

The Colonial Economy

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Colonial institutions



Lecture outline

- Why did Spain and Portugal colonize the region?
- State-sponsored voyages and private conquests.
- Adaptations to pre-existing settings.
- Early conflicts between conquistadores and between conquistadores and the Crown.
- Economic trajectories. Trading routes, merchant guilds, and fiscal and state capacity.
- Bourbon Reforms and failed fiscal reforms on the eve of independence.

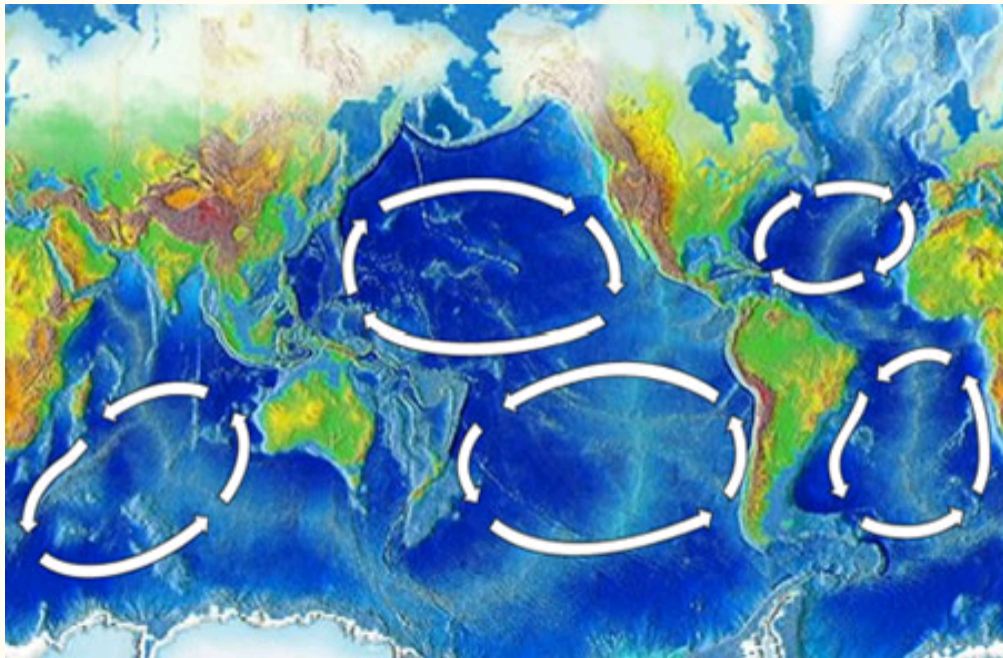
Why Spain and Portugal?

Europe in the 15th century

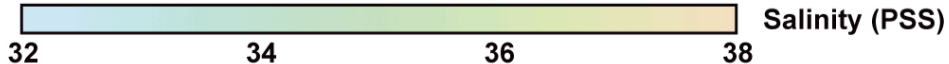
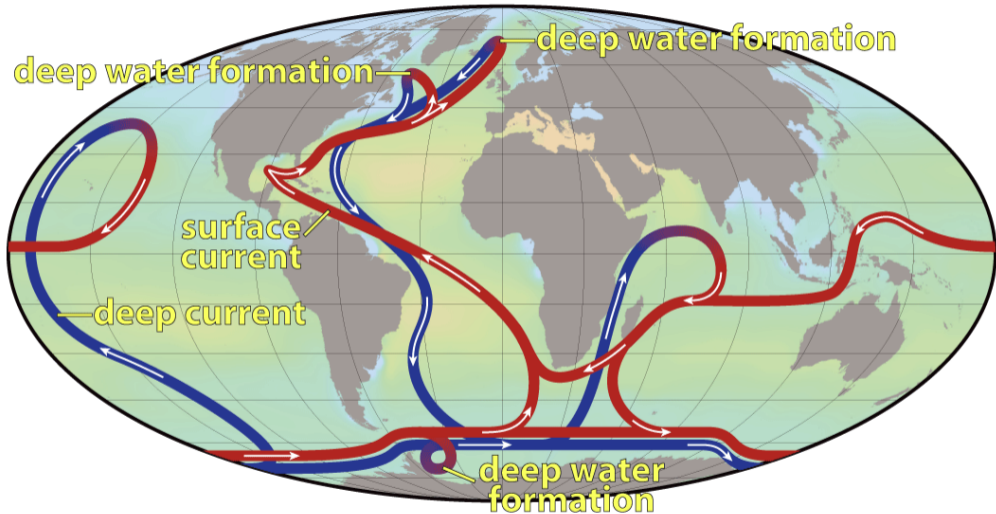


Ocean winds

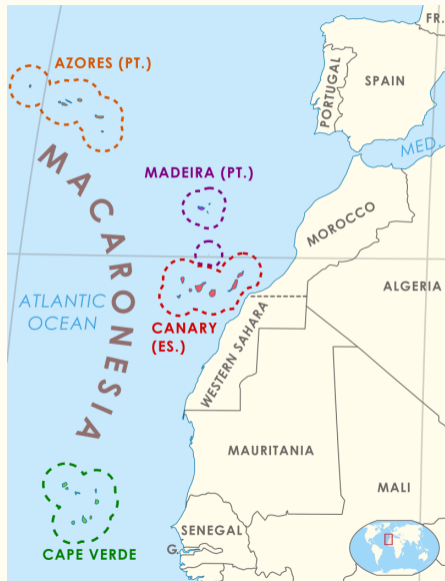




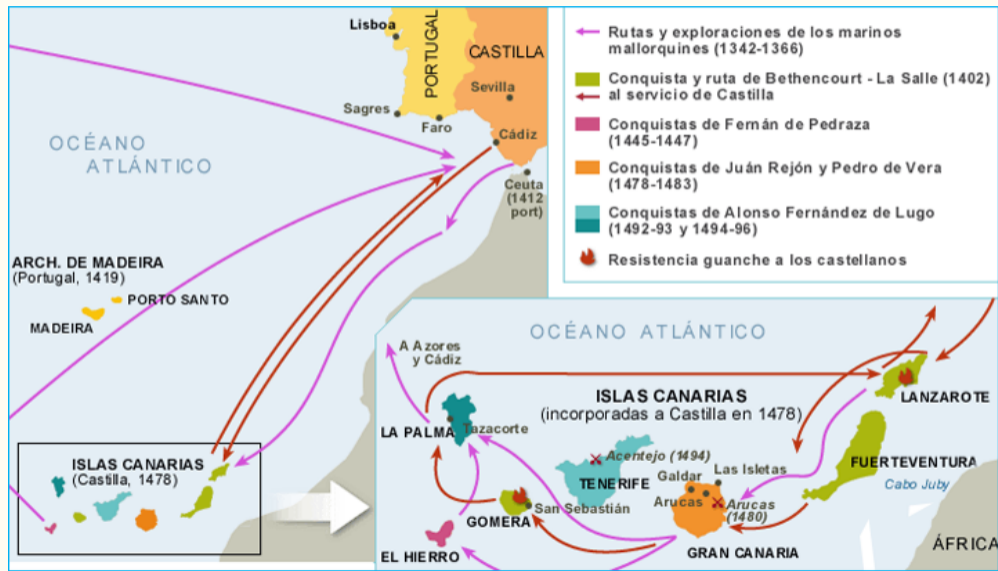
Thermohaline Circulation

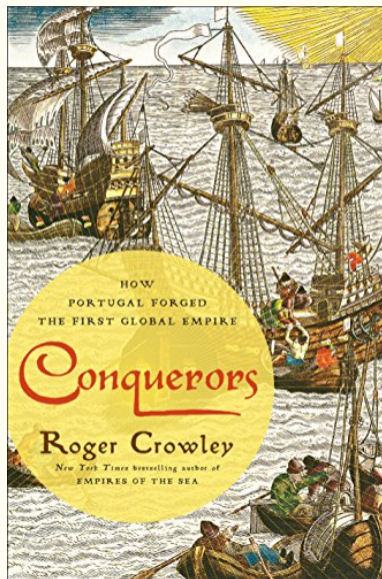
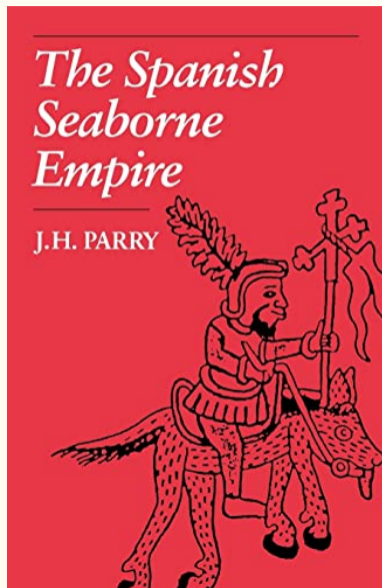


