88), succeeded, like Drake, in proving the existence of easy spoils off the coasts of Mexico and Peru, returning home with rich plunder of bullion, spices and silks and reportedly provoking Elizabeth to observe: 'The king of Spain barks a good deal but he does not bite. We care nothing for Spaniards; their ships loaded with gold and silver from the Indies come here after all'.¹² Subsequent English expeditions in the 1580s and 1590s, although adding considerably to the sum of geographical knowledge of the South Atlantic—in 1592, for example, the navigator John Davis discovered the islands which Britain calls the Falklands (named after a late-seventeenth-century treasurer of the navy) and Argentina the Malvinas—but many failed to get through the difficult Strait of Magellan. Cavendish, indeed, lost his life in a reckless attempt to do so in bad weather during his final voyage of 1591–93.

As English interest in the Pacific waned somewhat in the early decades of the seventeenth century, partly because of a shift of attention and resources to North America, a series of major incursions by Dutch traders and raiders was mounted, beginning with the expeditions of Jacob Mahu and Olivier van Noort (1598–1601), who, although destined ultimately for the East Indies via a westerly route, took with them large consignments of cloth, cutlery, glassware and haberdashery in the hope of trading with the inhabitants of Peru. Their fortunes were very mixed: one of Mahu's five ships was captured, for example, by the Spanish governor of Santiago and was sent to Callao, whence some of its surviving crew were despatched as prisoners in 1602 to Seville via Panama. However, van Noort himself succeeded in capturing a number of merchant ships in the harbour of Valparaiso. Moreover, sufficient evidence was secured of Indian hostility in southern Chile to the Spanish authorities and of the poor defences of most ports, including Arica (through which the silver of Potosí passed to Callao-Lima), to encourage further expeditions. One of the most successful was that which left Texel in 1614, with six ships and 700 men, under the command of Joris van Spielbergen and with the financial backing of the East India Company, the highspot of its activities

from the Dutch point of view being its defeat in 1615 off Cañete of a much larger Peruvian naval squadron sent against it by the viceroy of Peru (the Marqués de Montesclaros). Although a direct attack on Callao was beaten off, smaller ports along the Peruvian coast—Huaura, Huarmey, Paita, Manta, for example—were entered with impunity, before the expedition headed east, returning to its home after the fifth circumnavigation of the globe in 1617. In commercial terms van Spielbergen's sojourn off the coasts of Peru and Chile had not been profitable, trade having been conducted only with Indian communities in Chile, but his success against the Peruvian fleet off Cañete emboldened the East India Company in its view that there existed the potential for considerable financial gain—to be achieved by preying upon Spanish shipping if not by trade with Spanish settlements—in pursuing the westerly route to the East Indies.

While the newly-formed West India Company, licensed in 1621 by the States-General to attack Spanish shipping following the expiry of the notional truce signed with Spain in 1609, concentrated its resources upon preparations for the 1624 attack on Bahia, the East India Company gave its support in 1623 to the large fleet organised by Prince Maurice of Naussau (and commanded by Jacques l'Hermite), which would round Cape Horn early in 1624, whence, after an attack on Arica, it went on to blockade Callao for several months. Although the fortifications constructed after the van Spielbergen expedition by the viceroy Principe de Esquilache (at great expense) held, the direct losses to the viceroyalty in terms of cargoes captured and ships burnt have been estimated at 700,000 *pesos*.¹³ This, rather than the threat of territorial loss (at least until the 1640s), was one of the two principal problems created by the Dutch incursions: their presence, or even the threat of their arrival, necessitated the diversion of both crown and commercial capital to expensive defensive measures, including the construction and crewing of naval vessels. At the same time, of course, their activities interrupted the normal patterns of trading activity, both inter-colonial and that between Callao and Panama which tied in to the trans-Atlantic network, thereby reducing the crown's customs revenues at a time when defence expenditure was rising.

The danger of significant territorial loss in the Pacific, although ultimately not sustained, did increase towards the middle of the seventeenth century, when in 1643 the West India Company selected Valdivia—the site in 1599 of a large-scale massacre by

Indians of the inhabitants of the original 1552 Spanish settlement—for the founding of a Dutch colony in southern Chile, and despatched an expedition of five ships and 600 men under Hendrick Brouwer to execute the design. In fact, after two months' effort the Dutch themselves abandoned the attempt to construct a fort, primarily because of unanticipated difficulties in obtaining food supplies from the local population, returning to Brazil in late 1643 after the first recorded west to east passage of Cape Horn. Their departure, we now know, marked the end of Dutch plans for expansion in the Pacific, a point confirmed in the 1648 peace treaty between Spain and Holland. Nevertheless, the damage had again been done to the Peruvian exchequer, which in 1644 assumed the cost of fitting out a maritime expedition to fortify and garrison the approaches to Valdivia, in preparation for any future foreign incursions and to assist the ongoing campaign against hostile Indians. The total capital expenditure on the building and fitting-out of two new galleons which led the Peruvian expedition of 22 ships, the completion of a wall around Callao, the purchase of equipment, and the manufacture of artillery reached almost 1,500,000 *pesos*, thereby halving in 1644 the normal remission to the crown from Peru of 3,000,000 *pesos* in taxation revenue. Moreover, thereafter an annual subsidy of 20,000 *pesos* in cash, together with supplies and clothing, was shipped to the outpost of Valdivia in order to sustain its garrison.¹⁴

In the second half of the seventeenth century, the Dutch threat remained but a memory, but fresh incursions by English and French buccaneers, particularly in the 1680s and 1690s, via both the isthmus and the Cape Horn routes, continued to stifle economic activity and to drain resources into heavy expenditures on defence. As we have already noted in Chapter 4, by the decade 1681–90, no less than 95 per cent of crown revenues (22.8 million of the 24.1 million *pesos* collected) were spent within the viceroyalty of Peru, the bulk of them on the same defence projects that had been started to counter the Dutch threat earlier in the century: subsidies to frontier fortresses, the maintenance of the Guayaquil shipyards and the Pacific fleet, the repair and garrisoning of the defences of Callao, the manufacture of armaments, and the stockpiling of agricultural and artisan products for sustenance during possible blockades. Although clearly detrimental to the interests of the crown (which a century earlier had received an average annual revenue of

2,000,000 *pesos* from the Peruvian exchequer) and to the *Carrera de las Indias* (which declined in proportion to the crown's capacity to protect it and to the saturation of the American market with both contraband and domestic manufactures), this increase in government spending within Peru was beneficial to its internal economy. To quote from a recent monograph, 'it provides another example of how local capital came to be redirected to support economic growth in Spanish Peru'.¹⁵ This theme will be examined in greater detail in Chapter 7, following a brief discussion of foreign territorial and economic expansion in the western half of Spanish South America, particularly in the Río de la Plata region.

THE RIO DE LA PLATA

One of the constant characteristics of Iberian settlement in America, if not from 1500, when Pedro Alvares Cabral's India-bound fleet discovered Brazil, at least from 1534, when John III of Portugal began to systematically promote the colonisation of the territory granted to his country (albeit in ignorance of the existence of Brazil) by the 1494 Treaty of Tordesillas, was the inexorable penetration of Portuguese settlement into nominally Spanish territory. Moreover, although the Amazon river was first explored in 1542 by the Spanish expedition led by Francisco de Orellana, Spain was relatively content—in view of that vast region's clear lack of 'civilised' Indians and its apparent lack of mineral wealth—to allow the eventual Portuguese expansion up the river from Bélem in search of Indian slaves, spices and gold to proceed without hindrance, a process which gathered pace in the 1650s after the removal of the Dutch presence in northern Brazil, the details of which have already been outlined. Thereafter, Portugal's ability to expand its imperial frontiers relatively free from the threat of interference in its own colonies from Spain's maritime and territorial rivals (England and France) owed much to the country's strategic good sense in generally remaining at peace with England, which usually afforded naval protection for Portuguese shipping against France and Spain during periods of international conflict, and its good commercial sense in allowing, behind a theoretical monopoly of colonial trade for Portuguese nationals, both foreign investment in Portuguese colonial enterprises, and the licensing and use of foreign

ships for direct trade with Brazil. For English merchants and producers, who were the principal beneficiaries of these concessions, the attraction consisted of access to not only the Brazilian market but also, via the Río de la Plata, that of silver-rich Upper Peru.

In the seventeenth century, despite penetration up the Amazon, the most significant expansion of Brazil's frontiers occurred in the far south of the colony, where the *bandeirantes* (pioneers) of São Paulo began to penetrate into the Jesuit *reducciones* (missions) of Paraguay in the 1620s, in search of Indian slaves for the sugar plantations of the north, before switching their attention northwards to Minas Gerais in the late-seventeenth century, in response to the even greater lure of diamonds and gold. In face of unremitting attacks on their missions, including, for example, that against Guará in which Antonio Raposo Tavares took 9,000 captives, the Jesuits, who had been active in Paraguay since 1607, were forced to abandon several of them—including San Ambrosio, San Miguel, Jesús María, and San Ignacio—from 1628. In 1641, the Spanish crown, dismayed by the Portuguese attrition but incapable of dealing with it directly, authorised the Jesuits to arm the Indians and to train them in self-defence, a policy which allowed some consolidation of their presence in the modern Argentine provinces of Misiones, Corrientes and Entre Ríos. Nevertheless, the Brazilian push southwards continued, particularly towards and into Rio Grande do Sul—undoubtedly Spanish territory according to the Treaty of Tordesillas, but vacant as far as Portugal was concerned—partly to permit the expansion of cattle ranching to meet the growing demand for agricultural products in both the north-east and in Minas Gerais. In 1676 Pedro II of Portugal claimed for his country sovereignty over all territory to the north of the Río de la Plata, and four years later the small fortified settlement of Nova Colonia do Sacramento was founded across the river from the Spanish city of Buenos Aires, in the empty but nominally Spanish Banda Oriental (modern Uruguay). The settlement was initially a strategic outpost, offering no immediate rewards, and inhabited by a handful of virtually conscripted settlers from São Paulo. Like the twin settlement of Laguna, in Santa Catarina, established in 1684, Sacramento rapidly developed, however, as a contraband centre, through which British, Dutch and other European manufactures, slaves, and Brazilian sugar penetrated the exposed flank of Spanish America,

reaching as far as Upper Peru, in exchange for hides, tallow, other natural products, and, above all, the silver of Potosí. As this illegal trade developed—and as cattle raising in the Banda Oriental and Rio Grande do Sul intensified in the early eighteenth century in response to the great gold and diamond mining boom in Minas Gerais (Ouro Preto was founded in 1698 and Diamantina in 1730)—a more assertive Bourbon monarchy in Spain established Montevideo in 1726 as a counterweight to the Portuguese presence. The Treaty of Madrid of 1750 between Spain and Portugal succeeded in the short term in bringing to a halt sporadic clashes in the Banda Oriental. Under the treaty Portugal agreed to evacuate Sacramento in return for transfer to her of some of the Jesuit *reducciones*, and the recognition of the actual boundaries of Brazil in Amazonia. However, the implementation of the treaty collapsed in the face of genuine difficulties in demarcating frontiers, and as a result of both Jesuit and Indian resistance to the recognition of Portuguese authority in Misiones, and Portuguese opportunism. The question of sovereignty in this region was to remain unresolved until and beyond the independence period. Other aspects of foreign economic and commercial penetration, particularly French and English, in the eighteenth century will be addressed in Chapter 8, following a brief discussion of the general development of the internal economy of Spanish America in the period up to 1700.

NOTES

1 P. T. Bradley, *The Lure of Peru: Maritime Intrusion into the South Sea 1598–1701* (London: Macmillan, 1989), pp. 2–4.

2 C. D. Malamud Rikles, *Cádiz y Saint Malo en el comercio colonial peruano (1698–1725)* (Cádiz: Diputación Provincial de Cádiz, 1986), pp. 29–30.

3 D. A. Brading, 'Bourbon Spain and its American Empire', in *The Cambridge History of Latin America. Volume 1: Colonial Latin America*, ed. L. Bethell (Cambridge: Cambridge UP, 1984), p. 410.

4 Kamen, *op. cit.*, p. 133.

5 *Ibid.*, p. 134.

6 R. M. Serrera Contreras, 'La América española (época de los Austrias)', in *Historia de España. Tomo VIII*, ed. A. Domínguez Ortiz (Barcelona: Ariel-Planeta, 1990), p. 321.

7 *Ibid.*, p. 205. General works of reference on Dutch activity—commercial and

belligerent—in the Americas include J. Israel, *Dutch Primacy in World Trade (1585–1740)* (New York: Oxford UP, 1989); C. Ch. Goslinga, *The Dutch in the Caribbean and on the Wild Coast, 1580–1680* (Assen: Van Gorcum, 1985), and C. Ch. Goslinga, *The Dutch in the Caribbean and in the Guianas, 1680–1791* (Gainesville: University of Florida Press, 1971).

8 D. Maland, *Europe in the Seventeenth Century* (London: Macmillan, 1958), p. 197.

9 Maland, *op. cit.*, p. 105.

10 Bradley, *The Lure of Peru*, p. 105.

11 *Ibid.*, p. 5.

12 D. B. Quinn (ed.), *The Last Voyage of Thomas Cavendish (1591–1592)* (Chicago: Chicago UP, 1975), p. 17.

13 Bradley, *The Lure of Peru*, pp. 65–66.

14 *Ibid.*, pp. 83–85.

15 Andrien, *op. cit.*, p. 34.

CHAPTER 7

Economic Growth in Spanish America in the Hapsburg Period

ECONOMIC INTERDEPENDENCE

As we have seen in the discussion in Chapter 5 of the relationship between inter-colonial trade and the *Carrera de las Indias*, and in Chapter 6 of the economic significance (in terms of both the generation of contraband and increased local defence expenditure) of foreign commercial and territorial penetration of America in the seventeenth century, any attempt to isolate internal and regional economic activity in colonial Spanish America from either trans-Atlantic trade with Spain or illegal international commerce with other nations is difficult and in some respects artificial. Similarly, because of the complex social and economic inter-relationships which existed between entrepreneurs involved in mining, agriculture, industry and trade—prominent merchants, for example, tended to have important interests in land, and, not infrequently, in parts of Mexico and Peru in mining—separate analysis of these sectors can also provide a distorted, somewhat artificial reflection of actual social mechanisms, and of the fluid interactions that occurred between and within elite socio-economic groups. Despite these caveats, it is still legitimate for the historian to recognise, or at least seek to identify, the existence of an internal, American economy, which, while overlapping with the trans-Atlantic structure, also enjoyed a considerable degree of autonomy, especially from the middle of the seventeenth century, when the dependence of Americans upon the economic mechanisms of metropolitan Spain began to be eroded by economic decline in the peninsula and economic growth in America. This chapter aims, therefore, to provide a succinct overview of the principal characteristics of the development of the American economy during the period from 1550 until the demise of the Hapsburg monarchy in Spain.

MINING

The crucial part played by the search for precious metals in the pattern and intensity of colonisation in Spanish America has already been explained in some detail in Chapter 1, as have the reasons for the predominance of gold over silver in terms of their production (primarily by the melting down of precious objects) in New Spain until the late 1530s and in the central Andes until the mid-1540s, and, of course, in bullion shipments to Spain. It was in this latter period, some fifty years after the initial discovery of America, that mining as such became the principal basis for bullion production, following the failure of a number of somewhat fanciful experiments in the interim, including the arrangement made in 1529 between the Emperor Charles V and the Welser Company of Augsburg to send 80 Silesian miners to Hispaniola in an attempt to find and work deposits of gold, a venture which ended in the deaths of most of the unfortunate workers. To some degree the development of silver mining on the mainland was built upon the exploitation of veins known in the pre-Conquest period—in Peru, for example, the first important deposits worked by Spaniards, at Porco, south-east of Potosí, had provided silver for the Incas—but the most significant developments occurred upon the basis of new discoveries. In New Spain a series of strikes, which were to lead to the development of mining centres of considerable local importance, were made in the 1530s and early 1540s—for example, at Colima, Sultepec, Zumpango, Taxco, Tlalpujahuá and Guadalajara—but these were overshadowed by the discoveries of silver at Zacatecas in 1546 and Guanajuato in 1548. Other important discoveries in the early colonial period in this viceroyalty included those at Pachuca (1552), Fresnillo (1553), Sombrerete (1555) and San Luis Potosí (1592), the locations of which are shown in Figure 2, which clearly indicates, incidentally, that most major finds of silver deposits occurred early in the colonial period.¹

In the Bourbon period, as we shall see in Chapter 10, New Spain would emerge as by far the most important silver-producing region in America, with mintage quadrupling from six million *pesos* in 1706 to 24 million in 1798.² By this period the single mining centre of Guanajuato was producing more silver than the entire viceroyalty of Peru, and the city of Guanajuato had become the third largest in America, after Mexico and Havana. In the Hapsburg era, by

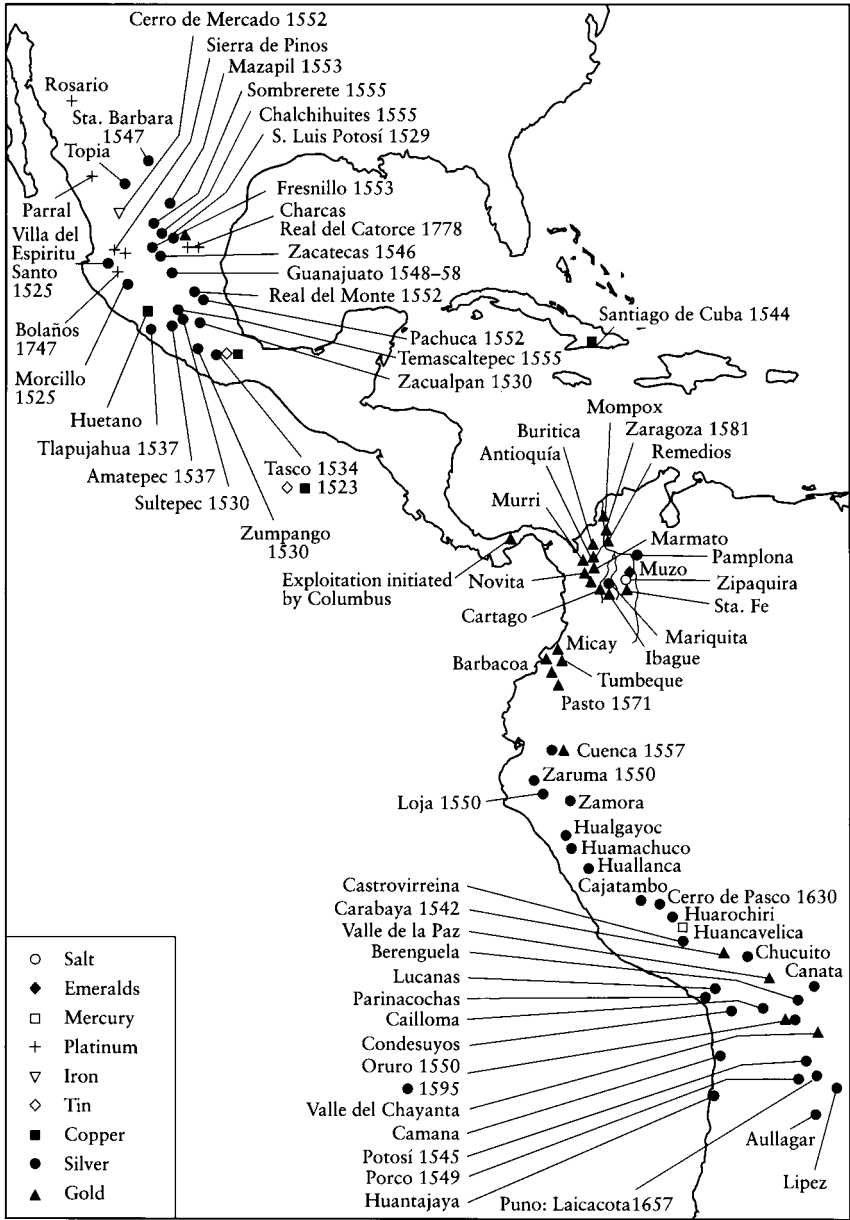


Fig. 2 Principal mining centres in colonial Spanish America (source: F. Morales Padron, *Atlas historico cultural de America*, 2 vols [Las Palmas, 1988], i, p. 316)

contrast, Zacatecas, where major production was under way by 1560, was the most important Mexican mining centre, and at the broader level the roles of the two viceroyalties were reversed, with Peruvian production far outstripping that of New Spain. The pre-eminent mining centre of Peru was, of course, Potosí, standing at an altitude of over 4,000 metres in the otherwise barren mountains of Upper Peru (modern Bolivia) which by the end of the sixteenth century had become the richest and most populous settlement in the entire Spanish world, with its estimated population rising from 14,000 in 1547, when the town, later to be granted the title 'Imperial Town of Potosí', was founded, to over 100,000 by 1600.³ According to some accounts, it reached no less than 160,000 by 1650, although more recent studies suggest that a gradual decline from the 1600 figure was the more likely trend.⁴ What is not in doubt is that within a very short period after the registration of the first discovery of ores in April 1545—by Diego Villaroel, who, according to tradition, learned of their existence from an Indian servant, Diego Gualpa, who grabbed at a bush to save himself from falling, while climbing the conical hill, and found rich silver ore beneath its roots—Potosí had emerged as the principal source of silver in America, producing, as Table 2 indicates, an estimated 13 million *pesos* in the quinquennium 1550–54.⁵ As Juan de Matienzo was to observe in 1567, 'Potosí is a most beautiful mountain; there is no other that comes near to it'.⁶ In fact, there were many other important Peruvian mining centres in the Hapsburg period, albeit much less productive than Potosí. They included Porco, already mentioned, Castrovirreina, where mining began in 1555, Oruro, which came into production in 1606, and Cerro de Pasco, in central Peru, where silver was discovered in 1630. As Chapter 10 will indicate, the last of these would actually produce more than Potosí in the first decade of the nineteenth century, but was of clear secondary importance until the late Bourbon period. In the period 1570–1630, when shipments of silver from Peru to Spain were at their height, Potosí is estimated to have produced between 80 and 85 of the viceroyalty's silver.

The rich surface ores of Potosí were refined in native smelting ovens known as *guayras*, and by 1556 the crown was receiving over 450,000 *pesos* as its one-fifth of the silver that they yielded (in fact, when mintage fees are taken into account, the crown's total yield from taxes on registered production was 21.5 per cent, a figure

sufficiently high to encourage evasion of registration by producers). The yield of the quint remained around this level until 1567, when the onset of a shortage of high grade ores caused it to fall. In the early years some ores had consisted of 50 per cent silver, giving a yield of 100 marks (50 pounds) for every hundredweight of ore mined—one mark of silver was worth eight and a half *pesos* (of eight *reales*, or 272 *maravedís*) when minted, although miners often sold their unminted silver to merchants for cash and/or supplies at a lower figure—but by 1570 the average was a mere two to two-and-a-half marks a hundredweight, making smelting no longer economical, especially because of the high costs of obtaining fuel in the barren highlands where Potosí and other mining centres were located. The result was that output, which remained reasonably steady for the first 20 years of production, fell back sharply in the first half of the 1570s, a period in which Zacatecas actually registered slightly more silver than Potosí. The crisis was to prove only temporary, however, for in 1556 Bartolomé de Medina had introduced the revolutionary method of extracting silver from ore by means of amalgamation with mercury at Pachuca in New Spain. The process was brought to Peru three years later by Enrique Garcés, who produced silver with it in 1560, using mercury obtained at Palca, near Huamanga. The existence of mercury deposits in Peru had been known since 1558, but it was not until 1564 that the most famous of all, at Huancavelica, were revealed to the *encomendero* of Huamanga, Amador de Cabrera. Their discovery did not immediately solve Potosí's problems, as there was some difficulty in adapting Medina's process for use at very high altitudes, but in 1571 Pedro Fernández de Velasco overcame this obstacle and perfected the refining process that was to remain virtually unchanged for the next 300 years. Within a decade Huancavelica was producing over 7,000 hundredweight of mercury a year, and silver production at Potosí was again soaring, increasing from an estimated 47 million *pesos* in the 1570s to 64 million in the 1580s. The royal fifth yielded more than a million *pesos* in 1579, and it was to bring in between one and one-and-a-half million a year thereafter until 1634, when a gradual, although uneven, decline in silver production began to set in.

The reasons for Potosí's pre-eminence over not only other Peruvian centres but also Zacatecas, the principal Mexican producer, are not hard to identify. Apart from the obvious point that it

Table 2
Estimated silver production at Potosí and Zacatecas, 1550–1630
(figures in millions of pesos)

<i>Quinquennium</i>	<i>Potosí</i>	<i>Zacatecas</i>
1550–54	13.1	-
1555–59	10.5	-
1560–64	10.0	5.0
1565–69	10.5	5.7
1570–74	6.4	6.5
1575–79	17.2	6.1
1580–84	29.9	5.0
1585–89	33.8	5.2
1590–94	35.5	5.3
1595–99	32.8	4.5
1600–04	33.3	5.4
1605–09	31.5	6.2
1610–14	29.2	7.5
1615–19	27.4	9.5
1620–24	25.5	10.0
1625–29	24.8	8.9
Totals	371.5	90.0

possessed an abundance of silver ore, it also enjoyed a guaranteed supply of mercury. The transport of this essential amalgamating agent from Huancavelica to Potosí was no easy matter, as the precious liquid metal had to be either carried in leather bags by mules and llamas along 1,200 kilometres of mountain tracks, which went as high as 5,000 metres, or taken down to the coast for transport by sea to Arica for the shorter but equally difficult transfer to the interior from this southerly port. However, at least the metal was available within the viceroyalty, and for the remainder of the sixteenth century Potosí's miners could depend upon receiving the 5,000 hundredweight or so required each year for the refining of their ores. Production problems at Huancavelica in the first half of the seventeenth century made it necessary for Peru to receive regular shipments of Spanish mercury from Almadén from 1622, but even in the worst years it had the fluctuating Huancavelica supply to fall back on, whereas the viceroyalty of New Spain was almost entirely dependent upon outside supplies (including shipments from Peru), the regularity of which was dependent upon a variety of external factors, including the state of Spain's inter-

national alliances which affected trans-Atlantic shipping if unfavourable. Uncertainty about deliveries of mercury, especially in times of international conflict, acted as a powerful disincentive for New Spain's silver miners and merchants to invest in the extraction of ores, for, unless they were of very high grade, they could not be smelted, and without mercury they could not be processed by the alternative process of amalgamation.

The other enormous advantage which Potosí possessed over other mining centres was the elaborate system of draft Indian labour—the *mita*—implemented in 1573 by viceroy Francisco de Toledo (who had arrived in Peru in 1569) for the delivery to the revitalised mining centre of thousands of unskilled Indian men to work, in return for payment, in the mines and refining mills. Although the numbers involved were often lower than the round figure of 13,000 a year quoted by some commentators—in the inaugural year of 1573, 4,300 men were conscripted, to work alongside the 4,200 Indians already working there to raise their communities' tribute and some 900 semi-permanent labourers, giving a grand total of about 9,400—this guaranteed supply of fixed-price labour was of immeasurably important economic advantage to the Potosí *azogueros*, as the principal silver producers came to be known. By 1578 the annual draft had been raised to a little over 14,000—theoretically on the basis of between 15 and 17 per cent of the adult males in the contributing provinces being required to serve at Potosí—but thereafter was gradually revised downwards as epidemic diseases and the migration of *originarios* (original community dwellers) to provinces which were exempt from the draft put increasing pressure on the dwindling native population of the contributing provinces. A century later, during the viceregency of the Conde de la Monclova, these factors led to a reduction in the draft to a little over 4,000 a year, and by that period many communities were sending cash compensation rather than men to Potosí, under a system known as the *mita de faltriquera*, which actually made it possible for influential *azogueros* to receive substantial incomes without mining, or refining any silver.⁷ As silver production at Potosí increased rapidly during the last quarter of the sixteenth century, the export of bullion from Callao to Spain multiplied from 4.6 million *pesos* in 1571–75 to a peak of 23.9 million in 1591–95. This quinquennium was also the most important for total treasure imports into Spain within the 1571–1630

boom period, with over 35 million *pesos* arriving from America. Enormous though it was, the volume of treasure that reached Spain, even in this early period, represented only part of that actually produced. Some silver remained in America for local trade or for manufacture into jewellery or silverware, some went to Asia via Acapulco in the Manila galleon, and an incalculable amount escaped registration to be used for contraband trade with foreign merchants. This last problem makes it impossible to do more than estimate actual production. Further complications include the fact that treasury officials often used different monetary units for the recording of taxes paid on that silver which was registered—for example, the standard *peso de plata corriente* of eight *reales* contained 272 *maravedis*, but many transactions used the *peso ensayado*, whose value fluctuated between 425 and 450 *maravedis*—and the failure of some economic historians to realise that treasury records sometimes count taxation revenue twice, once in the provincial treasury and again when it reached the viceregal treasury. These, and related problems, have led some scholars to attempt to use indirect means to calculate production, including, for example, the device employed by Brading and Cross, who have estimated total American bullion production between 1571 and 1700 (see Table 3 for a summary of their findings) on the basis of mercury consumption. They first calculated silver production by amalgamation by assuming that 110 marks (that is 935 *pesos* of eight *reales*) could be produced with each hundredweight of mercury distributed, and then added a further 25 per cent on the basis of the assumption that 15 per cent should be allowed for silver produced by smelting and ten per cent for gold production (most of which occurred in New Granada).⁸ These figures, although useful in indicating general trends, must be treated with great caution. However, even on the basis of the imperfect record of the collection of the quint and the much more conservative production estimates derived from them, it can be shown, for example, that the record remittances of 23.9 million *pesos* from Peru to Spain in the first half of the 1590s occurred in a period when registered silver production at Potosí also reached the highest levels recorded in the Hapsburg period.

Thereafter, there was a sustained fall in silver shipments from Callao to Panama-Seville in the first two decades of the seventeenth century. To a small degree this was attributable to first a levelling-out and then a gradual fall in production at Potosí, where quin-

Table 3
Estimated Spanish-American bullion production, 1571-1700
(figures in millions of pesos)

<i>Decade</i>	<i>Production</i>	<i>Decade</i>	<i>Production</i>
1571-80	66	1641-50	106.4
1581-90	110.5	1651-60	109
1591-1600	110.9	1661-70	80.7
1601-10	82.6	1671-80	95.6
1611-20	124.7	1681-90	52.5
1621-30	126.8	1691-1700	83
1631-40	122.7		

quennial output in 1610-14 (29.2 million *pesos*) was 18 per cent lower than that achieved in 1590-94 (35.5 million). The fundamental explanation of the much more severe fall in silver remission to Spain consists, however, as we have seen in Chapter 6, of increased expenditure on defence in the Pacific. Nevertheless, this intractable problem was compounded as the mining recession that had already affected New Spain made itself felt in Upper Peru in the second half of the seventeenth century. As it became increasingly difficult to obtain high grade ores, and as problems also grew in connection with the supply of labour and mercury (in the case of labour the difficulty was caused by both demographic decline and internal migration), there was a gradual, if uneven, decline in the yield of taxes on Potosí's silver production. They brought in one million *pesos* for the last time in 1649, 800,000 in 1659, 624,000 in 1669, and 622,000 in 1679. There was some recovery in the 1680s, but by the end of the century the figure had fallen to 434,000 *pesos*, and there was a continuing decline until 1736, when, in an attempt to revive the mining industry, the crown reduced the traditional tax of one-fifth of production to one-tenth. In 1737 its revenue from the reduced tax was only 183,000 *pesos*, although thereafter the tightening of fiscal controls coupled with genuine economic growth actually caused an increase in taxation revenue to a peak of 400,000 *pesos* by 1780.

These figures indicate that, although silver production was undoubtedly declining at Potosí in the second half of the seventeenth century, the fall was by no means as dramatic as the decrease in remittances to Spain might suggest. The decline in silver ship-

ments was caused in part by a reduction in the revenue of the Peruvian exchequer, but it reflected, above all, a tendency to spend more of that revenue on defence and general administration within the viceroyalty. In 1653, for example, 490,000 *pesos* were absorbed by defence costs out of a total revenue of 3.7 million, and 1.7 million were sent to Spain; in the 1686–90 period, by contrast, although average revenue had fallen by only 16 per cent to 3.1 million *pesos* a year, defence expenditure had risen to an average of 1.3 million, and once other administrative costs were met, remittances to Spain had fallen by 91 per cent to a mere 150,000 *pesos* a year. In Peru as a whole, estimated total mining output declined from 6.4 million *pesos* a year in 1650 to four million in 1700.

A similar pattern emerges from the viceroyalty of New Spain, which by the end of the seventeenth century was producing an estimated 3.9 million *pesos* a year of Spanish America's estimated total bullion output of 8.3 million *pesos*. Although production at the principal centre, Zacatecas, which accounted for 40 per cent of total Mexican output in the early-seventeenth century, fell by half after reaching its peak in the 1620s, and the industry as a whole entered a depression in the period 1635–90 (primarily because of a persistent shortage of mercury), the fall in production was much less severe than the downward curve of Atlantic trade and shipping demonstrated by the Chaunus. As in the case of Peru, the discrepancy is explained by the fact that a greater proportion of silver production was retained in New Spain both to pay for an increasingly sophisticated defensive-administrative apparatus, and to finance the construction of an economic infrastructure which, in some respects, was becoming more developed than that of the mother country. This has led one authoritative scholar to suggest that, far from participating in Spain's economic decline, New Spain benefited from it, by developing local industrial production and inter-colonial trade: 'Spain's recession was America's growth'.⁹ By the end of the seventeenth century, moreover, mining output had begun to rise rapidly, reaching an average of 10.2 million *pesos* a year in the 1720s and 13 million in the 1750s. Although, as we shall see in Chapter 10, the highest levels would be reached considerably later—in the peak year of 1804 registered production in New Spain rose to 27 million *pesos*, two-thirds of all American output—the rate of increase was most striking in the first quarter of the eighteenth century when production grew at 3.2 per cent a year, followed by stabilisation in

the 1730s and a further surge forward in the 1740s. The important point is that this expansion was promoted by the internal dynamics of the Mexican economy, notably a striking increase in population, and by a spontaneous, if unconscious, decision by Mexican producers to take advantage of growing international demand for their silver (which Britain and Holland, for example, required for their trade with the Orient). The mining reforms introduced by the crown after 1760, which will be examined in more detail in Chapter 10—they included, for example, significant reductions in the prices of blasting powder and mercury, both of which were supplied by state monopolies—may be seen, therefore, less as the cause of increased output than as features of a tardy official response to it.

