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COMMERCIAL CONDITIONS IN MEXICO AT THE END OF THE COLONIAL PERIOD*

By LILLIAN E. FISHER

At the end of the colonial period commerce, which was part of the economic policy of Spain toward the American dependencies, was still unprogressive. True it is that other countries had similar mistaken economic ideas and upheld the false mercantilistic theories of the age, but no nation clung to them more tenaciously than Spain. In places where the pressure for a more liberal system was greatest, other nations winked at evasions of the law, but Spain carried monopolistic exclusiveness to the extreme, and from the outset the policy of a closed door was maintained relative to colonial markets. The peninsula reserved for itself the supplying of the colonies with articles of necessity and a large part of the food stuffs consumed in America. All commercial relations with the New World were subject to martinet supervision. A rigid system of registration was established to prevent foreigners from taking part in American trade, and emigration to the colonies was limited.

Commerce should have been as free as in the days of the Aztecs, but under the strict monopoly established from the conquest, it could only be carried on by definite persons, in a determined quantity and form, and through certain ports. From such an illiberal basis arose all the legal complications of commerce between Spain and its dependencies. American commerce should at least have been free to all Spaniards, and Spanish industries should have been created or protected; however, merchants could not send their goods to the New World without obtaining a special privilege for this and the cost of such a permit was very high. Inhabitants of the Canary Islands might not trade with America at all. Conditions were deplorable in Spain, industry was ruined, usury in all its forms existed,

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and the coinage was frequently debased. With such a situation, how could the colonies have a better fate? What was expected of them was that their gold and silver should pay for foreign wars, make up all the deficits in the treasury, and enrich individuals.¹

Spaniards or foreigners controlled commerce almost entirely and creoles or American-born Spaniards were excluded from its profits as they were from many other advantages in New Spain. The voice of an unknown writer declared that depriving the creoles in America of commerce was nothing else than to encourage foreigners in it. If foreigners obtained this privilege then Spanish navigators became poor and were compelled to serve under them at a salary as servants; hence neither Spaniards nor persons born in America would be able to carry on any commerce.²

Other countries soon tried to break down the cherished Spanish monopoly by illicit trade. The coasts were infested by the destructive raids of buccaneers, and colonial officials appointed to administer the commercial system were corrupted. The monopoly finally collapsed, for under the best conditions it would have been difficult to continue, since it was contrary to all the normal operations of economic forces. A large part of the profits on American trade went to French and English factories because Spain could not supply more than one tenth of the commodities consumed by its American colonists. Under the famous *asiento* of 1713, Great Britain obtained the right to send one ship a year to trade with the Spanish dependencies. England snapped its fingers at the treaty and, needless to say, the ship never became empty, since it was accompanied by smaller boats which kept in hiding until night when they replenished the larger ship. From that time the maritime nation held an enviable position in American commerce. By 1740 England reaped as great profits from Spanish colonial trade as did Spain itself. Alexander von Humboldt, the well-

1. Pablo Macedo, *Tres monografías* (Mexico, 1905), 12-23.

2. Parecer sobre el gobierno y comercio de las Indias. AGI (Archivo General de Indias), 141-6-4 (sin fecha sin firma). BL. (Bancroft Library).

known traveler, asserted that before 1765 England gained more than 20,000,000 pesos a year from fraudulent commerce.³

After 1763 it was impossible to keep the English out of Spanish American ports. British warships seemed to take special delight in entering important harbors like Havana, Vera Cruz, and Porto Bello, not so much because of the profit to be derived from contraband trade and the love of law breaking, but rather to build up a traditional right of entrance and it was necessary to ascertain the strength and location of the Spanish colonial forces.

Spain's rivals could provide manufactured articles much cheaper than the Iberian Peninsula or its colonies could produce them. Spanish manufacturers had always been handicapped by the wealth of the Indies, since the huge gold supply that poured into the home country caused prices to rise and helped to ruin manufacturers on account of the cheap foreign goods which flooded Spain. By the end of the eighteenth century the volume of Spanish production was almost nothing. After the Latin Americans learned the cheapness of foreign goods, Dutch, French, Portuguese, and English smugglers were welcomed and even the Spanish local officials pretended to overlook their activities. It was realized that goods which came through the legitimate channels were very expensive on account of high freight rates, delays in transportation, and the greed of merchants who often tried to make a fortune on the first cargo sent to Vera Cruz. The colonists therefore began to believe that the restrictive commercial laws which they were forced to obey sacrificed their well-being and they regarded foreign nations as their friends. Worst of all, corruption and evasion of the laws became widespread, thereby lessening respect for the law, which in time became one of the weakest features of the Spanish colonial administration.