Macaronesia



Conquest of the Canary Islands





Iberian voyages

Private-public projects



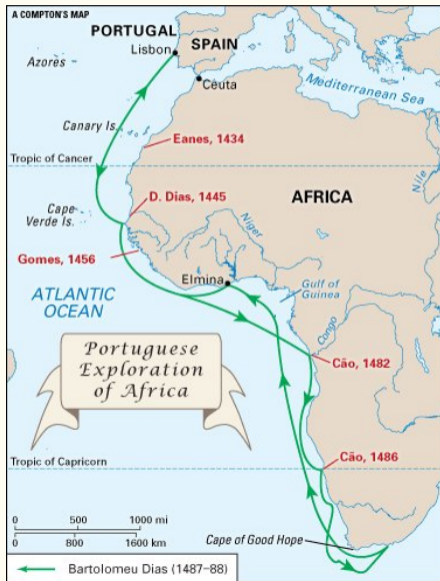
Private-public projects



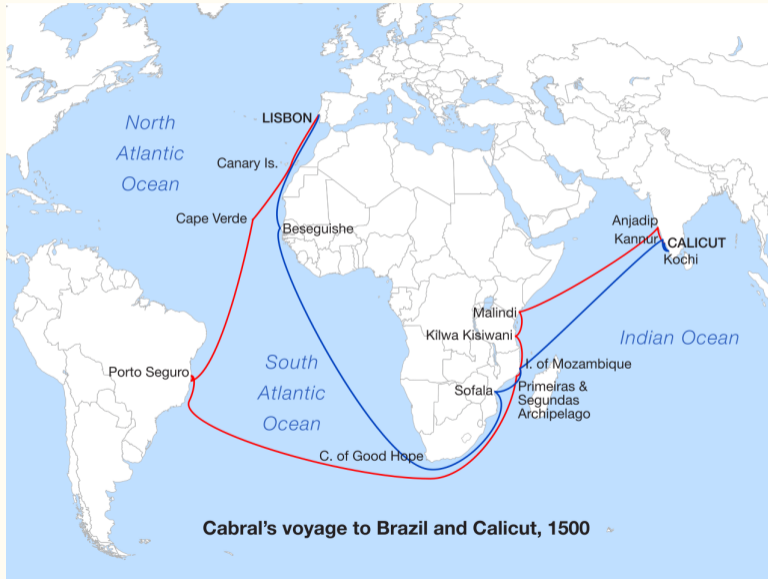
Columbus first voyage



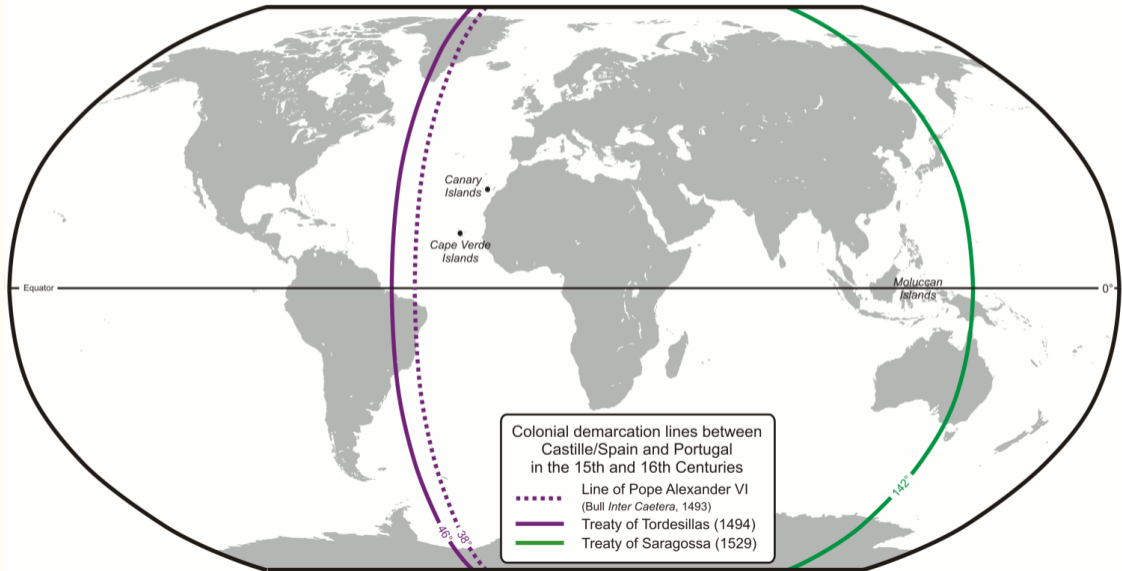
Portuguese exploration



Discovery of Brazil



The partition of the world



Conquest of the Americas

Incorporation into the Iberian monarchies

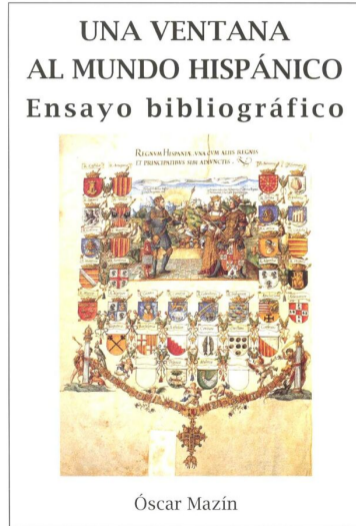
- Spain and Portugal as “composite monarchies”. H. Koenigsberger and J.H. Elliott.
- Ruled by the principle of *Aeque principaliter*.

Adeline Rucquoi, *Tierra y gobierno en la península ibérica*

The King gathers peoples and, therefore, territories, substituting their former lords with himself, with no attempt to make them one... He integrates diverse peoples who preserve their differences... He does not need to change their language, customs, or laws, but he does have an imperative duty to ensure the orthodoxy of their faith.

- Conquests must be defended based on ideas of just war.
- Contested space between indigenous people, the early conquistadores, the early missionaries, and the Crown.

Composite monarchies



Pre-Columbian America



Conquest



Conquest of the Caribbean



Caribbean conquistadores



(a) Bartolomé Colón, 1460-1514



(b) Diego de Velázquez, 1465-1524



(c) Juan Ponce de León,
1474-1521

Conquest of North America



North American conquistadores



(a) Hernán Cortés, 1485-1547



(b) Pedro de Alvarado, 1485-1541

Juan de Oñate, drawn by José Cisneros (from *Riders across the Century*, Texas Western Press, UTEP).



(c) Juan de Oñate, 1550-1626

North American conquistadores

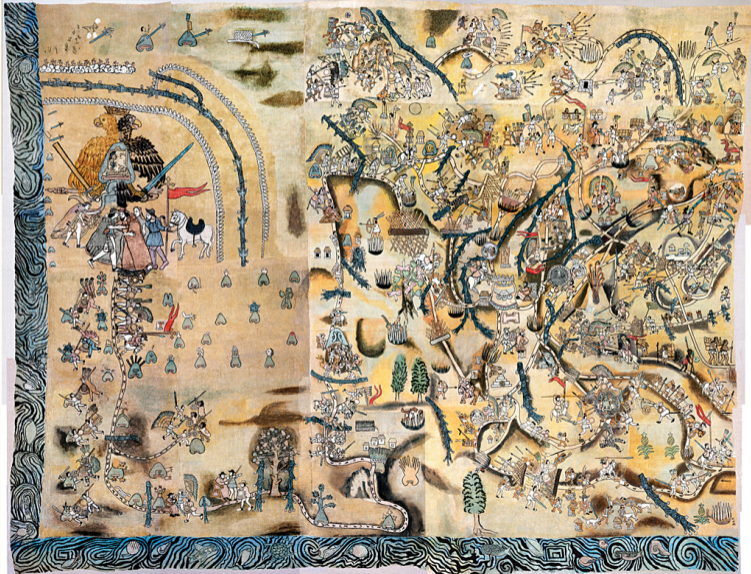


(a) Nicolás de San Luis Montañez, XV - c.1580

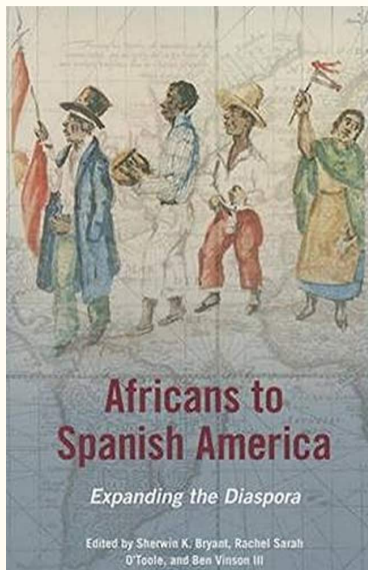
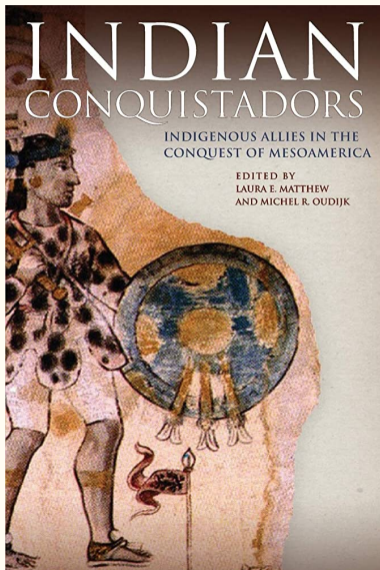


(b) Juan Garrido, 1480 - c.1550

Lienzo de Quauhquechollan



Indigenous and African conquistadores



Conquest of South America



South America conquistadores



(a) Francisco Pizarro,
1478-1541



(b) Diego de Almagro, c.1475-1538

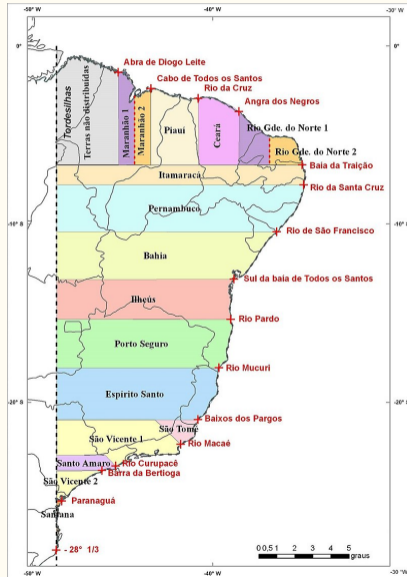


(c) Pedro de Mendoza, 1499-1537

Early gobernaciones



The Brazilian case



The aftermath: Demographic structures

Demographic collapse

- Catastrophic population decline when Europeans arrive.
- Main reason: infectious diseases.
- But also, due to forced labor and a substantial decline in the fertility rate.
- Population only recovered by the late 17th/early 18th century.
- Transition from forced labor (encomiendas o repartimientos) toward tribute paid in labor (mita) and wage labor (peonaje).

Pre-Columbian population

- Europe's population excluding Russia and Ottoman Empire: 61.6 million De Vries (2013).

Table 5.1. *Estimated native population in 1492*

Region	Estimated population in 1492	Percentage of total
North America	3,790,000	7.0
Mexico	17,174,000	31.9
Central America	5,625,000	10.4
Caribbean	3,000,000	5.6
Andes ¹	15,696,000	29.1
Amazonia ²	5,664,000	10.5
Chile and Argentina	1,900,000	3.5
Paraguay, Uruguay, and southern Brazil	1,055,000	2.0
Total	53,904,000	100.0

¹ Highlands and coast of Venezuela, Colombia, Ecuador, Peru, and Bolivia.

² Includes eastern lowlands along the eastern and southern flank of the Andes.

Source: William M. Denevan, ed., *The Native Population of the Americas in 1492*, 2nd ed. (Madison, WI, 1992), xxix.