AGRICULTURE

Some indication of the importance of agriculture to the regional economies of colonial Spanish America has already been provided in Chapter 4 in the discussion of inter-colonial trade. The American world as a whole was capable of producing virtually every vegetable, drug, spice and cash crop known to the European world of the time. Not all of these entered international trade in large quantities, sometimes because alternative and cheaper sources of supply were available to the European market (Peruvian sugar, for example, could not compete internationally with that of Brazil as an export crop), sometimes because relative inaccessibility and high transport costs produced low demand. They could often be of great importance, however, to local economies despite their low profile as export commodities: the export of Venezuelan *cacao* to Veracruz, for example—primarily for consumption in New Spain, although with some re-export to Seville—was of fundamental importance in the region's economic development in the seventeenth century. Moreover, throughout Spanish America the production and exchange of foodstuffs, particularly those transplanted to American agriculture from Europe—for example, wheat, olives, sugar, rice, barley, beef, mutton—for which the creole elite showed a continuing preference despite the widespread ability of native products—yucca, pumpkin, maize, potato, beans, fruits, and so on—was also of great importance to a colonial society whose Spanish population grew rapidly from the late-sixteenth century as a consequence of

both natural increase and continuing migration from Spain. It is estimated that the total population of *españoles* (that is, both Europeans and American-born) in America, which stood at about 150,000 in 1570, had tripled to 450,000 by 1620, and would continue to demonstrate higher rates of fertility than those which were standard in seventeenth-century Europe. By the end of the century, due to this trend, the related growth in the number of *mestizos* (those of mixed Spanish and Indian descent), and the beginning of the recovery of the native population from the demographic catastrophe which continued until the second quarter of the seventeenth century, the population of New Spain had doubled from an estimated low point of 1.5 million in 1650 to three million in 1700 (and would double again to six million by the end of the eighteenth century), thereby stimulating agrarian production, particularly in regions such as Guanajuato, Querétaro, Guadalajara and Zacatecas, which embraced either large towns or important mining centres. Although there is little evidence of significant innovation in agricultural technology in this period—primarily because so much virgin land was unexploited in the seventeenth century—there is much indirect confirmation, from taxation records, of increases in production as the colonial period advanced, for both internal and external consumption. As Chapter 10 will demonstrate, the bulk of the export growth for the international market did not occur on a large scale until the latter part of the eighteenth century, when the introduction of ‘free trade’ allowed American producers to take significant advantage for the first time of the demand for their cash crops in the European market. In the period up to 1700, by contrast, Spain made little effort to stimulate agricultural production for the *Carrera de las Indias*, primarily because of its preoccupation with the importance of precious metals.

In the seventeenth century, therefore, most agricultural growth in America was articulated to internal production for respective regional economies, and to a lesser degree for inter-regional trade. Recent studies by Nicholas Cushner of the commercial networks established by the Jesuits for the production and exchange of Peruvian sugar and wine, Ecuadorian wool and woollen cloth, Argentinian wine and livestock, Paraguayan tea, and other products bear out this point, by revealing the scale of the production and the organisational structures of just one among many religious orders

with significant landholdings.¹⁰ Cushner shows, for example, that by the early eighteenth century five sugar *haciendas* which the Society of Jesus owned in and around the Huaura valley, which lies some 30 kilometres north of Lima, were producing about one million pounds of sugar a year, representing about 25 to 30 per cent of total Peruvian production, for the domestic and regional market. He also suggests that in addition to the expenditure in Potosí upon local agricultural goods and livestock—for example, as many as 40,000 mules a year were sold to Peruvian merchants in the annual fair at Salta (located in the north-west of modern Argentina), many, if not most, for resale in the mining areas of Upper Peru—some 25 per cent of the silver produced in Potosí passed through Córdoba en route not to Seville-Cádiz but to Brazil, Lisbon, Amsterdam and London, despite the formal prohibition on regular trade between Spain and Buenos Aires, which was only partially lifted by Philip V in 1721 and definitively removed by Charles III in 1778.¹¹

The development of agriculture in the colonial period, and, as an extension of it, of trade in agricultural produce, is closely related, of course, to the much broader question of the extension of Spanish land ownership and the growth of the *hacienda* system, a detailed discussion of which lies beyond the scope of this monograph. The subject is a complex one, and, inevitably, explanations which are relevant for, for example, northern Mexico—where there is clear evidence, even in the sixteenth century, of fortunes made in mining being invested by entrepreneurs in the purchase of large ranches or estates which, in their turn, would expand in response to demand for their products from mining and urban centres—may not apply in the highlands of southern Peru and Bolivia, where most agricultural land remained in the hands of indigenous communities until the end of the colonial period, and the Spanish-owned *haciendas* tended to be relatively small.¹² The same was true of large areas of central and southern Mexico, such as Oaxaca, where, although drastically reduced from pre-conquest levels, the indigenous population remained substantial throughout the colonial period, and its control of rural resources was stubbornly defended.¹³ Smallness of size did not necessarily imply, however, that compact Spanish-owned estates were not profitable, particularly if they were growing products for which there was strong internal demand. In the Arequipa region of southern Peru, for example, where private land ownership grew rapidly in the second half of the sixteenth

century in response to both grants of Indian land to Spanish settlers and Indian demographic decline, estates as small as fifteen acres, with only small numbers of permanent workers, were each capable of producing 6,000 *botijas* (earthen jars each holding eight litres) of wine in a good year, yielding, at four *pesos* per *botija* at wholesale prices, some 24,000 *pesos* of gross income.¹⁴ Production such as this went to supply both the urban Spanish market for wine—in this case in the cities of Arequipa and Lima—and, having been distilled into brandy, the almost insatiable demand for strong alcohol among both Spaniards and Indians in the mining camps of Upper Peru. Agricultural growth also promoted the development of artisan industries for the production of jugs, sacking, tools, harnesses and other leather goods, packing cases, floor coverings, and the many other items required for the production, processing and distribution of farm produce. Theoretically, these items, like the very wine, oil, and other products which generated their manufacture, might have been supplied from the peninsula; in reality, once the initial conquests had been accomplished, the majority were produced within America. This theme of industrial production will be considered briefly in the final section of the Chapter.

INDUSTRY

The one area of economic activity in America which was not a priority for encouragement by the metropolitan authorities, even in the late colonial period, was industrial growth, for Spain, in common with the other European colonial powers, looked to the ideal of making its overseas possessions sources of primary products for the mother country, and closed markets for metropolitan producers of manufactured goods. That was the theory. The reality was that the chronic inability of the Spanish crown throughout the colonial period to supply America with adequate supplies of manufactured goods—whether from Spanish or foreign factories—permitted, despite repeated specific instructions to the contrary, the spontaneous development of industry, usually at a low level of technology, throughout its American possessions, especially in those parts which were relatively inaccessible to contrabandists. In the Andean region, for example, where the successful introduction of sheep meant that high-quality wool was in plentiful supply,

particularly in the highlands of Ecuador and Peru, textile production grew from the second half of the sixteenth century, and at an increasing speed in the course of the seventeenth century, both to supply the sophisticated urban market, and to meet popular demand for coarse cloth from consumers who simply could not afford to pay for imported goods. In central Mexico, and in the interior provinces of the Río de la Plata, too, both textile production and the manufacture of hardware, pottery, furniture, carts and other items of popular consumption were widespread. The relatively small number of detailed studies of local economic history which have been undertaken by historians tend to be somewhat vague about industrial activity in terms of numbers of establishments and workers, value of production, and so on, partly because these factors varied considerably both temporally and spatially. However, there is much qualitative evidence that the production of cloth was a major economic activity throughout America, at least until the advent of 'free trade' in the eighteenth century. To quote from one recent study of the textile industry in colonial Mexico: 'Until the eighteenth century, the inhabitants of New Spain largely made their own cloth. Until then, colonial textiles were sheltered from competition, since imports—by price or quality, or both—were luxury goods'.¹⁵

To describe this activity in terms of industrial development begs many questions, for much of it operated at the level of artisan activity, and even the relatively large establishments for the production of woollen cloth, the *obrajes*, with perhaps up to 200–300 workers, tended to depend upon the semi-conscription of labourers at low rates of pay by the colonial authorities, and witnessed very little technical innovation and only limited economies of scale over a long time period. The same is generally true of silk production, which grew rapidly in New Spain in the mid-sixteenth century—Archbishop Fray Juan de Zumárraga urged that Moorish families be brought from Granada to educate the Indians in the raising of silk-worms, and viceroy Antonio de Mendoza arranged for the planting of 100,000 mulberry trees in Huejotzingo, Cholula and Tlaxcala—but then declined in the face of both competition from Asian imports and deliberate crown attempts to undermine it in the hope of protecting the demand for peninsular products. The crown's obstructionism included a 1596 prohibition of the planting of new mulberry trees, and an even more ruinous 1679 order that

both surviving trees and workshops for the manufacture of silk products be destroyed.

Shipbuilding, in contrast to the silk industry, was well established by 1600 in Panama, Havana, Nicoya, Realejo, Cartagena, Maracaibo and Guayaquil, primarily for the construction of small craft for use in coastal trade, but also to produce large galleons for the *armadas* of Barlovento and the Pacific. Indeed, such was the reputation of Guayaquil as a shipbuilding centre, that the Pacific naval squadron relied uniquely upon American-built vessels in the seventeenth century, not least because they were carefully designed to meet local maritime conditions and the roles they had to perform. Some of the ships turned out were actually larger than or equal to the biggest employed in Spain's trans-Atlantic fleets, notably the 1,150 ton *Jesús María*, built during the viceregency of the Marquis of Mancera (1639–48) and a vessel of over 800 tons built for the Count of Alba de Liste (viceroy 1655–61).¹⁶ Even smaller shipbuilding centres such as Realejo, in Nicaragua, were of considerable local importance, and ship-repair and careening were regular activities in ports such as Panama, where vessels often needed urgent attention to the damage done to their timbers by ship-worm.¹⁷ Although rigging and cordage for shipbuilding tended to be imported from Europe, local supplies of timber and pitch were excellent, particularly in the Guayaquil region, and plentiful supplies of domestic tin and copper also facilitated the production of artillery and other metal goods for arming vessels.

With the possible exception of shipbuilding, and the construction of carts and carriages (the latter industry was especially important in Buenos Aires and Lima), much industrial production in Spanish America tended to employ primitive technology, and to be organised in social terms around a guild structure which conformed to the medieval European tradition rather than the capitalistic, factory production which was beginning to emerge by the seventeenth century in northern Europe. Within most cities in America the production of goods such as shoes, leatherware, candles, cheroots, alcoholic beverages, and similar products was carefully regulated by municipal ordinances which sought to establish a balance between supply and demand, and regulated both working practices and progression within guilds. Some guilds—of silverworkers (*plateros*) and goldworkers (*orífices*), for example—were considered more important than others, and thus were re-

served for those who could prove purity of Spanish blood, whereas many others allowed the entry of Indians and blacks and thus enjoyed lower social prestige.

The extent to which these traditional artisan modes of production were able to flourish because of the artificial protection offered by the restrictive economic policy of the Hapsburgs continues to fuel debate among historians, as does the related issue of their vulnerability to the relatively modest relaxation of commercial restrictions that occurred in the eighteenth century. Recent studies suggest that textile production in Quito, for example, declined not only because of the gradual increase in outside competition from 1700 (as a result of both the intensification of contraband and the introduction of register ships to the Pacific) and the restructuring of trade routes which followed the definitive abandonment in 1740 of the Portobelo fairs, but also because of a series of complex internal factors, including major epidemics and high mortality in the centres of textile production in the 1690s, a series of major earthquakes, a rise in the price of dyes, and a diversion of capital to more profitable *cacao* production.¹⁸ This point emphasises the dangers of generalising about economic trends in Spanish America as a whole, and the urgent need for researchers to concentrate upon regional studies.¹⁹

In Peru and New Spain, too, as Chapter 10 will show in more detail, there is some evidence not so much of industrial decline in the late colonial period but rather of a degree of industrial change, with some closure of traditional *obrajes* (in Cuzco, Puebla and Coyoacán, for example) but also of growth of production in other areas (Querétaro, for example) as general economic development increased demand for relatively cheap, poor quality cloth—made from both cotton and wool—both for clothing the poorer classes and for packaging. Moreover, the further commercial freedom of the second half of the century, the details of which will be explained in Chapter 9, although bringing increased competition for domestic production, also generated the overall economic growth that permitted the survival and even encouraged the expansion of this low-level industrial activity, deferring its destruction until the post-independence era when for the first time it was exposed to the much more savage competition arising from genuine free trade.

NOTES

- 1 Figure reproduced from Morales Padrón, *op. cit.*, Vol. 1, p. 316.
- 2 D. A. Brading and H. E. Cross, 'Colonial silver mining: Mexico and Peru', *Hispanic American Historical Review*, Vol. 52 (1972), p. 576.
- 3 J. A. Cole, *The Potosí mita 1573–1700: Compulsory Indian Labor in the Andes* (Stanford: Stanford UP, 1985), p. 3; P. J. Bakewell, *Silver and Entrepreneurship in Seventeenth-Century Potosí: The Life and Times of Antonio López de Quiroga* (Albuquerque: University of New Mexico Press), 1988, p. 23.
- 4 For the higher figure, see J. Lynch, *Spain under the Hapsburgs*, Vol. 2 (Oxford: Basil Blackwell, 1969), p. 218.
- 5 The production figures shown are derived from those given in marks in Serrera, *op. cit.*, p. 240.
- 6 P. J. Bakewell, *Miners of the Red Mountain: Indian Labor in Potosí, 1545–1650* (Albuquerque: University of New Mexico Press, 1984), p. 3.
- 7 For an excellent account of the relationship between free and forced labour at Potosí, see *ibid.* Cole, *op. cit.*, concentrates upon crown policies towards the *mita* system.
- 8 Brading and Cross, *op. cit.*, p. 579.
- 9 Lynch, *op. cit.*, Vol. 2, p. 195.
- 10 N. P. Cushner, *Lords of the Land: Sugar, Wine and Jesuit Estates of Coastal Peru, 1600–1767* (Albany: State University of New York Press, 1980); *Farm and Factory: The Jesuits and the Development of Agrarian Capitalism in Colonial Quito, 1600–1767* (Albany: State University of New York Press, 1982).
- 11 Cushner, *Sugar, Wine and Jesuit Estates*, p. 157.
- 12 For further discussion of the Bolivian example, see H. S. Klein, *Haciendas and Ayllus: Rural Society in the Bolivian Andes in the Eighteenth and Nineteenth Centuries*, (Stanford: Stanford UP, 1993).
- 13 W. B. Taylor, *Landlord and Peasant in Colonial Oaxaca* (Stanford: Stanford UP, 1972), p. 200.
- 14 K. A. Davies, *Landowners in Colonial Peru* (Austin: University of Texas Press, 1984), p. 63.
- 15 R. J. Salvucci, *Textiles and Capitalism in Mexico: An Economic History of the Obrajes, 1539–1840* (Princeton: Princeton UP, 1987), p. 3.
- 16 Further general information on shipbuilding at Guayaquil is provided by L. A. Clayton, *Caulkers and Carpenters in a New World: The Shipyards of Colonial Guayaquil* (Columbus: Ohio State UP, 1980).
- 17 On Realejo, see J. J. Parsons, 'Realejo, a forgotten colonial port and shipbuilding centre in Nicaragua', *Hispanic American Historical Review*, Vol. 51 (1971), pp. 295–313.
- 18 See J. Ortiz de la Tabla, 'El obraje colonial ecuatoriano. Aproximación a su estudio', *Revista de Indias*, Vol. 37 (1977), pp. 472–541.
- 19 This point is developed by P. Pérez Herrero, *Comercio y mercados en América Latina colonial* (Madrid: Mapfre, 1992).

CHAPTER 8

Commercial and Economic Relations in the Early Bourbon Period, 1700–1765

THE NEW DYNASTY

The question of how to interpret Spanish aims and achievements with respect to America in the eighteenth century is one which continues to preoccupy historians. Was it, as the ministers of Charles III and the historians of the late-eighteenth and nineteenth centuries who accepted their interpretation insisted, a period of unhindered progress and prosperity, when the implementation of a rational reform programme awakened Spain from its slumber of the seventeenth century, and then enabled it to ‘rediscover’ America, and turn it into the material and spiritual force for the further regeneration of the metropolis? Or, as the more critical historiography of the late-twentieth century suggests, should it be characterised as a period when Spain fumbled with imperial structures, pursuing reforms in a hesitant, uncertain way, and succeeded only in bringing its American possessions to the levels of maturity and confidence required for their transition to independence in the early-nineteenth century? These, and related, questions continue to preoccupy historians concerned with the general thrust of Bourbon policy towards America between 1700 and 1810. They should also be kept in mind when reading this chapter, which will outline the economic and commercial policies pursued by the early Bourbons, as a preliminary to more specific and detailed analysis in Chapters 9–10 of the attempts of Charles III (1759–1788) and his ministers fundamentally to restructure the imperial commercial system and develop the American mining industry in the last third of the eighteenth century.

The first and most immediate problem which faced the new Bourbon dynasty of Spain, headed by Philip V, grandson of Louis

XIV of France and María Theresa (the daughter of Philip IV of Spain, whose marriage to the French king 40 years earlier turned out to be one of the more significant dynastic alliances of the seventeenth century) was that his very succession to the Spanish throne in 1700, upon the death of the childless last Hapsburg, Charles II, unleashed the aptly-named War of the Spanish Succession. This conflict had its origins in the determination of England and Austria (their candidate for the vacant throne, the Archduke Charles of Austria, was also backed by Holland, Portugal, and the Spanish provinces of Catalonia and Valencia) to prevent not only Spain but also Spain's American and oriental possessions falling under French control. It soon widened, however, into what might be defined as the first of the World Wars of modern times, as the four principal participants and their satellites fought each other throughout Europe, and in the wider world of their overseas empires, particularly in the Americas. The war seriously compounded the basic problem confronting the new dynasty which might be summarised as the need to identify and, above all, apply economic, administrative and commercial policies capable of rescuing both the metropolis and its American possessions from the general decadence into which they had declined in the later Hapsburg period—as the famous Minister of the Indies, José de Gálvez, was to put it later in the century, the country was almost as moribund in 1700 as its dead king, Charles II—in the hope of restoring Spain to the dominant position it had enjoyed in the concert of European powers in the sixteenth century.

These goals had been frequently discussed by Spanish writers during the later Hapsburg period—this is one of the small pieces of evidence for the argument, already referred to in previous chapters, that the roots of Spain's eighteenth-century revival are to be found in the later seventeenth century—but the difference after 1700 (or, to be more precise, 1713) was that the question ceased to be merely a matter for isolated writers, and now found itself in the forefront of discussion at court and in government circles, as Philip V (1700–1746) and his advisers struggled with the problem of how to regenerate a country which, at the conclusion of the War of the Spanish Succession, found itself as a result of wartime losses even without a proper navy (and, thus, dependent upon French ships for commercial exchange with America, and, in particular, the delivery to Spain of American treasure). America offered, it seemed, the only

faint hope of recovery for a country ravaged, internally and externally, by the war of 1700–1713, with a decadent industrial structure, deprived of most of its former European possessions outside the peninsula (notably Naples and the Spanish Netherlands whose loss was confirmed by the Treaty of Utrecht of 1713), and also forced to cede formal participation in imperial trade to its major rival, England, which in 1713 secured formal rights to supply slaves to Spanish America by the transfer to it from France of the *asiento de negros* (literally the agreement, or contract, of the blacks).

THE WAR OF THE SPANISH SUCCESSION

The distant origins of this 1713 admission of England to Spain's American trade, the details of which will be examined in the next section of this chapter, lay in the decision of Philip V, taken in 1702, almost immediately after his accession, to open up the hitherto exclusive imperial commercial system to his native France, in return for French protection and alliance during the War of the Spanish Succession. In 1702, for example, the *flota* which had sailed for New Spain in 1699 was escorted back to Spain across the Atlantic by French warships (although, once in Spanish waters, it was destroyed by an English squadron under Sir George Rooke at the northerly port of Vigo, where it had docked in the hope of evading the English blockade of Cádiz.¹ The principal commercial concession granted to France in 1702, which paved the way for subsequent measures, was the transfer to the French Guinea Company of the coveted *asiento de negros*, formerly in the hands of Portuguese shippers, a decision which gave Spain's new ally the exclusive right to supply slaves from Africa to Spanish America. Although justified, and, indeed, made necessary in general terms by Spain's perennial inability to satisfy the American demand for slaves from its own resources—the country had no possessions in those parts of 'black' Africa from which slaves were traditionally obtained by European traders—and specifically by the probability that the supply from both Portuguese and English traders would dry up in the event of anticipated hostilities in the Americas, the 1702 agreement essentially represented a surrender to persistent French pressure for commercial concessions. French ships had already appeared in the Pacific in 1700 as contraband traders: the *Com-*

pagnie Royale de la Mer Pacifique, formed in 1698 following the signing of the Treaty of Ryswick between Spain and France, had despatched from La Rochelle in 1698 an expedition under Jacques Gouin de Beauchesne, which, although receiving a mixed reception from Peruvian officials, had succeeded in selling some textiles in Callao, Pisco and Ilo, returning safely to its home port by August 1701.² After 1702 the *asiento* not only provided an excellent opportunity for slaving ships to conduct contraband in American ports, such as Buenos Aires, behind a cloak of legality, but also, by accelerating the outbreak of formal hostilities in that year between England and a united France and Spain, made Spain almost entirely dependent upon France for the supply of manufactured goods for its domestic economy. As one historian has observed, ‘One of France’s aims, that of gaining complete control over the markets of Old Spain, was thus virtually achieved’.³

By 1704, when France appointed advisers to a high-powered committee, established by Philip V in Madrid to consider the whole question of the future of the *Carrera de las Indias*, French ships were trading with relative impunity in Spanish American ports, initially illicitly, but gradually with some degree of official support from both Madrid and the viceregal capitals, especially when, as in the Peruvian case, the intruders insisted that their ultimate aim was to continue their voyages across the Pacific to China, or offered their assistance to local naval forces in the pursuit of English privateers. Initially the French traders were received with considerable hostility by local officials and inhabitants, who remembered their earlier depredations—Cartagena, for example, had been sacked by French troops as recently as 1697—but at the turn of the century the dearth of foreign manufactures supplied through official channels was so great, particularly in South America, that in most cases pride was swallowed in the face of economic necessity. One exception to this increasing tolerance was the fighting between French sailors and Spanish troops that occurred in Havana in August 1706, when the former were refused provisions by the governor of Cuba, but elsewhere relationships were cordial. Although some of the initial expeditions from La Rochelle made a loss, the majority of the 168 ships that sailed for the Pacific between 1698 and 1726 (by the latter year, as we shall see, a more assertive Philip V had curbed the trade) returned with considerable profits.⁴ By 1705, for example, the East India Company calculated that a typical cargo taken to Peru would

yield a profit of 300 per cent.⁵ Moreover, official attitudes within Peru to what was still, in effect, French contraband activity, became even more relaxed following the arrival in Lima in 1707 of a new viceroy, the Catalan Marqués de Castellidosrius, an experienced diplomat who, as Spanish Ambassador to France in 1700, had actually uttered to Louis XIV on 11 November, when news reached Versailles of the accession to the Spanish throne of Philip V, the famous words sometimes attributed to the Sun King himself: 'Il n'existe plus de Pyrénées' ('The Pyrenees no longer exist').⁶

A further significant deviation from earlier routes was that an increasing number of French ships began to call at the islands in the South Atlantic now known as the Falklands. They were first sighted in 1592 by John Davis, who named them Davis's Southern Islands (Richard Hawkins who sighted them independently in 1594 called them Hawkins' Maiden-Land in tribute to the chastity of England's 'maiden Queen', Elizabeth I). The islands were merely sighted by a series of later navigators, mainly English and Dutch, until 1690, when John Strong visited both main islands, and named the passage between them Falkland's Sound. Thereafter, the name 'Falkland' was commonly used by English navigators such as Edward Cooke and Woods Rogers, who reported in 1708 that they had seen 'Falkland's Island' and 'Falkland's Land'. However, the French voyagers, whose accounts of visits to islands in 1706, 1708, 1711 and 1713 were published in 1717 by the famous French traveller Amadée François Frézier, who recognised their potential importance as staging-posts for voyagers into the Pacific, and as bases for the hunting of whales and seals, and the fishing of cod, preferred to use the name 'Iles Malouines', in memory of their home port of St Malo. This was gradually corrupted by Spanish commentators to initially 'Islas Malouinas' and eventually 'Islas Malvinas'. The one point which emerges with startling clarity from their history is that English, Dutch and French voyagers came to and went from these islands, and beyond them to Tierra del Fuego, the Strait of Magellan, and Cape Horn, without any hindrance from Spanish vessels, merchant or naval, and without coming across Spanish settlements, which were, of course, entirely absent.

One perhaps unanticipated consequence of direct French access to the American market in this first decade of the eighteenth century was that French merchants established in Cádiz began to see their interests compromised, as the *galeones*, which they had effectively

controlled for the greater part of the seventeenth century, and the fraud-ridden trade fairs of Portobelo which they served, declined in frequency and size.⁷ The crown had made some attempt in the 1660s to come to terms with this reality by formally ordering, on the advice of Viceroy Alba of Peru, that sailings of the subsidiary fleet from Callao to Panama, hitherto nominally annual, should become triennial, but even this reduced gearing had proved to be unworkable in practice. The Portobelo fair of 1708—the first since 1696, and, in fact, the only one to be held during the War of the Spanish Succession—was an utter fiasco.⁸ The *galeones*, which left Cádiz in March 1706 together with the *flota*, despite French reluctance to provide naval protection for what might prove to be competition with their own contrabandists, reached Cartagena without incident by the end of April, and then were forced to wait there for a long period, while the new viceroy of Peru, the aforementioned Castell-dosrius, who had sailed with them from Spain, continued his journey to Peru via Panama, eventually arriving in Lima in May 1707. He then spent more than half a year establishing himself in his new post—his predecessor, the Conde de la Monclova, had died in office—and, in the meantime, allowed French ships to sell their cargoes in the port of Pisco to a company in which he had personal interests, primarily through his nephew, Ramón de Tamarit, who commanded his personal guard, before despatching the Pacific fleet from Callao to Panama with the eventual aim of celebrating the Portobelo fair. Although its business was eventually completed by May 1708, after a considerable amount of administrative confusion and fiscal fraud, most of the ships which sailed for Cartagena from Portobelo were sunk or captured in June off Cartagena by an English naval squadron commanded by Admiral Sir Charles Wager. The Peruvian merchants were also attacked by English pirates both while crossing the isthmus, and again at sea by Woods Rogers and William Dampier. The Peruvians' greatest problem, however, was that when they eventually straggled back to Lima with the remnants of their goods, they found the local market saturated with illegal French merchandise, imported with the connivance of Castell-dosrius and his associates, for sale at prices much cheaper than those which they had paid for those acquired legally at Portobelo. The problem had grown particularly acute precisely since May 1708—that is when the Peruvian merchants had begun their long and hazardous trip back from Portobelo—with the

entry into Callao of a French warship, under whose protection a number of French merchant vessels were allowed to sell their cargoes. According to one authority, when the French ships returned to Port Louis in May 1709, they carried with them 30 million *pesos*, primarily in gold and silver bars.⁹

Even allowing for possible confusion in the conversion of *pesos* to *piastres* (other sources use the latter denomination when citing the 30 million), the inescapable qualitative point about the French presence in the Pacific in this period is that the penetration of the South American market by French merchandise during the War of the Spanish Succession was of such an intensity that those local merchants who stood aloof from it faced ruin, and the hard-pressed viceregal and metropolitan treasuries were deprived of the customs revenue that should have accrued from legal trade. The vicious circle of economic-commercial and administrative incompetence continued, as an interim viceroy of Peru, Diego Ladrón de Guevara (bishop of Quito)—Castelldosríos had died in office in 1710—allowed a large number of French merchantmen to enter Callao in 1712 (under the pretext that they would help defend the port against an expected English attack), again releasing a further flood of contraband goods, at precisely the time that another, smaller *galeones* convoy (of a mere four ships) was preparing to sail from Cádiz for Cartagena-Portobelo. Again, the fair held in Portobelo in 1713–14 (it dragged on from 3 December 1713 until 21 April 1714 while awaiting the arrival of treasure from Callao) was a commercial and administrative nightmare, and, after further delays in Havana, the returning ships were sunk in a hurricane in the Bahama Channel in 1715.¹⁰

This discussion of the commercial and economic consequences of Spain's alliance with France during the War of the Spanish Succession has concentrated so far upon South America, primarily because of the novelty involved in the use of the Cape Horn route into the Pacific during this period, and partly because the deleterious effects of French contraband (or, at best, semi-legal commercial infiltration) were particularly conspicuous in that region, as a result of Spain's clear inability to maintain the Portobelo fairs on a regular basis during wartime, and the connivance of local officials in allowing consumers to seek alternative sources of imported goods and alternative outlets for their exports. The obvious and more fundamental point, demonstrated by direct trade with the Pacific—that

the supply of European goods to the Peruvian market via Portobelo and Panama was now redundant—was one which the Spanish crown and the merchant guild of Cádiz were still not ready to face up to. As we shall see, after 1713–14 four more trade fairs would be attempted at Portobelo before their final abandonment in 1740. It is important to emphasise, however, that, to quote from a recent analysis of Spanish naval performance in the Atlantic between 1700 and 1715, ‘If Spain found its communications with America cut off via the *tierra firme* route, the great majority of the expeditions that sailed to New Spain realised their objectives completely’.¹¹

Although, as we have already noted, the *flota* which returned to Vigo under the command of Velasco was destroyed in 1702, that misfortune occurred a month after it put into port, and after the treasure which it had brought from Mexico had been safely removed. Thereafter, between 1702 and the end of the war in 1713, four more *flotas* were safely despatched to Veracruz—in 1706, 1708, 1711 and 1712. Although they were of diminishing size (their respective tonnages were 5,616, 4,639, 2,337, and 2,459), they succeeded in returning safely with bullion. In addition, smaller expeditions carrying mercury for the supply of the Mexican mining industry (1,595 and 1,388 tons respectively) sailed in 1703 and 1710, and between the convoys communications were maintained by 36 despatch vessels (*avisos*), destined mainly for Veracruz and Cartagena, of which only five were lost during the war. A similar rate of attrition—five losses, two of which were recaptured with their cargoes intact, out of 26 sailings—was suffered by the individual register ships (*registros*) with a combined tonnage of 4,800, which also put to sea in this period. If we add to this slightly more positive scenario the point that the principal warship of the *Armada de Barlovento* also ran the English blockade on three occasions—1705, 1707, 1711—to bring back to Spain one million *pesos* in revenue for the crown, it is clear that, in so far as the Gulf of Mexico was concerned, commercial contact with Spain, far from being virtually cut off, as some contemporaries (including Bernardo Ward) suggested, ‘was really surprisingly frequent’.¹² This relative success was caused fundamentally by the more straightforward nature of the commercial route between Spain and Veracruz, the excellent defences of the Mexican port and its relative accessibility to its viceregal capital (especially when compared with the tortuous and dangerous Callao–Panama–Portobelo route from Lima), and

the ability of Spanish naval forces in Havana to offer some protection to national shipping in the waters of the northern Caribbean. Perhaps it was the greater facility with which they could prey upon the Portobelo–Cartagena–Havana route, rather than ignorance, that drew the English navy to the southern Caribbean. Nevertheless, there may be some truth in the suggestion that the continuing myth of the wealth of Peru was also responsible for the fact that:

The English did not seem to understand that the greater part of the silver that crossed the Atlantic by the Spanish routes did so from Mexico. The British persisted with the old idea of trying to intercept the route from Peru, believing that they would secure greater profits there.¹³

However, despite Spain's ability in this period to maintain communications and some trade with New Spain and the Caribbean islands, and at least communications with South America, it is clear that the War of the Spanish Succession demonstrated what had been evident throughout the second half of the seventeenth century, namely that Spain was no longer capable of dominating the Atlantic trade routes. It also revealed that the attempt to preserve naval and commercial authority by relying upon France was a mixed blessing, given the French determination to dominate the *Carrera de las Indias*, and, of course, the greater difficulty after 1702, following the receipt by the French Guinea Company of the monopoly of the supply of slaves to America, of making peace with England. Finally, despite a clear awareness in crown circles that a fundamental reform of commercial restrictions was essential, no significant changes were introduced because of the difficulty, particularly in wartime, of overcoming the vested interests of the Seville–Cádiz merchants who for understandable reasons resisted the admission of other ports to direct trade with America. The end of the war, far from resolving these problems, intensified them, at least in the short term, as the 1713 Treaty of Utrecht clearly demonstrated that France had not been able, after all, either to make it possible for Philip V to maintain the integrity of his possessions or to prevent the formal admission of England to the American trade.

THE TREATY OF UTRECHT

The Treaty of Utrecht of 1713, the international agreement between the participants in the War of the Spanish Succession, which

formally confirmed the transfer of the Spanish crown to the new Bourbon dynasty, and the subsequent Treaty of Madrid (1721), which was made necessary by continuing Spanish–Austrian disagreement over territorial claims in Italy, were seen by their signatories, and by many contemporaries, as a definitive peace settlement, which, by recognising a realistic balance of power between France, England, Portugal and Spain in the Americas, would establish a period of enduring harmony in the European overseas empires, if not in Europe itself. The undoubted victor in the American sphere was England, which in the north acquired Newfoundland, Nova Scotia, Hudson Bay and Straits, and Saint Christopher from France, and further south, in return for an agreement that it would respect the territorial integrity of the Spanish possessions in America, secured the transfer from France of the *asiento* to supply slaves from Africa to Spanish America. The undoubted losers were, first, France, which in addition to the territorial losses already referred to, formally recognised the Protestant succession in England and renounced the possibility of the union of the French and Spanish crowns; and, second, Spain, which was forced to agree to the cession of Gibraltar and Minorca to England, and the transfer of the bulk of its Italian territories—Milan, Naples, Sardinia, Mantua, and parts of Tuscany—to Austria. The clear inability of the supposed protecting power, France, to provide real support for Spanish interests when it was needed provoked, within the framework of a general alliance between the two countries which would persist until the French Revolution, a certain determination among the ministers of Philip V to curb the virtually free access to the Pacific that French merchant ships had acquired during the recent war. The outcome was that by the early 1720s the effective use of diplomatic pressure did, indeed, drastically curb direct French trade with Chile and Peru (although indirect penetration, through nominally Spanish merchant houses in Cádiz, persisted). Unfortunately for Spain, however, the vacuum thus created in the American hemisphere was filled not by direct Spanish trade but by English ships and products, as the merchant guild of Cádiz and the Spanish crown persisted with increasingly futile attempts to resuscitate the discredited Portobelo fairs.

