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The Costs of Empire: Spending Patterns and Priorities in Colonial Peru, 1581-1820

JOHN JAY TEPASKE¹

The Spanish empire in America endured for over three centuries; at times, at least from a metropolitan perspective, it flourished. Lasting almost twice as long as the French or English colonial enterprises in America, the Spanish persevered longer despite an implicit crown policy that the Indies be completely self-sustaining. In Spain's overseas kingdoms the resident population bore the fiscal responsibility of maintaining all Spanish administrative, military, and religious structures. Moreover, after colonials paid imperial costs, all surplus taxes went to Spain to support the metropolis. In sharp contrast to England and France, which piled up sizeable debts to bolster their colonial endeavors, Spain never allowed its American possessions to become a financial burden to the state.² In fact, the colonies were never a fiscal millstone for Spain until the time of the wars of independence in 1810. For over three hundred years, tax revenues generated in the Indies paid the costs of protecting and administering Spain's vast colonial enterprise and provided at least a portion of the money needed to sustain the government at home in Castile.³ Analysis

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² This is in sharp contrast to Spanish policies in Europe where the crown spent huge sums in the sixteenth and seventeenth centuries to maintain a Spanish military presence in various areas of the continent.

³ Surplus taxes remitted from the Indies produced their largest share of governmental operating funds at the end of the reign of Philip II in the 1590s when approximately 20 percent of all royal income was generated in the New World. This percentage dropped significantly after that, however, to less than 10 percent. See Modesto Ulloa, *La hacienda real de Castilla en el reinado de Felipe II* (Madrid: Fundación Universitaria Española Seminario "Cisneros," 1986), 827; also Antonio Domínguez Ortiz, *Política y hacienda de Felipe IV* (Madrid: Editorial Derecho

of expenditures for the viceroyalty of Peru, 1581-1820, thus provides a detailed example of how this policy worked in practice, a policy which so clearly differentiated Spain from that of its European rivals in the New World. It also presents a broad view of viceregal spending patterns, of priorities set by colonial bureaucrats, and of changes in these priorities over time.

In Spanish Peru revenues came from a variety of sources. The royal fifth (*quinto*), or tenth (*diezmo*) after 1736, levied on all silver production generated significant income for viceregal treasuries. Sales taxes (*alcabalas*), import-export imposts (*almojarifazgos*), minting fees, Indian tribute, and special levies on the native population, exempt from other taxes, also helped fill the Peruvian exchequer. So too did a variety of assessments on the clergy and the church, assessments which not only testified to the strong symbiotic relationship between church and state in the early modern Hispanic world but also to the state's dominance of the church in the fiscal realm. These levies consisted of income from the sales of indulgences (*bulas de santa cruzada* and *bulas cuadragesimales* or *bulas de carne*⁴); tithes, called *novenos* or ninths because the crown skimmed off as its share two-ninths of one-half of all parish tithes; income from vacant archbishoprics, bishoprics, and lesser clerical posts (*vacantes mayores* and *vacantes menores*); direct levies on the church, clergy, or colonial dioceses (*subsidio eclesiástico* and *real orden de Carlos III*); salary taxes from one-half of the first year's stipend for virtually all clergy assuming posts in the Indies (*mesadas eclesiásticas* and *medias anatas eclesiásticas*); and after 1767, income from rental of seized Jesuit estates (*temporalidades*).

Royal monopolies controlling the sale of mercury, brandy, snow, playing cards, salt, stamped legal paper, tobacco, and gunpowder, and fees for operating bullfighting and cockfighting arenas, casinos, and the lottery also contributed their share to royal coffers in Peru. Many officeholders paid for the privilege of purchasing,

Financiero, 1960), 281-95.

⁴ Literally the latter two terms signified Lenten bulls or, vulgarly, meat bulls, because acquisition of these indulgences gave the purchaser the right to eat meat during Lent or on holy days of obligation. This tax was one of many imposed by the crown in the late eighteenth century to generate more income from the Indies to meet the severe fiscal crises brought on by war at home.

renouncing, or renting an office (*oficios vendibles y renunciables*). After 1631 bureaucrats serving in colonial Peru and elsewhere contributed half of their first year's salary to the crown (*media anata*), and during crisis periods in the eighteenth century contributed an additional 4, 5, or 10 percent of their incomes (*valimientos* or *descuentos de sueldos*).