Table 5.4. *Depopulation ratios for selected core regions of colonial Latin America*

	Region	Initial population	Population nadir	Dates	Ratio	Source
Central Mexico	Highlands	11,226,336	852,244	1532–1608	13.18:1	Cook and Borah, 1971
	Lowlands	5,645,072	217,011	1532–1608	26.02	Cook and Borah, 1971
Oaxaca	Alcaldía Mayor Villa Alta	346,900	20,800	1520–1622	16.7	Chance, 1989
Guatemala	Whole region	2,000,000	128,000	1520–1625	15.6:1	Lutz and Lovell, 1994
	Totonicapán	60,000–150,000	13,250	1520–1570/80	7.9:1	Veblen, 1977
	Cuchumatán	260,000	47,000	1520–1570/80	5.5:1	Lovell, 1981
Honduras		800,000	47,544	1520–1700	16.8	Newson, 1986
Nicaragua	Includes Nicoya	826,248	61,106	1520–1700	13.5:1	Newson, 1987
Colombia	Tunja	232,407	24,950	1537–1755	9.3:1	Friede, 1965
	Sabana de Bogotá	120,000–160,000	25,628	1537–1778	5.5:1	Villamarin and Villamarin, 1975
Ecuador	Highlands	838,600	164,529	1520–1600	5.1:1	Newson, 1995
	Coastal lowlands	546,828–571,828	26,491	1520–1600	21.1:1	Newson, 1995
Central Andes	Sierra	4,641,200	1,349,190	1520/5–1571	3.4:1	Smith, 1970
	Coast	7,498,298	129,281	1520/25–1571	58:1	Smith, 1970
Upper Peru	Central and southern regions	280,000	93,331	1530?–1683	3:1	Sánchez Albornoz, 1978

Depopulation ratios

- Source: Koch et al. (2018).

Table 3

Calculated depopulation percentages from published hemisphere-wide pre-contact population estimates and their corresponding posts-epidemics population estimates (2nd column) as well as relative to a standardized median 1600 CE population of 6 million people (3rd column).

Study	Published Depopulation Rate (%)	Standardized Depopulation Rate (%)
Klein-Goldewijk et al. (2010)	76	85
Krumhardt (2010)	90	90
Pongratz (2008a,b)	65	85
Maddison (2001)	31	70
Henige (1998)	–	85
Denevan (1992a)	90 (87–91)	89
Dobyns (1966, 1983)	96	94
Biraben (1979)	71	85
McEvedy and Jones (1977)	40	58
Durand (1977)	65	85
Clark (1967)	68	85
Rosenblat (1954)	–	55
Kroeber (1939)	–	29
This study (median)	–	90

Demographic collapse

- *Cocolitzli*, *matlazahuatl* (Nahuatl), *gucamatz* (Mayan), *rupa* (quechua).



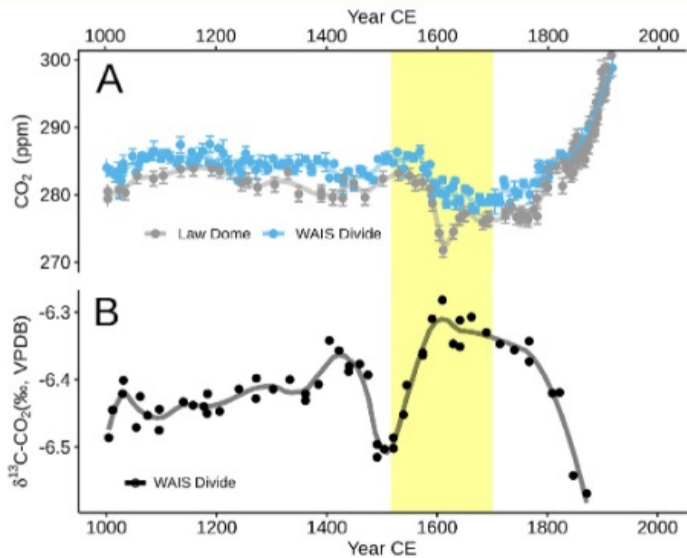
Demographic collapse

YEARS	NAHUATL	SPANISH	ENGLISH	DISEASE	OTHER
1520-21	<i>huey:zahuatl</i> — —	sarampión lepra sarna	great zahuatl — —	smallpox — mange	—
1531-32	<i>zahuatl</i> <i>zahuatl tepiton</i>	sarampión viruela	great zahuatl small zahuatl	smallpox measles	— —
1538	—	viruela	small zahuatl	alastrim	—
1545-48	<i>cocoliztli</i>	tabardillo	pestilence	?	typhus plague
1550	—	paperas	mumps	mumps	—
1559	<i>cocoliztli</i>	—	pestilence	?	—
1563-64	<i>zahuatl</i> <i>hatlatotonqui</i>	sarampión "dolores de costado"	great zahuatl —	smallpox pleurisy/ pneumonia	— — —
1566	<i>cocoliztli</i>	"pujamento sangre"	great pestilence	?	—
1576-80	<i>huey cocoliztli</i> <i>matlazahuatl</i>	—	great pestilence	?	typhus
1590	<i>tlatlasistli</i>	—	catarrh	influenza	—
1592-93	<i>tlatlasistli</i> — —	— sarampión garrotillo	catarrh — —	influenza measles croup	— — —
1595-97	— — —	sarampión paperas tabardillo	— mumps —	smallpox mumps typhus	— — —
1601-2	<i>cocoliztli</i>	—	—	?	—
1604-7	<i>cocoliztli</i>	sarampión	—	diarrhoea	—
1613	<i>cocoliztli</i>	—	—	?	—
1615-16	— —	sarampión viruela	— —	smallpox measles	— —

Demographic collapse

- Diseases spreading from Mexico to South and North America.
- Guatemala: 1519-1521, 1521, 1533, 1545, 1558-1563, 1576-1578.
- Peru: 1524-1526, 1546, 1558-1559, 1585-1591.
 - From Cartagena to Quito, Peru, Charcas, Chile.
- Brazil: Smallpox in 1562-1565 brought from Lisbon to Bahia to all Brazilian coast.

Effect on environment



- A rapid increase follows most demographic collapses in fertility rates. Not in post-conquest America.
- Infantility mortality rates increase, sometimes by infanticide. Contraception methods and abortion rates increase as well.
- Why?
 1. Low genetic diversity facilitated the spread of diseases.
 2. Direct effects of the conquest amplified the severity.

José Gumilla, *El Orinoco Ilustrado y Defendido*

Where the number of Indians is known to decline, many childless and entirely sterile Indian women are seen: and these are the ones married to Indians; but at the same time, it is recognized, in the same places and towns, that all the Indian women married to Europeans and to mestizos, quadroons, mulattoes, zambos, and also those who marry blacks, are so fecund and procreate so much, that they can bet... to be on par with the most fertile of the hebrews.

Iberian immigration

- Between 1506 and 1650, approximately 450,000 Spaniards arrived in America. **Chaunu and Chaunu (1955-1958)**. Out of which, 250,000 had arrived by 1600. **Mörner (1976)**.
- Mostly men. Only 16.5% were women: **Boyd-Bowman (1976)**.
- How many were residents?
 1. By 1570 **López de Velazco** estimates 23,000 households, which points to 140,000 inhabitants in Spanish towns and cities.
 2. For Brazil, around 20,700 Portuguese inhabited it. Mostly located in Bahia, Pernambuco, and São Vicente (**Sánchez-Albornoz, 2014**).

Destination of the Spanish migration

Table 5.2. *Known destinations of Spanish emigrants, 1493–1600*

	1493–1519	1520–1539	1540–1559	1560–1579	1580–1600	Total	Percentage
Caribbean Islands	1,254	1,675	472	1,458	490	5,349	10.6
Mexico and Yucatán	743*	4,300	2,057	7,338	2,820	17,258	34.3
Central America		604	181	954	255	1,994	4.0
Tierra Firme (Panama)	590	958	506	928	431	3,413	6.8
Nueva Granada (Colombia, Venezuela, Quito)		1,293	892	2,044	729	4,958	9.8
Peru	92*	1,342	3,248	3,882	3,451	12,015	23.9
Rio de la Plata (including Paraguay)		1,088	600	733	169	2,590	5.1
Chile		180	819	488	343	1,830	3.6
Florida		701		239	28	968	1.9
Total	2,679	12,141	8,775	18,064	8,716	50,375	100.0
Number of women	308	845	1,480	5,013	2,472	10,118	
Number of emigrants for which sex is known	5,481	13,262	9,044	17,587	9,508	54,882	
Percent women	5.62	6.37	16.36	28.50	26.00	18.44	

*Colonists in the Americas before the conquest of these regions began.

Source: Peter Boyd-Bowman, *Patterns of Spanish Emigration to the New World, 1493–1580* (Buffalo, NY, 1973), 599–602.

Cuadro 4.2. Emigración española a América, 1493-1600.
Procedencias identificadas

	1493-1519		1520-1539		1540-1559	
		%		%		%
Andalucía	2 172	39.7	4 247	32.0	3 269	36.1
Extremadura	769	14.1	2 204	16.6	1 416	15.7
Castilla la Nueva	483	8.8	1 587	12.0	1 303	14.4
Castilla la Vieja	987	18.0	2 337	17.6	1 390	15.4
León	406	7.5	1 004	7.6	559	6.2
Provincias vascas	257	4.4	600	4.5	396	4.4
Galicia	111	2.0	193	1.4	73	0.8
Val., Catal. y Baleares	40	0.7	131	1.0	88	1.0
Aragón	32	0.6	101	0.8	40	0.4
Murcia	29	0.5	22	0.9	50	0.5
Navarra	10	0.2	71	0.5	55	0.5
Asturias	36	0.7	77	0.6	49	0.5
Canarias	8	0.1	31	0.2	24	0.3
Extranjeros	141	2.6	557	4.2	332	3.7
Totales	5 481		13 262		9 044	

Fuente: Boyd-Bowman, 1973 y 1976.

African slavery

- The Treaty of Tordesillas prohibited the direct commercialization of enslaved persons by Spain.
- *Asientos* were licenses sold by the Spanish Crown to sell enslaved people in Spanish America.
- Cartagena became the main slaver hub.
- By the 16th century, there were 35,000 enslaved persons in Mexico and 100,000 in Peru. Lima alone had 14,000 or half of its population (Bowser, 1974).
- Enslaved Asians arrived in Mexico and Peru too.
- Early Brazil received 50,000 enslaved persons. This will skyrocket in the following centuries.
- What determines slavery patterns in the Americas? Arias and Girod (2014).