The transfer to England in 1713 of the slave *asiento* was an extremely valuable concession in its own right, for the demand for slaves, and, thus, the prices paid for them, expanded rapidly in the

early-eighteenth century. Its indirect significance was even greater, for black slaves were the only commodities which foreign shippers were allowed to supply directly to American ports rather than via Seville-Cádiz, and, as the Portuguese contractors had demonstrated in the seventeenth century, and the French during the recent war, the right of foreign slaving vessels to sail into Spain's American ports brought in its train widespread opportunities for smuggling. The supplementary grant to the South Sea Company of the right for 30 years to send a merchant ship of 500 tons—the so-called 'annual ship'—to each of the trade fairs attended by the *galeones* and *flotas* also represented an unprecedented opportunity for 'legitimate penetration into the very heart of the Spanish trading system', despite the complications that arose from the fact that Spain herself proved incapable of arranging regular trade fairs after 1713.¹⁴ In fact, only three 'annual ships' were dispatched in the period 1713–1720—one each in 1715 to Veracruz (to coincide with the small *flota* which actually put into the Mexican port in November of that year) and to Cartagena, where a small fair was held early in 1716 not with the *galeones*, which had not been sent from Spain, but with four Spanish ships which arrived with a total cargo of only 550 tons, their principal purpose being to escort to America a new viceroy of Peru, the Prince of Santo Buono¹⁵—and a third to Veracruz in 1717. The last of these, the *Royal Prince*, had absolutely no difficulty in selling its attractively-priced and carefully-selected cargo in Veracruz (almost certainly in excess of the 700 tons for which permission had been granted in Madrid by the formal royal order that had to be issued to authorise each specific departure within the framework of the general concession), whereas the 11 merchant ships, escorted by three warships, which had brought 2,840 tons of merchandise from Cádiz had great difficulty in disposing of their goods.

The renewal of formal hostilities between England and Spain in 1718–20, when the so-called Quadruple Alliance of England-France-Austria-Holland came together to resist Spain's attempts to use force to pursue its territorial claims against Austria in the Mediterranean, provided some respite for Spanish merchants marooned in America with unsold goods, for attempts to arrange convoyed fleets from Cádiz and, consequently, the grant of permits to send the English 'annual ship' were halted for two years. However, the commercial vacuum thus created in this period was

filled by a sharp increase in English and Dutch contraband activity in the Caribbean, especially with relatively remote, unguarded ports and regions, where, even if coastguard facilities were available, local officials were often so short of essential supplies that they connived with contraband traders. As one recent commentator has pointed out, it was virtually impossible for the distant viceregal authorities in Mexico and Santa Fe to check commercial activity in these ‘marginal territories like Honduras, Campeche, Riohacha and Rio Magdalena, both when undertaken legally, that is when they received licences from the Spanish officials for ships to enter in times of necessity and shortage, and when they did so without licences’.¹⁶ The problem for the crown, deprived of its customs revenues, and for Spanish merchants struggling to operate within an increasingly irrelevant legal commercial structure was that contraband goods, although introduced through these ‘marginal territories’, and to a certain extent consumed within them, also made their way into more important markets, satisfying local demand and, thereby, depressing prices for licit merchandise supplied by the tattered remnants of the *Carrera de las Indias*. New Granada alone offered a market of one million consumers, anxious to export their gold, *cacao*, pearls and hides in exchange for clothing, textiles, foodstuffs, oil and wines, slaves, naval stores, and other manufactures, and with a deep-rooted political culture that made the avoidance of taxation, although technically illegal and immoral, almost part of an honorific tradition. By the early 1720s the crown’s own advisers estimated that ‘fully one-half of all illicit trade by value in the Spanish Caribbean—perhaps six million *pesos*’ worth annually—passed through New Granada’, particularly via Riohacha, Santa Marta and Cartagena, creating an illegal commercial structure that was ‘too profitable and too necessary to stop completely’. Consequently, ‘the control of contraband in northern New Granada was a paradox of Spanish imperialism, a dilemma that could not be solved’.¹⁷

With the effective cessation of hostilities in the Mediterranean by the beginning of 1720, the crown showed encouraging signs of a willingness to come to grips with the need for commercial reform, by approving in April the so-called ‘Royal project’, produced by the chief minister José Patiño and his advisers, which sought to simplify the taxes charged on colonial trade and ensure the regular despatch of fleets on a properly organised basis, albeit within the existing

structure of a limited number of ports licensed for direct trade with Cádiz.¹⁸ Moreover, prompt measures were taken to organise a *flota* of 19 ships, which sailed for Veracruz with 4,400 tons of cargo in August 1720. Although it encountered various organisational and other difficulties upon arrival in Veracruz (including the fact that some of the cargo taken by the 1717 *flota* remained unsold), it enjoyed moderate success in disposing of its merchandise, partly because there had not been time (or the will in Madrid) to issue the permit for the South Sea Company to send its 'annual ship' in 1720, and partly because of the innovation, approved by the crown in 1718, of organising a trade fair at the small, inland town of Jalapa (about half way between Veracruz and Mexico) rather than persevering with the traditional practice, which had facilitated penetration by contrabandists, of allowing the merchants who arrived with the convoy to take their goods to the viceregal capital for piecemeal sale.

The *galeones* which finally sailed from Cádiz for Cartagena in June 1721, eight months behind schedule—with 13 ships and 2,000 tons of cargo to celebrate the first Portobelo fair to be held since 1708—were less fortunate. The general problem which awaited them was that during the previous decade the viceroyalty of Peru had been reasonably well-supplied with imported goods by a combination of French merchant ships (which were still being allowed by local officials to dispose of cargoes in Peruvian ports in 1720, despite specific decrees to the contrary), occasional Spanish register ships, and English *asiento* ships which supplied contraband goods primarily through Buenos Aires. The merchants of the *consulado* of Lima, although ultimately obliged to observe viceregal orders to cooperate with the despatching of the Callao-Panama fleet, protected by the *armada del Mar del sur*, did so with considerable reluctance, and it was not until April 1722—eight months after the *galeones* had put into Cartagena—that the Peruvians reached Panama, with the crossing of the isthmus still to be accomplished. When the trade fair finally got under way in June 1722, the merchants who had travelled from Spain encountered their second, more specific problem: the presence of the South Sea Company's 'annual ship', the *Royal George* (which had arrived despite the Spanish crown's failure to issue the necessary permit), with 1,000 tons of high-quality, attractively-priced merchandise (made even more attractive by the English willingness to sell it on

partial credit), and, even more insidiously, the presence of over 20 additional foreign merchant ships in the unguarded coves and inlets near Portobelo (especially Puerto Leonés and Bastimentos), which were able to trade with the Peruvian merchants under the cloak of semi-legality offered by the *Royal George*.¹⁹ The English ship even took over responsibility for shipping private bullion back to Spain—issuing letters of credit for a fee of eight per cent—thereby facilitating the use in commercial transactions of unregistered precious metals. The inevitable outcome was that when the fair ended in August 1722 a large proportion of the goods brought from Cádiz remained unsold, and the merchant guild of Cádiz, upon receipt of this news, immediately put a brake on preparations for the despatch of the next *galeones*, planned for 1723. The crown's advisers, led by Patiño, tried to insist, however, that the 'Royal project' (which stipulated a departure date of 1 September 1723) should be observed. The result was that, although the exact date slipped, the next fleet, consisting of 18 ships and 3,100 tons of merchandise, eventually left on the last day of 1723, reaching Cartagena in February 1724. There the sorry charade of 1721–22 was repeated, again, primarily, because of the presence of the South Sea Company's 'annual ship' with another huge cargo of goods. When the Portobelo fair finally opened in June 1726, over two years after the arrival of the *galeones* in Cartagena—the long delay was caused by the difficulties of a new Peruvian viceroy, the Marqués de Castelfuerte (who, in fact, succeeded by draconian measures in stamping out direct contraband in Pacific ports), in preparing the naval squadron to protect the merchantmen:

for the second time in four years smuggling vessels thronged the bays and inlets around Portobello ... and the merchants of Lima ... once again spent their millions in the illegal rather than the legal trade.²⁰

The 1726 *galeones*, in reality the last of the traditional fleets in view of the desultory nature of subsequent sailings, found themselves marooned in the Indies for two further years—following, first, the fear of war with England which surfaced while the trade fair was being held, and the outbreak of formal hostilities in 1727—eventually getting back to Cádiz early in 1729, more than five years after their departure. Further small fairs were held at Portobelo in 1729 and 1731, with the latter turning out in fact to be the last one, although the formal decision to abandon them in favour of register

ships was deferred until 1740. The presence of the English ship was, thus, a major factor in the demise of the Portobelo fairs, partly because of its direct impact, in pricing Spanish manufactures out of the market, but primarily because it provided a smokescreen behind which the Peruvian merchants, who travelled up to Portobelo via Panama, could trade almost openly with the contrabandists who were accustomed to assembling near Portobelo when a trade fair was expected. At the Portobelo fair of 1731 the Peruvian merchants who had travelled up from Callao eagerly spent half of the nine million *pesos* which they had brought to the isthmus on the 1,000 tons of merchandise supplied by the South Sea Company's ship the *Prince William*.²¹ They had to be forced, however, to accept a consignment of cloth from the royal factory of Guadalajara, and many of the Cádiz merchants remained behind when the fleet departed for Spain, to roam throughout New Granada and Peru until 1737, attempting in vain to sell their wares in a glutted market.

In the meantime, a resigned Spanish crown decided in 1735 to suspend the despatch of further convoys to Portobelo, ostensibly on a temporary basis, in favour of sending individual register ships to both that port and Cartagena, if the market seemed to require them. A number of register ships did set out, in fact, for Portobelo in 1737, with the intention of dealing with Peruvian merchants, who finally sailed for the isthmus in June 1739 with 12 million *pesos* to spend on imported goods. The eagerly-anticipated rendezvous was thwarted, however, by the destruction of the fortifications of Portobelo by the English Admiral Edward Vernon early in 1740, following the declaration in October 1739 of a new Anglo-Spanish War ('The War of Jenkins' Ear'), which would continue until 1748. The Peruvian merchants hurriedly returned to Callao from Panama with the silver that had not already been invested in contraband goods, while Vernon moved on from Portobelo to mount a major attack (with 140 ships and 12,000 troops) on Cartagena in March 1741. In fact, this onslaught turned into an abject failure from the British point of view—'conceding to the Spanish military one of its most glorious victories'—thanks to both the strong fortifications of the city and the effectiveness of the resistance provided by the marines and rotating military units that had been hurriedly despatched from the peninsula.²² A blockade of Havana, mounted in mid-1740, was also abandoned by the British, as were two subse-

quent attacks on Santiago de Cuba, and a 1743 onslaught on the principal Venezuelan port of La Guaiara.

THE WAR OF JENKINS' EAR

The war of 1739–48, which was precipitated in part by British resentment of zealous Spanish attempts to curb contraband in the Caribbean—hence the cutting off of the ear of the unfortunate Captain Jenkins—again demonstrated the capacity of American disputes to generate general conflict between the major powers of eighteenth-century Europe. An important subsidiary factor on this occasion was the willingness of France to intervene in the long-standing Spanish–Austrian territorial disputes in Italy, by guaranteeing, after the signing of the first Bourbon Family Compact with Spain, the possession of his Italian duchies by Don Carlos (the future Charles III of Spain), eldest son of the Spanish queen, Elizabeth Farnese.

The Anglo-Spanish part of the struggle was fought almost entirely as a naval war in the Caribbean, whereas the territorial conflict was diverted to the European mainland in 1740 by the outbreak of the War of the Austrian Succession. During the course of the war, in 1743, France and Spain signed the Second Bourbon Family Compact, one clause of which provided for the mutual guarantee of the integrity of territories 'outside Europe as well as within it'. Although this committed France to a war against Britain, it also guaranteed to France Spanish assistance in its struggle against Austria. France went on to declare war against Britain in 1744, with the declared objectives, in so far as America was concerned, of forcing it to give up the slave *asiento*, and to abandon its newly-established colony of Georgia, to the north of Florida, which Spain claimed had been founded on territory belonging to the Spanish crown. The second of these factors reflected an increasing Spanish awareness of the danger of losing to Britain the vast, unexplored territories in North America to which Spain claimed title but which it lacked the resources to exploit. Indications of Spain's more positive intent in this region were provided in the first half in the eighteenth century by the organisation of new military governments in Texas (1718), Sinaloa (1734), and Santander (1746). However, a concerted attempt to move into the savage,

semi-desert lands of the North American South-west—a process spearheaded by missionaries and soldiers—did not come until the second half of the century, with the penetration of California (Los Angeles was founded in 1780) and the establishment of the military jurisdiction known as the United Provinces of New Spain. In this period expansion as far north as San Francisco and Monterrey was hampered less by British resistance, although that was significant, notably at Nootka Sound, than by Russian expansion south from Alaska.

Although in the short term the Treaty of Aix-la-Chapelle (1748), which brought to an end the War of the Austrian Succession, did not appear to resolve either of the specific American issues which had helped provoke it—the *asiento*/contraband dispute, and the status of Georgia—it was followed by a brief period of cooperation and goodwill between Spain on the one hand and Britain and Portugal on the other. A major contributory factor was the success of negotiations in Madrid which in 1750 terminated the *asiento*—which, in any case, had been granted for only 30 years in 1713—in return for a payment by Spain to the South Sea Company of £100,000. The same year also witnessed the signing of the Treaty of Madrid with Portugal—a significant factor was the fact that the new Spanish king Ferdinand VI (1746–59) was married to a Portuguese princess, María Bárbara de Braganza—which attempted for the first time to define the boundary between Portuguese and Spanish territory in the Río de la Plata, returning the contraband-dominated outpost of Sacramento to Spain but granting Brazil seven Spanish missions north of the newly-established boundary. A particularly interesting, if idealistic, feature of the treaty was its attempt to deny the logic and reality of international relations in the eighteenth century by invoking ‘the doctrine of the two spheres’: the argument that even in the unfortunate eventuality of war breaking out between Spain and Portugal in Europe, peace would be maintained in South America. In fact, quite the reverse was to occur: when Spain and Portugal entered the Seven Years’ War (1756–63) on opposite sides in 1762, Spanish forces captured not only Sacramento—which the Treaty of Paris (1763) restored to Portugal—but also the Brazilian province of Río Grande do Sul, where they remained until the Treaty of San Ildefonso (1777) imposed a territorial settlement which was to endure until the Independence period of the early-nineteenth century.

An immediate result of Spain's temporary rapprochement with Britain (and Portugal) in the 1750s, and, to a degree, of the moderate regeneration of both financial administration and economic activity in peninsular Spain as a result of the patient restructuring undertaken during the reign of Philip V, was that the value of legal trade between Cádiz and America began to grow. Between 1710 and 1747, it had increased relatively modestly, despite persistent hostilities with England, primarily as a consequence of the demand generated by economic growth in America itself. It is difficult to provide detailed, systematic figures of its value, primarily because the available sources tend to express the details of cargoes in terms of weights, quantities, and numbers, rather than values. It is clear, nevertheless, even on the basis of the crude calculations which can be made, that the index of tonnage increased from a base figure of 100 at the beginning of the century to 160 in the period 1710–47; in 1748–78, by contrast, the index was to rise to 300, a result which leads the principal Spanish authority on the subject to observe that 'the characteristic of the eighteenth century is the tendency in favour of a continuous and progressive growth, although comparatively slowly in the first half of the century'.²³ As ever, bullion, which represented 76 per cent of total imports in this period, was the key, with imports into Cádiz, primarily from New Spain, doubling from an average of 6.9 million *pesos* a year before 1748 to 13.7 million thereafter. Moreover, in so far as the War of Jenkins' Ear marked the definitive end of the fleet system for the supply of goods to South America—after the war, the policy of sending register ships to Caribbean ports was extended to include regular departures into the Pacific to Chilean and Peruvian ports, despite pressure from some merchants in both Lima and Cádiz for the restoration of isthmian fairs—it has been legitimately described as 'a watershed in the development of colonial trade'.²⁴

Despite the encouraging trend of commercial expansion in the 1750s, many commentators believed that the need for more radical reform of imperial commerce remained urgent, particularly as the crown's attempts to promote industrial development in Spain had enjoyed only limited success. For example, although the Guadalupe woollen factory, opened in 1718, had 4,000 weavers by the second half of the century, and, it was claimed, was providing work for 40,000 spinners, like similar establishments elsewhere—such as the factory opened by Philip V at San Idelfonso for the manufacture

of glassware and mirrors (and those subsequently established by Charles III to produce tapestries, swords, paper, pottery, and other products)—it tended to suffer from bureaucratic mismanagement, and high internal transport costs.²⁵ Rather more successful were the private establishments on the periphery, which enjoyed easier access to foreign and imperial markets: for example, the iron foundries of the Basque region, producing hardware, firearms, swords and anchors, the cotton factories of Catalonia, and the silk factories of Valencia. Partly because of their growth, it was believed increasingly that America would provide the key to further industrial development, by providing, first, the raw materials required by the peninsular factories, and, second, as trade restrictions were relaxed, a growing market for their products.

As we have seen, although Philip V had succeeded by the early 1720s, by the use of diplomatic pressure, in excluding French ships from the Pacific, the vacuum had been filled by English merchants while Spaniards attempted in vain to resuscitate the discredited Portobelo fairs. The king and his ministers had also tended in the legislative field to tinker with the structure of commerce rather than reform it radically. The formal transfer of the Seville monopoly to Cádiz in 1717, for example, represented a missed opportunity to open trade with America to other peninsular ports. Fiscal reform in the second decade of the century, culminating in the 'Royal project' of 1720, had been limited to the replacement of cumbersome *ad valorem* duties with the simpler *palmeo*, charged according to the cubic capacity of cargo, in an attempt to curb outright evasion of taxation and to simplify the time-consuming registration process. In the same year, as we have seen, the traditional Veracruz fair was transferred inland to Jalapa, although the hope that this would provide greater protection against foreign penetration was only partially realised in the fairs held there in 1723, 1725, 1732 and 1736, primarily because of the legal presence in Veracruz of the English 'annual ship'; those of 1721, which we have examined briefly, and, in particular, of 1735, in which the English did not participate, were, by contrast, relatively successful. In the longer term the most successful policy initiative of this early period was the establishment in 1728 of the *Compañía Guipuzcoana de Caracas*, commonly known as the Caracas Company, which was given a monopoly of trade between its home port of San Sebastián and the ports of Venezuela in the hope of diverting that underdeveloped

region's export of *cacao* to the European market from illegal Dutch channels into the Spanish imperial system. However, the attempts of the chief minister, José Patiño, to build upon the immediate success of the Venezuelan venture by forming a Philippines Company was not followed through until 1785, and the Galicia Company, granted a monopoly of trade with Campeche in 1734 in the hope of stimulating the export of dye-wood, was unable to compete effectively with British logging interests in Honduras.²⁶

On the credit side, the crown was firm in resisting the pressure after the 1739–48 war of the merchant guilds of Lima and Cádiz for the restoration of isthmian fairs. One consequence of the greater use of the Cape Horn route after 1748 for direct trade with Chile and Peru was the increasing incorporation of Buenos Aires into the imperial trading system, despite its nominal exclusion, as Spanish merchants made some attempts to exploit the opportunities in the Río de la Plata provided by the 1750 abolition of the South Sea Company's privileges. This was the period in which mercantilist writers such as José del Campillo and Gerónimo de Uztáriz were calling for radical reorganisation of the imperial commercial system in the interests of tapping the potential of Spain's American possessions as suppliers of raw materials to the mother country and consumers of Spanish manufactures, goals which could only be achieved, they argued, by the outright abolition of the Cádiz monopoly and the fleet system.²⁷ Although the crown decided that his advice was appropriate for the *galeones*, it was persuaded in 1754, under pressure from the *consulados* of Mexico and Cádiz, to order the suspension of register ships to New Spain, which had been introduced during the 1739–48 war, in favour of the restoration of bi-annual fleets and trade fairs at Jalapa. (In fact, despite this change in policy, 18 register ships, carrying a total of 6,000 tons of merchandise, were to depart in the period 1757–76, to supplement the six *flotas* which left Cádiz in these years.) The first of the post-war *flotas*, the first, in fact, for over 20 years, left for Veracruz in 1757 with 7,000 tons of merchandise, much of which remained unsold a year after the fair began, and was remarkable only because of the large amount of business done with small merchants as well as the traditional monopolists; that of 1760 also found the market sluggish, partly because some cargo remained unsold since 1758 but primarily because of fears that Spain would soon be dragged into the Anglo-French war which had been under way since 1757, a misfortune

which actually did come about early in 1762, to be followed almost immediately, in August of that year, by the almost inconceivable catastrophe of the fall of Havana to a British invasion force.

THE SEVEN YEARS' WAR

The Seven Years' War (1756–63) was of crucial importance for the history of Spain's economic relations with its American possessions in the 50 years before the Napoleonic invasion of the Iberian peninsula, for it was from the trauma and humiliation suffered in the conflict that the third of its Bourbon kings, Charles III, and his ministers derived the sense of purpose and direction required for the formulation and implementation of the all-embracing process of modernisation which historians refer to as 'the Bourbon reforms'. To an even greater extent than the international conflicts which had preceded it in the eighteenth century, the Seven Years' War was an American conflict—(and an Asian and African conflict)—although on this occasion, despite continuing Spanish resentment about both contraband (which had continued to increase since 1748) and British incursions into Yucatán and Honduras, the principal sources of tension derived from Anglo-French rivalries. There were two main areas of rivalry: the Caribbean, where, ignoring Spain's feeble claims, the two powers competed to occupy islands such as Dominica, Tobago, St Vincent and St. Lucia and, more important, North America, where the French provoked Indian resistance to the westward expansion of the British colonies. Although the war began formally in Europe in 1756, it was preceded by clashes between British and French forces in the Ohio Valley in 1754, and in Nova Scotia and the Caribbean in 1755. The conflict went decisively Britain's way—British forces took Quebec in 1759, Montreal in 1760, and Martinique in 1761—a process unhindered by Spain's tardy entry into the War in 1762. Although Spanish forces invaded Portugal and, as previously noted, also captured the Portuguese outpost of Sacramento in the Río de la Plata, Charles III suffered the appalling humiliation of seeing Havana (and the Philippines) fall to British forces. As one scholar has succinctly observed:

When the British marched into Havana on August 14, 1762, the vulnerability of Spain's vast empire lay exposed to the world . . . The conclu-

sions that the government of Charles III drew from these events worked to reshape his Cuban colony in the profoundest way and, indeed, led to major changes in the rest of his American empire as well.²⁸

The subsequent Treaty of Paris (1763), in fact, restored Cuba to Spain, but confirmed British possession of East and West Florida, thereby consolidating the presence of Spain's traditional enemy in the Gulf of Mexico. France, the main loser, was forced to give all of Canada and the eastern half of the Mississippi Valley to Britain, and also gave Louisiana to Spain by the separate Treaty of Fontainebleau, to compensate her for the loss of Florida. However, despite some attempts to promote the fur trade through New Orleans, neither Charles III nor his successor, Charles IV (1788–1808) succeeded in establishing more than a token Spanish presence in these vast new territories west of the Mississippi, which were returned to France by the Treaty of San Ildefonso (1801), soon thereafter (1803) being sold to the United States by Napoleon Bonaparte for 15 million dollars.

Portugal, as Britain's faithful ally, benefited from the 1763 peace settlement, being allowed to retain Sacramento, but, like its protector, was to receive a rude shock to its complacency in 1776, following the outbreak of the War of United States Independence (1776–83). As soon as the war commenced Spain took advantage of Britain's preoccupation in North America and succeeded definitively in driving back Portugal from the Río de la Plata, following the establishment in 1776 of the new viceroyalty of the Río de la Plata, with its capital in Buenos Aires, and gaining 'undisputed dominion over the estuary of the River Plate'.²⁹ Moreover, the definitive Treaty of Paris (1783) confirmed Spanish military successes in the Caribbean during the war—in May 1781 Field Marshal Bernardo de Gálvez, nephew of the Minister of the Indies, had captured Pensacola, the key British strongpoint in the Gulf of Mexico—by restoring to Spain the two Floridas (albeit in return for the continued British occupation of Gibraltar). This military and diplomatic success owed much to the vigour with which in the immediate aftermath of the 1763 treaty Charles III, 'encouraged by his French ally under the Family Compact and its foreign minister, the Duke of Choiseul', turned to the radical restructuring of economic relations between Spain and America as a means of ensuring 'the development of means to wage war successfully'.³⁰ The central feature of the reform programme,

designed to promote the economic growth in Spain and America which would provide the revenues to pay for improved imperial defences, was the liberalisation of trade which began cautiously in 1765, reached a climax in 1778, and was consolidated in 1788–89 with the extension of ‘free trade’ to those parts of America excluded by the 1778 legislation. The aims, the details, and, more significantly, the results of this dramatic change in economic policy are considered in detail in Chapter 9.

NOTES

- 1 Walker, *op. cit.*, p. 26.
- 2 Bradley, *The Lure of Peru*, pp. 181–82.
- 3 Walker, *op. cit.*, p. 20.
- 4 Bradley, *The Lure of Peru*, pp. 182, 187.
- 5 Malamud Rikles, *op. cit.*, pp. 146–47.
- 6 Walker, *op. cit.*, p. 34.
- 7 For a detailed discussion of contraband within this structure, see E. Vila Vilar, ‘Las ferias de Portobelo: apariencia y realidad del comercio con Indias’, *Anuario de Estudios Americanos*, Vol. 39 (1984), pp. 275–337.
- 8 The account which follows is based upon Walker, *op. cit.*, pp. 34–49.
- 9 R. Vargas Ugarte, *Historia del Peru. Virreinato (siglo XVIII) 1700–1790* (Lima: Imprenta Gil, 1956), p. 25.
- 10 On the 1713 fair, see Walker, *op. cit.*, pp. 60–63.
- 11 P. E. Pérez-Mallaina Bueno, *Política naval española en el Atlántico 1700–1715* (Seville: Escuela de Estudios Hispano-Americanos, 1982), p. 56.
- 12 Walker, *op. cit.*, p. 24; Pérez-Mallaina Bueno, *op. cit.*, p. 19.
- 13 Pérez-Mallaina Bueno, *op. cit.*, p. 57.
- 14 Walker, *op. cit.*, p. 74.
- 15 *Ibid.*, pp. 67–92, provides a detailed account of these and related issues in its chapter on ‘The *galeones* and *flotas* and the English “annual ship”, 1713–1720’.
- 16 H. R. Feliciano Ramos, *El contrabando inglés en el Caribe y el Golfo de México (1748–1778)* (Seville: Diputación Provincial de Sevilla, 1990) p. 31.
- 17 Grahn, *op. cit.*, pp. 125, 145.
- 18 The document’s full title was ‘Proyecto para galeones, y flotas del Perú, y Nueva España y para navios de registro y avisos’.
- 19 Walker, *op. cit.*, p. 146.
- 20 *Ibid.*, p. 155.
- 21 *Ibid.*, pp. 177–88, provides details of the 1731 fair.
- 22 A. J. Kuethe, *Cuba, 1753–1815: Crown, Military, and Society* (Knoxville: University of Tennessee Press, 1986), p. 9.

23 A. García-Baquero González, *Cádiz y el Atlántico (1717–1778)*, 2 vols (Seville: Escuela de Estudios Hispano-Americanos, 1976), Vol. 1, pp. 541–42.

24 Brading, *op. cit.*, p. 411.

25 A. González Enciso, *Estado e industria en el siglo XVIII: la fábrica de Guadalajara* (Madrid: Fundación Universitaria Española, 1980), provides a detailed coverage of the Guadalajara enterprise.

26 For a general survey of the establishment and structures of these companies, see R. Rico Linage, *Las reales compañías de comercio con América: los órganos de gobierno* (Seville: Escuela de Estudios Hispano-Americanos, 1983).

27 The first edition of Uztáriz's influential work, *Teórica y práctica de comercio y de marina*, was published in Madrid in 1724.

28 Kuethe, *Cuba*, p. 3.

29 J. Lynch, *Spanish Colonial Administration 1782–1810* (London: Athlone Press, 1958), p. 41.

30 A. J. Kuethe, 'Towards a periodization of the reforms of Charles III', *Bibliotheca Americana*, Vol. 1 (1984), p. 143.

CHAPTER 9

'Free Trade' and the Peninsular Economy

THE INTRODUCTION OF 'FREE TRADE', 1765–89

The decision of Charles III to promulgate the famous *Reglamento para el comercio libre* of 1778 on the symbolic date of 12 October, the anniversary of the discovery of America by Columbus, was designed to emphasise the importance which he and his ministers attached to this fundamental measure of commercial reform.¹ The document's guiding principle, its preamble explained, was the king's fundamental goal, which had determined all his policies since his accession to the throne in 1759, of securing 'the happiness of my beloved Vassals of these Kingdoms and those of the Indies' and his conviction that 'only a free and protected Commerce between European and American Spaniards can restore Agriculture, Industry, and Population in my dominions to their former vigour'.² This belief, it was explained, had already promoted a number of piecemeal modifications to the imperial commercial structure, made in the aftermath of Spain's humiliating defeat by Britain in the Seven Years' War, a factor which underlay so many of Charles III's reforms. The crucial first step had been the decree of 16 October 1765, which opened the principal Spanish islands of the Caribbean (Cuba, Santo Domingo, Puerto Rico, Margarita and Trinidad) to direct trade with nine Spanish ports (Alicante, Barcelona, Cádiz, Cartagena, Gijón, La Coruña, Málaga, Santander and Seville).³ Its novelty, of course, lay in its abandonment of the principle that all trade should be channelled through Cádiz at the Spanish end of the imperial commercial system, and through a limited number of American ports, although the detail of the 1765 decree fell far short of the radical report submitted to the crown by a technical commission, established in 1764 in the immediate aftermath of the Seven Years' War, to investigate the commercial question. The commission had recommended that trade be opened

to 14 Spanish ports (those excluded by the 1765 decree were Bilbao, San Sebastián, Santoña, Tortosa and Vigo), and to no less than 35 American ports, including a number which were to be denied full participation in the free trade system until 1789. The commission's equally radical recommendations about the lowering and simplification of duties were again only partially accepted: it proposed the total abolition of duties on national goods, and a six per cent levy on foreign products; the 1765 decree, although accepting the need to abolish the outdated system of *palmeo*, in force since 1720, whereby merchandise was taxed according to its cubic volume, opted for an *ad valorem* duty of six per cent on national goods, and seven per cent on most foreign goods. It also simplified the bureaucratic procedures required for the despatch of vessels.

Despite the cautious nature of the 1765 decree, particularly in relation to the American territories allowed to participate in direct trade with the peninsula, it established the broad principles which were to underpin the subsequent reforms in the period up to 1778. In that sense it represented the first step in a process of revolutionary commercial reform. The changes which had been introduced in imperial trade in the first half of the eighteenth century, by contrast, had failed to challenge the fundamental monopolistic and restrictive principles inherent in the Hapsburg legislation of the sixteenth century. Consequently the innovations of the first half of the century represented at best vacillation between outdated restrictions and an awareness of the need for significant reform, coupled with a reluctance to interfere too radically with established structures. The cardinal features of the traditional commercial pattern were monopoly and the fleet system. By the early-eighteenth century, as we have seen, Cádiz had replaced Seville as the sole Spanish port permitted without express licence to the contrary to trade directly with America. At the American end of the trade system, normally only Veracruz, Portobelo, Cartagena, and Santo Domingo could receive and despatch merchandise via the *flotas* and *galeones* which left Cádiz periodically for New Spain and the isthmus. Within this geographical monopoly there functioned the further monopoly that only members of the merchant guilds of Mexico and Lima might buy and sell goods in the trade fairs. As early as the first half of the seventeenth century this system, designed essentially to meet the defensive and administrative needs of the mid-sixteenth century, had become riddled with

fraud, and by the second half of the century, as we have seen, its integrity was being challenged by not only inner corruption and a lively inter-colonial trade but also direct foreign participation in trade either in the form of contraband proper or, for example, under the guise of supplying slaves to the colonies.

Beyond taking steps to improve its defences against actual attacks from commercial rivals, the Spanish crown had introduced no significant initiatives in the course of the seventeenth century to make its theoretical monopoly of trade with its American possessions more effective. The situation deteriorated even further during the first decade of the eighteenth century, when, as the previous chapter has explained, Philip V granted France access to the Pacific market during the War of the Spanish Succession, and was forced subsequently to agree (in 1713) to the slave *asiento* and associated privileges being transferred to Britain. Although, as we have seen, direct French intrusion in the Pacific was curbed in the 1720s, as Spain sought to restore the discredited fleet system for South America, British penetration, both direct and indirect, of the Iberoamerican economic system continued unabated, even during periods of prolonged warfare, such as that of 1739–48, which to a certain extent arose from Spain's attempts to eradicate contraband in the Caribbean. The subsequent Seven Years' War, which curbed a period of relative expansion of legal trade between Spain and America in the 1750s, arose less from this specific factor than from the wider considerations of international diplomacy. Nevertheless, the fundamental lesson of the war—that imperial defences were inadequate—was compounded by the growing conviction of the crown and its advisers that only radical commercial reform could generate the economic growth which in its turn would yield the increased exchequer income required for necessary military and strategic restructuring. This lesson seemed to be underlined by the remarkable increase in commercial activity in the port of Havana during the year-long British occupation: according to Field-Marshal Alejandro O'Reilly, who took formal repossession of the island for Spain in July 1763, before going on to undertake a detailed investigation of its defences and economy, Havana had been visited by numerous ships during the occupation, and in 1762 had yielded no less than 400,000 *pesos* in import and export duties, compared with the 30,000 or so normally produced for the Spanish exchequer before the British invasion.⁴ The technical committee established in

Madrid by the crown in 1764 to resolve the commercial problem was impressed by this evidence, and its report, submitted in February 1765, urged the abolition of the Cádiz monopoly, the fleet system, and high duties in favour of a more liberal commercial structure for the whole of America. Its conclusions were resisted, however, by not only the merchant guild of Cádiz but also that of Mexico, which argued that the existing structure, although in need of modification—for example, by the increasing use of register ships and the abolition of the Jalapa trade fair—was basically sound. The outcome, perhaps predictably, was a compromise between vested conservative interests and radical reforms, whereby, as Figure 3 indicates, the October 1765 decree introduced free trade only to the Spanish islands of the Caribbean, leaving the system of register ships intact for South America, and restoring the *flotas* for New Spain.⁵ The first fleet for New Spain since 1760 sailed in 1765 with 8,000 tons of merchandise, to be followed at four-year intervals by the final three fleets in 1768, 1772 and 1776. This latter group fared no better than its predecessors, partly because much of the merchandise exported to Havana by the 20 'free trade' ships which left Spain for Cuba between June 1766 and April 1768 eventually made its way into New Spain.