British merchants established themselves at Vera Cruz, pretending to watch the traffic in slaves, which was

3. *Ensayo político sobre Nueva España* (Paris, 1836), IV, 151-152.

not very important, but it served as a pretext to introduce other merchandise. They began to take possession of the foreign commerce of Mexico and soon obtained important commercial houses in that country. Later those houses disappeared and were replaced by French and German commercial establishments.⁴

Commercial conditions were rendered more unsatisfactory because of the multitude of irksome imposts, duties, fees, charges, commissions, royalties, licenses, and tributes. An import and export duty (*almojarifazgo*) was required on all merchandise. The usual rates were two and one half per cent on goods going out of the country and five per cent on imports, but this varied greatly under different administrations until it reached seventeen and one half per cent. Goods which passed from one colonial port to another paid from one half to five per cent duty.⁵ There was the *avería* besides, intended to cover all transportation costs, which mounted to fourteen per cent at times. The *almirantazgo* was an import duty established as an endowment for the admiral of the Indies, Columbus and his descendants; the right was given up in exchange for a pension. Nevertheless from 1737 the duty was collected for the treasury on numerous merchandise and was continued until free trade; it was reestablished by Charles IV in 1807.⁶ A tonnage duty was levied on vessels engaged in American trade to defray the expenses of the *consulado* or organization of merchants. At first it was one and one half reales in silver for each ton, however, another real was added later. The duty was not uniform on all vessels; it was graduated in accordance with the importance of the port

4. Macedo, 35-36.

5. Juan de Solórzano y Pereyra, *Política indiana* (Madrid, 1626-1639), 1776. Francisco Ramiro de Valenzuela ed. II, lib. 6, cap. 9, art. 8, p. 468; *Documentos inéditos . . . de Indias* (Madrid, 1864-1884), XIX, 81, 112; *ibid.*, XVIII, 337-339; Herbert I. Priestley, *José de Gálvez* (Berkeley, 1916), 361; Clarence H. Haring, *Trade and Navigation between Spain and the Indies in the Time of the Hapsburgs* (Cambridge, 1918), 84.

6. Macedo, 27-29.

to which a vessel was bound.⁷ The *alcabala* or sales tax, which was ten per cent on merchandise arriving and sold in Spain and six per cent in the colonies, also affected commerce, for it was one of the most abused taxes. The régime of free commerce after 1778 modified some of the burdens of those impositions, but they were later reestablished and prices were kept as high as ever in Mexico. Foreign products were burdened thirty-six per cent of their value upon their arrival at Vera Cruz and, because of colonial imposts, when they reached the consumers the duties were seventy-five per cent. The same thing happened in Europe with colonial products. For example, cochineal paid 41 pesos and 30 centavos on each *arroba* when it reached Spain.⁸

The hated monopolies were extended to articles of common necessity like salt, fish, tobacco, quicksilver, playing cards, stamped paper, leather, gunpowder, snow brought from the mountains for refrigeration, alum, copper, lead, tin, alcohol, and cock-fighting.⁹ All individuals were prohibited to trade in those products, since the profit from them belonged exclusively to the government. The evils of monopolies were increased by leasing them; usually the most powerful persons in the community became the contractors and worked for their own selfish interests to the disadvantage of the consumers. That which was not a legal monopoly was frequently made a monopoly by the clergy and merchants.¹⁰

The monopolies were generally accepted by the submissive people without question, but when the noted tobacco monopoly was formed in 1765 and severe penalties were imposed on contrabandists, a small determined and enter-

7. Miguel Lerdo de Tejada, *Comercio exterior de México desde la conquista hasta hoy* (Mexico, 1853), 14.

8. Rafael Antúñez y Acevedo, *Memorias históricas sobre la legislación y gobierno del comercio de los Españoles con sus colonias en las Indias Occidentales* (Madrid, 1797), 23; Macedo, 29-30.

9. Vicente Riva Palacio, *México á través de los siglos* (Barcelona, 1888-1889), II, 699, 701; *Documentos inéditos . . . de Indias*, VI, 254; *Memorias de los vireyes que han gobernado el Peru* (Lima, 1859), III, 275; Priestley, *José de Gálvez*, 153, 314, 321, 346.

10. Macedo, 37.

prising group of men organized as a secret society to combat it. They had accomplices and friends in the tobacco growing districts and along the winding roads over which the product was transported. Those bold defiers of the law battled even with the troops when this was necessary to defend their interests. But in spite of such opposition, the tobacco monopoly flourished, and contributed to the government from 1766 to 1790, after all expenses were deducted, 52,437,074 pesos.¹¹

Commerce in America was carried on through the *consulado* which was similar to a modern chamber of commerce. The organization had its own judicial tribunal, consisting of one prior with functions as president and two consuls who were judges. Before this court was held practically ever civil case arising from the trade of the Indies, such as bankruptcies and collection of debts.¹² Those corporations of commerce also had administrative functions which were somewhat confused with their judicial duties.¹³ The *consulado*, having large sums of money at its disposal, undertook to finance many public works. It likewise worked for its own interests and soon became a closed corporation controlled by a few large commercial houses in Seville which enjoyed a monopoly of trade between Spain and America.¹⁴

By the nineteenth century the *consulados* did not meet the needs of the American people, since adequate supplies of most of the necessities of life were habitually lacking in the Spanish colonies. This may have been caused by maladministration, the inability of Spain to obtain goods from other countries, or by the deliberate restriction of the supply of merchandise by the *consulado* to keep prices high. The complaints made against the organization by the later viceroys of Mexico show that the institution was getting beyond their control. Viceroy Linares spoke of

11. Riva Palacio, II, 890-891.

12. *Recopilación de leyes de las reynos de las Indias* (Ed. 4, Madrid, 1791), leyes 2-3, 15, 21-24, tit. 46, lib. 8.