Casta paintings

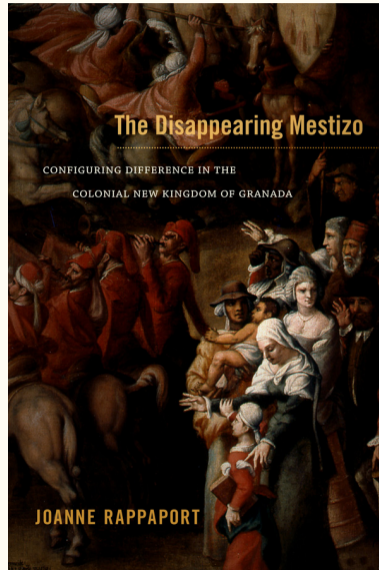
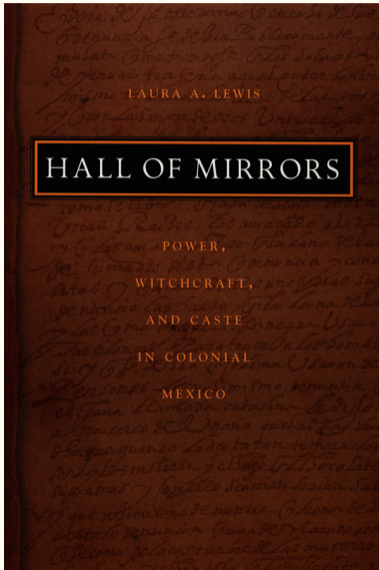


(a) Spanish and Castizo



(b) African and Indigenous

Castas in Spanish America



Racial composition

Table 5.3. *Racial composition of selected countries at the end of the colonial period*

		Indians	Mestizos	Castas	Mulattoes	Blacks/ slaves	Spaniards/ whites	Total	Source
Mexico*	1810	60	21.7			0.1	18.1	6,122,354	Navarro y Noriega, 1943, 30
Guatemala	1804	58	37.5				4.5	1,000,000	Pinto Soria, 1989, 131
Honduras	1777	41		53.1			6	89,420	Newson, 1985, 325
Venezuela	1800	18		45.3		16.2	20.6	898,043	Villamarin and Villamarin, 1976, 113-4
Colombia	1778	19.5		47.5		7.7	25.3	800,044	Villamarin and Villamarin, 1976, 84
Ecuador	Late 18th century	65.2		6.7		1.2	27	426,834	Andrien, 1995, 36
Peru	1795	58.2	21.9			7.3	12.6	1,115,207	Fisher, 1970, 253
Bolivia	1788	47.7	31.3		4.8	0.2	16	125,245	Larsen, 1985, 175 Cochabamba only
Chile	1777-81	9.5	7		7.6	1.4	74.5	258,802	Carmagnani, 1967, 179-91
Brazil	1798	7.8				61.2	31.1	3,250,000	Merrick and Graham, 1979, 29

* There is considerable debate over population estimates for Mexico at the end of the colonial period. The total figure is likely to be an overestimate.

State building in colonial Latin America

Spanish state building process

- Main factors:
 1. Pre-Hispanic political economy (Mesoamerican and Andean societies).
 2. Spanish political economy (the Reconquista and Catholicism).
 3. Natural endowments (silver, dyes, tobacco, and sugar).
- How did a few hundred Spaniards build a new state?
 1. Violence and threat of violence
 2. Coopting local elites.
- The *encomienda*, *repartimento*, and *mita* systems.
- Indigenous communities retained high levels of autonomy.
- Conflicts among conquistadores and between them and the Crown.

The Encomienda system

- Perceived as an exploitative regime.
- Main purpose: Outsourcing government. An instrument of indirect rule.
- *Conquistadores* became the early *encomenderos*.
- *Encomenderos* extracted labor and taxes from the local population and provided security and church services.
- Threat to the Crown itself. Charles I signs the *Leyes Nuevas* that *de jure* extinguishes the category.

Encomendero rebellion in Peru, 1544-1548

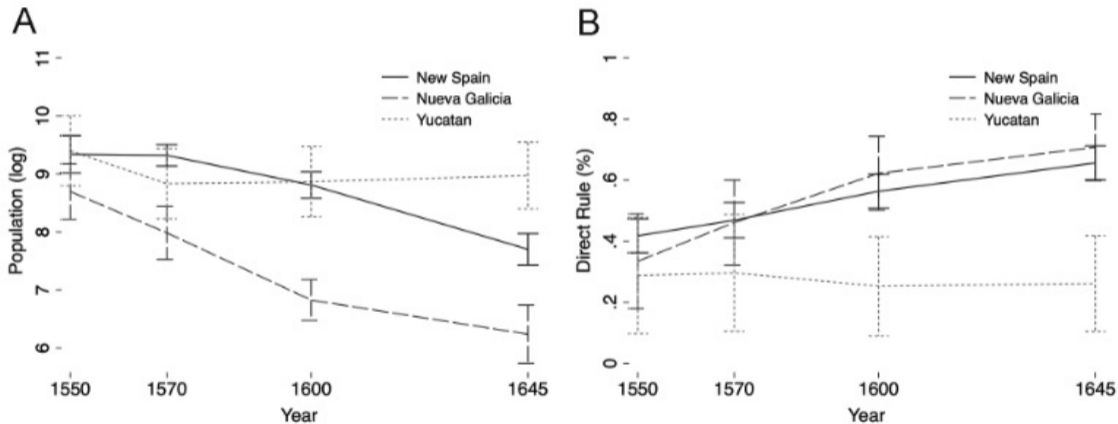


Encomienda system dwindles

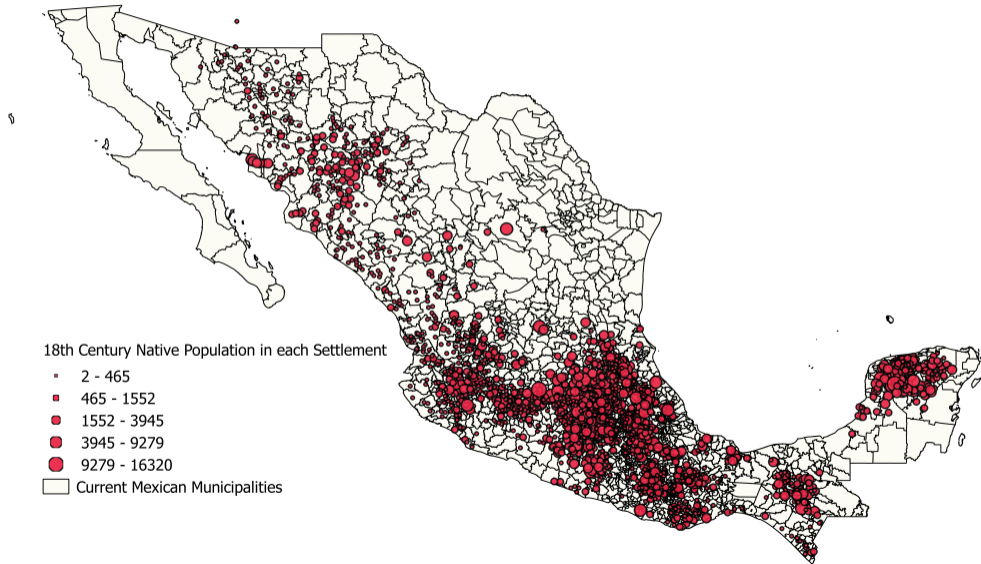
- Indigenous demographic collapse decreases *Encomendero* rents, and reduces “strategic benefits of indirect rule” (Garfias and Sellers, 2021).
- *Repartimento* and *mita* as rotational labor system reverts control to ethnic señorios (Gibson, 1964).
- “Solves” labor shortage problems and empowers the Crown.
- Two different results:
 1. Central Mexico: extinction of *encomenderos* and *repartimentos* by mid-17th century. Increasing reliance on labor markets despite rising wage rates (Tutino, 2018).
 2. Peru: *mita* forced labor survived until the 19th century.

- Superimposition of new political realities into the old prehispanic system.
- A dual political system is created:
 1. Republic of Indians: Continuities between señorios and pueblos (Arteaga, 2018; García Martínez, 2011).
 2. Republic of Spaniards: Corregimientos as public offices appointed and paid by royal treasuries (Knight, 2002).

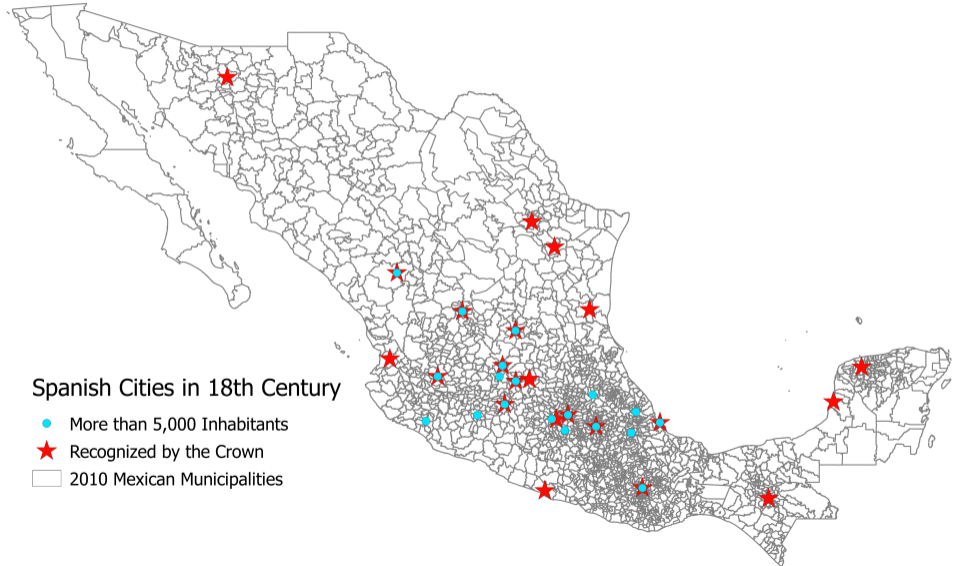
Persistence of reliance in encomenderos

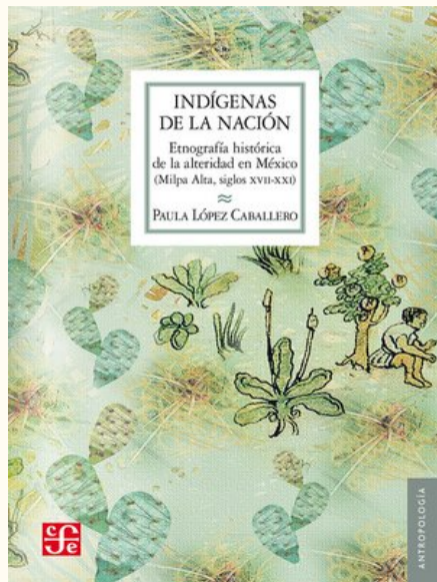


Indigenous pueblos, 18th century



Spanish Cities, 18th century





Reales Audiencias

- *Consejo de Indias*, created in 1524 as part of the *Consejo de Castilla* (main administrative body of the Kingdom of Castile; recall: before 18th Century, Spain does not have a unified administrative structure). Governance of America in matters of war, taxes, and its highest law court.
- Reales Audiencias served as their territories' highest civil and criminal law courts.
- Acted as State Councils ([Haring, 1963](#)).
- Initially composed by four judges, *oidores*, and one crown attorney, the *fiscal*. A president chaired them. They will increase and include other figures through time: separation of civil and criminal chambers, and notaries, bailiffs, and public defenders.
- Three type of Audiencias:
 1. *Audiencias Virreinales*: in the capitals of each viceroyalty, chaired by the Viceroy.
 2. *Audiencias Pretoriales*: in the general captancies, chaired by the Captain general.
 3. *Audiencias Subordinadas*: located across territories within the viceroyalties.

