THE COLONIAL HERITAGE OF LATIN AMERICA

Essays on Economic Dependence in Perspective

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"Trade is the sacrifice of the Rich and the Poor; those engaged in it achieve the level of profits they desire, without effort and without stepping out of their homes; the abundance of ships arriving at Veracruz gives them no cause to cheapen goods they hold in the capital because the wealthy and powerful monopolize goods to the prejudice of those who are not, and by storing them in their warehouses they price them as they wish and exploit the rest of Humanity. There is no control. This capital is a city in name only, and is really only a hamlet."

Viceroy of Mexico, Duque de Linares, to his successor, 1716

The Spaniards took seventy to eighty years to occupy what was to be their empire in America. They spent about two hundred years of trial and error in establishing the essential elements of a colonial economy tied to Spain, and through Spain to western Europe. By 1700 these elements were (1) a series of mining cores in Mexico and Peru, (2) agricultural and ranching areas peripheral to the mining cores developed for the supply of foodstuffs and raw materials, and (3) a commercial system designed to funnel silver and gold as specie or bullion to Spain to pay for goods produced by western Europe and funneled through one Spanish port for distribution to the American colonies. But to most Spaniards and their descendants in America in 1700, the glorious days lay far in the past, during the time of conquest, the organization of subject peoples, the creation of a vast bureaucratic

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"... they began to populate these mines rapidly, and the first settlers were soldiers located nearby, and then in response to news of silver there began to come many people from Mexico, and among them merchants with goods."

Alonso de la Mota y Escobar, Descripción de los reinos de Nueva Galicia, about 1602

During the first two hundred years of colonial rule, the Spaniards developed a colonial mining sector to maintain the metropolitan economy and Spain's international position in western Europe. Within a twenty-year span, 1545-65, the major mining strikes in Mexico and Peru were made. The mining cores required relatively large amounts of Indian labor, which was conveniently located within mobilization distance of the mines. Drafted Indian labor (mitas) moved periodically to the mines, then were permitted to filter back to their communities of origin as new drafts replaced them. The horrors of mita labor constitute a vast literature of exploitation.

Mining operations required, of course, more than labor. The workers needed housing, stores, churches, saloons. The mines required pit props, masonry, winches, ladders, and vast quantities of leather. They required mules and horses not only in the towns and mines proper but also to move
bullion outward to mints and to points of export, and to move supplies inward from plantations and ranches, and from coastal points which received European goods required by the mining centers: iron and steel tools, luxury items, and above all, mercury used in the amalgamation of silver from crude ores. Mining also created a domestic market for colonial production of both woolen and cotton textiles by individual artisans and in sweatshops. Despite prohibitions, this production expanded since the import-export wholesaler handled only the high-priced fine woolens and silks obtained either from western Europe or the Far East.

Working capital was always the mineowners' weak point. They turned to the many church endowments (obras pías) or they borrowed from and frequently entered into partnership with merchants who, more often than not, ended in full control of the mines they had originally financed. Risk-bearing in mining was always great.

The characteristics of this frontier mining economy can easily be imagined. For the Spaniards there was the opportunity to exercise the essential entrepreneurial functions—risk and ruthlessness—in the hope of a bonanza and return to the homeland to become a newly enriched, newly titled aristocrat. Here was one of the great rewards of conquest: social ascension and status in less than a lifetime of diligent work and careful economy at home. To be sure, many mineowners remained in America. Some failed; others preferred to put their savings into nearby estates to raise foodstuffs and cattle. This became more general after about 1640 and accelerated during the seventeenth century, the century of economic contraction in America as in western Europe.

The mining boom of the period 1545-1610 is a classic example of private entrepreneurship in which miners, merchants, and the state collaborated and shared the returns. Miners and merchants in America, the merchants of Sevilla and through them the merchants and manufacturers of western Europe all profited directly or indirectly. State participation took the form of a percentage (about 20 per cent) of silver mined and minted, and the profits of mercury distribution which remained a state monopoly farmed out to merchants. Indirectly, the state profited from the duties on goods exported to America and the specie received from America at Sevilla and re-exported to western Europe to settle the balance of payments for Spanish and Spanish-American imports. As the leading sector of the colonial economy, mining paid for the administrative costs of empire, the ecclesiastical and secular officials high and low, viceroys, judges (oidores) of audiencias, governors and captains-general, local officials such as alcaldes mayores and corregidores, military garrisons, not to overlook the royal navy's escort vessels accompanying inbound and outbound convoys.