13. Macedo, 25.

14. Haring, 43-45, 136-137.

the many annoying irregularities in the conduct of the members of the body; he implied that its agents sometimes tried to undermine the influence of the viceroy at court. Those crafty men obtained monopolies of certain kinds of merchandise, hid their goods, or went into bankruptcy, and injured the common people by raising prices. Viceroy Marquina objected to the confused condition of the finances of commerce which it maintained.¹⁵ Viceroy Branciforte thought of abolishing the consulados of Vera Cruz and Guadalajara because they had become so aggressive. He believed that it was expensive to maintain three consulados when the one in the capital was sufficient; commercial deputations could be established in the principal cities or capitals of the intendancies. The consulado of Vera Cruz had recourse to the king and ably defended itself by outlining the advantages which resulted from its erection. The viceroy did not succeed in getting rid of the two consulados.¹⁶

For many years Spain's restrictive commercial policy also prohibited coastwise trade between the ports of different viceroyalties, and even between those of the same viceroyalty. Occasionally public-spirited viceroys like the two Revillagigedos used their influence to have the Mexican ports opened to domestic commerce, which was scant because of the irregularity and scarcity of food crops and colonial exports.¹⁷

The monopolistic system did not fulfill the great expectations of Spain, therefore Bernardo Ward, a member of the royal council and minister of commerce, began to advocate free trade as early as 1762. He declared that if commerce were free and all who wished were permitted to go to the Indies, products would become cheap, merchandise would be brought for all kinds of purchasers, greater consumption would result, occupation would be provided

15. *Instrucciones que los vireyes de Nueva España dejaron a sus sucesores* (Mexico, 1867), 310-311, 195-196.

16. Consulta de consejo de las Indias. Madrid, April 2, 1808, num. 9, AGI, 1144 (88-1-7). Audiencia de Méjico.

17. Priestley, *José de Gálvez*. 202; *Instrucciones que los vireyes de Nueva España dejaron a sus sucesores*, art. 119, p. 26.

for the king's vassals, industry would be promoted, and the nation would be greatly enriched. He thought that many things from America were useful for Europe and many European products could be sold advantageously in the dependencies. He added that if the commerce of the Indies were not opened to all subjects of the monarch, all the measures taken for the improvement of mining and industry would not benefit Spain but only serve to enrich its enemies.¹⁸

The first real commercial reform for the colonies came during the reign of the wise Bourbon king, Charles III, who abolished the most vexatious features of the monopolistic system. A preliminary decree for free trade was first applied to the islands of Cuba, Santo Domingo, Puerto Rico, Margarita, and Trinidad, also Yucatán and Campeche, in 1775. They were relieved from many minor and oppressive dues and goods could be sent from or received in nine ports of Spain.¹⁹

In 1778 a period of restricted free trade was inaugurated, since the liberal-minded king Charles III thought that only free commerce among the Spanish Americans and the European Spaniards could reestablish agriculture, industry, and the population to their ancient vigor. For ten years the chief import and export duties on Spanish commerce were removed or modified. The tonnage duty and admiralty duty were abolished, and the *avería* was reduced one half per cent on silver and gold.²⁰ Certain colonial products consumed in the metropolis were exempted entirely from dues. With special permission boats from the Balearic and Canary Islands might go to the Indies. Other Spanish cities besides Seville and Cádiz obtained the privilege to trade with the colonies, and free inter-colonial commerce

18. *Proyecto económico en que se proponen varias providencias dirigidas á promover los intereses de España . . .* (Madrid, 1779), 278 et seq.

19. Decree of Nov. 8, 1775, and addition to it on July 5, 1776, AGI, 1316 (89-1-14). Audiencia de Méjico.

20. Antuñez y Acevedo, 176, 207, 227; *Reglamento y aranceles reales para el comercio libre de España e Indias de 12 de Octubre de 1778*. Madrid 1778, AGI, 1316 (89-1-14). Audiencia de Mejico, arts. 16-17, 22.

was permitted. Goods still had to be brought directly from the ports of Spain and were transported only to Vera Cruz, not being allowed to go directly to Havana or other ports of Mexico.²¹ Merchants of the interior cities who formerly went to the capital to obtain their European goods proceeded directly to Vera Cruz to buy it, and thus avoided a duty of six per cent payable on goods entering the metropolis.²² Merchant ships no longer sailed under convoy, but went out individually without naval protection.