The period between 1765 and 1778 might be depicted as either one of consolidation, during which the crown carefully extended the new system to further territories, or, more convincingly, as one of procrastination, when the process of necessary commercial reform was hampered by administrative conservatism and the influence of vested interests, despite clear evidence that 'free trade' in the Caribbean was promoting both commercial expansion and agricultural development. Whichever interpretation of them is preferred, however, the details of the post-1765 extensions of free trade are not in doubt: it was extended first in 1768 to the newly-acquired territory of Louisiana, a gesture of greater symbolic than practical importance in view of the underdevelopment of that vast and largely-unexplored region, and in 1770 to the provinces of Yucatán and Campeche in the hope, which was realised, of stimulating the export of dye-wood to Spain. In 1774 this latter measure was amplified by the abolition of import duties on dye-wood in peninsular ports, and by the granting of permission for ships returning from Louisiana, Yucatán and Campeche to put in at Havana.⁶

Early in 1778, while the definitive and consolidating *reglamento*

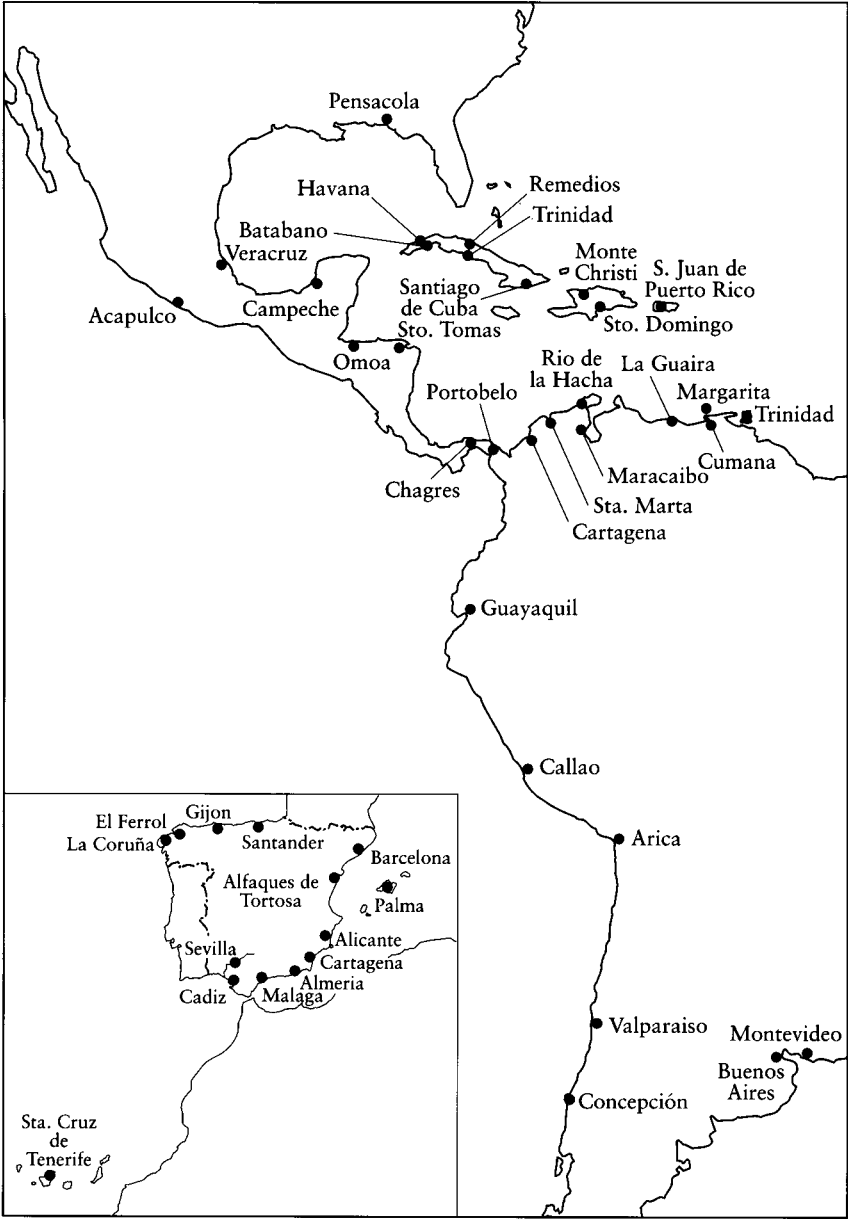


Fig. 3 Spanish and American ports licensed to trade by the 'free trade' legislation of the late-eighteenth century (source: F. Morales Padron, *Atlas historico cultural de America*, 2 vols [Las Palmas, 1988], i, p. 355)

was being prepared under the supervision of the Minister of the Indies, José de Gálvez, a series of separate decrees extended free trade to Chile, Peru and the Río de la Plata, and opened four further Spanish ports—Almería, Palma, Santa Cruz de Tenerife, and Tortosa—to direct trade with America. Finally on 12 October 1778, the *reglamento* itself brought these former concessions together into a single document of 55 articles, to which were appended *aranceles* showing the official values of and the duties to be charged on Spanish and foreign products. Its ambitious aims, it was clearly understood, were to provide the combination of freedom and protection which would promote the settlement of empty territory, eliminate contraband trade, generate increased customs revenues as an expanded volume of trade compensated for the reduction in the rates of duties, and, above all, develop the empire as a market for Spanish products and a source of raw materials for Spanish industry.

It is important to stress that the system of 'free trade' defined by the Spanish crown in 1778 was in keeping with the commercial codes of the other leading maritime nations of the eighteenth century in its attempts to protect national shipping and production at the expense of foreign interests. Similarly, even the 'freedom' which it offered to Spanish producers and merchants, whether American or peninsular, was a strictly limited one. It was limited geographically on both sides of the Atlantic. Thirteen Spanish ports had their right to trade directly with America either confirmed in 1778, or extended to them for the first time—they were Alicante, Alfaques de Tortosa, Almería, Barcelona, Cádiz, Cartagena, Gijón, La Coruña, Málaga, Palma, Santa Cruz de Tenerife, Santander, and Seville—but requests in the 1780s for the privilege to be extended to Bilbao, El Ferrol, and Santa María were rejected by the Junta de Estado.⁷ Although no significant ports located in the territories to which the *reglamento* applied were excluded, the measure was not extended initially to Venezuela because it was believed that the monopoly of trade with its ports enjoyed by the Caracas Company should be preserved. This consideration lost its force with the dissolution of the Company in 1785, and the transfer of its remaining capital to the new Philippines Company, and in 1788 the crown decided that free trade should be extended to Venezuela. New Spain, undoubtedly the richest of all the American possessions, was also excluded in 1778 because of the fear that, if it

were included, its wealth and size would induce Spanish merchants to neglect the poorer territories that the new legislation was particularly designed to help. Nevertheless, the cumbersome annual ritual of determining the tonnage of merchandise which might be shipped to Veracruz, and its distribution among the enfranchised peninsular ports—the permitted tonnages ranged from 10,000 in 1784 to 12,000 in 1785 and 1786 and, because of market saturation, to a low point of 6,000 in 1787—proved to be so inefficient that on 28 February 1789, persuaded that the market should find its own level, Charles III formally extended ‘free trade’ to New Spain.

By 1789, therefore, the major geographical limitations on ‘free trade’ had been removed. But significant restrictions remained, for trade between American and non-Spanish ports remained totally prohibited without express royal licence. Moreover, the novel concept that Spaniards (European and American) might trade freely with each other was firmly tempered by the belief that they should continue to enjoy protection from foreign competition. The export from Spain to America of a considerable range of foreign goods, including various items of clothing, furniture, wines, spirits, and oil was totally prohibited. Foreign goods that could be exported were usually burdened, in addition to the duties levied on their importation into Spain, with higher export duties than equivalent Spanish products, the norms being seven per cent for foreign goods and three per cent for Spanish goods, reduced to four per cent and 1.5 per cent respectively if they were destined for certain secondary Caribbean ports. It was also stated by the 1778 *reglamento* that all ships trading between Spain and America were to have Spanish owners and masters, and at least two-thirds of their crews made up of Spaniards by birth or naturalisation; within two years only ships which were Spanish-built would be permitted in the trade. Despite these restrictions, some of which, including the last, were unrealistically optimistic about the capacity of peninsular industry to respond to its new opportunities, the general aim of the 1778 legislation was to provide within a protectionist framework both the spirit of commercial freedom and, through the strategy of abolishing duties on many products of Spanish industry and American agriculture, new opportunities for economic and commercial growth throughout the Hispanic world.

In 1788, as part of a general account of the state of his

inheritance provided for the new king Charles IV (1788–1808), the Conde de Floridablanca, chief minister of Charles III throughout the final decade of his reign, reported that the introduction of 'free trade' in 1778 had provoked a three-fold expansion in colonial trade and a doubling of customs revenue. In view of the fact that the attempts of crown officials in the 1780s to monitor the movements of ships and goods were spasmodic and incomplete, Floridablanca's estimate was perforce no more than an intelligent guess. Nevertheless, it is one which until recently generations of historians of eighteenth-century Spain, having explained the motives and details of the commercial legislation, and the importance which the ministers of Charles III attached to it, have had no credible option but to fall back upon, in the absence of alternative authoritative information. Some commentators have deviated, it is true, from the three-fold estimate, offering alternative figures ranging from as low as 200 per cent to as high as 700 per cent, but they have tended to do so without explaining their reasons. The discussion which follows in this chapter, by contrast, is based upon the analysis of the cargoes of some 8,200 ships known to have sailed in either direction between Spain and America in the period 1778–96. The significance of 1796 as an initial terminal point for concluding the analysis of the results of the new legislation derives from the fact that the outbreak of war between Spain and Britain in that year created, as we shall see, an entirely new commercial context. In the great majority of cases (*c.* 6,800) the data have been obtained from the ships' registers, which from 1778 were prepared for every vessel which entered a Spanish port from America or departed for America, recording the official values of their cargoes as established by the 1778 tariffs. Before 1778, by contrast, these documents tended to record numbers, quantities and weights of commodities, but often not their values, thus forcing historians to reconstruct commercial movements on the basis of the relatively crude indices of numbers of ships and tonnages of cargo. After 1778, the Cádiz registers continued to itemise cargoes in this way, but added vital information on the overall values of commodities, divided into national and foreign goods, and duties charged; those for other ports were even more detailed, showing the values of individual commodities. Of course, even the more sophisticated information available for the post-1778 period almost certainly distorts reality, first because by definition it reveals nothing about direct contraband, which un-

doubtedly persisted in these years, although probably on a reduced scale, and second because even the ships' registers must be regarded as approximate reflections of reality rather than absolutely accurate sources in all aspects.⁸ All registers of exports from Spain to America distinguish, for example, between national goods and foreign goods. The recorded share of trade enjoyed by national goods is almost certainly exaggerated, although to a degree which it is impossible to assess, by the registration as such of products, principally manufactures, which were in reality of foreign origin. Contemporary references to both false marking and general fraud in the Cádiz customs houses abound in the government papers, for contemporaries were aware that the 1778 *reglamento's* outright prohibition of the export of certain foreign commodities, and discriminatory duties on those which were permitted, provided strong incentives for contraband. Nevertheless, to conclude from this problem that official statistics are hopelessly unreliable would be unduly defeatist. At the very least it might be hoped that the scale of fraud remained constant, and thus that the real trends can be detected. Moreover, in view of the volume of trade passing through Cádiz, the details of which will be explained later in this chapter, the assumption that fraud was organised on a massive scale by a relatively small number of officials, subject to close scrutiny from crown inspectors, seems difficult to sustain. If it is remembered that a large, albeit unquantifiable, proportion of national exports to America consisted of wines, spirits, and agricultural products, it is still possible to reconcile an increase in the share of Spanish goods in exports to America after 1778 with contemporary suggestions that most of the manufactures landed in American ports were of foreign origin.

The analysis continues beyond 1788, despite Floridablanca's view that the demise of Charles III provided a suitable point for an evaluation of the effects of the new system, but cannot really be satisfactorily continued for the period after 1796, for the outbreak in that year of the war between Spain and Britain, which would continue, with only a brief interruption, until 1808, brought to an end the cycle of commercial growth by paralysing normal trade and, second, by forcing a desperate crown to introduce neutral commerce in 1797, a concession which undermined the principle that foreigners should be excluded from trade with America, and which in practice proved to be irreversible. Chapter 10 will consider

commercial trends in the post-1796 period in more detail, in conjunction with an analysis of American exports to Spain. First we will examine the results of 'free trade' for Spanish exports to America in the period 1778-96, both in general terms and in generating economic development in peninsular Spain.

EXPORTS FROM SPAIN TO AMERICA, 1778-96

The detailed examination of ships' registers and related sources concerning exports from Spain to America in 1778-96 reveals (see Table 4) that the introduction of 'free trade' in 1778 brought about a substantial and sustained growth in the value of trade.⁹ In the period 1782-87, the latter year being that which a number of previous commentators have taken as their terminal point, the index of growth in exports rose from a base of 100 in 1778 to an average annual figure of 389 in terms of constant values of commodities; over the longer and more meaningful period 1782-96 it was slightly higher, averaging 403. This overall figure masks, of course, significant fluctuations within the period. In 1782-83, when the depressing commercial effects of Spain's participation in the American War of Independence were being felt, the index rose to only 151 and 183 respectively, whereas in the two most successful years, 1785 and 1792, it soared to 614 and 593. The period between these two peak years shows a substantial trough, relieved somewhat in 1788-89, within which the two poorest (although still much better than 1778) years were 1787 (index of growth 347) and 1790 (392). The impressive performance in 1792 was followed by a severe decline in the two succeeding years, and in 1794 total exports fell to 186 million *reales*, the lowest figure recorded since 1783. A slight recovery in 1795 was not sustained, and 1796 was again a poor year, the second worst since 1783.

The first striking feature in this overall pattern is the massive expansion of trade in 1784-85. This reflected to some degree a coherent response by Spanish producers and merchants to the new opportunities available to them in American markets, opportunities enhanced by the effects of the war of 1779-83, which, by dissuading merchants and ship-owners from putting to sea, had created a pent-up demand for European goods. It also represented an over-reaction, which saturated the market, forced down prices, and con-

Table 4
Exports from Spain to America, 1778–96
(figures in millions of reales de vellón)

<i>Year</i>	<i>Spanish goods</i>	<i>(%)</i>	<i>Foreign goods</i>	<i>(%)</i>	<i>Total goods</i>	<i>Index of growth (1778 = 100)</i>
1778	28.2	(38)	46.3	(62)	74.5	100
1782	57.1	(51)	55.5	(49)	112.7	151
1783	71.5	(52)	65.3	(48)	136.8	184
1784	196.7	(45)	238.9	(55)	435.6	585
1785	213.0	(47)	244.7	(53)	457.7	614
1786	170.4	(50)	168.9	(50)	339.3	455
1787	116.8	(45)	141.9	(55)	258.7	347
1788	153.5	(50)	151.7	(50)	305.2	410
1789	175.3	(54)	151.2	(46)	326.5	438
1790	149.3	(51)	142.9	(49)	292.2	392
1791	184.8	(50)	185.5	(50)	370.3	497
1792	222.6	(51)	214.9	(49)	441.5	593
1793	164.2	(53)	143.1	(47)	307.3	412
1794	113.8	(61)	72.1	(39)	185.8	249
1795	165.7	(59)	116.4	(41)	282.1	379
1796	143.6	(57)	108.3	(43)	251.9	338
Totals	2,330.4		2,247.6		4,578.1	
Averages		(51)		(49)		403

vinced former monopolist merchants in America that ‘free trade’ would destroy profitability and take away circulating capital. The merchant guild of Lima, for example, argued in 1787 that circulating capital was being drained from the viceroyalty of Peru by excessive importation of merchandise paid for in silver, and complained bitterly that goods worth 24 million *pesos* had been landed at Callao since 1785. In the same year the value of goods shipped from Spain to Veracruz since 1784 was put at 35 million *pesos*, despite the fact that the market in New Spain was sluggish in these years also because of the impact on its inhabitants’ purchasing power of a major agricultural crisis, which caused widespread famine and disease.¹⁰ Even by the end of 1788 New Spain was still abundantly stocked with all types of linens, woollens and textiles, although demand had picked up somewhat for Spanish liquors and agricultural goods. The Cádiz *consulado* was so disappointed with the results of its members’ attempts to sell at a profit

in New Spain that in December 1787 it argued in favour of a total embargo on the export of foreign manufactures to Veracruz until the situation improved, a view it repeated in February 1789, when it also called for a temporary suspension of national exports. But merchant guilds in other ports and senior ministers persuaded the crown to ignore the self-interested appeals of the former monopolists, whose own lack of discipline had caused the crisis, they argued, in favour of allowing the market to find its own level. The definitive crown decision in February 1789 to accept this view by extending 'free trade' to New Spain seemed to generate a new mood of optimism in mercantile circles, for exports from Cádiz to Veracruz rose to 98 million *reales* in that year, the highest figure in the decade. Exports to Spanish America as a whole fell back somewhat in 1790, but those from Cádiz to Veracruz rose further to a new high of 104 million *reales*.

After a modest start in 1790 overall trade in the new decade picked up in 1791–92, and then returned to a relatively depressed state for the remaining years under consideration. The outbreak of war with France in March 1793 was an important factor in this decline for both direct and indirect reasons. All trade with revolutionary France was prohibited by the crown on 1 April 1793, thereby depriving merchants in Spanish ports of the manufactures which they were accustomed to buying from French houses for re-export to America. According to a very revealing comment from the *consulado* of Cádiz, Spanish merchants had difficulty in filling the vacuum caused by the expulsion of French merchants from the port because they were unaccustomed to dealing with the complex commercial procedures involved in transferring merchandise from other parts of the peninsula for export to America! Even before the actual outbreak of hostilities, a general awareness in mercantile and banking circles that war was inevitable had caused steep rises in marine insurance premiums, thereby stifling commercial activity.¹¹ It also created a deep crisis of morale at court, where ministers agonised over the fact that estrangement from revolutionary France pointed inexorably to a closer relationship with Britain. The Council of State decided in June 1792 that, although such an alliance would be uneasy, primarily because of a distrust of Britain's maritime ambitions, the time had come to at least invoke the possibility of it, in the hope that such a threat would persuade the French of the need for greater moderation in terms of both domestic

politics and international relations. The revolutionary regime in France was not impressed, however, by the prospect of a rift in the traditional good relationship with Spain, and the drift to war continued as Charles IV decided to make a stand against the northern neighbour in the interests of defending the twin institutions of monarchy and Catholicism. The impact of the ensuing conflict, fought from 1793 to 1795, upon exports to America was less serious than that of the war of 1779–83 because of the alliance with Britain, but, as Table 4 shows, it had a dampening effect, particularly in 1794. It is true that in this year the proportion of Spanish products in total exports rose to the highest figure recorded, 61 per cent, because of the unavailability to Spanish merchant houses of French goods for re-export, but the volume of trade slumped, as apprehensive merchants tended to postpone sailings until convoys enjoying the protection of warships were formed.¹²

The end of fighting with France in July 1795 provided a temporary respite for Spanish merchants, who stepped up their exports to America in the second half of the year. But it did so at the cost of an estrangement with Britain, which degenerated into a Spanish declaration of war against the traditional enemy in October 1796. Even before formal hostilities began, the expectation of war reduced exports. In August the *consulado* of Cádiz reported that marine insurance rates had already been raised from four per cent to 21 per cent of the values of cargoes, because of the certainty of severe losses to shipping at sea when war was declared. By February 1797, after only four months of hostilities, it estimated the losses of ships and cargoes to the British at between five and six million *pesos*, a figure that was to rise by the end of the war, with 186 ships lost, to over 22 million *pesos*.¹³

Despite the immensity of the commercial crisis of 1797 and its aftermath, we should not underestimate the significance of the four-fold expansion in exports prior to the outbreak of hostilities. It is clear, moreover, that Spanish producers benefited more than foreigners from this substantial growth, for, although the value of foreign goods exported tended to rise or fall in accordance with the movement of national exports, the overall trend was in favour of national goods. In the base year of 1778 foreign products accounted for 62 per cent of registered exports to America, and they were also in the lead in 1784, 1785, and 1787, but thereafter national goods

were ahead in every year but 1791, and by 1794 the 1778 ratio had been reversed. The foreign products included foodstuffs such as Portuguese codfish, United States flour, and spices from the Netherlands, but they consisted mainly of manufactures, whereas the national goods, although including a considerable range of manufactures, were primarily of agricultural origin. It is impossible to analyse precisely the distribution between agriculture and industry of the increase in the Spanish share of exports, but the general trends can be detected, and are discussed in the following section of the chapter, which is concerned primarily with the impact of freer access to American markets upon the regional economies of Spain.

EXPORTS TO AMERICA AND SPANISH REGIONAL ECONOMIES

It is generally agreed by historians of the Hispanic economy that free trade did generate industrial growth in Spain in the last quarter of the eighteenth century, particularly in Catalonia.¹⁴ The region's textile industry, within which the manufacture of silk and cotton textiles was particularly important, experienced a major expansion largely because of the provision of access to the American market. By 1783 the Compañía de Hilados de Algodón, formed in 1772, had 60 factories, with over 2,000 looms, and 8,000 workers producing 250,000 pieces of *indianas* (printed calico) a year for sale in America. The manufacture of hats, paper, and footwear was also stimulated, as exports of manufactured goods from Barcelona to America grew almost three-fold between 1782 and 1785. Moreover, Barcelona's export trade was supplied almost entirely with the products of the city and its hinterland, although some painted linens, unlike cotton goods, were imported for finishing. In the period 1785–96 printed cottons and linens accounted for 27 per cent of its national exports to America, silks for 16 per cent, and other textiles—lace, flannels, woollens—hats, and paper for 12 per cent. The remaining 45 per cent consisted principally of agricultural goods, including oil, dried fruits, nuts, and flour, but with *aguardiente* by far the most important item. In these years agricultural goods accounted for more than 36 per cent of Barcelona's total exports to America, with five-sixths of the percentage consisting of *aguardiente*. The best year

was 1792, when *aguardiente* exports reached 17.5 million *reales* (33.5 per cent of the total for the year), compared with 18.1 million (34.6 per cent for printed cottons and linens), and 7.4 million (14.2 per cent) for silks. It is beyond question that Catalan industry was the principal beneficiary of the introduction of 'free trade' with America, but agriculture was never far behind. Indeed, between 1785 and 1796 *aguardiente* alone accounted for 31 per cent of Barcelona's national exports to America, compared with the 27 per cent already noted for printed textiles.

Elsewhere in Spain the response of industry to the freeing of access to the American market, although significant for local economies, was of secondary importance. Málaga succeeded in providing an outlet for the silks and linens of the Valencia region initially, but in 1786 its newly-established merchant guild decided to attempt to revive the city's own silk industry, by planting mulberry trees, purchasing and distributing raw silk, providing credit for the purchase of looms, and guaranteeing to ship to America all silk stockings that were produced. An initial advance of 24,000 *reales* to the manufacturer had to be written off in 1794, after he stopped production, but by then similar assistance had been granted to a number of other producers, including a group in nearby Coin which employed over 500 workers in the manufacture of woollen cloth. By 1795, partly as a result of such encouragement, the value of silks exported from Málaga to America had reached 2.5 million *reales*, and other textiles, mainly linens, were worth a similar sum. Nevertheless, the bulk of this port's exports continued to consist of the products of the agricultural sector: raisins, almonds, lemons, grapes, beans, oranges, cochineal, figs, and, above all, its famous sweet wine.¹⁵ By 1787 the growth in the volume of exports, coupled with changes in duties, had reduced the cost of shipping a hundredweight barrel of wine to Veracruz from 7.5 *pesos* to four *pesos*, and the consequence of the apparently insatiable demand for this product in New Spain was that in 1795 no less than 18,000 barrels were shipped to this destination alone. Although Málaga's trade to America represented only eight per cent of all Spain's exports in its best year (1794), it was very important for the local economy in providing direct access to markets which until 1778 had been accessible only through Cádiz. The pattern of trade which emerged after 1778 was based, in fact, upon a close commercial partnership with the merchants of Barcelona rather than Cádiz, for

most of the registers issued in Málaga for exports to America were for Catalan ships that put in there after leaving Barcelona to take on local cargoes.

Santander, which followed Málaga in terms of the size of its trade with America, served as an outlet for the finished iron products of the Basque provinces, exporting 4,000 tons to America in 1790, for example.¹⁶ But its exports consisted mainly of foreign goods, particularly in the 1780s. This pattern reflected both Santander's role as a re-exporter of French manufactures and its important trade with Cuba, which it supplied with flour in exchange for sugar. Until 1786 the bulk of this flour was imported into Santander from the United States, but in that year the first of the water-powered mills for the refining of Castilian grain was set up just outside the city.¹⁷ The results were impressive, as flour exports rose from 34,000 barrels (each of 200lbs) in 1787 to 60,000 barrels in 1793. The trade was uneven—1790 was a bad year, because of poor harvests in Castile, and most of the 30,000 barrels exported were from the United States—but on average the Castilian share of the production was about 55 per cent.

As Table 5 indicates, the bulk of all trade to America went through Cádiz, which controlled 76 per cent of all exports in the period up to 1796. The continuing dominance of Cádiz facilitated in particular the re-export of foreign manufactures, for, as we have seen in previous chapters, French, Dutch and English merchant houses had long been established there precisely to oversee this process. The port's favourable geographical location, coupled with its infrastructure of insurance companies, credit facilities, warehousing, and consular representation, also made it the natural exit to America for national exports from all parts of Spain, and the distribution centre for a wide range of agricultural goods imported from America.

There is some evidence that the great expansion in the trade of Cádiz with America in the 1780s promoted the further development of the traditional artisan industries of southern and central Spain, as well as the establishment in and around Cádiz itself of workshops for the finishing of foreign cloth. The hatters of Seville and Madrid, the silk manufacturers of Granada and Valencia, the cotton thread producers of Córdoba, and similar groups also found that there was a growing demand for their wares from Cádiz merchants shipping goods to America, despite foreign competition. Cádiz also contin-

ued to export considerable quantities of Castilian woollen cloth and, even though Barcelona was now open, of Catalan textiles. However, in every year except 1795 its registered Spanish exports were less valuable than its re-exports, and many of the former consisted of the traditional products of Andalusia—oil, olives, figs, raisins, nuts, preserved fruits, and, above all, wines and brandies—rather than manufactures. The demand for these agricultural products was welcome, but the very prosperity of the agricultural sector highlighted the relative failure of ‘free trade’ to promote a major industrial advance in Spain. The Spanish cabinet was aware of this failure in June 1788 as it pondered the fact that the royal factories in Guadalajara had woollens worth almost 14 million *reales* in stock or about to be finished, but no orders, despite offers of a year’s credit to merchants who shipped consignments to America. In August it decided to impose a total ban on the re-export to America of foreign woollen cloth, a step which prompted one observer to comment that, since Spain exported 10 million pounds of raw wool a year, it was not surprising that some returned

Table 5
Distribution (%) of Spanish exports to Spanish America, 1778–96

Year	Cádiz	Barcelona	Málaga	Santander	La Coruña	Other ports
1778	67.4	11.6	5.3	6.4	7.3	2.0
1782	86.9	7.3	1.5	1.1	2.2	1.0
1783	78.5	8.4	3.3	4.5	4.8	0.5
1784	83.3	3.3	4.8	2.9	2.4	3.3
1785	78.3	5.9	4.2	3.4	3.0	5.2
1786	75.5	8.0	6.5	4.3	3.3	2.4
1787	75.8	8.6	5.9	4.6	2.6	2.5
1788	72.3	10.4	4.6	5.0	3.4	4.3
1789	79.8	9.6	1.7	3.1	3.2	2.6
1790	73.5	12.9	5.1	2.6	2.8	3.1
1791	78.3	8.9	5.1	2.6	1.6	3.5
1792	71.5	12.6	4.6	6.6	1.8	2.9
1793	79.5	10.5	3.6	2.5	2.1	1.8
1794	68.0	16.6	8.0	2.5	2.9	2.0
1795	78.7	8.9	6.1	0.7	2.2	3.4
1796	76.8	10.4	6.5	2.7	2.0	1.6
Average	76.4	9.6	4.8	3.3	3.0	2.7

as finished cloth, particularly as national factories seemed incapable of producing goods of the sizes and colours popular in America.

In fact, what restricted the demand for Spanish cloth was simply that it was some two-thirds more expensive than that produced in England. Given this differential, the inevitable result of a ban on foreign cloth was contraband and false marking, a point quickly recognised by the cabinet when it decided in May 1789 to allow the despatch to America of one bolt of foreign cloth for every two of Spanish cloth. This concession provoked a more positive response from merchants, who were feeling the benefits of a general growth in demand in America, with the result that by March 1791 stocks in Guadalajara had been reduced to 3,419 bolts, worth under nine million *reales*. Critics continued to blame the merchants of Cádiz for their preference for foreign cloth, but even in peninsular Spain much of the demand for textiles, particularly those made of cotton and silk, was being met by this period from foreign sources. Moreover, the government had even less room for manoeuvre in its attempts to protect these newer industries than when it was dealing with the well-established manufacture of woollens, for it feared both commercial retaliation from its trading partners in northern Europe and popular discontent at home should effective measures be taken against cheap foreign cottons and silks. Its decision in 1789 to rescind the total ban on the import of muslins (white cotton cloth) was prompted, according to cabinet minutes, by the hope of improving relations with Britain and obtaining reciprocal freedom for the sale there of American products, and the king's wish to spare his subjects caught with contraband goods the fines and imprisonment to which they were liable. In practice the domestic cotton industry had already ceased to enjoy protection because of the permission granted in 1785 to the Philippines Company to import cotton goods from Asia for both sale in the peninsula and re-export to America. The Company's already considerable privileges, including a levy of only 10 per cent on these imported goods, and the right to have them taxed on the same basis as national goods on re-export to America, were further extended in October 1789 when the cabinet decided that it should be helped to clear its extensive stocks of Asian cottons by being relieved of the provincial taxes normally charged on goods sold in the peninsula. Domestic silk manufacturers were also hit by the activities of this powerful company, which counted members of the royal family

among its shareholders. Producers in Valencia, for example, protested bitterly that by the end of 1790 the unrestricted import of Asian silks had brought a quarter of their looms (1,086 out of 3,792) to a halt, putting 12,000 artisans out of work. Men of fashion in Madrid, they reported, now preferred to wear Chinese silks in summer, while the demand for Valencian silks in Pacific ports had been undermined by the despatch there by the company of over 70,000 pieces of different varieties of Asian silks. The cabinet offered minor concessions to domestic manufacturers in June 1791, when it prohibited the re-export to America of some types of silk and cotton stockings, and decided to abolish duties on the import of raw silk and textile machinery. Two years later, however, it took a step in the opposite direction by granting the Philippines Company permission to ship goods to Peru directly from Manila.

Obviously, some deep-rooted problems refused to go away, despite the more relaxed commercial structures of the late colonial period. It might also be concluded that insofar as Spanish exports to America were concerned, the introduction of 'free trade' caused a major expansion in agricultural and viticultural production, but without undermining either the role of Cádiz as the major peninsular port for trade with America, or, more seriously, promoting significant industrial growth in Spain. These points are borne out in large measure by the information in Table 5 on the distribution of exports between ports, for Cádiz's continuing predominance continued to provide foreign manufacturers with indirect access to the nominal national monopoly. In second place as an exporter, with under 10 per cent of trade, was Barcelona, although the fact that most of its exports were of national origin meant that its role was rather more important than this bald figure suggests. To a lesser extent this was also true of Málaga, which, on average, accounted for some five per cent of total exports, but not of Santander, at least until the 1790s, when Spanish flour began to replace that of the United States in exports to Cuba. In fifth place was La Coruña, whose exports, on average three per cent of the overall total, were carried almost entirely by the 18 ships—*fragatas de correo*—that took mail and passengers monthly to Havana and every two months to Montevideo.¹⁸

These five ports accounted for 97 per cent of exports from Spain to America. Of the other eight ports enfranchised in 1778 two, Almería and Cartagena, sent not one ship, not because they were

unimportant ports—Cartagena, one of the country's three naval bases, had extensive port facilities, including dry docks, and important trading links with England, the Netherlands, and Italy—but because Málaga and Cádiz were able to handle the volume of traffic generated in southern Spain. The direct trade to America of Gijón, Palma, Seville, Tortosa, and Alicante was also insignificant, although, again, the last of these was a major Mediterranean port, visited by up to 1,000 vessels a year.¹⁹ The export trade to America of Santa Cruz de Tenerife was more important because of its proximity to the main trade route between Cádiz and America: it exported mainly wines, supplemented by United States flour, and also served as a supplier of fresh water and victuals to many ships about to make the crossing to America. Finally, there were a few isolated sailings to America from Sanlúcar, San Sebastián and Vigo.