"... it is the custom for all owners of haciendas, workshops, estancias and drouers to sell their workers along with their establishments.—What! Are these Indian laborers and servants free or slaves?—No master. They belong to the hacienda and must serve on it. This Indian is my master's property."
Jerónimo de Mendieta, Historia eclesiástica indiana, 1593-1596

"Then the Indians had no sickness; they had no aching bones; they had no burning chest; they had no abdominal pain; they had no consumption; they had no headache. At that time the
Part One 1500–1700

The course of humanity was orderly. The foreigners made it otherwise when they arrived here.1

The Book of Chilam Balam of Chumayel, late seventeenth century

The export orientation of the Latin American economy—still its dominant characteristic and one of its principal heritages—was a product of the first two hundred years of Spanish colonialism and of the mining boom on the Mexican plateau and in the Central Andes where agricultural technology and population density had produced advanced cultures. There the Spaniards opened mines, and there they created subsectors of the mining nuclei, large estates devoted to agriculture and ranching.

In an era of primitive mining technology, the Amerindian agricultural surpluses, skills, and manpower ensured the success of Spanish mining enterprise. Introduction of the mining economy acted as a cutting edge of west European capitalism; its success helped literally to cut down indigenous population and to cut apart pre-conquest agrarian structures. On their ruins Spaniards created the hacienda.

The hacienda developed before 1700 to supply the mining economy and to permit the Spanish entrepreneur of conquest to re-create in America the status symbol of southern Spain, the landed estate with a largely immobile labor force. The conquest of Sevilla and the occupation of Andalusia in the thirteenth century permitted the Spanish nobility to carve out wheat-, olive-, and vine-growing estates. The conquest of America brought the same pattern, but in the process the centers of Amerindian civilization, their cultures, and their population collapsed.

In areas of arid climate so-called early or ancient civilizations have emerged in terms of population growth, econo-
puts of manpower for elaborate terracing, often on steeply inclined valley slopes, for digging and facing canals and in their upkeep. Spanish observers of the sixteenth century were quite properly and understandably impressed by the engineering skill of the peoples of the Central Andes, just as twentieth-century agronomists are impressed by archaeological evidence of techniques for diverting water from valley to valley in pre-conquest times. In the Valley of Mexico, Spanish observers marveled at the dike system created and maintained to keep brackish water from flowing into sweet water areas, and the intensive chinampa agriculture.

Such an agricultural economy favored demographic growth. In the Central Andes the Amerindian population may have been between 3.5 and 6 (some say 10) million in 1525. For all Central Mexico (1519) recent demographic analysis suggests a figure as high as 25 million. Periodically in the millennium before 1500 as population pressed upon food supply, interregional conflict led to conquest and to the consolidation of agricultural communities into blocs which created special cultural expression in architecture, in rectilinear urban ceremonial and administrative centers, in ceramics, weaving, sculpture, in methods of time-keeping and accounting, in religious focus and practice. Periodically, such irrigation civilizations collapsed followed by the diffusion of their material and intellectual culture, their reappearance in subsequent patterns forged by new cultural centers.

Agricultural sophistication was reflected in increasing stratification, i.e. in the formation of hierarchies: nobility, soldiers, and religious elite, a group of merchants and skilled artisans producing for the demands of the elite, and a mass of agriculturists. The expansion of one community at the expense of its neighbors, the forging of hegemony in the form of annual tribute payment or incorporation into an integrated empire, meant pressure upon the agriculturists at the base of the economy and society, and produced periodic revolts, sometimes successful, sometimes not. In the century before the conquest, the irrigation civilizations which Spaniards encountered in the Valley of Mexico and the Central Andes were dominated by an elite increasingly militarized, obviously expansionist, generally ruthless toward deviants within or without their societies. While the Aztec elite periodically subdued recalcitrant dependent areas by military expeditions which imposed or reimposed tribute, the Inca elite simply uprooted troublesome communities and resettled them for more efficient control. The pattern of expansion and militarism, the signs of social stratification, the attempts by the elite to mobilize and appropriate economic surplus of their own and their subject peoples, suggest that at the moment of west European eruption into Middle and South America the limits of available agricultural technology had been reached and as in the past, large aggregations of communities were about to fission again into constituent communities as a result of demographic expansion and inelastic agricultural output.