Spanish administrative hierarchy

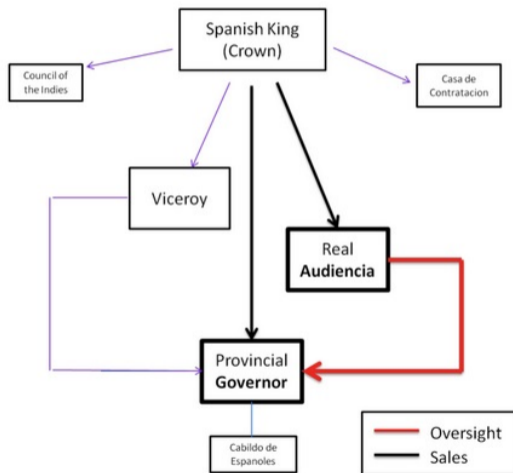


Figure 2: Administrative hierarchy within the Lima *audiencia*. The king appointed (or sold) governorships and *Audiencia* seats with input from the Council of Indies. In turn, the *Audiencia* oversaw the performance of provincial governors (*corregidores* and *alcaldes*.)

Overlapping jurisdictions: The Church

- Missionaries as a different form of indirect rule.
- Religious competition between the different mendicant orders: Mercedarian, Franciscans, Dominicans, Augustinians, Carmelites, and Hieronymites. Jesuits arrived later; first to Brazil then to Spanish America.
- Complex setting in South America. E.g., Portuguese Jesuits vs. Spanish Jesuits.
- Indigenous bargaining position improved ([Herzog, 2015](#)).
- Controversial as their loyalties were questioned. E.g., Jesuits and the Távora affair.

Missionaries in Latin America

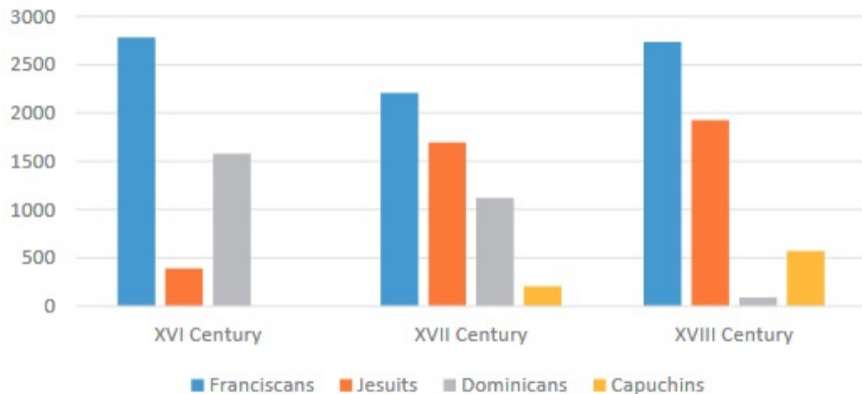


Fig. 3.1 Religious orders in the evangelization of Latin America: 1566–1767 (Note Number of ecclesiastics. Author's calculations. Data from Galán García [1995])

Missionaries in Mexico



Jesuits in South America

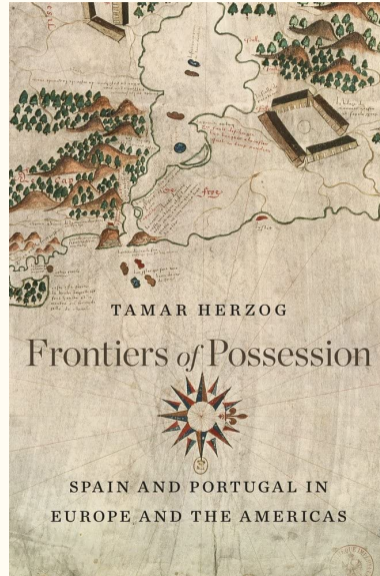
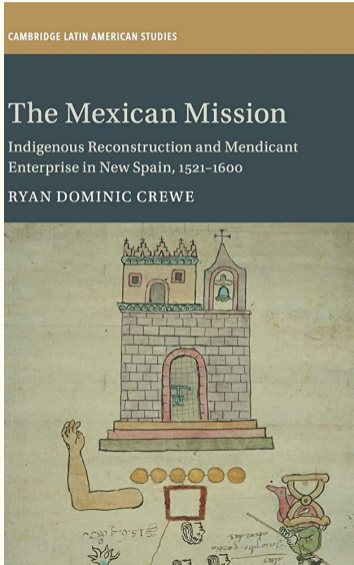


Map 3.1 Jesuit missions in South America. Red circles denote the approximate location of the missions of Orinoco, Moxos, Maynas, Chiquitos and the Guarani Jesuit Missions. Author's rendering

Jesuits missions in Paraguay

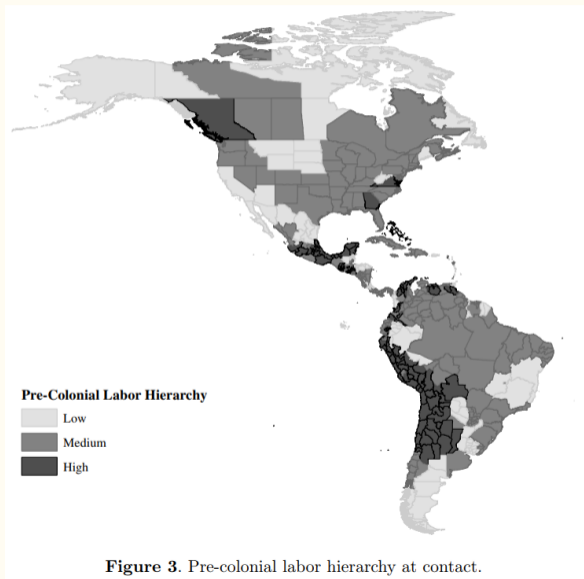


The missions and state building in Latin America

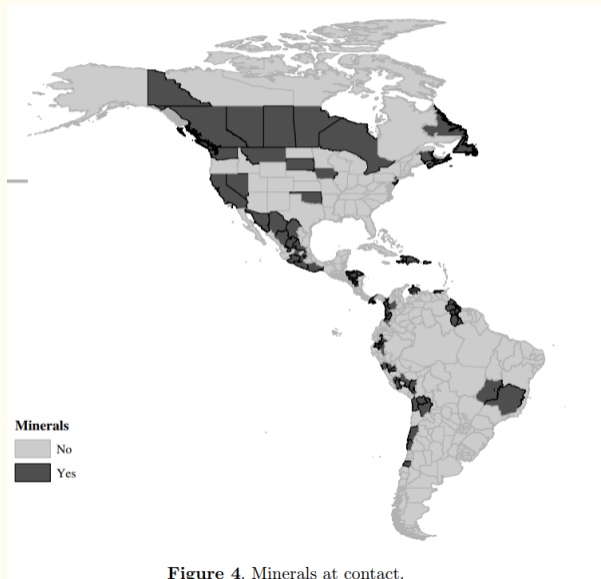


Determinants of forced labor

Index pre-colonial hierarchies



Mineral endowments

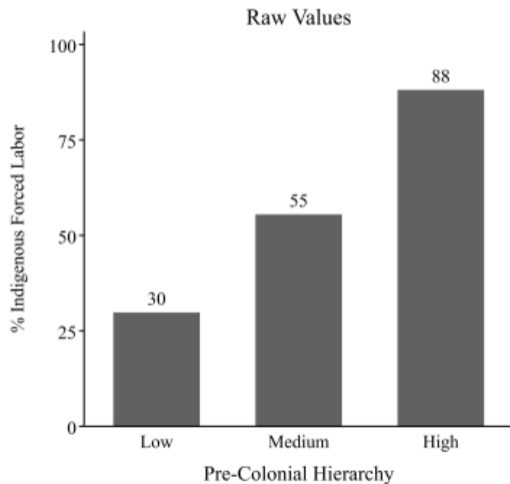


Indigenous forced labor, I



Figure 1. Indigenous forced labor at settlement.

Indigenous forced labor, II



(A)

African slavery, I

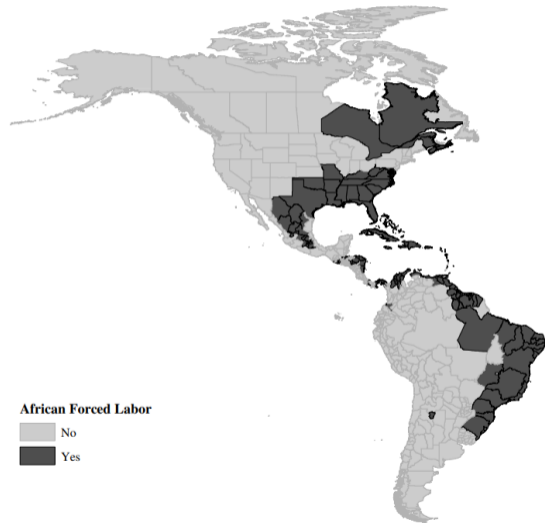


Figure 2. African forced labor at settlement.

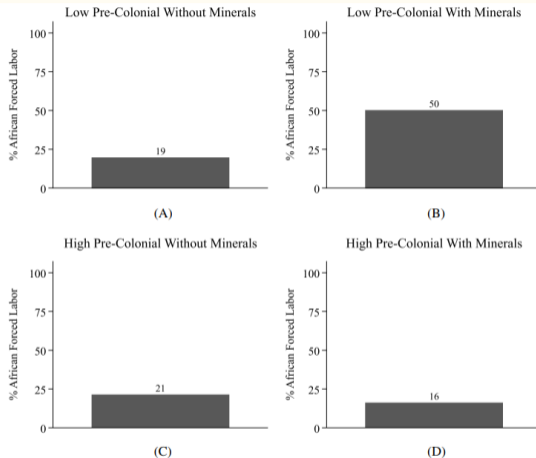


Figure 6. Raw values: African forced labor as pre-colonial hierarchy and minerals change in the Americas.