Late in the colonial period, military officials and civil servants paid social security taxes to finance pensions (*montepío militar* or *montepío de ministros*).⁵ After 1780 soldiers also contributed to a disability fund (*inválidos*). Those who purchased titles paid varying fees for assuming noble rank with a tax called *lanzas de títulos*. Forced or voluntary donations (*donativos* or *servicios*) were also sources of income. A vast catch-all category of revenues called *extraordinario*, the bane of modern-day researchers, consisted of all treasury income which could not be put into an existing account book category (*ramo*). For the matrix treasury in Lima, responsible for the allocation of crown revenues throughout the viceroyalty, significant sums also came from surplus tax monies remitted to the City of Kings (Lima) from outlying treasuries (*venido de fuera*). These came in not only from the treasuries (*cajas*) of Lower Peru but also from the rich silver-producing regions of Upper Peru, particularly in the late sixteenth and seventeenth centuries.⁶

For analytical purposes, Peruvian expenditures have been placed into six broad categories dictated by the entries in the accounts (*cartas cuentas*): (1) war and defense; (2) remissions to Spain; (3) support for the mining sector; (4) bureaucratic salaries and costs of civil administration; (5) government allocations for charitable, educational, and religious activities (dubbed social expenditures); and (6) extraordinary expenses. Included among war and defense outlays

⁵ On how this pension system functioned in New Spain, see D.S. Chandler, *Social Assistance and Bureaucratic Politics: The Montepíos of Colonial Mexico, 1767-1821* (Albuquerque: University of New Mexico Press, 1991).

⁶ This nexus of treasuries at one time or another included sixteen treasury districts in Lower Peru and nine in Upper Peru. Those treasuries or *cajas* established in Lower Peru were Arequipa, Cailloma, Carabaya, Castrovirreyna, Chachapoyas, Cuzco, Huamanga, Huancavelica, Jauja, Lima, Piura y Paita, Puno, Saña, San Juan de Matucana, Trujillo, and Vico y Pasco. Those for Upper Peru were the *cajas* of Arica, Carangas, Charcas, Chucuito, Cochabamba, La Paz, Oruro, Potosí, and Santa Cruz de la Sierra.

were those for outfitting and supporting individual ships or the Pacific fleet (Armada del Sur) plying the west coast of South America from Panama to Tierra del Fuego (*gastos de navios, pagaduría de armada, fábrica de galeones, gastos de armada, asentista de la real armada, cuerpo de marina, comisaría de marina*, etc.). Military expenses included those for the quartermaster (*proveeduría, factoría, or comisaría de guerra*), erection of barracks (*fábrica de cuarteles*), gunpowder purchases (*compra de pólvora*), artillery and ordnance (*real sala de armas, comisaría de artillería*), regular troops (*tropa veterana, infantería* or *capitanía general y estado de guerra*), militia salaries and support (*asambleas y milicias provinciales*), the viceregal guard (*compañías de guardia del virrey*), care of the sick, wounded, and retired military (*hospitalidades de la tropa* and *oficialidad suelta*), and the broader aggregated listing of war outlays (*guerra*) and military salaries (*sueldos militares*).

Despite crown policy calling for the empire to be self-sustaining, some poorer or isolated regions of viceregal Peru were incapable of generating enough tax revenue to be self-sufficient. This was especially true for frontier or fringe areas needing a military presence either to defend against foreign invasion or against attacks by hostile Indians such as the Mapuches in Chile. Thus, the viceroy in Lima provided annual military subsidies (*situados*) to the captain general in Santiago and to Valdivia, Concepción, and the island of Chiloé off the Chilean coast. Equally important after 1675 was a regular military subsidy sent to the Spanish garrison at Panama, the crucial point for transshipment of Peruvian silver across the isthmus on muleback and by boat to Portobelo to be put aboard the galleons (*galeones*) bound for Spain. At the end of the eighteenth century, a small garrison at Maynas in the Peruvian jungle received a tiny subsidy as well. These *situados* and the myriad of war and defense expenditures listed above make up the category allocated to war and defense.