Free commerce, after being tried in the less important colonies, was applied to all parts of Spanish America by 1789. The monopoly enjoyed by the consulado and the great merchants was broken, and many small traders entered the commercial field. Those who previously engaged in monopoly found it necessary to take up active work, accordingly they employed their capital in agriculture and mining, thereby causing those industries to increase.²³ The *ayuntamiento* or town council of Vera Cruz declared that the population of the seaport had greatly increased due to free trade.²⁴ José Pablo Valiente asserted that the valuable measure had given a powerful impulse to agriculture and national industry on account of the ease of consuming their products; it contributed effectively to the increase and perfection of the merchant and naval marine; it facilitated communication with the metropolis; and multiplied productive capital. He added that the bonds between the colonies and the mother country were strengthened by those relations in such a manner that measures were communicated quickly and power was exercised in America with the same ease as near the throne.²⁵ Vicente Basarde said that free commerce marked a glorious epoch in posterity, and

21. *Ibid.*, arts. 4, 43; Lucas Alamán, *Historia de Méjico*, (1849-1852), I, 112; Macedo, 24.

22. Humboldt, IV, 125.

23. Alamán, I, 112.

24. Consultas de negocios seculares. Mexico, 1807, AGI, 1143 (88-1-6). Audiencia de Méjico.

25. Sobre sistema de gobierno de America. Sevilla, Sept. 16, 1809, AGI, 141-5-11. Audiencia de Méjico. BL.

the year when the fleets were abolished should be set down in the annals of the noted events of the kingdom.²⁶ Ramón de Casada believed that free commerce was greatly to be desired, for it was the true means to make a people happy, to cause agriculture, the arts, and navigation to flourish; it would increase the population and banish idleness and vice. He maintained that free commerce in comestibles would be a guarantee against the introduction of foreign products and at the same time the provinces would be benefited.²⁷

A general era of prosperity began, industrial life was quickened, and there was relief for a short time from ruinous taxation. The people began to awaken and realize the limitations and grievances of which they had been the victims during the centuries of unreasonable discrimination and unjust restriction. There was a complete break with the ancient commercial régime and the inhabitants began to become conscious of their powers. Wealth and capital multiplied and the Mexicans made some advancement in civilization. Estévan de Antuñano thought that this was the first step toward Mexican emancipation.²⁸ The frontier provinces benefited from the liberal measure. In 1782 direct trade with France and Louisiana was permitted to Spaniards in Spain and the Louisiana colonists were allowed to carry on commerce with France, a necessary consequence after the expulsion of the British smugglers during the war of the American Revolution, since those violators of the laws had furnished most of the supplies for the frontier province. Spanish merchants and manufacturers had proved unable, under the old system, to meet the needs of the inhabitants of Louisiana.²⁹

26. Copia del memorial de Vicente Basarde. Vera Cruz, Jan. 5, 1799, AGI, 2508 (96-2-14). Audiencia de Méjico.

27. Copia del pedimiento fiscal de 30 de Noviembre de 1781 sobre libre extracción de arina y otros comestibles a la isla de la Havana y otras partes . . . Num. 18, AGI, 2523 (96-3-8). Audiencia de Méjico.

28. "Discurso analítico de algunos puntos de moral y economía política de Méjico . . ." Puebla, 1834. In *Papeles varios*, 61, num. 3, p. 30. The *Papeles varios* is a collection of printed Mexican pamphlets.

29. Arthur P. Whitaker, "The Commerce of Louisiana and the Floridas at the End of the Eighteenth Century." *Hispanic American Historical Review*, May 1928, pp. 192 et seq.

The consulado did not give up its old monopolistic privileges without a struggle. The consulado of Mexico City declared that "free commerce of the Americas with Europe and Asia hurts the public right, insults the prerogatives of the Spanish throne, destroys the pretensions, hopes, wealth, power, finance of the mother country, offends progress, customs, sentiments, and the peace of those possessions, and causes division and anarchy." The organization said that Spain had a right to the commerce of the Indies because it had conquered them, and that national monopoly was a just reward for the beneficent protection of the mother country. It added that if commerce were free, all nations would wish to be situated in America and Spain could not keep them out. According to the consulado, free commerce was without doubt the most terrible enemy of navigation, agriculture, and manufacture.³⁰ On the other hand, Pedro del Paso y Troncoso, prior of the consulado of Vera Cruz, said that the consulado of the capital greatly exaggerated the danger of free commerce. He stated that the organization of merchants wrongly attributed the rebellion of the people to foreign commerce, for where it was most continuous there had not been discovered the lightest spark of that destructive flame which almost consumed other parts reserved for the trade of the consulado.³¹

There were a number of persons who severely criticized the measure for free commerce; for instance, Antonio de San José Muro maintained that the poverty of America increased with free commerce which was a true evil, that countries which had products to export were enriched but those which only worked mines became miserable, and that the old system kept more silver in the kingdom. Consequently he believed that it was necessary to restore condi-

30. "Informe del real consulado de México contra el comercio libre de America." In Juan Hernández y Dávalos, *Colección de documentos para la historia de la guerra de independencia en Mexico de 1808 a 1821* (Mexico, 1877-1882), II, 500-508.