Expansion, stratification, and exploitation developed mechanisms other than military force to maintain internal cohesion. Long before the Spanish conquest, religious sanctions and goals also furnished a kind of social cement. In both irrigation cultures, the priesthood occupied a key social function, organizing the agricultural cycle, indoctrinating the young, marking with appropriate rites the passage through the life-cycle from birth to death, facilitating the incorporation of new communities by religious syncretism,
giving meaning and purpose to existence, fortifying the strong, and comforting the underprivileged. From the economic surpluses of land communally owned and farmed the Amerindian priesthood received allocations just as did the military and the aristocracy. The ruthlessness with which Spaniards sought to extirpate the practice and symbols of pre-conquest religious thought suggests the effective role played by the Amerindian ecclesiastical establishment. The Amerind’s strong religious commitment, his deference to religious omniscience and authority, his theologically sanctioned submission to the hardship, suffering, and frustration of a peasant existence in a harsh world merged with the Catholicism imposed upon him to form another component of the colonial heritage.

What was essential to the creation of Spanish hegemony, the forging of the colonial mining and agricultural-ranching economy, above all, to the development of the hacienda was the Amerind’s tribute to society in the form of payments in kind or in labor. Conquest gave the new aristocracy—the Spanish overlords—immediate access through encomienda both to food supplies and to a large labor force organized to render specialized services to their new rulers: tribute in the form of local produce or craftsmanship, labor on public works. Long before the great mining strikes of the mid-sixteenth century the leading entrepreneurs of conquest demanded payment for their personal outlay on equipment and risk-taking in the form of Indian tribute, Indian labor and royal grants of land. Cortés, quite appropriately, carved out for himself and his descendants huge land grants and claims to Indian tribute and services, and there were plenty of emulators in his unruly retinue.

Spaniards going to the New World left a society of land-
The Colonial Economy

The landed estate oriented toward export—the second element of the colonial heritage of Latin America—bloomed in the Spanish empire in America only in the eighteenth century, and then in peripheral colonies such as Cuba, Venezuela, and the basin of the Rio de la Plata. It was Portuguese America’s role in the seventeenth century to create a prototype of plantation export agriculture in America. For the Brazilian sugar estate or engenho de açúcar represented a
Form of economic activity independent of mining which was the raison d'être of the hacienda in Mexico and Peru. It forged a pattern of economic organization and society, an agro-social complex that was reproduced and adapted in the Caribbean at the end of the seventeenth century and in the southern colonies of the British empire in North America in the eighteenth century. The plantation is the second variant of the large estate in America. Historians, social anthropologists, and economists have in recent decades groped for working definitions of the hacienda and plantation, although they recognize that often the two overlap. In Spanish America, they point out, the hacienda was an estate of large dimensions raising grains or cattle. Their produce was consumed locally at the mining cores or large urban centers such as Mexico City and Lima. Amerinds constituted the labor force, dependent, relatively immobile, constrained by a special form of wage labor, debt peonage.

Originally the word plantation referred to the transfer and settlement of Europeans in an overseas area. By the end of the seventeenth century the plantation had become an estate in tropical or sub-tropical zones, specializing in one crop, utilizing a dependent, immobile labor force of chattel slaves exported involuntarily from Africa. Unlike the hacienda, the plantation was an independent economic unit created to produce staples for external, that is, European consumption. It was the product of European technology applied by European technicians for European entrepreneurs; it was often financed by European capitalists who also provided for its production, shipping and insurance, final processing, distribution, and marketing facilities. Like mining, the plantation was a New World enterprise whose stimuli were en-

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Surely European. From Brazil to Virginia, the plantation in America very early displayed features which still distinguish it. It specialized in one crop, utilized income from exports to import goods and services which its specialization made prohibitively expensive to furnish locally: foodstuffs, metallurgical products, and particularly luxuries. It was a prime example of economic specialization.