Note: Panel B (low pre-colonial hierarchy and minerals) contains a higher percentage of territories with African forced labor than panels A, C, or D, consistent with the foreign forced-labor hypothesis.

The economy

The colonial economy: main features

- Low labor/land ratio.
- Spanish Main: mining (gold and silver).
- Large plantations (sugar and tobacco): concentrated in Brazil and the Caribbean.
- Core area around Mexico and Peru.
- Agriculture: communal land (natives and the catholic church).
- Fixed trading routes with *Flota* system

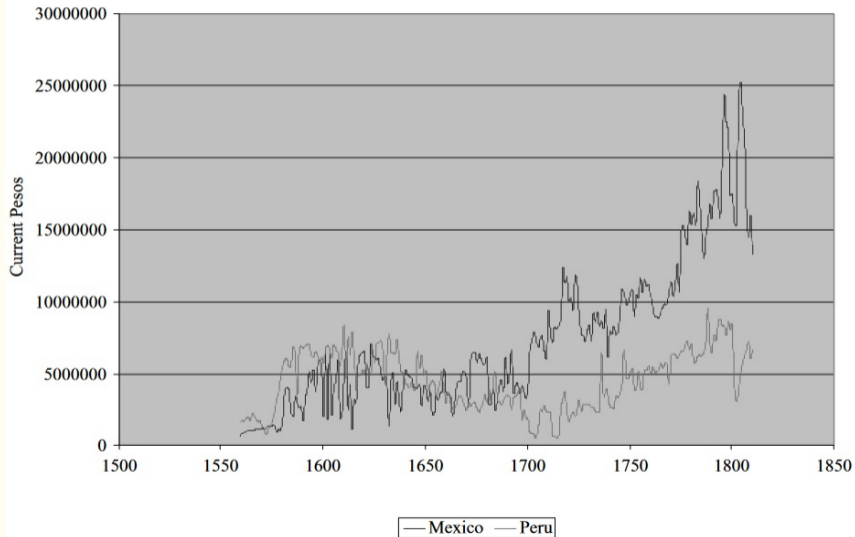
The political economy of the Spanish Empire

- Main activities:
 - Mining as a source of income.
 - Trading as source of rents.
- Three main agents:
 - Miners.
 - Merchants.
 - Crown.
- A fourth agent, the Church, explains the control of the rest of the credit markets.

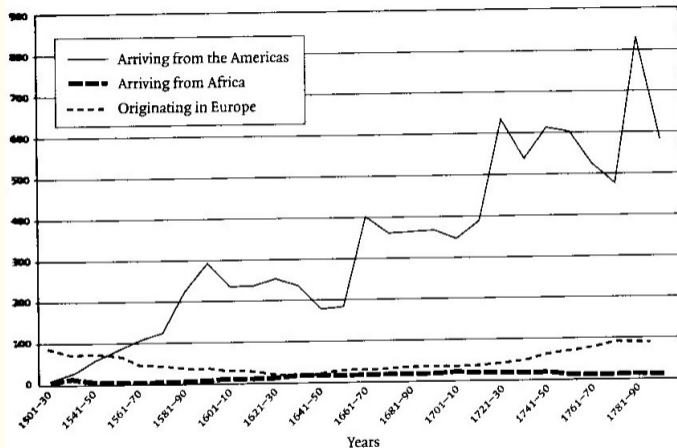
Mining

- Important silver mines: Potosí (1545), Zacatecas (1546), Guanajuato (1550), Parral (1623).
- Crown's tax: Royal fifth, reduced to 10% in 1548 for some merchants, and later in the 18th century it was further reduced to 3%.
- Technological breakthrough: amalgamation with mercury used by Bartolomé de Medina in Pachuca in 1555.
- Mining-led growth ([Dobado and Marrero, 2011](#)).
- Mercury in Almadén and Huancavelica. Crown's monopoly sold it at subsidized prices.
- Key difference between Mexico and Peru:
 - Peru: one big focal mine, where mita labor prevails.
 - Mexico: several mines spread throughout the area, where a labor market prevails.

Silver production



Precious metals arriving to Europe



Source: Michel Morineau, *Incroyables gazettes et fabuleux métaux: Les retours des trésors américains d'après les gazettes hollandaises, XVII-XVIII^e siècles* (New York: Cambridge University Press, 1985), 578.

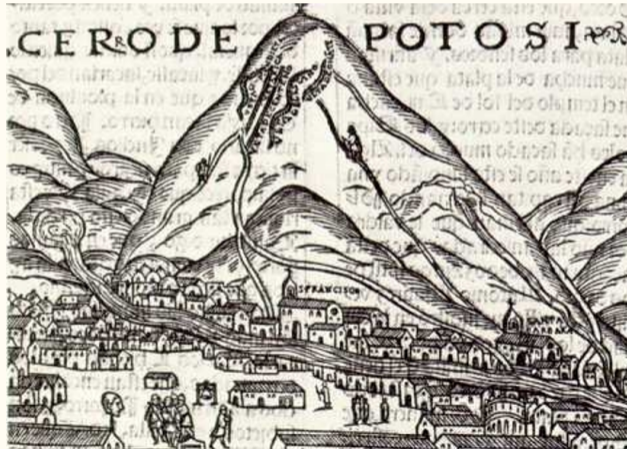
Almadén mine



Cerro Rico de Potosí

Spanish friar, 1630

Potosí lives to serve Spain's imposing aspirations: it serves to chastise the Turk, humble the Moor, make Flanders tremble, and terrify England.



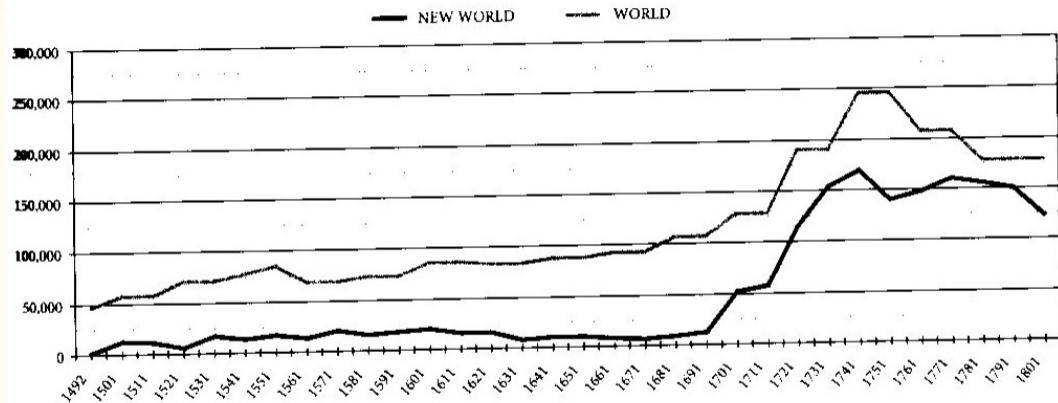
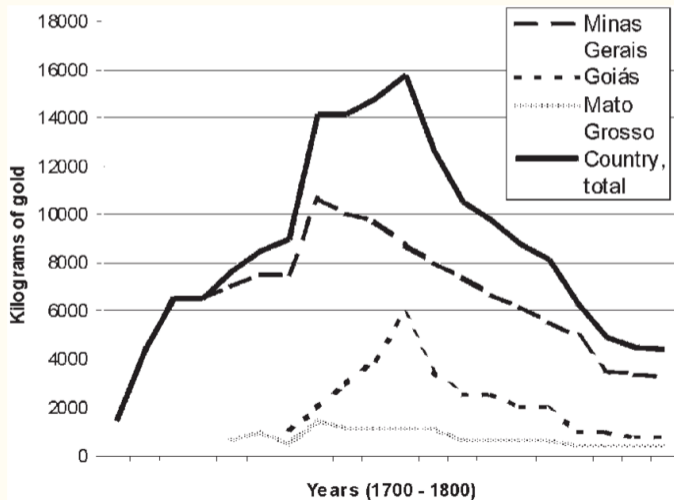


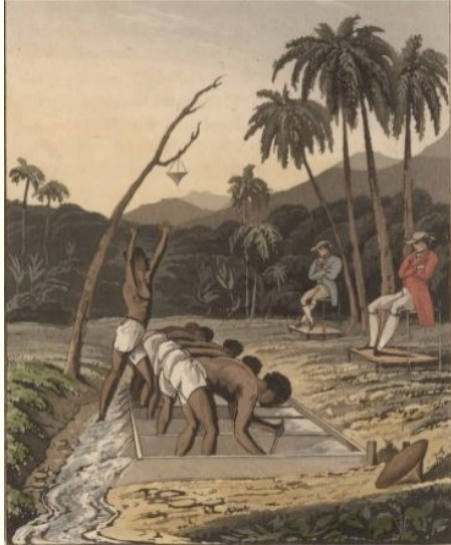
Figure 2-15. New World-World Gold Production, 1491-1810, in kilograms

Brazilian gold rush

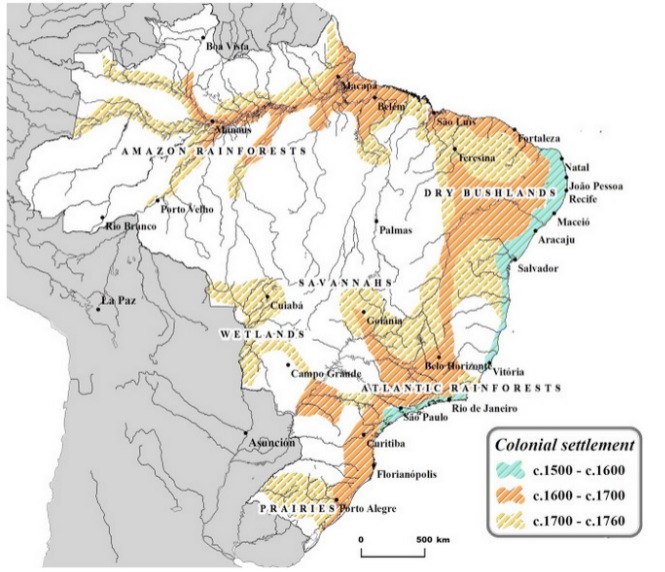
- Brazil, 60%; New Granada, 19%; Mexico, 8 %; Peru, 4 %; Chile, 4 %; Ecuador, 3 %; Caribbean, 2%.