31. *Diario del gobierno de la Habana*. Lunes 31 de Enero and Domingo 30 de Enero de 1820. Numeros 31, 30, AGI, 1678 (91-2-12). Audiencia de Méjico.

tions as they were under the old régime.³² Pedro Fauria said that Spanish products suffered greatly from the results of the unfortunate system of free commerce, commercial conditions were deplorable in Mexico, and Spain experienced incalculable losses because English goods were sold cheaper in Mexico than Spanish merchandise.³³

Complaints arose that, like so many other laws, the *reglamento* for free commerce was not enforced everywhere. Lucas de Gálvez, the intendant of Yucatán, and Francisco Carvajal, intendant of Chiapas, both avowed that free trade was hindered in their provinces by certain governmental authorities.³⁴ Viceroy Revillagigedo also showed that the wise measure for free commerce was violated. Although the commerce of European products with Mexico was prohibited to all ports except those of Spain, they came from Havana under the pretext of provisions for merchant boats and generals in the war.³⁵

Humboldt, who was familiar with the working of the regulation of 1778 in Mexico, said that the word "free commerce" only represented an idea. Fourteen Spanish ports were opened at the same time to the commerce of America and this was like a step from the most despotic arbitrariness to a freedom sanctioned by law, but it did not go far enough. The noted explorer thought that more would have been gained on both sides if another order had annulled the oppressive custom duties, which were opposed to agricultural and industrial progress in New Spain.³⁶ Pedro Troncoso criticized the Pragmatic of free commerce because it closed the ports of Havana, Campeche, San Blas, and all

32. Proyecto del Antonio de San José Muro. Mexico, April 16, 1787, AGI, 1879 (92-5-15). Audiencia de Méjico.

33. Pedro Moreno y Fauria al Exmo. Señor D. Pedro López de Lerena. Mexico, Nov. 26, 1789, AGI, 1907 (92-5-15). Audiencia de Méjico.

34. Lucas de Gálvez al Exmo. Señor Don Antonio Valdés y Bazán. Campeche, Sept. 25, 1788, num. 36, AGI, 2505 (96-2-11). Audiencia de Méjico; Francisco Saavedra y Carvajal al Exmo. Señor Dn. Antonio Valdés. Ciudad Real de Chiapas, June 4, 1788, num. 1, AGI, *ibid.*

35. Revillagigedo al Exmo. Señor D. Diego Gardoqui. Mexico, Nov. 30, 1793, num. 754, AGI, 2506 (96-2-12). Audiencia de Méjico.

36. *Ensayo político sobre Nueva España*, IV, 122-123.

the others of America to the trade of foreigners. He declared that to order the ports of America closed to foreign commerce, which was already established, was like requesting night to turn into day and was a waste of time. He maintained that the laws which regulated commerce should vary with the times. He believed that the increase of the permitted commerce would destroy the illicit which, besides converting useful men into delinquents, absorbed the greater part of the revenues of the crown and destroyed the happiness of the state and the prosperity of the vassals who observed the laws.³⁷

Other slight concessions were made to commerce later; in 1788 a decree permitted foreigners as well as Spaniards to carry on commerce in negro slaves in the American islands.³⁸ In 1789 national products and manufactures were declared free for Mexico and Caracas, and one third of each cargo might be made up of foreign goods of licit commerce.³⁹ On account of the repeated petitions of merchants and in order to avoid the interruption of commerce with America during the French Revolution, in 1797 the king permitted all his subjects to make expeditions to America with goods which were not prohibited in national or foreign boats from the ports of neutral powers or from those of Spain. This measure did not have the desired effect, since Spaniards themselves abused the privilege granted them. The decree was therefore annulled in 1799.⁴⁰ The sovereign also permitted European goods to circulate from port to port in America because of the scarcity of such articles during the war with England. The consulado of Havana rejoiced, but the consulado of Vera Cruz complained about the injuries caused to national trade because of the meas-

37. Diario del gobierno de la Habana. Domingo 30 de Enero de 1820, num. 30, AGI, 1678 (91-2-12). Audiencia de Méjico.

38. Antúñez y Acevedo, 145.

39. Decree of Feb. 28, 1789. AGI, 1316 (89-1-14). Audiencia de Méjico.

40. Decree of 1799. Aránjuez, April 1799, AGI; 1314 (88-1-12). Audiencia de Méjico; Varias cartas sobre pagó del situado del ministro Español en Filadelfia 1799. *Ibid.*, papeleta 75.

ure.⁴¹ Before 1815 a number of other Mexican ports besides Vera Cruz had been opened directly to European commerce.