The full-blown prototype of plantation agriculture in America, the seventeenth-century Brazilian engenho, was the Portuguese instrument of effective occupation and settlement. It was perhaps the most significant colonial legacy to the area. The engenho, to be sure, emerged from a series of experiments as the techniques of sugar growing and processing migrated from the Mediterranean to the Atlantic islands—the Azores, Madeiras, Cape Verdes, and Canaries—and ultimately to the Brazilian south Atlantic coast between Santos and Recife. Sugar estates had appeared on the island of Hispaniola in the Caribbean before 1530, but they did not become large-scale sustained exporters to Europe. Yet as early as 1498 Portuguese sugar from the Madeiras was being warehoused for sale at Antwerp.

In Brazil, Portuguese entrepreneurs and their Low Country backers encountered favorable conditions: a coastal strip of excellent black soil easily worked once cleared, adequate rainfall, which eliminated the irrigation required in the Atlantic islands, and low transport costs from estates to shipping centers at Recife and Bahia. One factor of production, however, was lacking: an abundant, docile, sedentary labor force. Gradually the Portuguese entrepreneurs expanded slaving operations against nomadic Amerinds along the Brazilian coast, and to protect them the Jesuits constructed separate communities which, despite their intentions, only served
in practice to prepare their Amerindian charges for ultimate incorporation into the expanding plantation system, first as food suppliers, then as chattel slaves. Brazil's semi-nomadic Amerinds proved inefficient as a plantation labor force, and the Portuguese proceeded to mobilize west African labor. In the sixteenth century they shipped about 50,000 chattel slaves to Brazil; in the seventeenth century over 500,000. They early recognized the proposition, "No slaves, no sugar, no Brazil." In 1570 there were about 60 engenhos; this number had risen to 346 in 1630 and to 528 by 1710, including small, medium, and large engenhos.

The Brazilian plantation syndrome of monoculture, chattel slavery, and production for export should not be separated from the west European center. The engenho was only another subsector of the European economy in particular of the Dutch economy, since the Portuguese remained mere intermediaries, re-exporting Brazilian sugar shipped often in Dutch vessels, often processed in Dutch refineries and distributed in north, central, and eastern Europe by Dutch merchants. Dutch goods were used by Portuguese slave traders in Africa. The Dutch eventually seized and occupied part of the Brazilian sugar coast around Recife between 1630 and 1654 as an enterprise of the Dutch West India Company. Once ejected by Brazilian planters who mobilized their own resources, the Dutch retreated to the Caribbean taking Brazilian sugar technology and experience to Surinam and Curaçao, from where it was ultimately diffused to the other islands of the Caribbean. There, in the last half of the seventeenth century, the Dutch, English, and French islands soon replicated the sugar plantations of Brazil in pattern and techniques. The division of the Caribbean and the establishment of the plantation were also to form the colonial heritage of that area. By 1700 the Brazilian sugar economy was in crisis as west European consumers turned to the cheaper product of the Caribbean.

The process of estate formation and labor recruitment on hacienda and plantation in the New World between 1500 and 1700 should not be examined solely in microcosm. Specialists in the area tend to focus upon details of the process of post-conquest growth and synthesis, and thus to emphasize the apparent autochthonous elements of the process: the mixing of Iberian, Amerindian, and African elements in America. A macrocosmic view, however, is required to put the process in the perspective of the colonial heritage. One cannot overlook the essential fact that in the period 1500 to 1700 the Ibero-American empires functioned as a peripheral segment of the expanding west European economy. In this function they may be compared to another peripheral area, central and eastern Europe, which supplied the European core with grain, timber, cattle, furs, and ores just as America furnished it with silver, gold, sugar, tobacco, hides, and dyes. Shifts of economic dominance among the Dutch, English, and French did not modify this essential relationship with the peripheral areas. Here the scarce factor of production was labor, and it had to be coerced from the subsistence economy into the export or "open" economy.