Remissions to Castile fell under several expenditure listings. First, and most significant, were the surplus tax revenues from the regular sources of the treasury (*ramos de real hacienda*) sent to Castile after local needs were met, a regular account entry set down simply as remitted to Spain or Castile (*remitido a España* or *Castilla*). But other colonial revenues were also exclusively reserved for shipment to Spain. The most important of these in Peru was income from the sale of

indulgences (*bulas de cruzada*), but other tax allocations exclusively reserved for the crown or the metropolis came from the sale of offices, the half year's salary paid by bureaucrats and clerics taking posts in the Indies, tribute from vacant *encomiendas* (*tributos vacos*), donations, stamped legal paper (*papel sellado*), mercury sale profits, and some lesser revenues.

After 1700, however, revenue from most of these taxes remained in Peru. With the viceroyalty falling upon hard times and tax income sharply reduced, what was collected was badly needed to meet the day-to-day costs of imperial defense and administration. As the viceroyalty began to recover a bit in the mid-eighteenth century, however, remissions increased once again, primarily because tax revenues grew after 1750 to produce modest surpluses and in part because of the addition of new levies such as the assessment beginning in 1775 to support the newly established Royal Order of Charles III.⁷ Still another small private category of remissions began in the 1780s when treasury officials began sending small sums to Spain at the behest of private individuals, generally portions of salaries of colonial officials for the support of wives, families, or relatives left at home (*asignaciones para España*).

A third broad category of expenditures supported the mining sector.⁸ In Peru these were primarily sizeable sums sent to the mine at Huancavelica in the high Andes, which produced the mercury to amalgamate the silver and gold ore produced in the region. Remitted to the mine annually from Lima—and sometimes from other treasuries—these funds helped to open new veins at Huancavelica; shore up, maintain, or expand old shafts; prevent or eliminate flooding in the mine; and generally to keep it in good repair. The subsidy also paid salaries of officials serving at the mine, for the forced labor levy of Indians (*mita*) used in mining operations, for the cauldrons containing

⁷ This was an annual assessment of 8,400 pesos imposed on the archbishopric of Lima and its four dioceses. Lima paid 3,000 pesos and the bishoprics of Arequipa, 2,200 pesos; Cuzco, 2,000 pesos; Huamanga, 700 pesos; and Trujillo, 500 pesos respectively.

⁸ This category is far more suitable for Peru than for Mexico, primarily because of the extensive support the treasuries of Peru and Upper Peru provided to the mercury mines at Huancavelica.

the mercury, and sometimes for the costs of shipping mercury to silver-processing sites in the interior.

After 1750, however, as the Huancavelica mine became less productive, Peruvian silver miners relied more on imported mercury, first, and most significantly, from Almadén in Spain and later in the 1780s from Idria in Germany. Larger entries thus began appearing in the treasury ledgers for the costs of purchasing and then transporting the imported mercury from the coast to mining centers in the interior. Still another expenditure for mining enterprises fell under the rubric, *real en marco de minería*, a one *real*⁹ assessment levied after 1785 on each mark of silver registered at the various treasuries throughout Peru. These assessments were allocated exclusively for the promotion of mining—improvement of mining techniques, new machinery, technical support, mining and bullion-processing innovations such as those suggested by the team led by Baron Thaddeus von Nordenflicht in the 1790s, and support of the Royal Mining Guild (Real Cuerpo de Minería) created in Peru in 1785 to stimulate mining reform.¹⁰

Still a fourth category of expenditure consisted of the costs of the day-to-day civil administration of the viceroyalty. This included salaries for the judges of the royal *audiencia* and their aides; for the viceroy's secretary and a horde of ubiquitous clerks and notaries; for royal treasury officials and their scribes, bookkeepers, guards, collectors, and porters; for the royal auditing bureau in Lima (Tribunal de Cuentas) and its staff; and for some stipends for local officials in provincial areas (*corregimientos*) and local Indian chiefs (*sueldos de caciques*) serving as tax collectors and brokers for Spanish authorities in Indian communities. In the late eighteenth century new allocations went to the eight new intendancies and the provincial officials (*subdelegados*) in them.¹¹ The addition in the eighteenth century of a tobacco monopoly and a customs house (*aduana*) and its branches also called for additional salary outlays. Other expenses included in civil administration were primarily for the erection and repair of public buildings

⁹ One-eighth of a peso.