The reforms did not stop smuggling—the curse of the Spanish commercial system. From 1796 to 1801, during the war with England, Spain could not introduce into Mexico more than 2,604,000 pesos' worth of goods; yet all the shops were full of muslin from India and the products of English manufacture.⁴² Clandestine trade flourished on the Guadalquivir itself.⁴³ Josef Cárdenas declared that contraband was very frequent even among persons of first distinction, that the greater part of commerce was illegal, and that correspondence was maintained with foreign nations which sent spies into the colonial ports. He showed that one of the roots of evil was that smuggling was not believed to be a sin, another that it was not harmful, another that the royal dues were unjust and that the people were burdened with excessive imposts.⁴⁴ In 1803 Antonio de Argumedo said that the restriction of commerce caused contraband and many persons became contrabandists involuntarily because of the inflexible rules for registering goods. When a boat arrived in a port the register was made and closed immediately. It was very expensive to have the register opened again and it caused much delay, therefore additional articles were embarked without register by bribing the customs guards.⁴⁵ In time of war commerce almost reached the point of being independent. At that time illegal trade was estimated at six or seven million pesos a

41. El consulado de Vera Cruz da cuenta a V. E. en el intolerable abuso que hace en las reales órdenes que permiten la exportación de efectos de Europa de un puerto a otro de America. Vera Cruz, June 6, 1810, num. 360, AGI, 2514 (96-2-20) Audiencia de Méjico; El consulado de Habana pide que ratifique las reales órdenes que permiten la reexportación de efectos procedentes de la península para otros puertos de America. Havana, Nov. 5, 1810, num. 360, AGI, *ibíd.*

42. Humboldt, IV, 120-121.

43. Haring, 62-63.

44. Fray Josef de Santa Gertrudis y Cárdenas á Floridablanca. Puebla, Oct. 28, 1787, AGI, 1879 (92-4-3). Audiencia de Méjico.

45. Antonio de Argumedo al consejo de Indias. Huejutla, Dec. 20, 1803, num. 86, AGI, 190 (91-6-25). Audiencia de Méjico.

year, and in periods of peace at four or five million pesos.⁴⁶ Spanish merchants could not complete successfully with foreigners under such conditions, since the prices of their goods had to be very high on account of the dangers and difficulties of transportation, because of the large securities demanded, illiberal contracts, and the contributions and loans to help meet the expenses of the war. As a result many merchants were ruined and the contrabandists had everything their own way, for the government of Mexico could not guard the immense extent of the coasts while there were wars.⁴⁷

Internal commerce became more progressive in New Spain when free trade was established. Products were exchanged quite freely, especially with the mining regions. Every week thousands of mules came from Chihuahua and Durango to Mexico City bringing silver, leather, and other commodities from those districts. They returned laden with manufactured woolen goods from Puebla and Querétaro, also with merchandise from Europe and the Philippines, and with iron and mercury.⁴⁸ Better and cheaper transportation was one of the problems which had to be met before internal commerce could be profitable. Roads were scarce and in a deplorable condition. Humboldt thought that it would be a good thing to introduce camels into Mexico to carry goods from the Pacific to the Atlantic coast because they suffered much less than horses and mules from dry climate and lack of water. As Mexico did not have navigable rivers, this well-informed traveler also suggested that there should be artificial navigation between Mexico City and Tampico. He likewise believed that a canal could be constructed through the intendancy of Oaxaca to unite the two oceans.⁴⁹ José María Quirós also believed in the possibility of such a canal and he thought it would

46. Humboldt, IV, 120-121.

47. Riva Palacio, II, 891. The great bulk of the *legajos* of the Archive of the Indies from about 1780 to 1806 deal with smuggling.

48. Humboldt, II, 9.

49. Humboldt, IV, 44-47, 54, 32-33.

greatly benefit the provinces of Vera Cruz, Oaxaca, and Puebla.⁵⁰ Several viceroys called the attention of the government to this plan, but nothing was done about the Tehuantepec canal route.

Internal trade was somewhat interfered with on account of rivalry between the merchants of Mexico City and Vera Cruz—a rivalry between the merchants of the plains and those of the warm regions. Spain paid no attention to those dissensions, but secretly found satisfaction in them, believing that its position would be strengthened by the internal disagreement between the natives and Spaniards.⁵¹ This commercial emulation between the merchants of the two cities may have been one reason why the latter was so popular a place for rebel groups. There was a slow estrangement and separation taking place between the two municipalities. Vera Cruz had felt the effects of liberal influences, which sprang up from contact with foreign peoples and ideas, more than the capital; for, no matter how heavy the restrictions at such a port, individual merchants from all over the world would come and leave their influence. Since the inhabitants were inspired by new ideas and were trade competitors of the capital, Vera Cruz later proved to be an excellent place from which to launch liberal movements.⁵²

The coastwise trade flourished under free commerce and assumed an importance hitherto unsuspected. Vera Cruz alone received four or five hundred boats a year, but Acapulco was visited by only about ten vessels. Four or five ships were sent annually down the west coast of Mexico to Guayaquil and Lima, but this commerce with Peru was not very successful because of the great distance, adverse winds, currents and calms, and the crudely con-

50. Memoria de estatuto. Causas de que ha procedido que la agricultura, industria y minería de Nueva España no hayan adquirido el gran formento de que son susceptibles. Vera Cruz, Jan. 18, 1818, AGI, 2518 (96-3-3). Audiencia de Méjico.