Paradoxically, as west European economic development brought social differentiation, mobility, and greater personal freedom to peasant proprietors and urban and rural wage laborers, in peripheral areas of the west European economy labor became more "unfree." In central and eastern Europe it became the "second serfdom." In America it took various forms: encomienda, repartimiento, mita, and ultimately debt peonage and chattel slavery. The Negro was trans-
planted bodily from an African subsistence economy to a peripheral area of export agriculture. Loss of personal freedom, then, had become by 1700 part of the colonial heritage. This was part of Africa’s and Latin America’s contribution to the development of liberty in western Europe.

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"The fleets to New Spain must leave every two years, for were they to depart annually that Kingdom would not be able to absorb them—or of this we have had disastrous experiences to the prejudice of both our trades. And because there is an interval in their sailing, those in New Spain have time to make their arrangements and sales to the internal market, and to receive their value by the time the other fleet arrives... And their volume must be what Your Majesty orders in the manner of former times."

Consulta del Consejo de Indias, 1713

"This way of Trading to the Indies... by Wholesale... is so way prejudicial to Gentility, for we see not only Gentlemen, but the Nobility of Castile deal in the Indies: and it is much to be lamented, that for want of our honouring and encouraging Merchants, most of the Trade is fallen into the hands of Foreigners, who grow Rich, and are enabled with what we despise."

Joseph de Veitia Linage, The Spanish Rule of Trade... Made English by Capt. John Stevens, 1762 (based upon the Spanish edition, 1672)

"Without the Indies or its trade, Spain would fall from its greatness, because there would be no silver for Your Majesty, for the ministers, for private individuals, for those holding encomiendas and inheritances, which all comes from the In-

Spain’s major colonial problem was how to maximize its control of the silver and gold exported to the metropolis, the basis of Spain’s economy and society and the principal support of Spain’s European position. Even more important to our analysis of the colonial heritage was the effect that preoccupation with mining had upon the structure and growth of the colonial commercial system.

From the Spanish imperial viewpoint, the underdeveloped Spanish metropolitan economy made all-important control over specie and bullion flows. Such flows provided financial liquidity at a time when public borrowing was both difficult and costly, and when fiscal policies could not quickly be modified. In addition, state finances, the bureaucracy and the military establishment, the nobility drawing pensions from state funds or from colonial properties or investments, monopolies and other privileges, the church establishment deriving income from colonial tithes, estates and lending operations, the merchant middlemen in Sevilla and their foreign merchant creditors and suppliers, the retired merchants, miners and bureaucrats receiving income on colonial investment—all depended on the inbound fleets from the Indies freighted primarily with specie and bullion, registered or illicit. After 1650 a significant percentage of silver, contrabanded or lost to privateers, may never have reached Spain at all; and of that which did, a large proportion never entered the Spanish economy. It was transshipped at Sevilla to settle the balance of trade with French, Dutch, English, and Italian merchants who supplied up to 90 per cent of colonial
imports and a large proportion of goods for peninsular consumption. This was one of the prices paid by Spain for failure to create an indigenous commercial bourgeoisie and to develop national production of ironware, steel, nails, textile, and paper.

Economically backward in 1550 and increasingly so thereafter, metropolitan Spain fell back upon an essentially last-millennium commercial system, a sort of mercantilism in one port, Sevilla (after 1717, Cadiz), to profit from its American possessions. Since this system is more often described than explained, it may be useful to view it in perspective before examining its structure. Most European nations, at one time or another in their history, have tried to maximize capital and trading skills by concentrating them in one area, one major port. What is difficult for the modern observer of the Spanish imperial trading system to understand is how this system could survive for 300 years with only minor adjustments. The modern observer is perplexed by the resilience of an imperial trading system providing its manipulators with relatively little feedback in the form of large gains from trade: little capital accumulation, practically no multiplier effect upon metropolitan industrial, agricultural, or banking structures.