¹⁰ See Miguel Molina Martínez, *El Real Tribunal de Minería de Lima (1785-1821)* (Sevilla: Excelentísima Diputación Provincial de Sevilla, 1986).

¹¹ For Lower Peru these intendancies were Arequipa, Cuzco, Huamanga, Huancavelica, Lima, Puno, Tarma, and Trujillo.

such as the viceregal palace, royal treasury, and customs house, and for the costs of paper, pen, ink, desks, and other items used to generate the bureaucratic paperwork emanating from Lima and elsewhere. In addition, royal inspectors and visitors sent to investigate the conduct of public administrators were remunerated with tax revenues.

Charitable, educational, and religious activities also received varying degrees of state support in colonial Peru. This consisted of allocations for the Royal and Pontifical University of San Marcos in Lima and various academic chairs within that institution, and outlays for seminaries and *colegios*. Treasury funds provided salaries or partial salaries for jail doctors in Lima, doctors to serve the poor and needy, and a few public health officials (*protomédicos*). A host of orphanages, asylums, and poorhouses were also supported in part by tax revenues. One orphanage in Lima, for example, got some of its operating funds from income produced by games of chance in the city, a monopoly rented out to the highest bidder who was then obligated to pay a set sum to the orphanage each year.¹² In the late eighteenth century the Indians of Peru paid for support of their hospitals from a one *real* contribution by each tributary on San Juan's Day and Christmas.

Moreover, tribute provided for the stipends and upkeep of the clergy serving in parishes or missions, while other taxes paid for the oil, wine, and wax essential for administering the sacraments (*limosnas*) in some areas of Peru. A myriad of convents and monasteries also got support annually from the state, usually from interest on money lent to the Lima treasury in return for yearly payments to support some pious act or religious institution (*censos*). At the same time Spanish convents and monasteries in Madrid and elsewhere, the monastery-palace at the Escorial, and the Palacio del Oriente in Madrid (during the early Bourbon period) were beneficiaries of at least token contributions from Peruvian tax revenues, as were Spanish prisoners of war, whose ransoms were paid from the viceregal exchequer. On various occasions in the colonial epoch, viceregal taxes also supported church building. In the late eighteenth century a new social security system (*montepíos*) began providing retirement pensions for military and civil officials from

¹² The orphanage supported in Lima was the Casa de Expósitos, but also supported by the games-of-chance monopoly holder were the Beaterio de Amparados, Hospital de San Bartolomé, El Colegio de Niñas de la Presentación, Casa de Ejercicios, Hospicio de Pobres del Cercado, and Hospital de San Lázaro.

a pay-as-you-go fund. Soldiers received disability salaries or pensions from money they contributed annually (*inválidos*) as did indigent widows of military or naval men.

The sixth and last division of Lima treasury expenditures was a large, amorphous category called *extraordinario*, consisting of all expenditures which could not be fitted into well-established entry listings or *ramos* regularly used by colonial accountants. Extraordinary expenditures were allocated for a wide variety of purposes in all five of the other expenditure categories. In 1650, for example, royal treasury officials in Lima paid out over 200,000 *pesos de ocho* in extraordinary outlays for building fortifications at Callao, making repairs on the cathedral in Lima, widows' pensions, the return of funds unjustly collected by former treasury officials, alms for Chile, support of the Hospital de Santa Ana, remissions to the monastery-palace at the Escorial, and alms for the holy places of Jerusalem (*santos lugares de Jerusalén*).¹³

One hundred years later in 1750, the annual outlay for the *extraordinario* category had tripled to over 600,000 pesos, again for many expenses incurred in improving the fortifications at Callao, repairing the viceregal palace and customs house ruined by the earthquake of 1746, supporting the Hospital de Santa Ana (still), maintenance of prisoners of war held in Lima, costs of the gala celebrations held in honor of the new viceroy, expenses of the Lima royal treasury, payment to guards of mule trains carrying silver to Lima, and for the monastery of La Santísima Trinidad. Thus, extraordinary expenditures could fall into any one of the five broad categories described above—war and defense, remissions to Spain, support for mining endeavors, salaries and civil administration, and charitable, educational, and religious enterprises.¹⁴

¹³ This allocation was for the four monasteries in the Holy Land which housed the priests administering the sacraments to Christian pilgrims, for the two Spanish colleges in Jerusalem which gave instruction in oriental languages to prospective missionaries, and for the twelve inns which served European pilgrims in the city.