51. Humboldt, IV, 83-84.

52. Wilfrid Hardy Callcott, *The Church and State in Mexico 1822-1857* (Durham, 1926), 74-75.

structed vessels. In the east the coast trade was more profitable and in 1804 fifteen or twenty American boats went around Cape Horn into the Pacific.⁵³ The Philippine commerce continued to be profitable after free trade was inaugurated. The rich merchandise from the Orient was eagerly awaited every year by the people of Mexico and the goods were distributed in the entire viceroyalty.⁵⁴ All classes of people from the proud creoles of the larger municipalities to the Indians of the warm lands, whom the Spanish laws compelled to wear clothes, were dressed in the fabrics of the Orient—in the silks of China, or cottons of Luzón and India.⁵⁵

The national wealth increased every year after free commerce was established; this was true in all branches of finance. Luxuries were more in demand than ever before in Mexico. Finer fabrics were needed, therefore New Spain was more dependent upon Europe and Asia. The principal exports from Mexico were gold and silver in bars or made into designs by the silversmiths, cochineal, sugar, flour, indigo, salted meats, dried vegetables or other eatables, tanned leather, vanilla, Jalapa root, soap, dye-wood, pimenta, and sassafras. The imports were cloth, paper, whisky, cacao, mercury, iron, steel, wine, and wax.⁵⁶

Commerce was not altogether successful under the Pragmatic of Free Trade, although it had greatly increased. It could not compete with foreign commerce. Abad Queipo, bishop of Michoacán, asked, "Why is our flour of Puebla not able to compete in Havana with that from the United States of North America?" He showed that the lands of Mexico were superior, that workmen were paid two reales a day, but in the United States they were paid double that amount, that the Puebla flour was sent twenty-five or thirty leagues while the flour of the northern nation had to be transported thirty or forty leagues and even greater distances, that the

53. Humboldt, IV, 84, 90-92, 111-113.

54. *Ibid.*, IV, 100-101.

55. Riva Palacio, II, 516.

56. Humboldt, IV, 125-133, 57-58.

voyage from Vera Cruz to Havana took fourteen or fifteen days and the journeys of the rival country took much longer, that the flour from New Spain entered Havana without duties but that from the United States had to pay heavy duties when entering any Spanish port, yet the Americans sold it for six pesos a barrel less than the Mexicans.⁵⁷ The liberal bishop said that the differences were due to the enormous burdens which Mexico had to sustain and to the many obstacles imposed upon commerce, not counting the seasons and climate. He declared that if the flour of his country did enter Havana free, the dues paid by the North Americans were not equivalent to a sixth part of what the Mexicans paid in other ways. Besides the merchants of New Spain carried on commerce largely with foreign capital for which they had to pay interest; they always owed foreigners fifteen or twenty million pesos. With the exception of ten or twelve houses in Mexico City and Vera Cruz, which had part of their capital in ready money, all the other merchants of the country possessed barely enough of it necessary for their business. The money in circulation was only one twentieth of the capital invested. Only about one twentieth of the two hundred thousand merchants carried on business with their own funds. All the others had to use foreign capital paying an interest of five per cent, or conduct their enterprises on credit at a loss of fifteen per cent. The more unscrupulous merchants, who lacked capital to carry on their commercial ventures, loaned their names for the introduction of merchandise from other nations into New Spain under the protection of their government. The unjust tariffs in the customhouses, all the appraisements of which were left to the caprice and arbitrariness of visitations, administrators, and of a receiver who obtained fourteen per cent from everything; the lack of ready cash for circulation, which caused considerable arrears in all payments and great slowness in the transaction of business

57. "Representación á nombre de los labradore y comerciantes de Michoacán. . ." Valladolid, Oct. 24, 1805. In José María Luis Mora, *Obras sueltas* (Paris, 1837), 86-87.

which prevented new undertakings; the outbreak of wars which caused prices to rise from one hundred to three hundred per cent on most articles; and the inability to maintain the profitable commerce of one possession with another because of the distance, poor roads, rainy or dry seasons, and customhouses—these were the other causes which the shrewd ecclesiastic gave for the failure to meet foreign competition.⁵⁸

Queipo was certain that for the last twenty years after the establishment of free trade, exports exceeded imports by many millions of pesos, in spite of the numerous hindrances to commerce, and this was as it should be. At the same time a large quantity of hard cash, which before was accumulated and circulated in Mexico, was sent to Spain. The prelate said that if the statistics of entry and departure, which were published from the time of the establishment of the consulado of Vera Cruz, were compared, the result would show that the transportation of silver from that port added to that of Acapulco would amount to more than all the silver coined in Mexico. Little of the precious metal existed for commercial transactions in that country or could be stored up, but the miner's letters of credit circulated freely three or four months before their payment. Queipo prophesied that commerce would greatly increase in the following years because all the ordinary revenues of the king were augmented and extraordinary ones had been created.⁵⁹

The famous ecclesiastic was therefore an enthusiastic advocate of free commerce under the regulation of 1778, declaring that, after commerce got rid of its obstacles, it gave a general impetus to society, greatly multiplied the agents of agriculture, industry, and commerce, and all the products of those branches. The means of subsistence and occupations of men were consequently increased and the

58. "Representación á nombre de los labradores y comerciantes de Michoacán. . ." *In Mora*, I, 91-92, 107, 89, 94, 143; *Riva Palacio*, II, 891.