AMERICAN MARKETS FOR SPANISH EXPORTS

The most direct and informative means of assessing the American response to the introduction of 'free trade', the analysis of imports into Spain from the empire, forms the principal subject matter of Chapter 10. The balance of this chapter is devoted to a consideration of the related issue of the relative importance to Spanish exporters of different regional markets in America. The analysis is restricted chronologically to the period 1785–96, primarily because the sources for the earlier period normally do not specify the destinations of exports, and in terms of ports to the single outlet of Cádiz, which, as we have seen, was responsible for 76% of total exports to America. It should be pointed out that this limitation tends to understate somewhat the relative importance of markets in the Caribbean and, to a lesser extent, the Río de la Plata, which were the most important destinations for the ships which sailed from the peninsula's secondary ports. Long distance trade with the Pacific, by contrast, which required larger ships and longer-term investment, remained a virtual monopoly of the merchants of Cádiz.

As Table 6 indicates, the most important destination of the exports of Cádiz in 1785–96 was the Mexican port of Veracruz, which received goods worth on average 86 million *reales* (4.3 million *pesos*) a year. Its imports from other Spanish ports were worth some 1.4 million *pesos* a year.²⁰ The glutting of this market in the mid-

1780s had some effect on the value of exports from Cádiz in 1788, but 1789–93 was a period of great prosperity before trade declined as a result of the Franco-Spanish war. An average value of 4.3 million *pesos* a year for exports to Veracruz may appear low at first sight, in view of the wealth and the level of mining output (over 20 million *pesos* a year) of New Spain in this period, but it has to be remembered that this is expressed in terms of the official values of commodities according to the 1778 regulations. These not only understated current wholesale values in Cádiz itself by an average of 15 per cent but grossly understated the market value of Spanish merchandise in America. In 1793 the differential between wholesale prices in Cádiz and Veracruz was over 100 per cent: in that year goods worth 129 million *reales* at 1778 values were landed in the port, but the intendant of Veracruz put their local value at 13,470,357 *pesos* (269 million *reales*). In 1792 both the official and current values of goods landed were even higher—142 million *reales* and 13,954,127 *pesos* (279 million *reales*) respectively—but the differential was a little lower at 96 per cent. In 1789 and 1790 the differentials were 72 per cent and 99 per cent.²¹

The burgeoning economic importance of Cuba in this period—Havana was the principal destination of the seven per cent of Cádiz exports despatched to the Caribbean—shows up somewhat less clearly in terms of Spanish exports to the island than in the reverse traffic, which will be discussed in Chapter 10, and in inter-American trade. Moreover, foreign merchants were undoubtedly the principal beneficiaries of the crown's decision in 1789, confirmed in 1792, that their vessels might freely enter the island's ports for the purpose of supplying it with slaves.²² However, the merchants of Cádiz, too, benefited to a certain extent from Cuba's new sugar-based prosperity, shipping exports with a total value of over 200 million *reales* (10 million *pesos*) in 1785–96 to this market. The crown's attempts to persuade them to show greater interest in the commercial potential of the new market of Louisiana and in restored Florida, on the other hand, were not successful, provoking a negligible response in terms of direct trade. Somewhat reluctantly, therefore, the cabinet decided in 1791 to further erode the principle that imperial trade should be reserved exclusively for Spanish ships and merchants, by extending indefinitely the permission granted in 1782 for foreign ships to trade with New Orleans. In the following year it endorsed the decision of the governor of

Table 6
Destinations of Cádiz exports to America, 1785-96
(figures in millions of reales de vellón)

Year	Veracruz	Pacific	Caribbean	Venezuela	Cartagena	Río de la Plata	Honduras	Others	Total
1785	82.5	130.2	18.8	23.6	25.1	62.7	14.2	1.1	358.2
1786	87.1	37.8	10.3	22.2	27.3	37.5	31.9	2.0	256.1
1787	89.6	12.5	14.3	13.5	27.5	20.9	16.5	1.4	196.1
1788	83.2	34.8	14.5	25.0	31.7	21.6	5.1	4.7	220.7
1789	97.5	73.5	12.5	12.6	22.2	26.3	14.8	1.1	260.6
1790	104.0	19.5	14.3	21.0	14.1	27.6	14.1	0.1	214.7
1791	88.3	93.0	26.1	27.9	18.7	22.3	13.2	0.5	290.0
1792	125.3	63.2	24.1	31.1	23.6	21.9	23.9	2.5	315.8
1793	99.2	42.9	17.1	23.3	20.0	20.1	21.9	—	244.4
1794	43.0	18.5	15.2	24.2	3.7	17.3	5.1	—	127.0
1795	67.6	55.6	17.6	45.8	10.4	14.0	8.8	2.2	222.0
1796	61.3	45.3	17.6	23.0	11.7	20.0	10.8	3.7	193.5
Totals	1,028.8	626.7	202.3	293.2	236.1	312.3	180.3	19.3	2,899.1
%	35.5	21.6	7	10.1	8.1	10.8	6.2	0.7	—

Florida that British merchants would be allowed to supply Mobile and Pensacola with the goods urgently required for trade with the Florida Indians.

Trade from Cádiz to the circum-Caribbean region as a whole accounted for 67 per cent of its exports to America between 1785 and 1796. Venezuela, which accounted for 10 per cent, was the second most important market within the region after Veracruz, although Cartagena, the Caribbean port of New Granada, was not far behind. Honduras, which on average received goods worth 15 million *reales* a year, was as important a destination as Cuba. Exports to the Río de la Plata and the Pacific coast of South America together made up the remaining 33 per cent of Cádiz exports. The latter figures provide confirmation of the oft-repeated assertion that after 1778 the Río de la Plata, formerly an imperial backwater, emerged as an important market, slightly more valuable for Cádiz than was Venezuela. On average it received goods worth 26 million *reales* (1.3 million *pesos*) a year at 1778 values, the average being boosted by particularly large shipments in 1785–86. The majority of these goods were unloaded, incidentally, not in Buenos Aires, the viceregal capital, but across the Río de la Plata in Montevideo, which had an excellent natural harbour, and enjoyed easy access to the open sea (the latter factor, of course, facilitated not only the growth of the port in the late colonial period but also its vulnerability to invasion by British forces in 1806–07, whereas the more inaccessible Buenos Aires could be defended more easily).

The Pacific market, by contrast with that in the Río de la Plata, absorbed goods with an average annual value of 52 million *reales* (2.6 million *pesos*) at 1778 values. It is not possible, unfortunately, to calculate the distribution of these goods between Valparaíso, Arica, Callao, and Guayaquil, for, although nearly all registers name Callao as the single destination, a few link it with the others without providing details of the proportions of cargoes intended for each port. It is quite clear, however, that the Pacific market as a whole, within which silver-producing Peru was by far the most important area, was more important for the merchants of Cádiz in this period than the Río de la Plata and Venezuela put together. Callao was served by a handful of large ships, carrying very valuable cargoes, whereas Buenos Aires and Montevideo attracted larger numbers of small vessels, often carrying relatively unimportant

cargoes. In 1791, for example, 16 ships left Cádiz for the Río de la Plata with goods worth 22 million *reales* (1778 values), whereas only five ships left for Callao but with cargoes worth 80 million *reales*, and a sixth took goods worth 13 million *reales* to Callao, Valparaíso, Arica, and Guayaquil. The pattern was similar in 1792, when 18 ships supplied the Río de la Plata with goods worth 22 million *reales*, while Callao was supplied with cargoes worth 49 million *reales* by five ships, and a sixth took another 14 million *reales*-worth to Callao, Valparaíso, Arica, and Guayaquil.

The destinations specified in the registers of the ships which sailed for America from Cádiz necessarily provide an imperfect reflection of the relative importance of regional markets in America for Spanish exporters, partly because, as has been noted, that port's trade, although dominant, covered only three-quarters of total exports from Spain, and partly because initial destinations were often not final destinations for European products. Havana, for example, served not only as the funnel for the supplying of the Cuban market, but as an entrepôt for the entire Gulf of Mexico; Buenos Aires, too, was often the port of first destination for merchandise ultimately destined for Chile or the southern provinces of Peru. Goods shipped to Callao, by contrast, were likely, in view of the costs involved in transport, to be consumed in Peru and Upper Peru rather than be transferred to the Río de la Plata or the interior of New Granada. In the light of this latter consideration the evidence relating to the importance of the Pacific market is sufficient to undermine the persistent myth that one of the results of the introduction of 'free trade' was to destroy the commercial importance of Lima. Like Cádiz and Veracruz, the other termini of the old monopoly, it proved remarkably resilient to the commercial reforms of the eighteenth century. This point will be considered in more detail in Chapter 10 as part of a general analysis of the Spanish American response to the introduction of 'free trade'.

NOTES

1 Unless otherwise indicated, the source for the contents of this chapter is J. R. Fisher, *Commercial Relations between Spain and Spanish America in the Era of Free Trade, 1778–1796* (Liverpool: Institute of Latin American Studies, 1985).

2 Torres Ramirez y Ortiz de la Tabla, *op. cit.*, p. 1.

3 For a detailed account of the legislative background to the 1778 *reglamento*, see J. Muñoz Pérez, 'La publicación del reglamento del comercio libre de Indias', *Anuario de Estudios Americanos*, Vol. 4 (1947), pp. 615–64.

4 On O'Reilly's career and activities, see B. Torres Ramirez, *Alejandro O'Reilly en las Indias* (Seville: Escuela de Estudios Hispano-Americanos, 1969).

5 Figure 3 is reproduced from Morales Padron, *op. cit.*, p. 355.

6 A detailed discussion of the significance of the 1774 royal resolution permitting multiple calls is provided by A. J. Kuethe, 'The Regulation of "Comercio Libre" of 1765 and the Spanish Caribbean Islands', in *Primer Congreso Internacional de Historia Económica y Social de la Cuenca del Caribe 1763–1898*, ed. R. Alegría (San Juan de Puerto Rico: Centro de Estudios Avanzados de Puerto Rico y el Caribe, 1992), pp. 191–208.

7 Permission was granted, in fact, in 1791 for Valencia to export goods directly to America, but no sailings seem to have resulted. There were, however, occasional departures from and arrivals in three additional ports not specifically enfranchised in 1778: Sanlúcar de Barrameda, San Sebastián and Vigo.

8 For a more detailed discussion of 'Sources and methods', see Fisher, *Commercial Relations*, pp. 20–44.

9 By this period, the crown and its officials consistently used *reales de vellón* for recording imports to and exports from Spanish ports; administrators in America tended, however, to use *pesos*. Given that 1 *peso* was worth 20 *reales de vellón*, conversion from one to the other is straightforward.

10 D. A. Brading, *Haciendas and Ranchos in the Mexican Bajío* (Cambridge: Cambridge UP, 1979), p. 177.

11 Valuable information on the complex issue of marine insurance is provided by R. Camón Fernández de Avila, 'La emancipación y el comercio catalán con América', *Revista de Indias*, Vol. 35 (1975), pp. 229–55.

12 Convoys of 22 and 36 merchant ships respectively left Cádiz for America in June and November 1794; the last major convoy of the war, consisting of 16 merchant ships and three warships, sailed for the Caribbean in May 1795.

13 A. García-Baquero González, *Comercio colonial y guerras revolucionarias: la decadencia económica de Cádiz a raíz de la emancipación americana* (Seville: Escuela de Estudios Hispano-Americanos, 1972), pp. 132–38, 144.

14 For a detailed discussion, see J. R. Fisher, 'Els resultats del comerç lliure per a les relacions comercials entre Espanya i Amèrica amb referència especial al cas català: preguntes i algunes respostes', in *2nes Jornades d'Estudis Catalano-Americanos*, ed. C. Martínez Shaw (Barcelona: Comissió Catalana del Cinque Centenari del Descobriment d'Amèrica, 1987), pp. 121–36.

15 For a good survey see A. Gámez Amian, *Málaga y el comercio colonial con América (1765–1820)* (Málaga: Editorial Miramar, 1994).

16 R. Herr, *The Eighteenth Century Revolution in Spain* (Princeton: Princeton

UP, 1958), p. 136. See, too, I. M. López, *El comercio hispanoamericano a través de Gijón, Santander y Pasajes* (Valladolid: Universidad de Valladolid, 1992), and J. Varela Marcos, *El inicio del comercio castellano con América a través del puerto de Santander (1765–1785)* (Valladolid: Diputación Provincial de Valladolid, 1991).

17 F. Barreda, *Comercio marítimo entre los Estados Unidos y Santander (1778–1829)* (Santander: Centro de Estudios Montañeses, 1950), pp. 7–16; D. R. Ringrose, *Transportation and Economic Stagnation in Spain, 1750–1850* (Durham: Duke UP, 1970), p. 30.

18 The best study of La Coruña's involvement in trade with America is L. Alonso Alvarez, *Comercio colonial y crisis del antiguo régimen en Galicia (1778–1818)* (La Coruña: Xunta de Galicia, 1986).

19 A good overview of the participation of these minor ports in trade with America is provided by J. Fontana Lázaro *et. al.*, *El comercio libre entre España y América Latina, 1765–1824* (Madrid: Fundación Banco Exterior, 1987).

20 J. Ortiz de la Tabla, *Comercio exterior de Veracruz, 1778–1821: crisis de dependencia* (Seville: Escuela de Estudios Hispano-Americanos, 1978), p. 49.

21 These figures are derived from annual returns submitted to the crown by the intendants of Veracruz, now located in the Archivo General de Indias, Seville. See Fisher, *Commercial Relations*, p. 59 for further details.

22 For both a specific discussion of the significance of these concessions in the island's economic growth, and a general analysis of the penetration of the Spanish-American economy by United States vessels trading with Cuba, see J. A. Barbier and A. J. Kuethe (eds), *The North American Role in the Spanish Imperial Economy 1760–1819* (Manchester: Manchester UP, 1984).

CHAPTER 10

'Free Trade' and the American Economy

The basic aim of this chapter is to provide an evaluation of the imperial response to the introduction of 'free trade' in 1778 by means of a detailed, quantitative examination of American exports to Spain in the period up to 1796, within the context of a qualitative discussion of the development of the American economy prior to the introduction of neutral trade in 1797. It considers, first, the volume of American trade with Spain in the period 1778–96, as measured by the registered values of American cargoes landed in Spanish ports; second, the distribution of imports from America between the 14 Spanish ports which received ships from the empire in this period; third, the composition of imports in terms of commodities; and fourth, the relative importance of distinct regions in America as suppliers of the commodities shipped to the mother country. This last-mentioned section also provides an opportunity for a general discussion of the impact of 'free trade' upon industrial production in America, and of the relationship between mining production and commercial growth in the last quarter of the eighteenth century. The chapter concludes with a brief general survey of the development of the mining industry in the Bourbon era as a whole.

VALUES OF IMPORTS INTO SPAIN FROM AMERICA

In 1794, as part of a comprehensive assessment of Spain's international trading position, Diego de Gardoqui reminded the Council of State of the fundamental importance of trade with America in enabling the country to balance its commercial books.¹ In the period 1781–92, he reported, trade within Europe (primarily with France, England, Holland, Germany, Italy and Portugal) had caused Spain an average annual deficit of 404 million *reales* (20

million *pesos*), half of it attributable to the import of goods for re-export to America. However, the favourable balance generated by imperial trade had proved adequate not only to eliminate this deficit but also to provide an overall trading surplus of 184 million *reales* a year. The figures for imports from America provided in Table 7, when examined in conjunction with data on exports to the empire already discussed in Chapter 9, serve to confirm the general accuracy of Gardoqui's conclusion that in this period the expansion of imperial trade had, indeed, been a significant factor in Spain's regeneration. The balance in its favour in Gardoqui's chosen six-year period actually averaged 606 million *reales* a year rather than his estimated 584 million (exports 332 million: imports 938 million); for the period 1782–96 as a whole it was 484 million (exports 300 million: imports 784 million). The overall expansion of imports from America was in excess of a ten-fold increase over the 1778 value, whereas exports to the empire increased only four-fold. Determining the precise reasons for this extremely healthy (for Spain) imbalance is not possible, but the factors which contributed to it obviously included the remission of taxation revenue, the return of private profits, extremely favourable terms of trade, and the capacity of American consumers to pay high prices for their imported goods.

The benefits of the 'free trade' legislation for the shipment of American products to Spain did not become manifest immediately after 1778, for it was not until 1782 that imperial trade began to recover from the virtual paralysis of 1780–81, caused by the Spanish declaration of war against Britain in June 1779. The turning-point came in March 1782, when a convoy of two warships and nine merchantmen brought goods worth 102 million *reales* from Havana to Cádiz. Hostilities formally ended in January 1783, but as late as May ships leaving Havana for Spain still preferred the security of sailing in convoy. By the second half of 1783 the upward trend which was to reach its first peak in 1785, when total imports from America were worth 1,150 million *reales* (1,442 per cent up on 1778) was well under way. All but three of the 59 vessels to enter Cádiz in 1783 arrived in the second half of the year, as did all 12 which put into Santander. In 1784 overall imports soared to 551 million *reales* (639 per cent higher than in 1778), as large consignments of stock-piled American products began to pour into Spain. A single vessel, the warship *Nuestra Señora de Loreto*, reached Cádiz from Veracruz

in March with a cargo worth 155 million *reales*, virtually all of it silver coin, and in July the *Venus* brought a further 26 million *reales* from Buenos Aires. In the following year, when total imports were more than double those for 1784, the *Santa Rosalia* brought back from Veracruz 61 million *reales* for the crown and 106 million for individuals; arrivals from Callao included *El Aquiles* with a cargo worth 68 million, most of it in silver, and *La Paula* with 23 million in coin.

Treasure shipments of this size reflected both the removal of wartime dangers and restrictions and the commercial confidence generated by the new system of free trade.² The worries of some American merchants that the process would drain the empire of even its circulating capital, if exports of silver were in excess of mining production over a long period, were assuaged, if only marginally and temporarily, by a decline in exports to Spain in 1786–87. Whereas exports from Spain to America, which also declined in these years, were to remain relatively depressed until 1792, as a consequence of the saturation of the American market with European manufactures in the boom years of 1784–85, imports into Spain recovered in 1788. The masters of ships returning from America in 1789 were unanimous in complaining of poor trading conditions—in January, for example, one returned from La Guaira with a report that European goods were having to be sold there more cheaply than in Spain, and in September another insisted that they were being sold at a loss in Havana—but a relatively high level of imports was sustained in 1789–90. In 1791 they grew to 1,204 million *reales* (1,515 per cent up on 1778), the highest figure recorded in the period under scrutiny. The fall-back in 1793 to 889 million *reales*, the lowest figure recorded since 1787, resulted from the outbreak of war between Spain and France in March 1793. To a certain extent the effects of this new international conflict were localised, as vessels bound for ports in northern Spain were diverted to Cádiz, but trade as a whole was made more rigid by the need to organise ships into convoys and transfer valuable cargoes of treasure from merchantment to warships. In September 1793, for example, the *San Telmo* brought into Cádiz 125 million *reales* in cash which had been transferred to it in Havana from 13 merchant ships. Five warships arrived from Veracruz and Havana in 1794 with treasure shipments worth a total of 516 million *reales*, and in September the *Santa Gertrudis*, carrying 58 million, led a convoy of six ships from

Table 7
Imports from Spanish America into Spain, 1778-96
(figures in millions of reales de vellón)

Year	Value of goods	Index of growth
1778	74.6	100
1782	110.8	149
1783	171.5	230
1784	551.0	739
1785	1,150.0	1542
1786	810.8	1087
1787	609.1	817
1788	947.8	1271
1789	993.0	1332
1790	941.7	1263
1791	1,203.7	1615
1792	933.8	1253
1793	888.6	1192
1794	1,061.6	1424
1795	905.4	1214
1796	1,149.2	1541
Total	12,502.4	1111

Callao and Montevideo. Thirty vessels arrived in convoy from Veracruz and Havana in October 1793, and goods worth 193 million *reales* were loaded onto 33 ships which left Havana together early in 1795. The number of ships sailing from America for Spain declined in 1794-95, but these emergency measures succeeded in their basic aims of protecting the bulk of shipping from French attack, and maintaining the flow of treasure for both the crown and private individuals.

The cessation of hostilities in July 1795 accelerated rather than curbed large treasure shipments, as an increasingly hard-pressed crown continued to use warships to bring back to Spain the silver required to meet the costs incurred during the conflict: one ship brought 143 million *reales*, of which 85 million were for the crown, from Veracruz and Havana in October 1795; in June 1796 an arrival from Callao brought 103 million (including 40 million for the crown); and six further shipments from Veracruz and Havana in 1796 were worth 390 million, of which 189 million were for the crown. Imports of other commodities also increased in 1796, with

the result that total imports from America reached 1,149 million *reales*, the highest figure since 1792, and the third highest in the period as a whole. The revival was short-lived, of course, for the whole edifice of American trade was brought tumbling down in 1797 by Spain's decision in October 1796 to go to war again with Britain. In 1796, 171 ships entered Cádiz from America with goods worth 1,073 million *reales*, 93 per cent of all Spanish imports for the year; in 1797, by contrast, only nine ships evaded the British blockade of Spain's principal port, and their cargoes were worth a mere 10 million *reales* (one per cent of the 1796 total).³ The crown responded to this crisis on 18 November 1797 with its fateful decree opening American trade to neutral shipping.⁴ Despite its unrealistic attempt to limit the damage which this measure would do to Spanish commercial and shipping interests by insisting that all goods exported from America should continue to be brought direct to Spanish ports, a stipulation designed to prevent direct trade between, for example, Veracruz and ports in the United States, it was clear that this decree represented the *de facto* abandonment of the protective principles which had underpinned the free trade legislation.⁵

PORTS OF ARRIVAL

As the above discussion of the volume of trade has already implied, and as Table 8 confirms, the port of Cádiz maintained its dominant role in the import into Spain of American products throughout the last quarter of the eighteenth century, despite the opportunities offered in 1778 to the other ports of the peninsula to make inroads into its monopoly. Between 1778 and 1796 Cádiz received 84 per cent of the total imports from the empire, and its share was growing rather than declining towards the end of the period; as we have seen, its control of the export trade, of which it had 76 per cent, was somewhat less pronounced, but still overwhelming. The pre-eminence of Cádiz in Spain's trade with America requires little explanation: the combination of geographical position and tradition on the one hand and, on the other, the availability of a complex infrastructure of shipping, insurance, banking, consular, and warehousing facilities ensured that whatever commercial expansion occurred in other ports was only marginally detrimental to its

Table 8
Distribution (%) of imports from Spanish America, 1778-96

<i>Year</i>	<i>Cádiz</i>	<i>La Coruña</i>	<i>Barcelona</i>	<i>Santander</i>	<i>Málaga</i>	<i>Other Ports</i>
1778	46.2	36.7	5.8	6.2	1.3	3.9
1782	92.0	3.4	4.3	0.2	0.04	0.1
1783	71.7	12.2	4.7	5.1	0.3	6.1
1784	74.9	15.1	3.7	2.6	0.3	3.3
1785	82.8	9.7	2.0	2.1	0.7	2.9
1786	82.9	7.2	3.6	3.2	1.3	1.3
1787	76.0	10.3	5.7	3.4	2.5	2.0
1788	84.0	7.5	3.9	2.3	0.9	1.4
1789	82.2	6.4	5.1	3.2	1.3	1.7
1790	78.3	9.2	4.8	3.3	2.7	1.6
1791	82.6	6.4	5.9	3.5	1.1	0.6
1792	80.8	5.9	6.7	3.5	1.5	1.5
1793	86.1	5.1	5.3	2.1	0.9	0.5
1794	91.2	3.3	1.8	1.6	1.5	0.5
1795	94.7	2.5	1.2	0.5	0.7	0.3
1796	93.3	2.6	—	2.0	1.5	0.7
Overall	84.2	6.8	3.8	2.6	1.3	1.4

interests. Moreover, its continuing near-monopoly after 1778 provoked neither surprise nor criticism in official circles, for the intention of the free trade legislation had not been to diminish the port's commercial activity but to generate additional trade through other ports. A long way behind Cádiz, the second most important importer of American goods, with a mere seven per cent, was La Coruña. To a certain extent this port owed its position not to a diversified commerce but to its status as the terminus for the mail-boats which sailed monthly to Havana and bi-monthly to Montevideo. In addition to mail, passengers, and money belonging to the postal monopoly, the packets returning from Cuba usually carried modest cargoes of sugar and silver belonging to private individuals; those from the Río de la Plata tended to bring back much larger shipments of private silver, remitted by Buenos Aires merchants who preferred the security of a fast, reliable, official channel to the somewhat riskier service offered by merchant ships. In 1788, for example, the six mail-boats which put into La Coruña from Montevideo carried cargoes worth a total of 62 million *reales*, a relatively small figure by the standards of Cádiz but large for a

provincial port. Despite this volume of imports, however, there is little evidence that the trade of La Coruña had a significant impact upon the Galician economy, beyond providing employment for seamen and an outlet for some of the region's agricultural products.⁶

In third place, with 3.8 per cent of total imports, was Barcelona: in some years (1782, 1792, 1793) it moved ahead of La Coruña into second place, whereas in others (1778, 1783) it was relegated to fourth place by Santander. Barcelona was visited by considerably more ships than La Coruña, but those entering the Catalan port tended to be small brigantines, bringing back relatively low-value cargoes from the Caribbean. Individual cargoes worth in excess of 10 million *reales* were commonplace in La Coruña; in Barcelona the average cargo was worth about one million, and the largest individual cargo recorded there in the period as a whole was worth only nine million (a ship from Veracruz in 1792). Barcelona's best years in terms of total imports were 1791–92, when a total of 145 ships put in with goods worth 133 million *reales*. Most of its trade was with the Caribbean basin, within which Havana, Veracruz, and La Guaira offered important markets for Catalan textiles, wines, and spirits, in return for silver, sugar, *cacao*, and cotton. Santander, too, which enjoyed 2.6 per cent of total imports, developed a specialised trade with Cuba and Venezuela, supplying the former in particular with Castilian flour, milled in northern Spain, in return for sugar and silver. Both ports also had significant subsidiary trades with Montevideo, which sent them sizeable cargoes of hides and other animal products. It was very rare for ships from any port other than Cádiz to venture into the Pacific, although in 1794 the vessel of one enterprising Santander merchant returned from Callao with a cargo worth 3.3 million *reales*. The fifth-placed importing port was Málaga, with 1.3 per cent of total trade: much of its business was with Veracruz, which paid for its imports of Málaga wine primarily with silver coin. The nine remaining ports which imported goods from America between 1778 and 1796—Alicante, Cartagena, Gijón, Palma, San Sebastián, Seville, Santa Cruz de Tenerife, Tortosa, and Vigo—shared between them a mere 1.4 per cent of total trade. Within this group the two most important ports were San Sebastián, which until 1790 received an average of three ships a year from La Guaira, carrying moderately valuable cargoes of *cacao* for the Philippines Company, and Santa Cruz de Tenerife.⁷ The latter port

had only 0.5 per cent of total trade (San Sebastián had 0.6), but its average imports of 4.1 million *reales* a year from America were of considerable importance for the economic life of the Canary Islands, particularly since most of them were in the form of silver coin (shipped from Cuba in return for Canary wine): silver accounted for 91 per cent of imports into Tenerife in 1783, for example, and 84 per cent in 1784. This argument is capable of being extended to a lesser degree to the limited trade with America enjoyed by ports even further down the list of importers, such as Alicante and Cartagena. Their trade with America was of little significance, however, within the overall contexts of either total imperial trade or their own roles as major Mediterranean ports.

COMMODITIES

The range of American products imported into Spain in the late eighteenth century was wide and varied. The customs officials who compiled the ships' registers in the ports of entry faithfully recorded their details, no matter how bizarre the goods or how trivial their values. Imports into Cádiz from Havana in 1787, for example, included a monkey valued at 90 *reales*, eight tropical birds (40 *reales* each), and 15 dozen coconuts (30 *reales* a dozen). Black slaves were occasionally listed, at a value of 4,000 *reales* for a male and 5,000 *reales* for a female, despite the fact that they were probably personal servants of Spanish travellers rather than items of trade. The values of these occasional imports, and of many other products including coffee, tea, lead, tin, wheat, barley, furs, horns, hooves, tallow, and sheep's wool, representing less than one per cent of total imports, were insignificant in global terms, although often of considerable importance to local economies in America.

Table 9 provides a summary of the values of the commodities imported in the late eighteenth century into Barcelona and Cádiz, which between them, as we have seen, received no less than 88 per cent of all imports from America in this period. Copper, cotton, wood, and *vicuña* wool together accounted for 1.5 per cent of total imports. Shipments of cotton to Cádiz, much of it from Cartagena, were twice as valuable as those to Barcelona, although as a proportion of each port's total imports this raw material for the textile industry was of greater importance for Barcelona. Virtually all the

Table 9
Principal imports into Barcelona and Cádiz, 1782-96
(figures in millions of reales de vellón)

<i>Commodity</i>	<i>Total Value</i>	<i>Per cent</i>
Gold/silver (crown)	1,520	13.9
Gold/silver (private)	4,648	42.5
Sugar	606	5.5
Hides	377	3.4
Wood	54	0.5
<i>Cacao</i>	851	7.8
<i>Cascarilla</i>	152	1.4
Tobacco	1,490	13.6
Indigo	568	5.2
Cotton	416	0.4
Copper	52	0.4
Cochineal	461	4.2
<i>Vicuña</i> wool	13	0.1
Others	114	1.0
Total	10,954	

wood imported into Barcelona was dyewood from Campeche, again for cloth producers; that brought into Cádiz also included mahogany, cedar, ebony, and balsa, although these varieties of timber were much less important than dyewood. Imports of copper and *vicuña* wool came mainly to Cádiz from Callao, although some *vicuña* was exported through Montevideo, and much of the copper presumably originated in Chile. *Cascarilla*, or 'Jesuit bark', as the bark of the wild *cinchona* tree was known, from which quinine was produced, was an exclusively Peruvian product: virtually every vessel which entered Cádiz from Callao carried a consignment of it, and it represented 1.4 per cent of all imports. After *cascarilla*, in ascending order of priority, came cattle hides (3.4 per cent) and cochineal (4.2 per cent). The latter came exclusively from New Spain; the former, although shipped in the largest numbers from the Río de la Plata, were also important imports from Cuba and Venezuela. According to one authoritative estimate, only a third of hides imported into Cádiz remained in Spain, the majority being re-exported to other European destinations.⁸

Imports of sugar into Barcelona and Cádiz added up to 606 million *reales*, or 5.5 per cent of total imports. Some small consignments arrived from Peru, either direct from Callao or through

Montevideo, and rather more was introduced from New Spain, particularly after the crown confirmed in 1792 that it might be exported duty-free through Veracruz. The bulk of it was shipped, however, from Cuba, where the number of mills more than doubled and production increased four-fold between 1765 and 1790.⁹ Total imports of *cacao*, at 851 million *reales* (7.8 per cent) were even more important: a small amount came from New Spain, and much more from Guayaquil, exported through either Cartagena or, more commonly, Callao. Most *cacao* was produced, however, in Venezuela and reached Spain through the port of La Guaira. Venezuela was also the source of most of the indigo imported through Barcelona and Cádiz, the total value of which was 568 million *reales* (5.2 per cent). The products so far mentioned, all of them except copper those of American agriculture, together represented 30.6 per cent of all imports into Barcelona and Cádiz between 1782 and 1796. Tobacco, all of which came into Cádiz, represented a further 13.6 per cent. Most of it (1,457 million *reales*) was shipped by the crown tobacco monopoly, although private shipments (33 million) were permitted once the crown agents had purchased what they required from American producers. Impressive though the figure for tobacco imports is, it is almost certainly an understatement, for it was not until 1786 that customs officials began to record systematically the values of imports of this product rather than simply note the weight of consignments. The problem was most pronounced in 1785, when declared but unvalued imports by the crown weighed 94,451 *arrobas* (each of 25 lbs), and those by private individuals 8,220. At the customary rate of forty *reales* a pound these would have added some 103 million *reales* to total imports for the year, had their values been calculated. The problem was less severe in the previous year, 1784, when registered but unvalued imports were worth an estimated 33 million *reales*.

Fifty-six per cent of all imports into Barcelona and Cádiz between 1782 and 1796 consisted of that most traditional of imperial products, American treasure: no less than 5,863 million *reales*, or 293 million *pesos*. This category includes jewellery, ornaments, and utensils made of gold and silver, but consists overwhelmingly of silver coin, supplemented by gold coin exported mainly from Cartagena and Callao. Treasure imported by the crown was registered separately: as Table 9 shows, such imports were substantial. They were particularly large in the 1790s, and reached a

peak in 1794–96, when the tightening of fiscal screws in America brought in 694 million *reales* (35 million *pesos*) to a metropolitan government desperately attempting to balance its budgets. By far the largest category of gold and silver imports, representing 42.5 per cent of all imports into Barcelona and Cádiz, was made up of the remittances of private individuals. It is quite clear, therefore, that, despite the impressive expansion of colonial agriculture in the late eighteenth century, silver, and the regions which produced it, remained of fundamental importance to the imperial economy. This point is developed further in the discussion which follows of the origins of the commodities imported into Spain.

ORIGINS OF IMPORTS

The number of ships known to have entered Spanish ports from America between 1782 and 1796 totals 4,389. Although the ports of origin of a small number of them (113) which put into minor Spanish ports in 1782–85 are not known, these omissions affect only 1.3 per cent of the total value of imports, for full data is available on all arrivals in Barcelona and Cádiz, and on those in all other ports from 1786. Thus the ports of origin are known of 98.7 per cent of all goods imported into Spain from America between 1782 and 1796, and it is clear that the analysis of this information can make a significant contribution to the understanding of, first, the American response to ‘free trade’, and, second, the relative economic importance of different regions of the empire in the late colonial period. There are certain problems in utilising this data, the first of which derives from its complexity, for goods were despatched to Spain from no less than 47 separate ports or combinations of ports. For the purposes of the present discussion, and in the interests of succinctness, the data concerning the exports of each of these points of departure is aggregated in Table 10 on a regional basis into six groups of ports. One point to be borne in mind, of course, is that information on the ports of origin of the products shipped to Spain may in many cases reflect only the final stages of complex inter-American economic relationships. Virtually every ship from Havana, for example, included silver and sugar in its cargo. It is legitimate to assume that the sugar was produced in Cuba, but the ship’s registers as such offer no clues to the processes whereby the silver reached Havana.¹⁰

Despite the above qualification, it is clear from an examination of the origins of American goods shipped to Spain in the late eighteenth century that the viceroyalty of New Spain was the richest and most productive region in the empire. The port of Veracruz alone provided Spain directly with 16.6 per cent of all its imports from America between 1782 and 1796, and in combination with other ports (Havana, San Juan de Puerto Rico, La Guaiara, and Campeche), visited en route to Spain by vessels from Veracruz, with a further 15.5 per cent.¹¹ Campeche, Guatemala, and Honduras were responsible together for 3.9 per cent, thus giving an overall total for New Spain of 36 per cent. The viceroyalty's trade was primarily with two Spanish ports: Cádiz, which it provided with 39.3 per cent of all its imports, and Barcelona (35.8 per cent of all imports); the other enfranchised Spanish ports, by contrast, drew only 8.6 per cent of their imports from New Spain.