The system required control over the mining of apparently inexhaustible natural resources, silver and gold, and a monopoly of distribution of the metals. This monopoly nominally benefited Iberians in America and in the metropolis. At the risk of oversimplification, it may be argued that the structure and function of Spanish imperial trade represents the maximization of the limited possibilities of a backward metropolitan economy. Spanish economic backwardness led to the formulation and application of new control mechanisms, just as the collapse of the international trading system after 1929 led to the propagation of national controls over foreign trade in Latin America and elsewhere. The establishment of formalized structures of supervision—the Board of Trade (Casa de Contratación), a merchant guild at Sevilla (Consulado), and convoys of escorted vessels (fleets and galeones)—indicates that the government perceived how vulnerable this system was to foreign penetration and wished to control specie and bullion inflows from its controlled overseas area by exacting “transit tolls” on silver and gold re-export. Since Spanish goods constituted a low percentage of the total value of exports to the colonies, trade was channelled via one port to ensure and facilitate collection of customs duties. The state obtained fiscal gains, while registered Spanish merchants earned income as expeditors, not owners, of cargoes, and sometimes as shippers.

At the one authorized Spanish port of Sevilla, the merchant guild and the Board of Trade constituted the main control mechanisms. The guild, dominated by a wealthy minority supervising the entry of new members, sanctioned corporate oligopoly; it excluded not only non-Spaniards, but even non-Castilians. Foreign merchants, although resident and officially recognized in their own corporate bodies with extraterritorial rights, could in theory participate only indirectly in colonial trade as suppliers; in practice, the formal exclusion functioned as ineffectually as did the current corporate arrangements common in most Latin America republics today to impede foreign domination while preserving foreign participation. The Sevilla oligopolists were, at best, intermediaries collecting commission fees. The Board of Trade, a government-appointed trade board whose bureaucrats cultivated intimate ties with resident merchants both
Spanish and non-Spanish, applied control mechanisms through registry of goods, personnel, emigrants, immigrants, and ships and shippers which moved to and from the colonies in scheduled fleets or convoys. Such was the shadow of state control that the government entrusted to the Seville guild collection of the fee (avencia) which was applied to the costs of outfitting and maintaining the armed convoy escorts.

The pattern of commercial centralization was extended to America to facilitate toll collection. At the western terminus of the Atlantic trade designated ports in the Caribbean—Cartagena, Portobello, Veracruz—maintained official contact with the metropolis via Seville. Through these ports, like the medieval factories or trading posts which Italian cities had established along the Mediterranean coast, the trade from the hinterland of Mexico and western South America was funneled. At the American trading points, merchants applied a pricing mechanism based upon purposeful undersupply, with the price level adjusted to the available purchasing power represented by the silver and gold supply in the hands of the colonial merchant intermediaries gathered for the arrival of the convoys.

Historians have generally been unduly fascinated by the formal features of a complex state-structured and state-dominated trading or commercial system centered on southern Spain with administrative tentacles fanning out to the Caribbean control points and spreading from there to centers of colonial production for export. The colonial commercial system was on one hand the product of the sheer scale of new world geography, size of population, and resource location and, on the other, of the Spanish level of economic development. Trading with America was not like trading with the Low Countries or England in the middle of the sixteenth century; it was not possible to obtain export commodities in the colonies by dispatching merchants to American exports. America’s mineral resources were located deep in the continental heartland and were surrounded by an indigenous population unprepared to exploit them and disinterested in commercial exchange with the Spanish overlords. To have confined the exploitation of the American colonies to a type of English merchant adventurers’ organization would have overtaxed the capital and technical resources of Spanish entrepreneurs and, for that matter, of any west European merchants at that time. Furthermore, by about 1550 Spain had to defend her merchant vessels on Atlantic sea-lanes against attack by English and French privateers. In brief, the exploitation of America demanded a political organization far exceeding the resources of a trading company.

The interplay of these factors led to a division of role between the Castilian state and Spanish entrepreneurs. While the state took responsibility and some profit from the creation and maintenance of the political and economic superstructure in the colonies, the merchant, mediating the exchange of goods for silver at key points, controlled effectively the flow of trade and commission fees. The crown sometimes conferred upon the merchant guild, often a large creditor, the functions of government in customs collection and decision-making in affairs affecting its interests, just as the colonial corregidor or alcalde mayor in local government blended private interest and public administration with state sanction.