Bandeirantes

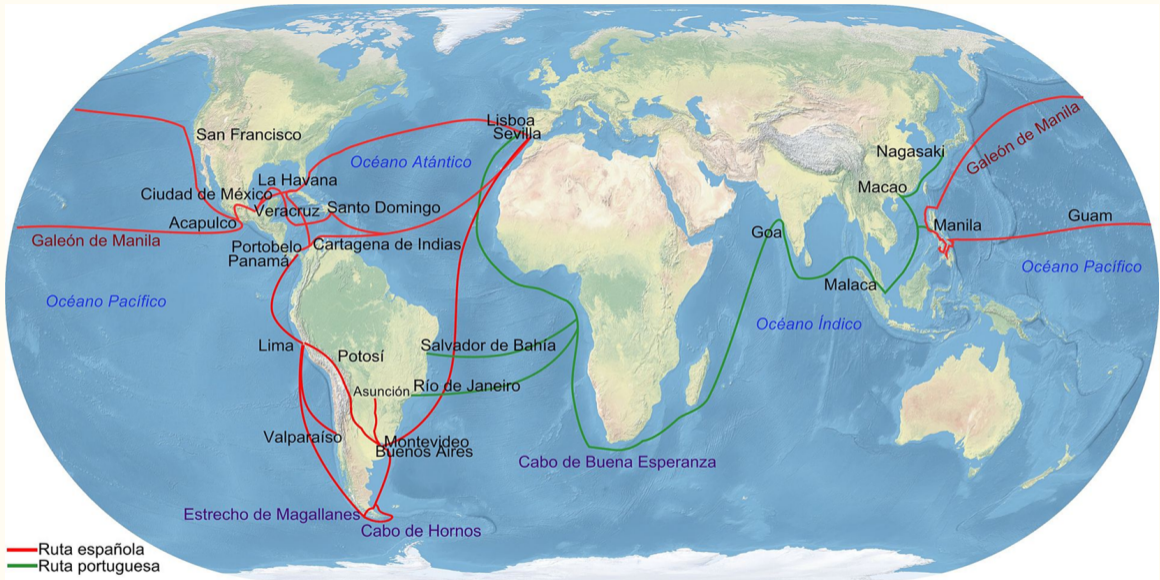


Implications of Brazilian gold rush

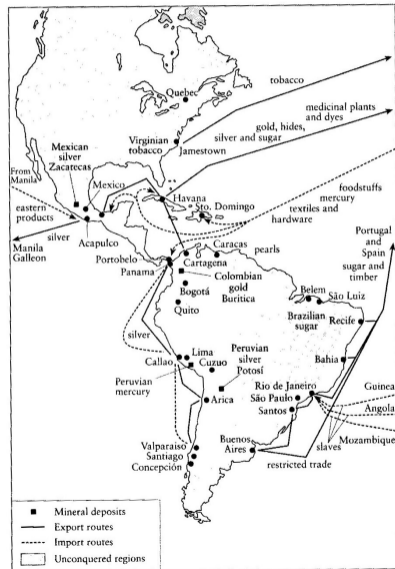


Spanish Atlantic trade

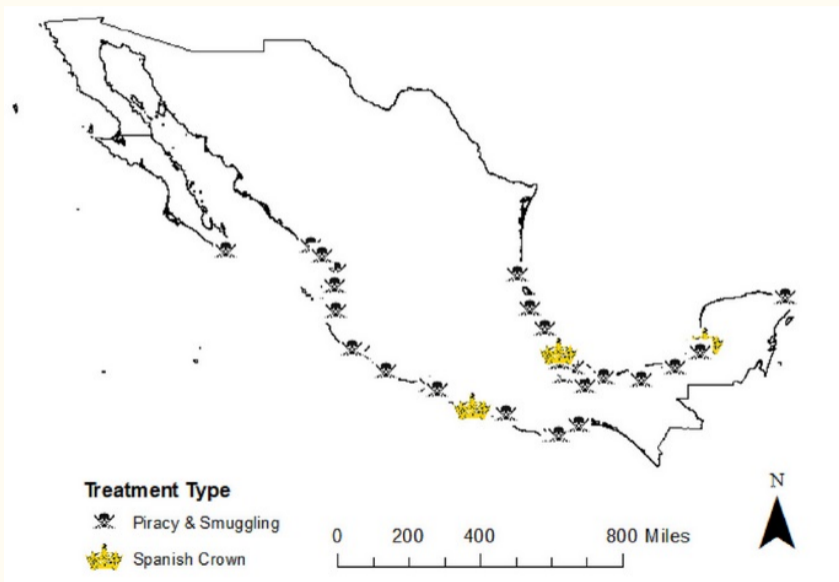
- *Casa de la Contratación* in Seville founded in 1503 to oversee American trade.
- The galleon/flota system started in 1546 and operated until the 18th century.
- Medieval oriented: A system of trade fairs where merchants on both sides of the Atlantic would meet.
- System of armed convoys as the safest way to travel. Lower risks for merchants. Easy to tax for the Crown.
- A route from Seville to New Spain and another one from Seville to Panama, where they would meet the Lima merchants.
- *Consulados* as merchants guilds: Seville (1543), Mexico City (1594), and Lima (1614).



Spanish America trading routes



Contraband trade



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

JOHN R. FISHER



LIVERPOOL UNIVERSITY PRESS

TRADE AND TRUST IN THE EIGHTEENTH-CENTURY ATLANTIC WORLD



SPANISH MERCHANTS AND
THEIR OVERSEAS NETWORKS

Xabier Lamikiz

STUDIES IN HISTORY

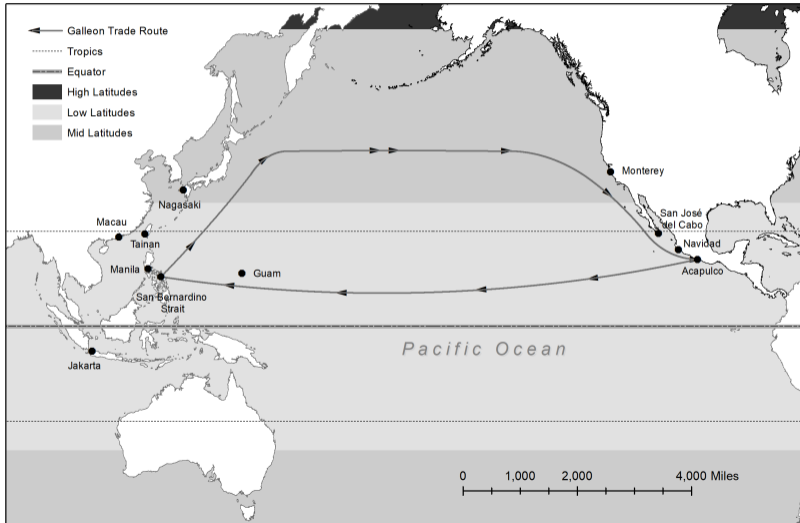
Spanish Pacific trade

- The Manila Galleon trade was the most lucrative single voyage in the early modern world. “the richest ships in all the oceans” (Schurz, 1939).
- Spain settles in the Philippines in 1565.
- Unregulated until 1593. Rapid growth up to 1640, when South Sea trade between Peru and New Spain was forbidden.
- The Pacific “suffered the most abusive ... restrictive and prohibitionist legislation” (Bonalian, 2010).
- Spanish lake or Mexican lake?
- Incentives to overload and delay departure led to a major rate of shipwrecks (Arteaga, Desierto, and Koyama, 2023).

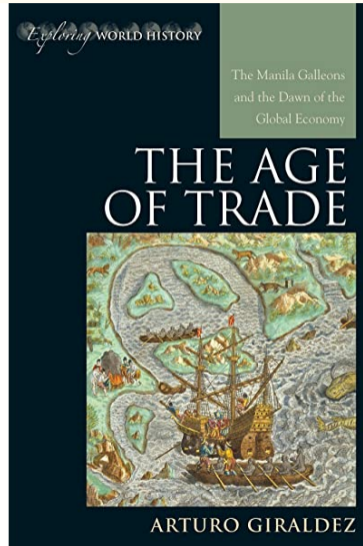
The Manila Galleon



Pacific trade route



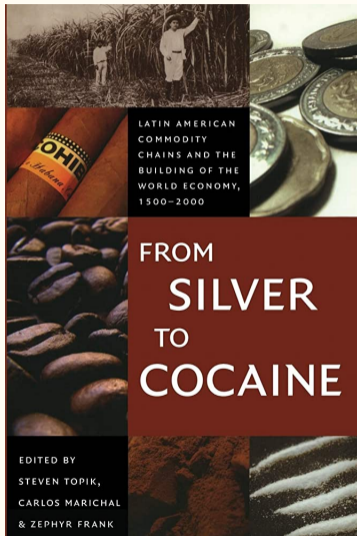
Pacific trade bibliography



Other exports: cochineal, dye, sugar, tobacco



(a) Cochineal Bug



Industry in Latin America: obrajes

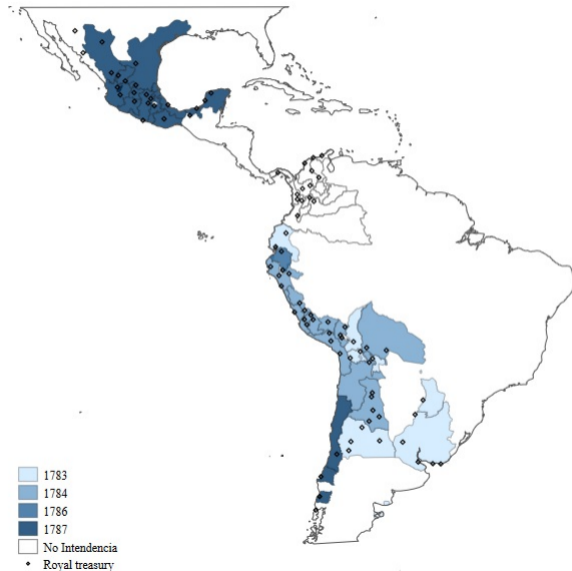
- Debate about the existence of national or regional markets.
- Shipbuilding industry in Havana, Maracaibo, Cartagena, Guayaquil.
- Manufactures organized in medieval guild-like systems.
- Textile manufactures “forced solution to the problems of commercial supply in imperfect markets” (Salvucci,1987).

Richard Salvucci, *Textiles and Capitalism in 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.”

The fiscal reforms in the 18th Century

Royal treasuries



Stakeholder empire?