The range of products exported from New Spain in the period after 1778 was extensive. Virtually every vessel which arrived in Spain from Veracruz carried hides, cochineal, spices, and dyewood, and the last of these items was dominant in trade between Campeche and Spain. The fundamental explanation for the viceroyalty's premier role in imperial commerce derives, however, not from its agricultural activities—vibrant and diversified though they were—but from the dramatic growth of its mining industry which continued to underpin the bulk of its trade with Spain. As we shall see below in more detail, in the section of this chapter devoted to the mining industry, the output of the mines of New Spain expanded almost five-fold in the course of the eighteenth century—from five million *pesos* a year in the 1690s to 24 million in 1798, when Mexico was producing two-thirds of all American silver—with, as Table 11 indicates, a particularly significant increase in the 1770s, partly as a consequence of new discoveries and partly through fiscal incentives.¹² Reductions in the price of mercury, that essential amalgamating ingredient, and institutional reforms in the 1760s, 1770s and 1780s, when a new mining code was introduced and a mining tribunal was established, were of considerable importance in promoting mining development, but the essential factors which explain the resurgence of silver production derive from the internal dynamics of the viceregal economy. For example, the growth of its population by 2.5 million between 1742 and 1793 (from 3.3 to 5.8 million) provided an adequate supply of

Table 10
Regional origins of imports into Spain from America, 1782-96
(figures in millions of reales de vellón)

<i>Region</i>	<i>Value of imports</i>	<i>Per cent</i>
New Spain	4,407	36.0
Caribbean	3,082	25.2
Pacific	1,687	13.8
Río de la Plata	1,489	12.2
Venezuela	1,181	9.6
New Granada	388	3.2
Total	12,269	

labour. More significant still was the willingness of merchant-capitalists in Mexico City to invest large sums in the development of mines. The Conde de Regla, for example, waited for more than 20 years for a return on his investment in a massive draining tunnel at Real del Monte, but, when it was completed, his profits paid for a chain of *haciendas* and a large refining mill.¹³ By the 1790s annual profits at the massive Valenciana mine at Guanajuato, which employed 3,000 workers, sometimes reached one million *pesos*.¹⁴ It was profits such as these which drew into New Spain in the 1780s not only an expanding volume of material imports from Spain, but also a new wave of immigrants, attracted by the opportunities available in the rapidly expanding commercial sector. It has been argued authoritatively that the extension of 'free trade' to New Spain in the 1780s promoted economic growth in an unintended way by persuading the great merchant families of Mexico City, whose profits from trade dwindled with the loss of their monopoly, to turn away from an exclusive preoccupation with commerce and invest in mining and agriculture.¹⁵ The vacuum which they left in the commercial sector was filled by ambitious, hard-headed immigrants from northern Spain, prepared to work long hours for smaller profits, and now able to bypass the old monopoly structure and enjoy virtually unlimited access to the markets of the interior of the viceroyalty.¹⁶

It has often been assumed that the price paid by the colonists for agricultural prosperity and an easing of commercial restrictions in the late colonial period was not only this unwelcome influx of avaricious immigrants but also the destruction of colonial industry,

unable to compete with cheap, high quality European manufactures. The evidence available for the viceroyalty of New Spain does not entirely substantiate this assumption, at least for the period prior to the introduction of neutral commerce in 1797. It is true that the number of woollen factories in Puebla, Mexico City, and Coyoacán declined sharply in the course of the eighteenth century, but to a certain extent this trend was compensated—and perhaps provoked—by the growth of the woollen industry in Querétaro. By the late-eighteenth century, this major commercial, agricultural and manufacturing centre, strategically located in the Bajío region, near to the markets of both Mexico City and the mines of the north, and with each access to ample supplies of wool and labour, had some 20 woollen factories, with over 200 looms, in production.¹⁷

Like textile manufacture everywhere, the woollen industry of Querétaro was subject to often sharp fluctuations in its fortunes. A serious slump in production and sales began in 1785 (its effects continued to be felt until 1792), but it was caused less by excessive imports than by the severe agricultural crisis of that year, which, with its associated epidemics, hit the Bajío particularly hard. The human population declined by 20 per cent, and the estimated number of sheep fell by a similiar proportion (from five million to four million), causing shortages of both consumers and wool. Heavy mortality among other animal populations caused the prices of

Table 11
Registered mining production in New Spain, 1755–1814
(figures in millions of pesos, by quinquennium)

<i>Quinquennium</i>	<i>Production</i>	<i>Index of production</i>
1755–59	65.7	100
1760–64	58.5	89
1765–69	60.9	93
1770–74	80.8	123
1775–79	91.0	139
1780–84	100.3	153
1785–89	93.2	142
1790–94	109.7	167
1795–99	121.2	185
1800–04	104.6	159
1805–09	122.0	186
1810–14	47.1	72

mules and horses to double, a factor which, in its turn, led to higher prices and poorer quality products. External trade, like domestic industry, was a victim of this crisis, as exports to and imports from Spain fell in 1786–87 to their lowest levels since 1778. The Querétaro woollen industry, like commerce, recovered, however, from the crisis by the early 1790s to survive a further trough in 1805–08, and even the dislocation caused by the Wars of Independence. Overall, it ‘expanded in the late eighteenth and early nineteenth century, but’—and this is an important qualification—‘not in the dramatic or spectacular way usually associated with the late Bourbon period’.¹⁸ Other trends, of general application, which need to be taken into account when assessing the state of the woollen industry are a shift in consumer preference from woollens to cottons, a factor which, in the case of New Spain, benefited Puebla, and the decline of traditional *obrajes*, relics of the period of conscript labour, in the face of competition from smaller establishments known as *trapiches*, which, although less conspicuous, made an important contribution to cloth production.¹⁹

Exports from the Spanish islands in the Caribbean, excluding those carried by ships which had begun their voyages in mainland ports, accounted for 23.2 per cent of imports into Spain. They included shipments from Santo Domingo and Puerto Rico, which were worth a total of 101 million *reales*, but were dominated by those from Cuba, after New Spain the most dynamic economic unit in America in the late Bourbon period, which added up to 2,753 million *reales* between 1782 and 1796. A few of the arrivals from Cuba came from the ports of Santiago and Trinidad de Cuba, but most were registered from Havana, probably the busiest port in Spanish America during this period. The statistics relating to Cuba’s economic growth in the late eighteenth century are almost overwhelming. For example, the number of sugar mills tripled from 89 to 277 between 1759 and 1789, and the average production of each mill rose from 165 tons to over 400 tons a year during the same period. Similarly, the island’s slave population rose from 86,000 in 1792, the year in which the crown made permanent the temporary permission granted in 1789 for foreign ships to freely supply the island with blacks from Africa, to 286,000 in 1827. The white population also grew significantly, partly as a result of an influx of French settlers from St Domingue in the 1790s, and partly because of the phenomenon of increasing migration from Spain, already

noted for New Spain. There is less evidence from Cuba, however, that the new arrivals were regarded as parasites, partly because the scale of economic growth was sufficient in this period to satisfy traditional residents and newcomers alike, and partly because of the extraordinary generosity of crown policy towards the island. Although some rather ineffectual attempts were made in the early-1790s to protect the interests of Cádiz merchants by imposing restrictions upon the growth of inter-colonial trade between Havana and Veracruz, the general trend of crown policy was to grant Cubans all the commercial privileges that they sought, including virtual free trade with the United States from 1793, in the hope, which was fulfilled, that the island's grateful sugar planters would agree to shoulder the burden of imperial defence in the Caribbean both by paying higher taxes and enlisting in the island's militia regiments.

Cuba, even more than New Spain, was a possession whose dynamic potential for economic growth was released by the commercial incentives provided by crown policy in the late-eighteenth century. Its sugar-based economy, moreover, acted as not only the generator of taxation for both local defence and remission to Spain, but also as the magnet which attracted imports from and promoted regional economic growth in Cantabria and Catalonia. By contrast the newly-acquired mainland territory of Louisiana, and the re-acquired Florida were far too underdeveloped in this period to respond to crown incentives, despite attempts in the 1780s to provide inducements which would both promote growth and divert what trade there was away from French merchants in the case of Louisiana, and from English firms in the case of Florida. Only one ship is known to have arrived in Spain from San Agustín in the entire period 1778-96; arrivals from New Orleans were considerably more numerous, but still of little general significance. They totalled 24, and were concentrated in the period 1787-93, when, owing to large shipments of tobacco, imports from this source were worth 240 million *reales* (two per cent of total imports).²⁰

The Spanish mainland territories to the north of the Gulf of Mexico were thus economic backwaters in the late eighteenth century, incapable of responding to the stimulus of the 'free trade' legislation. Venezuela, by contrast, enjoyed a sustained export boom, particularly in the 1790s when restrictions on its participation

in the 'free trade' system had been removed. Ninety-one per cent of its 1,181 million *reales* of exports, consisting mainly of *cacao*, indigo, hides, and other agricultural products, reached Spain through the port of La Guaira. The remainder were shipped, in descending order of importance, from Cumaná, Maracaibo, Guayana, and Trinidad. Total imports from Venezuela were worth 9.6 per cent of all American products brought into Spain between 1782 and 1796. The captaincy-general was thus of tertiary importance after New Spain and Cuba, but its contribution to the 76 per cent of all imports received in Spain from the circum-Caribbean region as a whole was substantial. With no traditional manufacturing industry to protect, Venezuela was immune from one of the harmful effects of its closer incorporation into the imperial economic system, but the gratitude of its great creole landowners for the new opportunities provided for the production and export of agricultural goods was qualified by resentment of the continuing monopoly of trade enjoyed by peninsular-born merchants.²¹

The destruction of colonial industry which might compete with that of the metropolis was also a clear aim of crown policy, specifically after 1778 and generally throughout the colonial period. Despite this policy the *obrajes* of colonial Quito survived to the end of the colonial period, as did the smaller establishments producing coarser cloth in Cundinamarca, Boyacá, Pasto, and Socorro.²² There is no doubt whatsoever that the liberalisation of trade in 1778 had harmful effects for a textile industry which, as Chapter 7 has shown, had developed in the seventeenth century in response to the chronic incapacity of the Hapsburg commercial system to supply the colonial market with manufactured goods. It is most important to stress, however, that in the case of Quito this industrial decline had begun much earlier, as a reflection in part of internal factors, including major epidemics and high mortality in the centres of textile production in the 1690s, a series of major earthquakes, and a rise in the price of dyes. External factors included the gradual increase in foreign competition from 1700 as a result of both contraband and the introduction of register ships to the Pacific, and the restructuring of trade routes which followed the abandonment of the Portobelo fairs. It has also been suggested by one authoritative scholar that the growing European demand in the period after 1778 for *cacao*, and official attempts to promote the mining industry, led the mercantile capitalists of Quito and other

New Granadan cities to withdraw their investments from the risky textile industry in favour of agricultural and mining enterprises.²³ Mining production, primarily of gold, certainly expanded substantially in New Granada in this period—mintage at Bogotá reached one million *pesos* by the early 1790s, and that at Popayán attained a similar level by 1800—to provide the viceroyalty with the bullion to pay for imports from the metropolis: according to one estimate, in the decade 1784–93 imports from Spain were worth 19.5 million *pesos*, but exports reached 21 million, of which all but 1.8 million consisted of gold.²⁴ However, despite the local importance of this trade, it was relatively insignificant in overall imperial terms. The registers of the 222 ships known to have entered Spanish ports from New Granada between 1782 and 1796 (216 from Cartagena and six from Santa Marta) show the total value of imports as 388 million *reales*, a figure a little lower than that cited above. This represented only 3.2 per cent of total imports into Spain from America, a share which confirms the generally held view that New Granada was relatively unimportant in terms of its registered external trade.²⁵ The probable explanation for this relatively poor participation in the imperial economy lies in the continuing preference of its inhabitants for contraband activity, and not in economic backwardness.

Imports from the Río de la Plata, which, like Venezuela, enjoyed an impressive and new-found prosperity in the last quarter of the eighteenth century, totalled 1,489 million *reales*, or 12.2 per cent of all imports. All but 52 of the 631 registers of imports from this region show Montevideo rather than Buenos Aires as the port of departure, despite the fact that the latter had its own customs house from 1778. The pastoral economy of this vast, undeveloped region was a major beneficiary of the opening of Montevideo and Buenos Aires to direct trade with Spain, as the export of hides increased from 150,000 in 1778 to 875,000 in 1796.²⁶ Other animal and farm products helped to give agriculture a share of between one-fifth and one-third of total trade; the export of salted beef to Cuba to feed the slave population also grew substantially in this period. The principal export, however, was silver from Potosí, which after 1778 looked south to Buenos Aires rather than north to Lima for its principal outlet to the peninsula. There had always been a semi-legal seepage, even in the seventeenth century, but between 1776 and 1783 the combination of administrative, economic, and strate-

gic factors combined to turn this into a torrent. These factors included not only the formal opening of the littoral ports to international trade but also the ban imposed by the first viceroy of the Río de la Plata upon the export of unminted bullion to Peru, the disruption of the traditional Potosí–Lima links during the rebellion of Túpac Amaru (1780–83), and the virtual suspension of Spanish trade with the Pacific ports during the 1779–83 war with England. During these years, however, the bullion exports to Spain from the Río de la Plata, primarily through Montevideo and in navy ships, were worth 11.7 million *pesos*, thereby establishing a pattern of trade which was to persist when peace was restored.²⁷

The lure of commercial growth attracted Cádiz firms and their agents to Buenos Aires, where there were large profits to be made after 1778 from the importation of manufactured goods for distribution to the interior provinces of the viceroyalty in return for silver. Potosí itself also experienced an influx of poor Spaniards in the late-eighteenth century, hoping to make their fortunes from trade. Some of their more enterprising representatives, of whom the most important were Antonio Zabaleta, Luís de Orueta, and Pedro Antonio Azcárate, realising that the very growth of commercial competition had hit profit margins, turned instead to the mining industry itself, taking advantage of the willingness of creole proprietors to both marry off their daughters with large dowries, and to rent their refining mills to newcomers. Between 1780 and 1805 these three men alone registered seven million *pesos* of silver.²⁸ Their fellow immigrants, who stayed behind in Buenos Aires, including the founders of the Anchorena and Martínez de Hoz dynasties, made their fortunes in a somewhat less ostentatious fashion, but in the long run their prosperity, based upon commerce and, subsequently, the expansion of the *estancia*, was to prove more enduring than that based upon the production of silver in Upper Peru. Moreover, as Table 12 shows, mining production at Potosí, although of great importance to the regional economy, remained stagnant during the last two decades of the eighteenth century, and then entered a period of depression which was to become increasingly profound during the first two decades of the nineteenth century.²⁹

The truncated viceroyalty of Peru and its port of Callao inevitably suffered to some degree from the expansion of Spanish trade with the Río de la Plata, despite the fact that its nominal

monopoly of South American trade had ceased in reality decades earlier. However, the gloomy 1779 prophecy of the merchant guild of Lima that 'free trade' with the Río de la Plata and with Pacific ports other than Callao (principally Valparaíso, Concepción, Arica, and Guayaquil) would reduce the volume of Lima's trade to little more than a third of its pre-1778 level was not borne out. Callao continued in the 1780s to import European manufactures for re-export to Guayaquil in return for its *cacao*, despite earlier fears that this commodity would begin to be exported directly to Spain from the northern port. Only nine of the 72 ships which reached Spain from the Pacific showed Guayaquil as a port of departure, and in each case they had also visited Callao; a further two came from Callao-Valparaíso, and three from Callao-Montevideo. Between them these 14 ships brought to Spain imports valued at 171 million *reales*, the bulk of which consisted, in any case, of Peruvian silver. The 58 additional ships whose sole port of origin was Callao carried cargoes worth a total of 1,515 million *reales* (an average of 26 million *reales* per vessel). No case has been found of any arrival from the Pacific which did not list Callao as at least one of its ports of origin. During the period as a whole imports into Spain from Callao alone were worth an average of 101 million *reales* (5,051,062 *pesos*) a year; when those from combinations of ports involving Callao are included the figure rises to 112 million *reales* a year. From 1787 actual annual imports were usually very close to this mean. In other words Peru's trade with Spain attained a certain level once the immediate post-war irregularity had been overcome, and tended to stay close to that mean. It was enabled to do so by the fact that silver production within the viceroyalty—notably at Cerro de Pasco—expanded sufficiently to compensate for the loss of Potosí to the new viceroyalty of the Río de la Plata. Between 1779 and 1788 registered production of silver at Potosí exceeded that of all Lower Peruvian mining centres; thereafter, the output of Lower Peru surged ahead, while that at Potosí levelled out and then declined. The stagnation of Potosí's production in the 1790s brought to an end a prolonged period of relative buoyancy, initiated by the 1736 reduction of the quint (20 per cent) to a tax of 10 per cent. Although modest compared with developments in New Spain and in central and northern Peru, this recovery had been important for the regional economy. However, as Enrique Tandeter's recent monograph has confirmed, it had been underpinned not by technological change or

new investment, but by the survival of the *mita* system, and, indeed, the more rigorous exploitation of Indian conscripts, as the *azogueros* (the owners of the refining plants) found it increasingly profitable to rent out their establishments rather than engage directly in production.³⁰

The international conflicts of the post-1796 period marked the beginning of a significant decline in Potosí's output, initially because of the disruption of mercury supply, which deteriorated further from 1810 as the onset of insurgency provoked the dispersal of the labour force. Although the definitive collapse of output did not occur until the 1820s, as early as 1802 production at Potosí, 205,000 marks (1,742,500 *pesos*), was only 40 per cent of that of Lower Peru's 505,000 marks (4,292,500 *pesos*), of which Cerro de Pasco alone was responsible for 283,000 marks (2,405,500 *pesos*). This year, moreover, was one in which a shortage of mercury, provoked by external factors, caused a decline in Peruvian production, which in 1799 had reached a high point of 637,000 marks (5,414,500 *pesos*), more than double the 1778 figure. Table 13, which shows registered production in the truncated viceroyalty of Peru, clearly demonstrates that output expanded rapidly in the 1790s and in the early nineteenth century, and remained at a relatively high level until the final stages of the Independence period.³¹

There is little direct evidence for Peru of a causal relationship between the introduction of 'free trade' and the growth of the mining industry in the late colonial period. The Lima capitalists, unlike their Mexican counterparts, showed little inclination for long-term investment in silver production, although they were closely involved in the industry, sometimes as owners of pits, and more commonly through the provision of short-term credit and supplies to local silver-merchants (*aviadores*). There is clear evidence, however, of a dynamic relationship between the increase in silver production at Cerro de Pasco and the transmission there from Lima of imported European goods. As mining expanded, Peruvian regional economies benefited from increased demand for a wide range of local products, including the cloth of Huamanga, the *coca* of Huánuco, the sugar and *aguardiente* of Jauja and Huaylas, the *aguardiente* of Ica, and the chilli of Chiquián. By far the greatest beneficiary, however, was Lima, whose registered exports to Cerro de Pasco, as recorded in *alcabala* accounts, quadrupled—from

101,000 to 417,000 *pesos*—between 1786 and 1795. In this latter year imports from Spain accounted for 49 per cent of the merchandise despatched to the mining centre by merchants in the viceregal capital.³²

The same pattern emerges from an analysis of trade with Hualgayoc, the second mining centre of Peru in the late colonial period. Although its development had positive consequences for the general agricultural economy of the province of Cajamarca, which had few alternative outlets for its products, it was the importing sector which felt the greatest benefit. According to one authoritative account, written in 1794, imports into Cajamarca rose from a value of 50,000 *pesos* in 1768–69 to 226,000 *pesos* in 1788, with 74 per cent (168,000 *pesos*) of the latter figure being made up of imported European goods. The mining sector was thus a major consumer of the large volume of manufactured goods imported into Peru from Spain (between 1785 and 1796 Peru absorbed 22 per cent of all exports from Cádiz to America), and Peru's silver enabled the viceroyalty, with a 13.8 per cent share of American exports to Cádiz and Barcelona in 1782–96, to retain its position as Spain's most important trading partner in South America.

Peruvian commentators were divided in the 1780s and 1790s over the question of whether the introduction of 'free trade' in 1778 had had detrimental effects upon the viceregal economy. The merchant guild of Lima had no doubt that the repercussions had been disastrous, complaining bitterly in 1787 of a saturated market and the drain of circulating capital, and demanding a complete ban

Table 12
Registered mining production at Potosí, 1780–1819
(figures in millions of pesos, by quinquennium)

<i>Quinquennium</i>	<i>Production</i>	<i>Index of production</i>
1780–84	16.3	100
1785–89	15.8	97
1790–94	16.6	102
1795–99	16.4	101
1800–04	12.4	76
1805–09	12.8	79
1810–14	7.5	46
1815–19	5.6	34

upon trade between Buenos Aires and Peru, and a two year moratorium on imports through the viceroyalty's own ports. The chief official of the viceregal exchequer, Jorge de Escobedo, sympathised with these demands—unlike viceroy Teodoro de Croix (1784–90), who was indifferent to local decline as long as imperial commerce as a whole expanded—agreeing that with the opening of Buenos Aires European goods could be supplied more cheaply to the southern provinces of Peru overland from the Río de la Plata than by the Pacific route. However, influential writers in the *Mercurio Peruano* (the bi-weekly organ published in Lima in the early 1790s by the progressive 'Society of Friends of the Country') believed that the fundamental grievance of the merchant guild was that the loss of its monopoly had reduced the easy profits of the large merchants who dominated it, in a period when trade as a whole had expanded through the efforts of smaller firms, prepared to work for reduced profit margins.³³ Moreover, despite initial difficulties caused by the loss of Upper Peru, trade between the two viceroyalties of Peru and the Río de la Plata still showed by 1790 a balance in Peru's favour of 1,170,190 *pesos*, thus providing the senior viceroyalty with a net balance on all inter-colonial trade of 725,190 *pesos*, without taking into account the invisible earnings of 400,000 *pesos* a year of ship-owners and muleteers.³⁴ There is some evidence to suggest that in Peru, as in other viceroyalties, the profits of this vigorous local trade began to be diverted in the 1780s from established merchants to recent peninsular immigrants, particularly after 1784 when the *Cinco Gremios Mayores de Madrid*—an organisation of peninsular craft guilds which exported textiles, jewellery and other products to America—established an office in Arequipa, to be followed two years later by one in Lima itself. The Arequipa merchants complained bitterly in 1790 that they were being ruined by the excessive import of European manufactures for sale at lower prices than local merchants could offer. By the end of the period under consideration, the representatives in the city of the *Cinco Gremios* had expanded their business to such an extent that they were also taking over the distribution of local products—notably sugar, wines, brandy and grain—to the still vigorous market in Upper Peru. The net result was that local production was stimulated, and the market for Spanish merchandise expanded, but at the expense of those creole interests unwilling to adapt to the new, more competitive environment.³⁵ However, a recent study of

Table 13
Registered mining production in Peru, 1770-1824
(figures in millions of pesos, by quinquennium)

<i>Quinquennium</i>	<i>Production</i>	<i>Index of production</i>
1770-74	10.4	100
1775-79	11.6	112
1780-84	13.6	127
1785-89	14.9	143
1790-94	20.4	196
1795-99	23.7	228
1800-04	22.6	217
1805-09	19.9	191
1810-14	15.8	152
1815-19	11.5	111
1820-24	6.8	65

one prominent member of the merchant guild of Lima, José Antonio de Lavalle, shows that the expansion of the Peruvian economy in this period provided ample opportunities for creole merchants, too, to share in the viceroyalty's general prosperity.³⁶

Throughout Peru, the greater availability and lower prices of imported manufactures in the 1780s stimulated both commercial activity—the number of retail shops in Lima grew by a third, for example—and the production of foodstuffs for the increasingly affluent urban middle and lower classes. But what of the impact of 'free trade' upon domestic industry? The merchant guild was again quite convinced that after 1778 the supply of manufactures through Buenos Aires had not only drastically reduced the Upper Peruvian market for Peruvian cloth, but had also undermined it within Lower Peru by encouraging a tendency for agricultural exports from Arequipa and Cuzco, hitherto paid for by the remission of silver, to be increasingly exchanged for European textiles, which were cheaper and of better quality than those produced by local *obrajes*.³⁷ There is no doubt, in fact, that the guild's basic observation was accurate: the traditional *obrajes* of the Cuzco region, producing woollen cloth for local consumption and for export to Upper Peru, did, indeed, experience a period of decline in the last quarter of the eighteenth century, although textiles still accounted in 1790 for 60 per cent of exports to the Río de la Plata (and sugar from Abancay for a further 16 per cent).³⁸ It is also clear

that competition from imports was a significant factor in this decline. However, internal factors were probably of greater significance: they included the destruction of *obrajes* during the Túpac Amaru rising, a change in patterns of commercial activity as Peruvian capitalists shifted their attention from Upper Peru to the expanding mining zones of the centre and north of the vice-royalty, and the abolition of the *repartimiento* system (the forced sale of merchandise to Indian communities by local government officials). A further factor which has received less attention than it deserves is that in Peru, as in other parts of Spanish America, there was a tendency for the old-style *obraje*, the large establishment with reluctant, semi-conscripted workers, to decline in the face of not only competition from imports but also from smaller local establishments, *chorrillos*, producing cheaper cloth for an expanding popular market.³⁹ Ignacio de Castro's well-known description of Cuzco, written in 1788, made precisely this point, with his observation that although the province's *obrajes* were idle, they had been replaced by a large number of *chorrillos*, producing inferior baize cloth for popular consumption.⁴⁰

It is possible, in this context, to suggest that, although the traditional textile industry declined in late colonial Peru, in part because of the introduction of 'free trade', other forms of production expanded in response to general economic and commercial growth. This interpretation is borne out by a recent study of textile production in the central Peruvian province of Huamanga.⁴¹ There the *obrajes* experienced a period of crisis in the early 1780s less because of the effects of 'free trade' than as a result of a disruption of the supply of wool from the highlands during the Túpac Amaru rebellion (1780–83), as a consequence of both insurgency and the simultaneous drought which, by making pasture unavailable, prevented muleteers from undertaking their normal business. The *obraje* administrators obtained alternative supplies of wool from central Peru—mainly from Jauja—but its inferior quality caused production problems. These difficulties were compounded by the abolition of the *repartimiento* system in 1780, for until that year between 40 and 50 per cent of the cloth produced in Huamanga had been supplied to *corregidores* (district officers) for distribution to Indian communities. The flood of imported textiles into Upper Peru after 1783 certainly had repercussions for the Huamanga *obrajes*, but it was just one factor among many, in part because

their products were destined for the workers in the mines who normally received their wages partly in cloth. Imported cloth, even in the 1780s, was sold at prices beyond the reach of these Indian workers. The principal competition in the Upper Peruvian market came, therefore, not from European manufacturers, but from the cloth of the *chorrillos* and of domestic manufacture, which undercut the already cheap *obraje* cloth. However, the Huamanga *obrajes* survived the shrinkage of the Upper Peruvian market by seeking and finding new outlets for their cloth, both within the highlands of Peru, where indigenous participants in local fairs apparently had cash to make substantial purchases (possibly because the abolition of the *repartimiento* allowed them to retain more of their surplus production for personal consumption), and in Lima itself, where the deregulation of trade allowed freer access to the urban market.

Even the southern Peruvian province of Arequipa, which was not a traditional cloth producer, experienced a modest boom in textile production in the late colonial period, again for the poorer end of the market, and in this case in cotton rather than woollen cloth. The province was a producer, and indeed an exporter, of raw cotton, which was increasingly in demand in Upper Peru (where there was an even more substantial growth in cotton cloth production in Cochabamba in this period), and by 1790 the city of Arequipa had a factory with 68 looms, producing 125,000 yards a year of *tocuyo*, a coarse canvas-like cloth used by the lower classes for underclothes. There was also a considerable local production of cotton gloves, handkerchiefs, scarves and stockings, and a sizeable importation of woollen cloth from the highlands for dyeing and sale in local markets. The intendant of Arequipa, Antonio Alvarez, commented in his description of the province, written in 1792, that all these activities had increased during the previous 10 years because imported European goods remained too expensive for the poorer classes, whose increasing demand for clothing motivated local producers to increase their output in order to meet the demand.⁴² In Arequipa, therefore, as in Puebla and Cochabamba, the cotton industry grew in the late colonial period, despite the influx of foreign textiles, because the latter were still too expensive for popular consumption. The woollen industry of Querétaro also survived, as has been noted, although on the basis of a partial shift towards smaller-scale production, as did that of Huamanga, which benefited from the increased purchasing power of the indigenous population

in the late colonial period. The more traditional production of finer cloth for the urban market had been dying in Quito long before 1778, although 'free trade' probably finally finished it off, partly because capitalists turned to more dynamic agricultural investment. In the province of Cuzco, too, there was a decline in the woollen industry, although it did survive on a reduced basis until, like other areas, southern Peru was fully exposed to the effects of genuine free trade after independence. As Chapter 11 will show, the hiatus between the era of Hispanic 'free trade' between 1778 and 1796, and the genuine free trade of the post-Independence era, was a period of contradictory trends when American industry first developed more quickly in response to the sudden reduction in 1797 in the supply of manufactures through normal channels, but subsequently suffered from the increased supply of European manufactures through contraband and neutral trade. It should be stressed, however, that on balance in the period 1778–96 American industry gained more from the economic and commercial expansion generated by 'free trade' than it lost from the influx of European manufactures. There was never any doubt that agricultural and mining exports multiplied many times in the same period, to the satisfaction of the crown and creole producers alike. The only disadvantages of this process for Americans were, first, that the pace of expansion was limited by the continuing exclusion of non-Spaniards from international trade, and second, that those enterprising Spanish merchants who migrated to America on the tide of the commercial growth which did occur were more privileged and more successful businessmen than the majority of their American counterparts.

THE MINING INDUSTRY IN THE BOURBON ERA

By the end of the seventeenth century, as we have seen in Chapter 7, the mining industry in Spanish America had stabilised its registered production of precious metals at an estimated 8.3 million *pesos* a year, of which 3.9 million *pesos* were produced in New Spain and the bulk of the remainder in Peru, particularly Upper Peru, within which Potosí continued to dominate output. In New Spain production expanded rapidly in the first decades of the eighteenth century, reaching an average of 10.2 million *pesos* a year in the 1720s, before surging forward again to 13 million *pesos* a year in the 1750s; a slight

fall in the 1760s (average production 11.9 million *pesos*) was reversed in the 1770s, when production rose to 17.2 million *pesos* a year. Thereafter, the spectacular increase continued, with production reaching 19.4 million *pesos* a year in the 1780s and 23.1 million in the 1790s, a level maintained in the first decade of the nineteenth century (22.7 million *pesos* a year), before the onset of insurgency in 1810 caused a severe drop to an average of 9.4 million *pesos* a year (the lowest figure recorded since 1715–19) in 1810–14. In the peak year of 1804, registered production in New Spain reached its highest ever level—27 million *pesos* (two-thirds of all American production)—and by this date the single Mexican centre of Guanajuato (admittedly the most important), located to the north-west of the viceregal capital, was producing almost as much silver as the viceroyalties of Peru and the Río de la Plata combined. It was followed, in descending order of importance, by Catorce, where average production reached almost four million *pesos* a year, Zacatecas (almost three million) and Real del Monte.

In South America, the trend of mining production in the eighteenth century was less spectacular, but still firmly in the direction of a significant increase in output. As we have already seen, total Peruvian production, including that of Upper Peru, had declined from an average of 6.4 million *pesos* a year in the mid-seventeenth century to four million *pesos* in 1700, primarily because of technical and labour difficulties at the most important mining centre, Potosí, which was responsible for about 50 per cent of total production. It continued to decline until the 1720s (whereas that of New Spain doubled in the same period) to an average of approximately 3.5 million *pesos* a year, before beginning a steady increase in output to a high point of 10 million *pesos* a year by the end of the century. By this latter period production in Potosí had returned to the levels of the 1650s—an average of about three million *pesos* a year—but this legendary centre was being challenged as the major producer in South America by the central Peruvian centre of Cerro de Pasco, where, thanks to both private investment and that of the mining tribunal, production reached record levels in the 1790s and remained high in the first decade of the nineteenth century, attaining a peak of 2.7 million *pesos* in 1804 (slightly more, as already noted, than production at Potosí in the same year).

Total Spanish American bullion production increased four-fold, therefore, in the course of the eighteenth century, with New Spain

achieving an overall increase of almost 600 per cent, and Peru (including Upper Peru) a more modest but still substantial increase of 250 per cent. As we have seen, the bulk of the late-eighteenth-century production—over 20 million *pesos* a year, that is about 62 per cent of total production—continued to be remitted to Spain, the balance being consumed within the American economic system.⁴³

Determining the precise significance of these trends for the economic history of Spain and America in the eighteenth century has become somewhat controversial, in the light of the repeated observation by some scholars—notably Richard Garner and John Coatsworth—that the most striking period of growth in mining output in New Spain occurred not at the end of the eighteenth century, but in its first quarter, when production grew at an average rate of 3.2 per cent per year. Although Coatsworth recognises that the rate of increase in the period 1785–95 was slightly higher (3.3 per cent), he argues that the ‘boom’ of the eighteenth century should be seen in terms of a series of spasmodic leaps forward—in 1700–1725, the 1740s, the 1770s, and the 1790s, with much more modest increases (and in the 1730s even a slight decrease) in the intervening periods. He argues, moreover, albeit unconvincingly, that the expansion was secured primarily by state support rather than by real investment, thereby paving the way for substantial decline during and after the Independence period.⁴⁴

The picture for Peru is less complex, partly because detailed data on production levels in individual centres is less readily available for the first half of the eighteenth century, and partly because once recovery began in the 1720s, it proceeded fairly steadily before surging ahead in Lower Peru in the final decades of the century. The increase of production in Lower Peru—that is the viceroyalty of Peru without Upper Peru, following the crown’s decision in 1776 to incorporate Upper Peru in the new viceroyalty of the Río de la Plata—is particularly interesting, for the unexpected loss of Potosí in 1776 suddenly deprived the old viceroyalty of 41 per cent of its registered silver production. When production at other Upper Peruvian centres—notably Oruro, Carangas and Chucuito—is taken into account, the truncated viceroyalty of Peru lost at a stroke 63 per cent of its mining production, a step which, when taken in conjunction with the formal revocation in 1778 of Callao’s theoretical monopoly of all Spanish South America’s overseas trade, understandably produced a certain pessimism about economic

prospects among the more conservative representatives of Peru's mercantile oligarchy. In fact, after an initial fall in production in the following year, 1777—to a mere 2.1 million *pesos*—output from the Lower Peruvian mines, led by Cerro de Pasco and the recently-discovered Hualgayoc, increased steadily, more than doubling—to 4.4 million *pesos* a year in 1800–11—before a decline set in as a consequence of local production problems at Cerro de Pasco and the interruption of normal economic activity arising from both insurgency and international problems. The period 1778–1811, therefore, was one of general prosperity for Peruvian mining; Potosí, by contrast, was able to maintain production at between three and four million *pesos* a year, but was unable to increase it significantly.