It is not surprising, therefore, that consular offices in colonial trade at Sevilla, Mexico City, and Lima—groups often joined by interest, by regional origins, and by kinship and alliance
—constantly resisted the modernization of the Spanish commercial system. They opposed innovations such as the joint stock company, which would have been incompatible indeed with conditions of the trade at Sevilla: restricted membership, controlled underr supply of a captive market, secrecy of operations. Adam Smith later compared the Cadiz mercantile community to a privileged company, but the monopoly of colonial trade enjoyed by the Andalusian port manipulating non-Spanish goods in a captive market could scarcely be compared to the Merchant Adventurers despite some superficial similarities. Not until the eighteenth century did privileged trading companies appear in Spain and then notably to serve areas of agricultural rather than mining development. With few and doubtful exceptions, their existence was brief, due not only to their own defects but also to the active opposition of the trade guilds.

Three considerations help explain the permanence of the colonial trading structure with no appreciable modification until the end of Spanish colonial control of America. First, the system was permeable to external manipulation: non-Spaniards resident at Sevilla dominated colonial trade by advancing goods or credit or both, and by employing Spanish merchants willing to lend their names to merchandize in fact wholly owned by foreigners and shipped to the colonies often under the eye of foreign supercargoes in foreign ships. The manipulation also took the form of bribery to cover contraband at every phase of the movement out of Sevilla and back. At every level of operation foreign interests bribed seamen, stevedores, customs officials, and Madrid’s bureaucrats and ministers. Few officials were impermeable to bribery.

In the second place, the system’s longevity was the result of its flexibility. The system in practice allowed for greater participation in colonial enterprise than its closed structure suggests. Between the state and private Spanish interests there developed a symbiotic relationship. Merchants financed placemen seeking colonial office, and they provided means to bureaucrats proceeding to America on the promise the placemen would co-operate in the illegal sale of goods there. At all stages of the colonial bureaucracy, merchants located officials who countenanced contraband, from customs officials to viceroys, including the naval officers charged with convoy duty. Until 1760 the limited range of profitable colonial enterprise—the mines and related activities—channeled Spaniards toward trade, the sector of opportunity in the colonial economy.

Finally, while the returns on colonial trade to Spanish guild members at Sevilla were low compared perhaps with those which flowed to English, Dutch, French, or Italian suppliers of goods and credits, the Spanish involved were satisfied because alternate opportunities did not exist. The rate of return on colonial trade to Spaniards and their associates in Sevilla—a small, privileged group, most of whom were mere fronts for foreign merchants—permitted a higher level of income and consumption than other occupations in Spain.

The Spanish government bestowed privileges and exemptions on this entrepreneurial group in their functional corporation or guild because this group and its foreign links offered to an inefficient and penurious government funds which that government was incapable of obtaining through taxation of a privileged aristocracy and an ecclesiastical establishment. The silver flows from America made the Spanish government independent of formal assemblies
or representative groups which, if they granted loans and new taxes, might in return have demanded participation in the legislative process. If American silver distorted the Spanish economy, it emasculated the Spanish cortes, too.

It has often been argued that a colonial system embodying exaggerated form the virtues and the vices of the metropolitan power. The Spaniards reproduced in their colonies on a vast scale the structural defects of the metropolitan economy. A tiny nucleus of colonial ports handled legal imports and exports. In these ports or their major hinterland points of distribution, a small number of merchants, more often than not related by kinship ties with their Sevilla or Cadiz counterparts, concentrated upon distributing a limited volume of imports at grossly inflated prices in return for silver deliberately undervalued in America. Until long after 1700, they had little incentive to handle bulky colonial exports unless the structure of European demand and the price level there made the effort profitable. In America, the Spanish merchants in league with miners and bureaucrats had no incentive to diversify the structure of exports by stimulating agricultural production or by creating local industry. Such diversification was tolerated but not encouraged. Nor did they develop a colonial fishing industry, nor specialized colonial production for intercolonial trade. The potentialities of interregional trade were neither recognized nor, if recognized, exploited.

Toward the end of the seventeenth century exploitation of the colonial world became increasingly difficult. As long as colonial demand remained within predictable limits, as long as no new areas of colonial export developed, as long as Spain's European suppliers remained content to exploit the colonies through Spain, or as long as direct contraband ac-