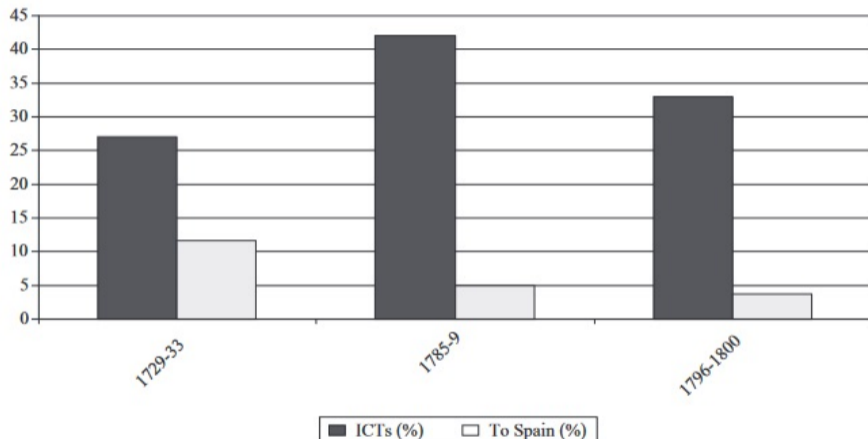


Figure 1. *Situados (ICTs) and transfers to Spain as a share of total net expenditure, 1729–1800 (%)*

Source: See app. I.

Cambridge Latin American Studies

BANKRUPTCY OF EMPIRE

**MEXICAN SILVER AND THE WARS
BETWEEN SPAIN, BRITAIN AND
FRANCE, 1760-1810**



Carlos Marichal

Bourbon and Pombaline reforms

- Imperial reforms in Europe and America aimed at building a fiscal-military state.
- Main goal: full and direct control of taxation through territorial unification and tax simplification (Torres-Sánchez, 2015).
- Some overhaul in first half of 18th century to curb contraband:
 1. Creation of New Granada Viceroyalty in 1717.
 2. License given to Royal Guipuzcoan Company of Caracas in 1728 to monopolize trade in the Orinoco.
- New Spain's silver production was booming, and tax remittances were increasing.
- Seven Years' war was the crossroad event that made reforms urgent in the Americas.

Miles Wortman, Bourbon Reforms in Central America: 1750-1786

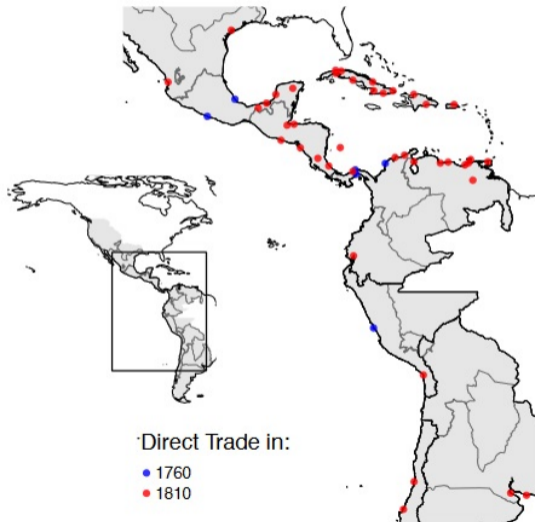
An inordinately strong merchant class controlled not only commerce, but equally prices, trade regulations, and tax regulation. The area was more a fief than a kingdom, with Spanish and Guatemalan merchants ruling over Central American domain.

- Merchants exercised political control through control of goods.
- Merchant guilds in Mexico City and Lima at the top of the hierarchy ([Arteaga,2022](#)).
- Control of trade routes was at risk after 1762.
- Window of opportunity for the Crown to curb their power.

“Free trade” reforms

- Charles III appointed a technical commission that recommended abolishing the Cadiz monopoly and opening Atlantic trade to more ports in America and Spain (Fisher, 1997).
- Decentralized trade routes are the optimal solution as an underdog.
- 1765/1789 set of reforms that allow alternative places to participate in the Spanish American trade.
- Problem: balance between securing new trade routes and asserting royal authority as the source of legitimacy of said routes.
- Solution? Create alternative corporate bodies in the model of the Lima and Mexico City merchant guilds: Buenos Aires, Caracas, Cartagena, Guadalajara, Guatemala, Havana, and Veracruz.

“Free trade” reforms



“Free trade” reforms

- Effects on trade disputed. However, there is an agreement that exports and imports increased throughout the Americas ([Cuenca-Esteban, 2008](#)).
- It allowed the former periphery to experience economic growth more than proportionally to the former core regions of the Empire ([Ellingsen, 2020](#)).
- Failing to coopt said regions also led to significant incentives for secession ([Arteaga, 2022](#)).

British North America vs. Spanish North America

COMPARISON OF THE COSTS OF BRITISH AND SPANISH MERCANTILISM

COLONY	<i>Costs (millions of pesos)</i>	<i>Costs Per Capita (pesos)</i>	<i>Costs as Percent of Colonial Income</i>
BRITISH NORTH AMERICA (1775)	0.5	0.26	0.3
NEW SPAIN (1797-1820)			
Trade Burden	7.2	1.20	3.0
Fiscal Burden	10.1	1.68	4.2
TOTAL	17.3	2.88	7.2

NOTE: Colonial income for the thirteen British colonies is calculated as the 1800 per capita estimate (U.S. \$90) multiplied by the 1775 population. In current pesos of 1800, this comes to a total income of 173 million pesos. Note, however, that Thomas estimated the costs of British mercantilism in current dollars of 1775, before the inflation that began in the 1780s. Thus, the magnitude of the British burden as a percent of total and per capita income is somewhat overstated. For New Spain, the estimates are annual averages for 1797 to 1820.

SOURCES: For British North America, see Robert Paul Thomas, "A Quantitative Approach to the Study of the Effects of British Imperial Policy upon Colonial Welfare," *Journal of Economic History*, 25 (1965): 615-38. For Mexican estimates, see text and notes 7-8.

Intendente reforms

- In 1776, the Viceroyalty of Rio de la Plata is created.

Luis Navarro, Intendencias en Indias

Acting at an ever faster pace, twelve years were enough for Galvez to profoundly alter the general outlook of the New World. His work had affected all the Spanish domain, with the sole exception of the Viceroyalty of Santa Fe [Nueva Granada]. And he had already taken the fundamental step against it when he was surprised by death on June 17, 1787.

- Administrative overhaul between 1783-1787 that consolidated territorial units around intendants, that supplanted corregidores.
- Direct challenge to former governance institutions.
 - Overlapping authority with the viceroy.
 - Supplanted local creole elites in favor of better paid-government bureaucrats. Who mostly came direct from Spain.

- Results according to [Chiovelli et.al. \(2022\)](#):
 1. Improvements in tax revenue, and an increase in fiscal capacity.
 2. Decrease in indigenous revolts.
 3. Reduction in legitimacy by heightening tensions with local elites.

Unintended consequences?

John Lynch, Spanish Colonial Administration, 1782-1810

...the corregidor, the very archetype of erring officialdom, whose repertoire included almost every device known in the history of administrative corruption - the farmed and unaccounted revenue, the holding of royal funds in deposit to be used as private capital, the forced Indian labour without pay, and above all the notorious repartimiento, or forced sale of merchandise at outrageous prices to the unfortunate natives.

- In 1786 the *repartimento* system was outlawed.
- The case of Oaxacan indigenous communities that produced cochineal:
 - Cochineal is risky as it is affected by the vagaries of the environment. *Alcalde mayor* acted as creditor and provided cash advances (Baskes, 2000).
 - Outlawing repartimiento led to a worse outcome. Left the indigenous populations uninsured and, hence, had fewer incentives to produce.
 - After the reforms, indigenous communities “became poorer and more indigenous” (Diaz-Cayeros and Jha, 2022).

**When did Latin America fall
behind?**

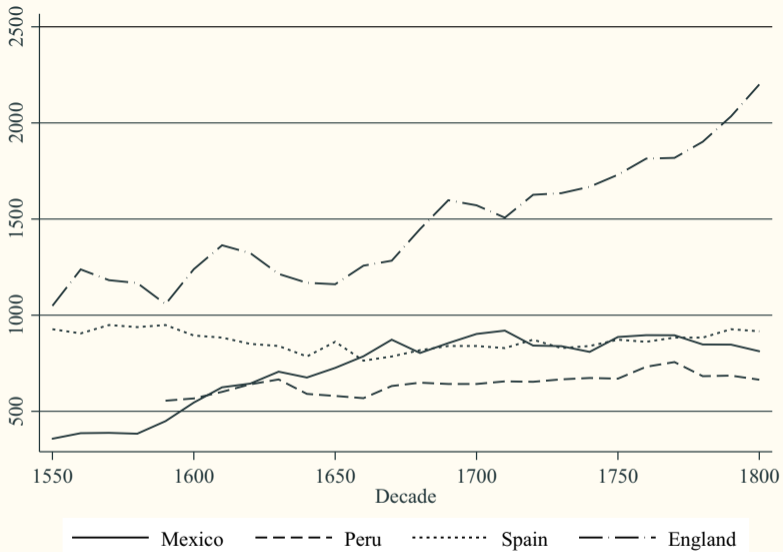
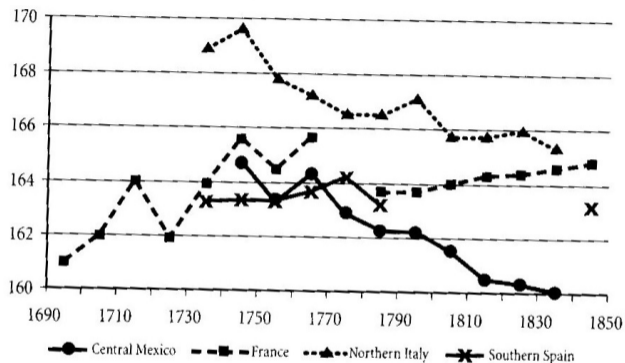


FIGURE 5
 GDP PER CAPITA, MEXICO, PERU, SPAIN, AND ENGLAND,
 IN 1990 GEARY-KHAMIS DOLLARS, 10-YEAR AVERAGE

Figure 5.
 Heights in Mexico and European Mediterranean Countries,
 by Decade of Birth.



Notes: All measurements in centimeters. Heights standardized to 21 years of age (20–21 in the case of France). The Mexican series is scaled to reflect actual regional weights.

Sources: Cámara, "Long-Term Trends," 68; Komlos, "An Anthropometric History of Early-Modern France," 184; A'Hearn, "Anthropometric Evidence," 364; Weir, "Economic Welfare," 191.