One of the current debates among historians who specialise in the economic history of Spanish America in the eighteenth century revolves around the issue of whether these increases in mining production—relatively modest in the case of Peru, more spectacular in that of New Spain—occurred spontaneously (that is, as a result of conscious decisions by local capitalists to respond to increasing international demand for the silver which countries like England and Holland required for their trade with Asia) or as a consequence of deliberate crown attempts to promote and protect the mining industry. The truth probably lies in a combination of both factors. In the Peruvian case, the Spanish crown had taken few positive measures before 1776 to promote silver production, beyond its decision, already noted, to reduce the *quinto*, the traditional 20 per cent tax on registered production, to the *diezmo* (10 per cent), a wise measure which, by encouraging both increased production and its registration, led to the income from this tax increasing steadily from 183,000 *pesos* in 1737 to 400,000 by 1780. After 1776, however, recognising the vital importance of silver mining to both the Peruvian and the general imperial economies, despite a growing emphasis upon the need for the development of agricultural resources, the crown made a determined effort as part of an overall strategy of imperial reform, to modernise and revitalise both the inefficient technology of the mining industry which had been allowed to develop haphazardly during the previous two centuries, and, at a different level, its organisation and judicial framework.

The decade after 1776 was devoted principally to an investigation of the state of the mining industry in Peru and the formulation of plans to reinvigorate it. The viceroyalty's *visitador general* (gen-

eral inspector), Antonio de Areche, concentrated upon attempts to improve the supply of mercury from Huancavelica, the only significant source of this essential amalgamating agent in Spanish America, while Jorge de Escobedo, his more able successor, who served as both *visitador* and head of the exchequer from 1781 until 1787, paid more attention to the need for basic structural reform, which he considered an essential preliminary to technical improvement. The fundamental features of his policy were the adaptation of the Mexican Mining Ordinances of 1783 for use in Peru, and, arising out of this, the organisation of the viceroyalty's miners into a guild, headed by a Mining Tribunal, which, from the beginning of 1787, was endowed with the basic responsibility for the future welfare of the industry.⁴⁵ The Mining Tribunal operated reasonably successfully in certain spheres, such as that of judicial administration, but it failed to improve the social standing of the majority of miners, who were generally regarded as the inferiors of merchants and bureaucrats, and it also did little to weld them into an effective pressure group. Elections in the local deputations and to the Tribunal itself were characterised by confusion, intrigue and manipulation. Successive viceroys met little resistance as they interfered with elections to the Tribunal, and, more seriously, as they cynically restricted its attempts to use its revenue for the welfare of miners as a whole. The most serious intervention in the tribunal's affairs was that of viceroy Francisco Gil, who in 1794 closed the exchange banks—*bancos de rescate*—established at the beginning of the decade to provide miners with fair, guaranteed prices for their unminted silver. Apparently his motive was to protect the business of local silver merchants—from whom the miners received less favourable prices—who had close economic ties with the merchant houses of the viceregal capital.

In the sphere of mining education there was no progress in Peru. Escobedo looked forward in the 1780s to the establishment of a mining college, as suggested in the new mining code, but a combination of official disinterest in Madrid and the stubborn reluctance of miners to consider abandoning time-honoured techniques prevented the opening of such an institution. An alternative means of improving the industry's technology was theoretically provided by the Nordenflicht mining mission. This, too, however, was a disastrous failure. Its basic difficulty was that the new amalgamation process which the Swede, Thaddeus von Norden-

flicht, and his team of German specialists were supposed to disseminate in Peru, proved, in practice, to be unsuitable for the dispersed type of industry that had developed there, primarily because in most centres miners were unwilling and/or unable to provide the heavy capital investment required for the machinery capable of accelerating the refining process by heating the various ingredients—primarily crushed silver ore and mercury—which were normally mixed and stirred for several weeks in a cold patio. With greater cooperation from the Mining Tribunal and more imaginative deployment of his German colleagues by successive viceroys, Nordenflicht might still have contributed to the improvement of mining technology in Peru, but the antipathy between him and the industry's representatives intensified the longer he remained in the viceroyalty. His mission continued officially for over 20, but only because successive ministers in Madrid literally forgot about it as the programme of imperial reform as a whole lost its impetus in the reign of Charles IV.

Despite Nordenflicht's failure to introduce modern European technology to the mining and refining of Peruvian silver ores, and the inability of the Mining Tribunal to promote mining education, the industry experienced a prolonged period of expansion in the last quarter of the eighteenth century. This impressive growth was made possible to a certain extent by an improved supply of mercury, particularly in the period after 1784. The increased demand for the commodity was met not from Huancavelica (which, after being temporarily stimulated by the closure of the old royal mine and the granting of permission for the working of other deposits around the town, gradually became increasingly unable to provide all the mercury required in Peru) but by heavy shipments from Cádiz, organised at crown expense, of Spanish mercury produced at Almadén, and the re-export of mercury obtained from Idrija (in modern Slovenia).

Supplies of mercury were never large enough to satisfy silver miners, but, in practice, there were sufficient reserves stockpiled in Peru to prevent major crises for the mining industry during the periods when warfare between Spain and England cut off supplies from the peninsula. Had reserves been greater, or Huancavelica more productive, silver production would probably have been even higher, and it undoubtedly would have been so had the crown acted before 1809 to bring the price charged for the amalgamating agent

closer to that charged in New Spain: in New Spain, the royal monopoly of mercury sold it to miners at a heavily subsidised price of 41 *pesos* a hundredweight, following José de Galvez's imaginative decision during his *visita* of the viceroyalty to cut the former price by half; in Peru, the price was reduced to 50 *pesos* in 1809, but until that date mercury was sold at 73 *pesos* a hundredweight. The crown argued that the lower price in New Spain reflected lower transport costs in shipping mercury to Veracruz from Cádiz, and, conversely, the high costs of maintaining Peruvian mercury production at Huancavelica.

Undoubtedly a major factor in New Spain's ability to maintain silver production at record levels in the late colonial period was both the availability of mercury and its relatively low cost. The crown also cut the price charged there for gunpowder, used for blasting rock, by a quarter, and increased its supply. Further concessions included the grant of tax exemptions to miners for the modernisation of old mines and new ventures. New Spain, too, received a European mining mission, led by the Spanish scientist Fausto D'Elhuyar—whose brother, Juan José, led a parallel mission to New Granada—and like Peru, indeed before the southern viceroyalty, received the institutional, legal, and corporate benefits involved in the creation of a mining guild, headed by a Mining Tribunal, and operating within the context of an up-to-date code of mining law.⁴⁶ This process of institutional reform, which culminated in 1792 with the founding of a mining college to both house the Tribunal and provide mineralogical instruction, had begun 30 years earlier with the publication in 1761 of Francisco Xavier de Gamboa's *Comentarios a las ordenanzas de minas*. This seminal work, which explained existing legislation and made constructive proposals for the stimulation of mining, made a deep impression on Gálvez, who, despite personal difficulties with Gamboa, returned to Madrid from his *visita general* of New Spain convinced that the Mexican mining industry was in need of basic institutional reform to give it prestige and authority. Specific proposals on how this might be achieved were put forward in 1774 by representatives of the mining districts of Bolaños and Sultepec, who suggested the creation of a mining guild, headed by a Mining Tribunal, in the capital and with local deputations in the main mining centres. They envisaged that the Tribunal would raise capital for investment in the industry and to support a technical college by means of a levy of one *real* on every

mark of silver registered in the viceroyalty. When Gálvez became Minister of the Indies in 1776 he accepted the plan almost in its entirety, and he instructed the viceroy to summon delegates from the main mining centres to form the Tribunal. The innovation was formally approved by the crown in 1777, and the Tribunal embarked almost immediately upon its first major task, the drawing up of the new mining code, which was to receive royal assent in 1783.

Attempting to evaluate with any precision the relationship between institutional changes, other crown measures, and the increase in silver production in late colonial New Spain and Peru is an impossible task. In Peru, there is clear evidence that the decision of the Mining Tribunal in 1796 to assume responsibility for the financing of the Yanacancha *socavón*, a major drainage tunnel at Cerro de Pasco, was a major factor in that centre's ability to maintain production at a high level. The local miners had embarked on the project at their own expense in 1794, with the intention of draining a large number of flooded pits, but work had slowed down as costs mounted. Since Cerro de Pasco had clearly emerged by this period as the most important single mining centre in Peru, accounting for over half of the viceroyalty's total production, the Tribunal agreed to use its surplus funds to help meet the estimated annual expenditure on the adit of 20,469 *pesos*. The first instalment, 15,476 *pesos*, was handed over to the local deputation in May 1797, and thereafter an annual subsidy was paid, for this project until 1811, and subsequently for a deeper adit, the Quiulacocha *socavón*, which was begun in that year. The precise amount paid out varied from year to year, according to the state of the Tribunal's finances and the rate of work at Cerro de Pasco, but until 1811 the average was in the region of 15,000 *pesos*. The total subsidy for both projects between 1797 and 1821 was 247,000 *pesos*, which represented approximately 13 per cent of the Tribunal's total expenditure on all items between 1787 and 1821.

In New Spain even more ambitious projects, although supported by the Mining Tribunal, were financed by private capital investment, such as that of the aforementioned Conde de Regla (Pedro Romero de Terreros) who was prepared to wait 20 years to benefit from the construction of a massive drainage adit constructed at the Veta Vizcaina in Real del Monte. More impressive still was the massive investment—over one million *pesos*—in the Valenciana mine at Guanajuato, where by the 1790s over 3,000 workers were

employed. This was the essential difference between Peru and New Spain: in the former, a cautious and introspective mercantile community, although aware of the commercial benefits of mining development, was interested primarily in small-scale, short-term investment. In New Spain, by contrast, with its expanding population and its dynamic internal economy, far-sighted merchant capitalists were sufficiently rich and astute to realise that with the relative liberalisation of trade, and, thus, the end of the monopoly of the old merchant guild of Mexico, the greatest profits in the late eighteenth century were to be found in the mining sector.

NOTES

1 The source for this chapter, as for Chapter 9, unless otherwise stated, is Fisher, *Commercial Relations*.

2 They also demonstrate the superficiality of any attempt to measure commercial activity simply by counting the number of ships.

3 Three of the nine arrivals in 1797 beat the blockade by unloading their cargoes in minor ports (Ayamonte, Algeciras, San Pedro), whence they were taken by small boats to Cádiz for registration.

4 For a general discussion of the post-1796 impact of warfare upon Spain's American trade, see García-Baquero, *Comercio colonial*.

5 *Ibid.*, p. 138, points out that the general approval of neutral commerce in November 1797 was preceded by a number of piecemeal permits, including that of 17 March which allowed neutral shipping to enter Havana. Although individual Cádiz merchants put pressure upon the crown for permission to charter neutral vessels, customs officials in the ports opposed the measure on the grounds that it would prejudice the interests of those Spanish merchants who were keeping their ships ready for sea in the hope that the crown would again organise a convoy system.

6 For more detailed discussion see Alonso Alvarez, *op. cit.*, and A. M. Martínez de Sánchez, 'La Coruña un puerto habilitado para el comercio a Indias (1778-1810)', *Revista del Instituto 'José Cornide' de Estudios Coruñeses*, Vols 13-14 (1977-80), pp. 137-235.

7 Further information on San Sebastián's economic and commercial links with America, both before and after 1778, is provided by M. Garate Ojanguren, *Comercio ultramarino e ilustración: la Real Compañía de La Habana* (San Sebastián: Real Sociedad Bascongada de los Amigos del País, 1993).

8 Minister Pedro de Lerena informed the Council of State in 1788 that 170,000 of the 260,000 hides imported annually into Cádiz were re-exported.

9 M. Moreno Fragnals, *The Sugarmill: The Socioeconomic Complex of Sugar in Cuba, 1760-1860* (New York: Monthly Review Press, 1976).

10 It is possible, however, to confirm from other sources what one would expect, namely that most of it was derived from Cuba's trade with Mexico. In 1789, for example, almost a third of the silver exported from Veracruz (5.9 million *pesos* out of 18.4 million) was destined for other American destinations, of which Cuba was by far the most important.

11 This 15.5 per cent consisted almost entirely of imports from ships which visited Havana en route from Veracruz to Spain.

12 Table 11 is derived from J. H. Coatsworth, 'The Mexican mining industry in the eighteenth century', in N. Jacobsen and H.-J. Puhle (eds), *The Economies of Mexico and Peru during the Late Colonial Period, 1760–1810* (Berlin: Colloquium, 1986), pp. 26–46.

13 The success of Regla was achieved in part by a harsh labour regime. See D. M. Ladd, *The Making of a Strike: Mexican Silver Workers' Struggles in Real del Monte, 1766–1775* (Lincoln: University of Nebraska Press, 1988).

14 D. A. Brading, *Miners and Merchants in Bourbon Mexico, 1763–1810* (Cambridge: Cambridge UP, 1971).

15 *Ibid.*, pp. 115–16.

16 Further discussion of internal trade networks in late-colonial New Spain (and other viceroalties) is provided by J. S. Riquer, J. C. Grosso and C. Yuste (eds.), *Circuitos mercantiles y mercados en Latinoamérica. Siglos XVII–XIX* (Mexico: Instituto de Investigaciones-UNAM, 1995).

17 J. C. Super, 'Querétaro Obrajes: industry and society in provincial Mexico, 1600–1810', *Hispanic American Historical Review*, Vol. 56 (1976), pp. 197–216.

18 *Ibid.*, p. 215.

19 Apart from size, the major difference between a *trapiche* and an *obraje* was that the latter had a *batán*, or fulling machine, for the shrinking and felting of cloth.

20 In 1787, for example, *La Luisiana* arrived in Cádiz with a cargo worth 15.1 million *reales*, of which tobacco accounted for 15 million.

21 J. Lynch, *The Spanish American Revolutions, 1808–1826* (London: Weidenfeld and Nicolson, 1973), p. 15.

22 For a good general survey see J. Ortiz de la Tabla, M. Salas de Coloma and R. J. Salvucci, 'El obraje colonial americano (Quito, Peru y Mexico)', *Anuario de Estudios Americanos*, Vol. 39 (1984), pp. 341–419.

23 *Ibid.*, p. 365.

24 Lynch, *The Spanish American Revolutions*, p. 15.

25 For further information on the economy of New Granada see A. McFarlane, 'El comercio exterior del virreinato de la Nueva Granada: conflictos en la política económica de los borbones, 1783–1789', *Anuario Colombiano de Historia Social y de la Cultura*, Vols 6–7 (1971–72), pp. 69–116.

26 J. C. Brown, *A Socioeconomic History of Argentina, 1776–1860* (Cambridge: Cambridge UP, 1979), pp. 70–72.

27 J. C. Garavaglia, 'El ritmo de la extracción de metálico desde el Río de la Plata a la península (1779–1783)', *Revista de Indias*, Vol. 36 (1976), pp. 247–68.

28 R. M. Buechler, *The Mining Society of Potosí, 1776–1810* (Ann Arbor: University Microfilms International, 1981), pp. 273–75, 289.

29 Table 12 is derived from *ibid.*, p. 31.

30 E. Tandeter, *Coercion and Market: Silver Mining in Colonial Potosí, 1692–1826* (Albuquerque: University of New Mexico Press, 1993).

31 J. R. Fisher, *Silver Mines and Silver Miners in Colonial Peru 1776–1824* (Liverpool: Centre for Latin American Studies, 1977), pp. 124–25.

32 J. R. Fisher, 'Miners, silver-merchants and capitalists in late colonial Peru', *Ibero-Amerikanisches Archiv*, Vol. 2 (1976), pp. 257–68. See, too, M. Chocano, *Comercio en Cerro de Pasco a fines de la época colonial* (Lima: Universidad Nacional Mayor de San Marcos, 1982), pp. 18–19.

33 Fisher, *Government and Society*, p. 168.

34 *Ibid.*, pp. 134–35.

35 For a general discussion of the impact of commercial reform upon the city and province of Arequipa, see K. W. Brown, *Bourbons and Brandy: Imperial Reform in Eighteenth-Century Arequipa* (Albuquerque: University of New Mexico Press, 1986).

36 C. A. Mazzeo, *El comercio libre en el Perú: las estrategias de un comerciante criollo: José de Lavalle y Cortés, Conde de Premio Real, 1777–1815* (Lima: Pontificia Universidad Católica del Perú, 1994).

37 Fisher, *Government and Society*, p. 135.

38 M. Moscoco, 'Apuntes para la historia de la industria textil en el Cusco colonial', *Revista Universitaria*, Vols 51–52 (1965), pp. 67–94; M. Mörner, *Notas sobre el comercio y los comerciantes del Cusco desde fines de la colonia hasta 1930* (Lima: Instituto de Estudios Peruanos, 1979), p. 7.

39 F. Silva Santisteban, *Los obrajes en el virreinato del Perú* (Lima: Museo Nacional de Historia, 1964), pp. 151–52.

40 I. de Castro, *Relación del Cuzco*, ed. C. D. Valcarcel (Lima: Universidad Nacional Mayor de San Marcos, 1978), p. 60.

41 M. Salas de Coloma, 'Los obrajes de Huamanga en la economía centro-sur peruana a fines del siglo XVIII', *Revista del Archivo General de la Nación*, Vol. 7 (1984), pp. 119–46.

42 V. M. Barriga (ed.), *Memorias para la historia de Arequipa* (Arequipa: Biblioteca Arequipa, 3 vols, 1941–48), Vol. 1, pp. 57–58.

43 Comparative data on pre-1778 treasure remissions is provided by A. García-Baquero González, 'Las remesas de metales preciosos americanos en el siglo XVIII: una aritmética controvertida', *Hispania*, Vol. 56 (1996), pp. 203–66.

44 Coatsworth, *op. cit.*, p. 27. The argument that the mining boom came at the beginning, not the end, of the eighteenth century, is articulated in R. L. Garner, 'Silver production and entrepreneurship in eighteenth-century Mexico', *Jahrbuch für Geschichte von Staat, Wirtschaft und Gesellschaft Lateinamerikas*, Vol. 17 (1980), pp. 157–85.

45 A solid institutional history of the tribunal is provided by M. Molina Martínez, *El real tribunal de minería de Lima (1785–1821)* (Seville: Diputación Provincial, 1986). See, too, Fisher, *Silver Mines and Silver Miners*, pp. 31–53.

46 The history of the Mexican tribunal is given comprehensive treatment in W. Howe, *The Mining Guild of New Spain and its Tribunal General 1770–1821* (Cambridge: Mass.: Harvard UP, 1949).

CHAPTER 11

Economic Relations Between Spain and America on the Eve of the Revolutions for Independence

ECONOMIC GROWTH IN THE LATE EIGHTEENTH CENTURY

As the detailed discussion in Chapter 10 has indicated, the last quarter of the eighteenth century was an era of unprecedented prosperity and economic growth for Spain and Spanish America, a period in which for the first time the metropolis succeeded in unleashing the agricultural potential of its American possessions, whilst also promoting the continued expansion of mining production. The relationship between this economic growth and the liberalisation of trade is abundantly clear. It must be recognised, however, that the era of genuine 'free trade' in the Hispanic world as envisaged by the economic theorists of Bourbon Spain was short-lived. It was introduced hesitantly, like so many other aspects of the reform programme of Charles III in the 1760s, as part of the reconstruction of imperial policy which followed Spain's humiliation at the hands of Britain in the Seven Years' War; it collapsed in 1797, an early casualty of Spain's alliance with revolutionary France, with the introduction of neutral commerce as a desperate expedient to maintain some imperial trade in the face of the British blockade of the Atlantic ports. The intervening Anglo-Spanish war of 1779–83, the only one of the three international conflicts from which Spain emerged as a victor, did less permanent damage to commercial relations between Spain and America than that which began in 1796, but, by paralysing trade for three years, it did frustrate the expansionist aims enshrined in the 1778 *reglamento* of 'free trade'. Even when the conflict ended in 1783, and merchants

became genuinely free for the first time since early 1779 to organise their trade with America in response to purely commercial considerations, restrictions remained upon the application to Venezuela and New Spain of the 1778 legislation. These restrictions remained in force, at least in theory, until 1789, thereby limiting the period of full, empire-wide 'free trade' to less than a decade. In practice, however, they tended to be cumbersome irritants rather than major obstacles to trade with the excluded regions, and the historian is justified in regarding the coherent chronological framework for the analysis of the impact of 'free trade' upon the commercial relations between Spain and America as not 1789–96, but that extending from 1782, when trade began to recover from the collapse of 1779–81, to 1796.

During this period, 1782–96, as we have seen, 'free trade' promoted a massive expansion in the value of exports from Spain to America. The rise was uneven, partly because of commercial and economic factors, partly because of the effects of the 1793–95 war between Spain and France, but the average annual value of exports, expressed in terms of constant prices, was four times higher than in 1778. The share of registered Spanish products in these exports rose from a minority share of 38 per cent in 1778 to an average of 52 per cent in 1782–96, thereby fulfilling in part the hope of the commercial reformers that freer trade with America would stimulate production in Spain and reduce the reliance upon foreign suppliers of merchants exporting to America. There is considerable evidence, however, for concluding that agricultural producers were more responsive than industrialists to the wider opportunities in the American market offered in 1778 by the introduction of 'free trade'. Commercial reform thus failed in its prime aim of promoting a significant alteration in the structure of the peninsular economy by means of an industrial regeneration. Instead it consolidated the traditional pattern, whereby Spain supplied the American market from its own production with wines, spirits and agricultural goods, but continued, despite some industrial growth in this period, to meet a substantial part of colonial demand for manufactures by re-exporting foreign products. What domestic industrial growth there was tended to be reflected in the trade of Barcelona, which, with a little under 10 per cent of total exports, was the second-placed port for the export of goods to America. It was followed, in descending order of importance, by Málaga, Santander and La Coruña, which

between them had a further 11 per cent of the export trade, and whose local economies benefited quite considerably from the opening of trade in 1778. The dominant port, with 76 per cent of total exports in 1782–96, was Cádiz, which continued to act as the channel to America for the bulk of foreign manufactures, the products of the traditional industries of Castile, and the wines and agricultural goods of Andalusia. An examination of the destinations of the exports shipped to America from Cádiz confirms that New Spain was the most important market in the empire, for 35 per cent of the goods went to Veracruz. Pacific destinations, mainly Callao, were in second place with 22 per cent, and the Río de la Plata and Venezuela were of equal importance, with 10.8 per cent and 10.1 per cent respectively. These findings on exports suggest that, although ‘free trade’ did succeed in developing the economic and commercial potential of hitherto neglected areas, it did so within a framework of general expansion rather than by undermining the commercial activities of the viceroalties of Peru and New Spain. This point emerges more clearly, and with some qualification in the case of Peru, from the examination of the American response to the introduction of ‘free trade’, as reflected in imperial exports to Spain in 1782–96.

Although impressive in relation to the low level of trade established by 1778, the four-fold expansion in exports from Spain to America in 1782–96 may be considered modest in the context of the potential for growth in Spanish America and the actual economic growth achieved in this period by Britain, Spain’s principal territorial and commercial rival in the Americas. There are no such reservations arising from an analysis of the much more spectacular results of the new commercial system for Spanish-American exports to Spain. In 1782–96 their average value was more than 10 times greater than in 1778. An overwhelming 84 per cent of them were landed in Cádiz for distribution throughout Spain and to the rest of Europe. Barcelona, which is sometimes wrongly depicted as a major beneficiary of ‘free trade’, came a poor third behind La Coruña, with a mere 3.8 per cent. An examination of the commodities imported into Cádiz and Barcelona confirms the success of ‘free trade’ in promoting the exploitation of formerly neglected natural resources, for imports into Spain of tobacco, *cacao*, sugar, cochineal, indigo, hides, and other agricultural products accounted for 44 per cent of the total. They continued to be overshadowed, never-

theless, by the products of the American mines, which made up the remaining 56 per cent. Approximately one-quarter of the treasure imports consisted of crown revenues remitted to Spain, the bulk of them during the latter years, when the hard-pressed metropolitan treasury was making a strenuous effort to increase its profits from the empire. The viceroyalty of New Spain, as the most important producer of silver in America, was responsible for remitting no less than 36 per cent of all the imperial products imported into Spain. The major islands of the Caribbean, led by Cuba, were in second place with 23 per cent, followed by Peru (14 per cent), the Río de la Plata (12 per cent), and Venezuela (10 per cent). The traditional bulwarks of the imperial structure, New Spain and Peru, and areas of secondary importance such as Quito and the interior provinces of the Río de la Plata, paid in part for their new prosperity after 1778 with a relative decline of their domestic industries, although even the industrial sector felt some benefits from the general economic expansion of the last quarter of the eighteenth century. A clearer grievance, affecting both the old viceroyalties and the peripheral regions, was that the very success of 'free trade' encouraged the migration to America of large numbers of peninsular Spaniards, whose privileged positions in both the bureaucracy and commerce, coupled with their dynamism, enabled them to profit at the expense of creole producers and displaced local merchants.

The overall value of imperial trade fluctuated from year to year in response to both market forces and, more significantly, Spain's international relationships. Any war was bad for trade, but war with Britain was particularly so in view of the mother country's inability to protect its shipping from the British navy. The level of imports from America was high in 1796, following the temporary setback brought on in 1793–95 by the war with France, although the future of the 'free trade' system was already being brought into question by the financial repercussions of that conflict, and the crown's attempts to raise money for the coming renewal of hostilities with Britain. In May 1796, faced with an anticipated budget deficit of 200 million *reales* for the current year, the Council of State agreed that further consideration should be given to various imaginative proposals for increasing revenue put to it by Pedro Varela, the Minister of Finance.¹ One was that the merchants of Cádiz, Málaga and Seville should be offered a six-year monopoly of trade with America in return for an appropriate subsidy to the crown and

advance payment of half the duties expected to be generated by this partial return to pre-1778 restrictions; another was that Jewish merchants might be allowed to re-establish themselves in Cádiz and other ports to take advantage of the opportunities offered by trade with America, in return for creating a sinking fund for the liquidation of government bonds known as the *vales reales*. That neither scheme came to fruition was the result not of second thoughts by the cabinet but of the destruction of the bait that would have been offered to prospective monopolists and international financiers, when, in the aftermath of the Spanish declaration of war against Britain in October 1796, imperial trade was brought to a halt in 1797 by the British blockade of Cádiz. The drastic remedy, introduced in November 1797, of allowing neutral shipping to trade with America was to undermine the foundations of the 'free trade' system just as effectively as Varela's proposals had threatened to do, although the crown's desperation in 1797 to maintain imperial trade was to an extent a recognition of the success of free trade in promoting the economic growth of Spanish America. That growth appeared until 1796 to be capable of even further extension. In the years which followed, however, Spain's international difficulties were increasingly compounded by internal divisions, and it was gradually realised by Spanish Americans, first in the regions of recent economic growth, such as Venezuela and the Río de la Plata, and more slowly in the more conservative viceroyalties of New Spain and Peru, that the prospect of continuous economic growth had turned from a reality into a mirage, no longer attainable within the framework of Spanish imperialism. These themes are examined in more detail in the remainder of this chapter.

COMMERCIAL AND ECONOMIC TRENDS, 1797–1810

Spain ended the eighteenth century as it had begun it: embroiled in a major international conflict which paralysed normal commercial intercourse with its American possessions because of a prolonged English naval blockade of peninsular ports, following the orchestration by the Principe de la Paz, Manuel Godoy, of, first, the Treaty of Basle with revolutionary France in April 1795, and, second, the declaration in October 1796 of a war against Britain which was to lead to the destruction of both Spain's imperial

commercial system and, in the longer term, its American empire. During the War of the Spanish Succession the combination of contraband (ironically, with the British colonies in the Caribbean in most cases), register ships, and admission of the French to Spanish American ports had enabled the American economy to continue to function. A century later a much more complex and developed American economy was rescued from disaster by the introduction of neutral trade to the imperial commercial system in 1797. The inevitable outcome was the loosening of the commercial bonds between Spain and America and the strengthening of those between, first, Spanish America and the United States, and, economic interest being more powerful than diplomatic niceties, second, between Spanish America and Britain.

The effects of the British blockade of Cádiz imposed in April 1797 by Admiral Nelson were almost as devastating for Spanish America as they were for Spain: with the trade of Cádiz paralysed, imports into Veracruz, America's most important port, from Cádiz dropped from 6.5 million *pesos* in 1796 to a mere 520,000 *pesos* in 1797 (a fall of 92 per cent), and exports to Spain declined by 97 per cent, from 7.3 million to 238,000 *pesos*.² Other American ports suffered in similar measure, the problem being compounded in those like La Guaira and Havana which, unlike Veracruz, were exporters primarily of bulky and/or perishable agricultural produce. American consumers suffered, too, from dramatic increases in the prices of the few European goods which were landed. Faced with not just the threat but, in Havana, the reality that local officials would take direct action to permit trade with neutral shipping, the crown reluctantly decreed on 18 November 1797 that the trans-Atlantic trade between America and Spain might be undertaken in the ships of friendly nations. The requirement that, for example, United States ships should carry the silver of Veracruz and the sugar of Havana to Spanish ports and not directly to those of North America was unenforceable. American producers and Spanish merchants resident in American ports were not concerned with the destination of their exports or the origin of their imports, as long as trade recovered from the disaster of 1797. The recovery, in fact, was gradual and partial, but sufficient to mollify if not entirely satisfy Americans. Imports into Veracruz, for example, rose from 1.8 million *pesos* in 1798 to 5.5 million in 1799, and exports increased in the same years from 2.2 million to 6.3 million *pesos*.

If Spanish Americans were reasonably content with the palliative of neutral trade, the Spanish crown soon decided that it had made a grievous error, partly because, as noted, the North Americans simply ignored the requirement to bring colonial produce to Spanish ports, partly because of the pressure put upon it by the merchant guilds of Cádiz and Barcelona to withdraw the concession, and partly because, in practice, the benefits of 'neutral' trade were extended to British merchants, who, disguised as North Americans, traded with Spanish America from their bases in the Caribbean—Jamaica, Nassau and the newly-acquired Trinidad (the last of these was seized from Spain in 1797)—or under cover of whaling expeditions to the South Atlantic and the Pacific. The revocation of the grant of neutral trade on 20 April 1799 was even more damaging, however, for it demonstrated clearly that Spain had lost not only commercial but also effective political control of its American possessions: its administrators in Buenos Aires, Veracruz, Havana, Cartagena and other ports simply ignored the ban on neutral ships, arguing, with some justification, that until normal commercial contact with Cádiz was resumed, it was vital that they keep their ports open to neutrals, for the provision of, for example, military and naval supplies. In practice the Cádiz merchants were afraid to put to sea, despite the offer of naval protection, as long as war continued with the English: of the 22 ships which did sail in the year following the April 1799 revocation of neutral trade, only three reached their destinations. Despite repeating the ban on neutral trade on 18 July 1800—the repetition was a clear sign that the 1799 decree was being ignored—the crown was forced in 1801 by both commercial and fiscal necessity to grant exemptions to it for Cuba and Venezuela, and to sell special licences to merchants of a variety of nationalities—German, North American, and Spanish—to mount expeditions to Spanish America from neutral ports. It did so despite clear evidence that, for example, goods loaded in Hamburg for Spanish America were, in fact, of British manufacture, and that the American products brought back in exchange for them would often end up in British ports.

The principal direct beneficiaries of neutral trade in the period 1797–1801—apart from Spanish Americans themselves, who had succeeded, albeit in a period of relative commercial contraction caused by warfare, in securing a large measure of effective economic independence of Spain—were North American merchants. Before

1797 they had not been entirely excluded from trade with Spanish America, thanks mainly to special permission to trade with Cuba, but their participation now increased dramatically: exports from the United States to Spanish America increased by 600 per cent from 1.4 million *pesos* in 1795 to 8.4 million in 1801, and imports rose by 750 per cent from 1.7 million to 12.8 million *pesos*.³ The exports of Cádiz in 1801, by contrast, were only 50 per cent of those registered in the poor year of 1799 (and only 17 per cent of those shipped in the last normal year, 1796), and imports into Cádiz from America declined even more disastrously by 63 per cent between 1799 and 1801. Spain—and Cádiz—made a desperate attempt to recover the lost position in 1802–04, following the Peace of Amiens, which removed the scourge of a hostile British navy from the Atlantic. However, even before the formal restoration of hostilities, with the formation of the Third Coalition against Napoleon, English warships seized nearly five million *pesos* in bullion en route from Buenos Aires to Cádiz in October 1804. The Cádiz merchants first chose to stay in port, and, then, were forced to do so, as the battle of Trafalgar (21 October 1805) destroyed 23 French and Spanish warships, and gave the victorious British navy complete command of the Atlantic. Imports of American goods into Cádiz in 1805 reached only 18 per cent of the 1804 level. This virtual cessation of Spanish supply of the American market, coupled with intensified British efforts to use contraband to compensate for Napoleon's attempts to impose his 'Continental System', forced Spain once again in 1805 to allow neutral trade, this time without even the formality of the requirement that goods be returned to the metropolis. The predictable outcome may be illustrated by the example of Veracruz, which in 1807 shipped out virtually all (95 per cent) of its exports in neutral ships—over 80 per cent of them were silver—and received over 60 per cent of its imports by the same means. Similarly, Havana, by 1807, was almost entirely cut off from Spain, conducting all its trade with neutral ships, and with other colonies, both Spanish and foreign. The fact that Spain showed sufficient flexibility to allow the Cubans and others to survive commercially, albeit without Spain, meant that in practice the demand for economic emancipation was less pressing than it might have been had the metropolis adopted a rigid stance towards the question. However, the clear evidence that Spain was still incapable at the end of the eighteenth century, as in 1700, of

Table 14
Exports from Spain to America, 1796–1810
(figures in millions of reales de vellón)

<i>Year</i>	<i>Value</i>	<i>Index</i>
1796	251.9	100
1797	5.3	2
1798	33.9	13
1799	86.3	34
1800	29.8	12
1801	42.5	17
1802	351.8	140
1803	325.1	129
1804	278.2	110
1805	51.4	20
1806	25.7	10
1807	13.7	5
1808	39.1	16
1809	122.2	49
1810	130.9	52

maintaining the commercial integrity of the imperial commercial system demonstrated the vulnerability of even the most rational process of commercial and economic reforms to complications arising from international entanglements.