59. *Ibid.*, *Mora*, I, 95-96; "Escrito presentado á D. Manuel Sisto Espinosa del consejo de estado. ." Madrid, 1807. *In Mora*, I, 106-107.

population grew.⁶⁰ Queipo hoped that the government would permit a reciprocal commerce with all the other Spanish possessions and foreign commerce under conditions which would be wise for the welfare of the state. By this means, he thought that contraband trade, which injured the royal treasury so much without any benefit to the people, might be abolished and the revenues be increased.⁶¹

In 1810 the same bishop sent a petition to the regency of Spain saying, "May your Majesty be pleased to give to this system all the extension which the true interests of the monarchy demand, that all the authorized ports of the peninsula and the adjacent islands large or small may be free to navigate and carry on commerce in all the regions of the world, that all the large and small ports of the coasts of America and of the adjacent islands shall enjoy a similar right to navigate and carry on commerce among themselves and with the [Spanish] metropolis and adjacent isles." He showed that all the other maritime nations of Europe had always granted this liberty to all the ports of their kingdoms. France and England conceded it from the beginning of their colonies; as a result, agriculture, arts, commerce, navigation, and science had progressed in those nations. He maintained that Spaniards would be ruined by the opposite system. On the other hand, under free commerce, Catalonia would find more advantageous markets in America for its industry and fruits and Andalusia for its oils and wines, the more the inhabitants of the colonies prospered and grew in number. Queipo added that all the surplus of industry which Spain could acquire for some centuries and all the products of marine exportation would not supply the consumption of Mexico if the conditions of its people were bettered, as they would necessarily be improved under free trade.⁶²

60. "Escrito presentado á D. Manuel Sisto Espinosa. . ." Mora, I, 104.

61. "To the real acuerdo of Mexico. . ." Valladolid, March 16, 1809. Mora, I, 123.

62. "Representación á la regencia. . ." Valladolid de Michoacán, May 30, 1810. In Mora, I, 154-155.

José María Quirós was another strong advocate of greater commercial privileges. He believed that national goods should be free from all dues and contributions of any kind and that only three per cent should be demanded from foreigners. He said that maritime commerce in general was restricted because overseas exportation was not protected as it should have been and the coast traffic was not extended as much as possible by means of the many navigable rivers. He added that the commerce permitted to neutrals in 1797 and the favors granted in 1804 to various foreign houses of Europe and of the United States were not good for Mexico, since they came with textiles of cotton and linen which they sold at low prices compared to those of the viceroyalty, and as a result there was no demand for its goods, causing loss to manufacturers, agriculture, and the crops; also the precious metals flowed out of the kingdom.⁶³

The foregoing discussion shows that at first the Spanish government maintained the doctrine of scrupulous monopoly, which it believed would give greater support to commerce, produce good results for the treasury, and prevent other nations from trading with the American colonies. This was the selfish policy upheld by all nations—that the colonies existed for the benefit of the mother country, and it did not permit any general development of their resources. Like other monarchies, Spain tried to derive economic benefit for its empire, but since it lacked efficient economic organization its efforts merely caused irritation to the colonists, disappointment to the Spaniards, and affronts to foreigners. The huge contraband trade, which helped to weaken the Spanish empire, was only one symptom of this inefficiency.

When the mercantilistic system broke down in other countries and could no longer be enforced, Spain was compelled to modify its commercial system. The result was the regulation of 1778 for restricted free trade. On the whole

63. Memoria de ynstituto en que se manifiesta, que ni España ha adquirido con la posesión de las Americas las grandes ventajas de que eran susceptibles. . . Vera Cruz, Dec. 31, 1812, AGI, 2516 (96-3-1). Audiencia de Méjico.

free commerce caused Mexico to progress economically more than ever before; the revenues increased, industry flourished, the standard of living of the people improved, and the population grew. Perhaps more important than anything else, new progressive ideas entered the dependency with foreign commerce and helped to pave the way for independence. Unfortunately the wise measure for free commerce did not have all the beneficial effects expected, for Spain could not keep pace with the vast increase in production and in the volume of international trade which began in the latter part of the eighteenth century. Spain could not provide its colonies with the goods and capital needed for their development; therefore, after having experienced the benefits of free trade, they commenced to realize the possibilities in store for them if they should be able to shake off the Spanish yoke entirely.