By the first decade of the nineteenth century, then, Spain retained political control, at least superficially, of its American possessions, but had lost economic control. This point is confirmed by Table 14, which shows the pattern of exports from Spain to America in the period from 1796. Although their value soared in the three-year period 1802–04, when they averaged 318 million *reales*, following a very low average of 39 million in the previous quinquennium, they fell again to an average of only 100 million *reales* in 1805–08.⁴ The cessation of hostilities with England in 1808, following the French invasion of Spain, allowed a second, less significant, recovery to an average of 127 million in 1809–10. Although developments thereafter lie outside the scope of this study, it is pertinent to note that internal strife in Spain between 1811 and 1814, coupled with the onset of the Revolutions for Independence in parts of Spanish America, provoked a further steep decline in the export trade to an average of only 25 million *reales* in that four-year period. From 1815, with the restoration of Ferdinand VII's authority in at

least peninsular Spain, and with the suppression of revolutionary activity in New Spain, there was a third modest recovery, with the value of exports averaging 64 million *reales* in 1815–18. Although these repeated, albeit increasingly ineffectual, spasms of recovery show that Spanish merchants had not entirely given up hope of maintaining economic relations with America, it remains true that in most cases the inhabitants of the empire had to a large degree secured economic emancipation from the metropolis before they finally obtained political freedom. What, then, was the relationship, if any, between economic grievances and the origins of the Revolutions for Independence in Spanish America? This question will be addressed in the concluding Chapter 12.

NOTES

1 Fisher, *Commercial Relations*, pp. 89–90.

2 A detailed discussion of the trade of Veracruz in this period is provided by Ortiz de la Tabla, *Comercio exterior de Veracruz*.

3 An excellent overview of this theme is provided by J. A. Barbier and A. J. Kuethe (eds), *The North American Role in the Spanish Imperial Economy 1760–1819* (Manchester: Manchester UP, 1984).

4 For more detailed discussion of Spanish exports to America from 1797, see J. R. Fisher, *Trade, War and Revolution: Exports from Spain to America 1797–1820* (Liverpool: Institute of Latin American Studies, 1992).

CHAPTER 12

Conclusion: Economic Grievances and Insurrection in Late Colonial Spanish America

THE ABDICATION OF ECONOMIC AUTHORITY

It seems appropriate that this study should conclude with some general reflections about the importance of economic causation in creating revolutionary situations in Spanish America by the early nineteenth century by discussing briefly the principal conspiracies and insurrections of the late colonial period prior to 1810, with a view to determining, first, the extent to which they were ‘revolutionary’ and, second, and more specifically, the relative importance of economic grievances in their formulation and motivation.

The point has already been made in Chapter 11 that even in the first decade of the nineteenth century, when Spain had lost effective economic control of America, the abdication of economic authority actually helped to preserve Americans’ political allegiance to the metropolis, for it satisfied, albeit in a cumbersome and inadequate way, the urgent need for producers to obtain direct access to the markets for their agricultural and mining production and to import manufactured goods directly from non-Spanish producers. This was a period in which Spanish America had already broken free from peninsular commercial control to become much more closely integrated than in the early-eighteenth century into the economic life of Europe as a whole, one complex consequence—and cause—of which was the diminishing importance of America as a source of international conflict between the great powers. Although by the late-eighteenth century Great Britain retained Canada, and major islands in the Caribbean, its diplomatic and imperial strategy after 1783 relied increasingly, perhaps as an attempt to rationalise the loss of its traditional colonies in America, upon commerce rather than conquest. France, too, remained a significant imperial power in the

Caribbean, but the impending loss of St Domingue (which finally secured actual independence as Haiti in 1804, although France did not recognise it as such until 1824), coupled with its withdrawal from Louisiana, marked in its case, too, a territorial abdication from American affairs. The fledgling United States, for its part, had not yet embarked upon the process of westwards expansion which in the 1830s and 1840s would see it gobble up enormous areas of territory bequeathed to Mexico by Spain in 1821; the new republic, like its English forbear, relied in the final decades of the eighteenth century upon commercial rather than territorial penetration of Spanish America. By 1798, let alone 1898 (when it finally became independent of Spain), Cuba had become the entrepôt for United States trade with the whole Caribbean region. In this period, therefore, Spain and Portugal were left relatively free of direct competition from the other major powers of Europe in their territorial expansion in America, and, until 1796 at least, also enjoyed some success in re-asserting their control of imperial commerce.

If the remaining international conflicts of the eighteenth century were caused to a lesser extent than the wars which preceded them by American issues, that does not mean, of course, that America did not feel their repercussions. On the contrary, the general European conflict which broke out in 1796, to continue with brief interludes until 1815, was to be fundamentally important, albeit indirectly, in creating the conditions which were to lead to the Spanish American Revolutions for Independence (1810–25), and the secession of Brazil from Portugal in 1822.

In many respects America was an observer of the world-wide conflict fought between revolutionary France and its allies on the one hand and, on the other, the various coalitions of anti-French forces put together by Britain between 1796 and 1808. After 1808, of course, Anglo-Spanish relations took yet another complex turn, following the French invasion of the Iberian peninsula, the flight of the Portuguese royal family to Brazil, the alliance between Britain and the Spanish resistance to the French, and, in due course, the despatch to the Iberian peninsula of the British forces under Arthur Wellesley (future Duke of Wellington) which, after initial setbacks, were to drive the French out of first Portugal and eventually Spain. In the meantime, of course, America was not immune from the effects of the Anglo-Spanish conflict which began in 1796, not only in the commercial sector, as we have seen, but also because of both a

massive increase in military expenditure at a time when treasury receipts were falling, and British naval attacks in the Caribbean. Although attacks on Puerto Rico were beaten off, Trinidad fell to the British, never to be returned, in 1797, and, after taking the Dutch island of Curaçao in 1798—and, subsequently, Surinam and Essequibo—British forces went on to occupy Santo Domingo in 1801. In this period there were real fears in Spain—and hopes among Spanish American revolutionaries—that Britain would use Trinidad as a base for supporting revolutionary movements in Venezuela. However, primarily because of other commitments, Britain gave only token support to the attempted invasion of Venezuela mounted in 1806 by the veteran Venezuelan revolutionary, Francisco de Miranda. Far to the south, in the Río de la Plata, a quite different scenario developed in the same year with the capture of Buenos Aires by British forces on 27 June 1806, an event which eventually confirmed statesmen in London in their view that further attempts at conquest on the mainland of America should be abandoned, and which also led directly to the seizure of control by insurgents in Buenos Aires on 25 May 1810.¹

The British invasions of the Río de la Plata in 1806–07 demonstrated quite clearly that the people of Buenos Aires, however strong their desire to trade without hindrance with the world's leading industrial producer, had absolutely no desire to exchange Spanish for British sovereignty, and it is doubtful that even an invasion proclaiming emancipation would have fared any better. At the opposite end of the continent the attacks mounted on the coast of Venezuela by Miranda in the same period were abject failures. Although his second attack succeeded in capturing the town of Coro, the local sugar planters denounced him as a heretic and a traitor, and assisted the crown authorities in driving him to refuge in the British colonies. An undoubted factor in his failure was that Coro had been convulsed a mere decade earlier by a slave revolt provoked by two free blacks, José Leonardo Chirinos and José Caridad González, who had persuaded estate workers to sack property and kill whites. Although the rising had been put down relatively easily—and with much brutality—it had raised doubts in the minds of creole dissidents, consolidated by a mutiny of the free-black militia of Maracaibo in 1799, about the possibility of securing political separation from Spain without social upheaval. Their proximity to Haiti, which Miranda made the mistake of visiting on

his way to Venezuela in 1806, provided Venezuelan creoles with an urgent reminder of the danger of preaching equality in a province containing 100,000 slaves by the end of the eighteenth century. For precisely the same reason—social conservatism—coupled, of course, with political prudence, creole property owners in La Guaira also collaborated in 1797 with the royal authorities in suppressing the radical conspiracy for an independent republic of Venezuela organised by Manuel Gual and José María España.

ANTI-FISCAL PROTESTS IN THE LATE COLONIAL PERIOD

It is self-evident that these early Venezuelan conspiracies and a number of parallel movements elsewhere did not succeed in mounting an effective challenge to Spanish authority, notwithstanding the growing conviction that the decline of Spain in Europe was denying Americans access to the prosperity that they had glimpsed in the last quarter of the eighteenth century. Why, then, is it important for the historian, first, to be aware of them and, second, to understand them? Leaving to one side the factor of intrinsic interest, the principal consideration is that it is only by studying these conspiracies that we can fully understand the context in which genuine movements for independence erupted in Caracas, Buenos Aires, and other cities in 1810. It is undeniable, of course, that these 1810 movements were the result not of long-term planning but of the Napoleonic invasion of Spain, the subsequent deposition of the Bourbon monarchy, the Spanish War of Independence, and associated events. However, the Spanish American Revolutions for Independence were essentially civil wars, fought between creoles in favour of independence and those who wished to retain the link with Spain. The fundamental point to grasp is that groups and individuals, often with common economic interests, decided how to respond to the peninsular crisis of 1808–10 partly in the light of general notions about nationalism and loyalism but primarily according to their evaluation of how best to protect their social and political interests. Above all the leaders of creole society, caught between incompetent and unpopular *peninsulares* at one extreme, and, at the other, the restless masses (whether Indian, or black, or of mixed descent) seeking social change, determined in order to

protect their lives and property to recapture the political control taken away from them by the Bourbon reformers. This—the preponderance of local and self-interest—is also the clear conclusion which emerges from an examination of the conspiracies and revolts of the late-eighteenth century, and of reactions to them.

Spanish Americans had already demonstrated a willingness to take up arms in defence of regional economic interests in the early-eighteenth century, before they felt the main thrust of the Bourbon reforms in the aftermath of the Seven Years' War. The most significant of the early movements were the rather isolated rebellion of the Paraguayan *comuneros* of 1721–35, and the more significant Venezuelan uprising against the Caracas Company of 1749–52, led by the Canary Islander Juan Francisco de León. The Venezuelan movement certainly had direct economic overtones, and it bore some similarities with later movements in two respects: first, it represented popular opposition to the increased bureaucratic control imposed in the region which was making it more difficult for its inhabitants to participate in contraband, and, second, it provided an opportunity for rich *cacao* growers to exploit lower-class discontent for the purpose of promoting their own economic and political interests. Even more significant, although it produced few casualties, was the Quito rebellion of 1765, a major urban protest triggered by the attempts of the viceroy of New Granada, Pedro Messía de la Cerda, to increase revenue by removing the administration of the *alcabala* tax and of the *aguardiente* monopoly from private individuals and putting them in the hands of royal officials. What was very important was that the proposed changes offended both the prominent landowners of Quito, who produced the sugar from which *aguardiente* was distilled, and the small householders and traders of the city's popular districts, who were particularly vulnerable to more rigorous and efficient collection of the sales tax. The outcome was, initially, a peaceful protest movement among patrician political circles, which gradually attracted support from disparate social groups to become a general rebellion against fiscal change. It did not turn into a great regional movement, similar to those that were to occur 15 years later in New Granada and Peru, but it stands out as the first overt manifestation of regional resistance to the new phase of Bourbon reformism ushered in by the fiscal needs of Charles III. It is also important to draw attention to the fact that the Quito protest of 1765 was essentially an urban

movement, which, like the much greater revolts of 1810, showed how shared economic interests and grievances were capable of uniting patricians and populace against royal government.²

The revolts which broke out 15 years later in New Granada and Peru shared many of the characteristics of the Quito rebellion of 1765, although it is important to distinguish between them, and to avoid the temptation to see them as part of a general conspiracy. Their context was the Anglo-Spanish war of 1779–83 (the War of United States Independence), which led the crown to demand greater fiscal surpluses from the *visitadores generales* despatched to Peru and New Granada to undertake general restructuring of exchequer and judicial administration. In Peru violent opposition to fiscal change erupted in the southern city of Arequipa in January 1780, and spread rapidly to Huaráz, Cerro de Pasco, La Paz, Cochabamba, and Cuzco. The most important was the Arequipa revolt which brought together patricians and townspeople to attack and destroy the newly-established customs house on 14 January, in protest at the insensitive attempts of its administrator, Juan Bautista Pando, to increase the *alcabala* by two per cent, impose new taxes on *aguardiente* production, and generally to tax social groups and commodities which had hitherto been exempt from fiscal impositions. Many individuals of mixed descent in the city were also outraged by a decree of the *visitador general*, Antonio de Areche, of 16 November 1779, ordering that *mestizos* and *cholos* be registered along with Indians as tributaries. However, the local elite was soon made aware of the dangers as well as the advantages of mobilising the masses, for, in the days which followed the destruction of the customs house, mobs in neighbouring villages turned their attention to the *corregidor*, his business associates, and established society in general. The *corregidor*'s house was sacked on 15 January, and the gaol was attacked and prisoners released on the following day. At this many of the patricians who had secretly supported the attack on Pando took refuge in Arequipa's convents and monasteries, while their braver members hastily assembled two militia companies first to beat off an attack on the city, and then to undertake a punitive expedition against the Indians, *mestizos* and other castes assembled in the nearby Pampa of Miraflores. Hundreds of prisoners were taken, and 11 of them were hung in the centre of Arequipa on 17–18 January 1780, before the disturbances subsided. In the long term the Arequipa revolt demonstrated the vulnerability of

Spanish control to a cross-class alliance, but it also made it clear that such an alliance could not easily be sustained in the face of drastic racial and social inequalities in American society. Nevertheless, like the Quito rebellion of 1765, it reminded the crown of the limits to its practical authority, even in the age of the intensification of absolutism.³

Ten months later, on 9 November 1780, the *mestizo cacique* of the southern Peruvian community of Tinta, José Gabriel Túpac Amaru, initiated the greatest protest movement in Spanish America before 1810 by arresting and subsequently hanging the *corregidor* of Tinta, Antonio Arriaga. Peruvian historians have tended to argue that the Túpac Amaru rebellion represents a continuation of the urban protests already referred to, and thus provides evidence of a multiracial resistance of Peruvians against Spanish rule.⁴ This interpretation has some justification, for there is clear evidence that creole dissidents in the highland city of Cuzco attempted, like their counterparts in Arequipa, to exploit and manipulate indigenous discontent against maladministration by the *corregidores* and their subordinates to frighten the *visitador* into relaxing his programme of fiscal innovation. However, creole support for Túpac Amaru rapidly evaporated as his call for the abolition of the *repartimiento*, the removal of the *corregidores*, the end of *mita* service at Potosí, and the creation of an *audiencia* (high court) in Cuzco drew many thousands of Indians in southern Peru and Upper Peru into a mass insurrection characterised by the massacre of Spaniards, the destruction of *obrajes* and a general onslaught on property and established society. Túpac Amaru himself and members of his immediate family were executed in Cuzco in May 1781, but the rebellion flared up again as returning *corregidores* tried to re-impose the *repartimiento* system. Although the conventional estimate that the movement cost 100,000 lives, before being finally repressed by troops sent to the southern highlands from the coast, is undoubtedly exaggerated, the rebellion was an awful reminder to Peru's creole inhabitants that even a repressive Spanish regime would be preferable to the risk of racial anarchy which a bid for independence might bring in its train. That is not to say that Túpac Amaru was necessarily seeking the separation of Peru from Spain. The reality is that his declarations about his ultimate political aims were ambiguous, ranging from the traditional loyalist claim to having risen up on the king's behalf to rid Peru of bad government ('Long live the

King! Death to the bad government!') to appeals for all Peruvians to unite against the *peninsulares*.

The Túpac Amaru rebellion possessed the potential to turn into a genuine movement for Peruvian independence, but it was prevented from fulfilling this promise because of the implacable opposition of the vast majority of Peruvian creoles to its social and racial implications. The Spanish crown and its representatives in Peru, for their part, adopted a dual response: a brutal repression in 1780–83, but followed by a determination in 1784 to accelerate the process of administrative reform—the principal features of which were the reform of local government by replacing *corregidores* with intendants, the confirmation of the abolition of the *repartimiento*, and the installation of an *audiencia* in Cuzco—which, it believed, would eradicate the social and political abuses which had provoked the rebellion. There is absolutely no doubt that the memory of the rebellion of the Túpac Amaru rising in Lima and its environs was a key factor in guaranteeing creole support for the royalist cause during the independence period of the early nineteenth century. In Cuzco, by contrast, Indians and creoles were to join together in 1814 in a bid for Peruvian independence which would have elevated Cuzco to the status of capital of Peru. In this part of Spanish America in 1814, as in 1780, Peruvian nationalism was a subsidiary factor. Social and racial alliances and rivalries, along with regionalism, determined political attitudes; these socio-racial and local issues were much more significant than allegiance to either nationalism or imperialism, and generalised economic grievances.

The *comunero* rebellion which broke out in New Granada in March 1781, four months after Túpac Amaru took up arms in Peru, may have been inspired by his example—its *mulatto* leader José Antonio Galán was referred to subsequently as 'the Túpac Amaru of our kingdom' by former collaborators anxious to distance themselves from him when he refused to compromise with the royal authorities—but it really falls somewhere between the Quito and Arequipa urban risings and the mass movement in southern Peru.⁵ The protest was not a movement for independence, but a widespread movement of resistance against the harsh fiscal innovations imposed in New Granada by the regent and *visitador general* Juan Francisco Gutiérrez de Piñeres, who, instead of bargaining and compromising, as crown officials had traditionally done in New Granada, increased without consultation the rate of *alcabala*, re-organised the tobacco

and *aguardiente* monopolies, and began to eradicate the uncontrolled production of tobacco by small farmers. Popular protest erupted in Socorro on 16 March 1781, and culminated in June in a confrontation between thousands of armed protestors—*comuneros*—and the archbishop of Santa Fé, Antonio Caballero y Góngora at Zipaquirá, a mere day's march from the viceregal capital. At Zipaquirá the *hacendado* Francisco Berbeo, and other middle-sector creoles who had managed to wrest control of the movement from its more radical organisers, agreed with Caballero y Góngora to return to Socorro and lay down their arms, in return for his promise to suppress the recently-established tobacco monopoly, restore the *alcabala* to its old level, provide greater access to office for Americans, and other concessions. One of these promises was immediately realised by Berbeo's appointment as *corregidor* of Socorro. Again, the hopes of the masses for significant social improvement were realised to only a small degree as the creoles who had taken control of their movement abandoned them. Galán, who refused to accept the Zipaquirá capitulations, was hunted down and brutally executed by his former associates.

What was the long-term significance of the late colonial protests against the intensification of absolutism in America in the eighteenth century? Clearly, they were not direct antecedents of independence, for only the Túpac Amaru rebellion possessed even the germ of the goal of ending Spanish rule in America. However, they did succeed in drawing attention to, perhaps even exaggerating, the contrast between the late-eighteenth century, when centralisation, heavy taxation, and authoritarianism had become the norms, and an earlier, idealised period when taxes had been evaded and the consent of the governed had been essential before significant innovations were made to administrative and fiscal structures. The feelings of incipient nationalism engendered by collective action against the new absolutism affected, it is clear, only a minority of the creole elite whose support would be crucial for any decisive attempt to break with Spain—very few of them followed the examples set in the 1790s by Pedro Fermín de Vargas, *corregidor* of Zipaquirá, the Santa Fe intellectual Antono Nariño, and the Quito doctor Francisco Javier Espejo, all of whom made clear their sympathy for revolutionary propaganda, if not, in most cases, for revolution itself—but they helped create the climate of sullen acceptance of absolutism, which would make the Revolutions for Independence acceptable when, in

1810, events in Spain made them possible. In this context, the growing economic uncertainties of the period 1797–1810 were certainly a subsidiary factor in creating a crisis of confidence in Spain's ability to maintain—or to be more precise, restore—the relative prosperity of the late-eighteenth century. Of course, the nature of the civil wars fought in Spanish America from 1810 between those Americans who wanted independence and those who wished to retain their links with Spain was such that in most parts of Spanish America the vestiges of the material progress of the late-eighteenth century had been swept away by 1825 by:

the direct destruction of material wealth . . . and . . . a far more widespread destruction to which the inundated silver mines of Mexico, the abandoned haciendas of the Peruvian coast and the remoter corners of Venezuela, and the chronic state of hunger and civil war in certain areas of the Río de la Plata all bore witness.⁶

That, however, is another story.

NOTES

1 A recent article concludes that, although Britain initially entertained the project of sending troops to conquer Chile, the failure of the River Plate venture 'cured the British of the delusion that South America was a fruitful imperialist field': J. D. Grainger, 'The Navy in the River Plate, 1806–08', *The Mariner's Mirror*, Vol. 81 (1995), pp. 287–99.

2 An outstanding analysis of the Quito revolt is provided by A. McFarlane, 'The Rebellion of the Barrios: Urban Insurrection in Bourbon Quito', *Hispanic American Historical Review*, Vol. 69 (1989), pp. 283–330.

3 A detailed account of the Arequipa disturbances is provided by D. P. Cahill, 'Taxonomy of a colonial "riot": the Arequipa disturbances of 1780', in Fisher, Kuethe and McFarlane (eds), *op. cit.*, pp. 255–91.

4 For a general survey of the fiscal background to this and other protest movements in eighteenth-century Peru, see S. O'Phelan Godoy, *Rebellions and Revolts in Eighteenth-Century Peru and Upper Peru* (Cologne: Bohlau Verlag, 1985).

5 The best account of the rebellion is provided by J. L. Phelan, *The People and the King: The Comunero Rebellion in Colombia, 1781* (Madison: University of Wisconsin Press, 1978).

6 T. Halperin Donghi, *The Aftermath of Revolution in Latin America* (New York: Harper and Row, 1973), p. 1.

Appendix: Spanish Monarchs

1474–1504 Isabella of Castile
1479–1516 Ferdinand of Aragon

Hapsburg dynasty

1516–1556 Charles I (Emperor Charles V)
1556–1598 Philip II
1598–1621 Philip III
1621–1665 Philip IV
1665–1700 Charles II

Bourbon dynasty

1700–1746 Philip V
1746–1750 Ferdinand VI
1759–1788 Charles III
1788–1808 Charles IV
1808–1833 Ferdinand VII

Glossary of Spanish Terms

<i>Aguardiente</i>	spirituous liquor; brandy
<i>Alcabala</i>	sales tax
<i>Arancel</i>	tariff of customs duties
<i>Armada</i>	naval squadron
<i>Armada de Barlovento</i>	Spanish naval squadron in Caribbean
<i>Armada del Mar del sur</i>	Spanish naval squadron in Pacific
<i>Arroba</i>	weight of 25 pounds (11.5 kg)
<i>Asiento</i>	contract
<i>Asiento de negros</i>	contract for supplying slaves
<i>Audiencia</i>	highest judicial tribunal in a kingdom, also endowed with administrative powers
<i>Avería</i>	tax on shipping, notionally to pay for naval protection
<i>Aviador</i>	supplier of goods and credit to miners in return for unminted bullion
<i>Aviso</i>	despatch-boat
<i>Azoguero</i>	owner of silver-refining plant; amalgamator
<i>Bandeirante</i>	frontiersman; pathfinder
<i>Cacao</i>	cacao-tree; chocolate-nut
<i>Cacique</i>	indigenous community leader; chieftain
<i>Carrera de las Indias</i>	'the Indies run'; trade between Spain and Spanish America
<i>Casa de la Contratación</i>	'House of Trade'; regulatory body in Seville for control of trade with America
<i>Cascarilla</i>	Peruvian bark; Jesuit bark; source of quinine
<i>Cassava</i>	tropical plant with starchy roots from which tapioca is obtained
<i>Cholo</i>	offspring of white-Indian union; 'civilised' Indian
<i>Cinchona</i>	wild forest tree from which <i>cascarilla</i> is obtained
<i>Coca</i>	leaf of <i>coca</i> bush; source of cocaine
<i>Comunero</i>	commoner
<i>Consulado</i>	incorporated merchant guild
<i>Corregidor</i>	district officer; provincial governor
<i>Cruzado</i>	Portuguese gold coin
<i>Curare</i>	poisonous substance extracted from tropical plants, used medically to obtain muscular relaxation
<i>Encomienda</i>	grant of tribute or labour from indigenous inhabitants of a specified territory

<i>Fanega</i>	grain measure (about 1.5 bushels)
<i>Flota</i>	fleet of merchant ships; fleet despatched from Spain to Gulf of Mexico
<i>Galeones</i>	fleet despatched from Spain to Cartagena/Isthmus of Panama
<i>Guayra</i>	small oven used for smelting silver ore
<i>Hacendado</i>	owner of a <i>hacienda</i>
<i>Hacienda</i>	landed property
<i>Indiana</i>	printed calico cloth
<i>Llanos</i>	plains/grasslands of southern Venezuela and eastern Colombia
<i>Manzanilla</i>	light, dry sherry wine (from Sanlúcar de Barrameda)
<i>Maravedí</i>	small currency unit (272 = 1 <i>peso</i>)
<i>Mestizo</i>	offspring of Indian-white union
<i>Mita</i>	forced labour recruitment of Indians on rotation basis
<i>Mulatto</i>	offspring of white-black union
<i>Obraje</i>	manufactory of woollen cloth
<i>Palmeo</i>	tax on merchandise based on cubic capacity
<i>Pampas</i>	temperate grasslands of southern South America
<i>Peninsular</i>	European Spaniard
<i>Peso</i>	unit of currency consisting of eight <i>reales</i> ; 'piece-of-eight'
<i>Quinto</i>	one-fifth; duty of 20 per cent on registered American bullion
<i>Reducción</i>	settlement of Indians converted to Christianity
<i>Reglamento</i>	regulations
<i>Repartimiento</i>	forced sale of merchandise to Indian communities by <i>corregidor</i>
<i>Socavón</i>	adit; drainage tunnel for a mine
<i>Testaferro</i>	'man of straw'; figurehead
<i>Tierra firme</i>	northern coast of South America
<i>Tocuyo</i>	coarse canvas cloth
<i>Trapiche</i>	textile workshop
<i>Vicuña</i>	small Andean mammal (related to llama and alpaca), with very fine silky wool
<i>Visita</i>	examination; inspection
<i>Visitador</i>	inspector
<i>Visitador general</i>	official appointed by crown to undertake a general inspection of a kingdom or viceroyalty
<i>Yerba</i>	Paraguayan tea

Bibliographical Essay

One of the more significant trends in international historical scholarship as a whole since the 1950s has been the integration of political history with social and economic history, a process which has involved the movement of specialists from their isolated intellectual fortresses towards at least an awareness of the indivisibility of man's past into convenient academic packages. Although most European universities—and to a lesser extent those in the Americas—continue to provide some shelter for dwindling groups of researchers concerned almost exclusively with traditional political history (the activities of kings, queens and courtiers, dynastic marriages, high-level diplomacy, and so on), the majority of political historians working upon the Modern History of Europe are now aware of the importance of economic and social causation in determining the nature of European overseas expansion in the fifteenth and sixteenth centuries. Similarly, those who continue to describe themselves as economic historians, whether in Europe or in Spanish America, have tended to move away from a preoccupation with the deeds and achievements of 'great' men, their families, and their enterprises towards a concentration upon a new economic history, without heroes and elites, perhaps even without recognisable individuals, or which identifies individual entrepreneurs and common men, if they can be isolated, as representatives of broad socioeconomic groups and forces.

The assimilation of this new economic history—which might be defined in broad terms as the study of the economic aspects of past societies, and, more specifically, as the analysis of the economic use of resources (including land, labour, and capital), movements of prices and wages, trade balances, demographic trends, and other impersonal or semi-personal forces which governed the nature and development of man in the past—has been somewhat more straightforward and natural for the historian of colonial Spanish America than for the historian of, for example, Britain, France, and even peninsular Spain, because the unique role of both the Hapsburg and Bourbon monarchies in directing overseas expansion in America, and in at least striving to determine the nature of the economic and social institutions of their overseas kingdoms, has always been evident to historians. To give but one example at this juncture, the *mita* system at Potosí, whereby conscripted Indian labour was provided by the viceregal authorities of Peru for Spanish America's most important mining centre of the Hapsburg period, was a product of not only socioeconomic forces but also the political and administrative characteristics of Spanish imperialism. Consequently any attempt to analyse the provision of compulsory labour from either a narrow economic perspective or purely in administrative terms is bound to be incomplete. In that sense, historians of colonial Spanish America have to be generalists rather than narrow specialists.

A further factor which has encouraged and facilitated the attempts of historians

of colonial Spanish America to integrate socioeconomic analysis with political and administrative history is the ubiquity and the richness of the documentation produced and conserved from almost the beginning of the colonial period in both Spanish and Spanish American archives, by an intrusive and relatively efficient bureaucracy. Although records are relatively thin (by exacting Spanish standards) for the first decade after 1492, from 1503 the *Casa de la Contratación* in Sevilla was keeping detailed records of a wide range of fiscal and commercial matters concerning America, and the process was broadened and deepened in 1519, the year of the decisive expedition of Cortés to Mexico, with the establishment by Emperor Charles V of the Council of the Indies, which kept meticulous records of its regulation of American affairs. The 40,000 boxes (*legajos*) of documents available to the historian of colonial Spanish America in the Archivo General de Indias of Seville alone provide enormously rich information upon all aspects of economic and fiscal history, including much material, such as tribute registers and reports of provincial inspections (*visitas*), which is also of fundamental importance for social historians and ethnographers. Moreover, modern scholars are also aware that these rich sources can—and should—be complemented by the use of equally valuable, although in some cases less well organised, repositories in the national and provincial archives of the various Spanish American republics. The very abundance and quality of the documentation available in Seville brings with it, of course, the danger of seeing and interpreting the complex and varied socioeconomic life of distant American provinces from the somewhat narrow, simplistic perspectives of royal administrators. European scholars—the majority of them, inevitably, Spaniards—writing about Spanish American economic history of the colonial period tended until relatively recently to fall into this trap, producing monographs which, instead of concentrating upon analysis, were heavily dependent upon descriptions (and transcriptions) of royal orders, discussions in the Council of the Indies, and reports submitted to the crown by duplicitous and/or ignorant administrators in the viceregal capitals. With a few honourable exceptions, scholars working within Spanish American universities, and often lacking the infrastructural resources necessary for extended research in Spain, tended to move to the opposite extreme by taking refuge in extreme parochialism and antiquarianism.

During the last three decades or so, fortunately, the changing intellectual climate among historians in general (in particular, the integration of economic history with other branches of the discipline), easier international travel, and more generous institutional support for the extended periods of archival research in Spanish America have combined to make students of colonial Spanish American economic history aware of the importance of complementing the 'official' documentation available in Seville (and to a lesser extent in Spanish state archives in Madrid and Simancas) with material not just in Mexico, Lima and other capital cities, but also in provincial repositories, where they have access to relatively objective data, (such as records of births, deaths and marriages; contracts, wills, and other notarial material; and the accounts of *haciendas*, *obrajes*, and convents) which are capable, particularly if analysed by sophisticated quantitative methods, of providing invaluable information on wages, prices, inflation, demographic trends, and related matters. It is now virtually out of the question, for example,

for a doctoral student in a European university working on an aspect of economic relations between Spain and Spanish America in the colonial period to produce a dissertation which is not based, at least in part, upon extended research in Spanish American archives. Until the 1960s, by contrast, the overwhelming majority of such dissertations, including those which eventually became published monographs, were grounded in research which rarely extended beyond the confines of the Archivo General de Indias.

This then is the broad historiographical context, the developing nature of which has done so much during the second half of the twentieth century to enrich our understanding of the economic (and, by extension, the social and political history) of Spanish America from the late-fifteenth century until the early-nineteenth century. It is a formidable, perhaps impossible task to try to construct within this framework a coherent bibliography out of the hundreds of books and articles that have been written in just the last few decades on Spain's economic policies and attitudes towards Spanish America, and on economic responses from and realities in its overseas kingdoms. The selection which follows of works suggested for further reference, besides being by definition a subjective list, does not pretend, of course, to be either exhaustive or comprehensive in its coverage. Moreover, although the majority of the items are recent monographs, produced within the changing scholarly environment outlined above, a few are older works of enduring importance or studies which by their nature have legitimately concentrated upon Spanish archival sources. A full bibliography of relevant works on Spanish-Spanish American economic relations in the colonial period would run to hundreds of pages. The reader who wishes to explore particular aspects of this broad theme in greater depth is encouraged, therefore, to delve into the bibliographies of the works cited below, which have been deliberately chosen to provide an introduction to the several inter-related themes discussed in this book. One further caveat is that even the simplistic, mainly chronological, divisions employed are somewhat artificial, given that many studies are of relevance to, for example, both the Hapsburg and Bourbon periods. Nevertheless, there may be some marginal utility in identifying, first, works which are truly of general relevance to this study as a whole; second, those that concentrate on the period from 1492 to *c.*1550 (Chapters 2–3); third, the period from 1550, when discovery and conquest gave way to the consolidation of imperial structures, to the end of the Hapsburg era (Chapters 4–7); and, fourth, the century or so from the installation of the Bourbon dynasty until the onset of the Revolutions for Spanish American Independence in 1810 (Chapters 8–12).

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