¹⁴ Whether expenditures within the *extraordinario ramo* were similar in proportion to the percentages collected in the other five expenditure categories is not clear (see figure 2.) Certainly they were not on a year-by-year basis, but over the decades, an informed estimate based on a sampling of the *extraordinario ramo* entries indicates that they were at least close to that proportion.

Although it appears obvious on the surface, income generated by the royal treasuries of Peru determined both the level of expenditures and the amount of surplus tax funds available for remission to Spain. When revenues were high, expenditures were normally also high; and if there were no pressing emergencies in the viceroyalty, shipments of silver to Spain on the king's account were larger. In hard times, when revenues fell, expenditures, of necessity, were reduced; so too were remissions to Castile. Incurring deficits in these circumstances was an alternative to meet emergencies and fixed obligations, but these deficits had to be incurred at the expense of the colonial treasury, not Madrid. To resolve sudden crises occurring in Peru, the viceroy either had to survive on the funds at hand by drastically slashing his fixed disbursements or—even worse for those affected—not paying them at all. Other alternatives were to beg for special contributions from individuals or institutions; get loans from wealthy persons, clerical institutions, or the merchant guild, generally at interest rates from 4 to 6 percent; impose extraordinary new taxes; or raise existing rates on established levies. Still, on a year-to-year basis, like some modern-day state governments, the viceroy was firmly bound to a balanced budget, not by law but by fiscal realities. Normally, he could not spend more than he took in, at least until the end of the eighteenth century, and if he did, he could not expect the king or the Council of the Indies in Spain to rescue him from his fiscal predicament.

Since expenditures (see the Table)¹⁵ depended almost completely upon revenues, overall income and outgo by default followed the same general trends during the colonial epoch (reiterating the obvious once again, but feeling it fundamental for understanding secular trends in expenditures). For total expenditures the pattern was the following (see figure 1): from the 1580s to the 1660s average yearly outlays from the matrix treasury of Lima were approximately three million pesos annually or a bit more, dropping below three million in the 1670s and drastically after that by two-thirds to a low point in the second decade of the eighteenth century of less than one million pesos per year. This drastic downturn was primarily caused by the drying up of surplus revenues flowing into the City of Kings from

¹⁵ The Table contains the figures on which this analysis is based. The Appendix at the close of this paper describes the sources and methodology used to generate these numbers, also the pitfalls involved in this analysis.

TABLE
EXPENDITURES: THE TREASURY OF LIMA, 1581-1820
BY DECADE IN EXPENDITURE CATEGORIES

(in millions of pesos of 272 maravedíes)

Decade	War and Defense	Remitted to Castile	Extraordinario	Salaries and Administration	Mining Support	Social-Charitable Expenditures	Total Expenditures
1581-1590	1.02	10.96	12.77	1.33	1.90	.37	28.34
1591-1600	4.43	21.44	4.47	1.33	1.93	.39	33.98
1601-1610	6.47	18.29	5.19	1.55	2.69	.59	34.79
1611-1620	7.86	13.39	4.81	1.88	3.92	1.00	32.87
1621-1630	9.23	12.56	1.22	1.86	2.78	1.20	28.84
1631-1640	7.41	19.27	1.88	2.10	3.06	.90	34.62
1641-1650	9.47	17.09	2.60	1.69	3.28	1.05	35.18
1651-1660	9.00	13.59	3.76	1.92	3.13	1.56	32.95
1661-1670	9.19	5.78	6.40	1.96	2.90	1.92	28.15
1671-1680	9.01	4.70	6.01	1.97	3.03	2.25	26.96
1681-1690	11.29	1.64	6.42	1.78	3.26	1.43	25.82
1691-1700	8.42	.98	5.88	1.76	2.14	1.00	20.19

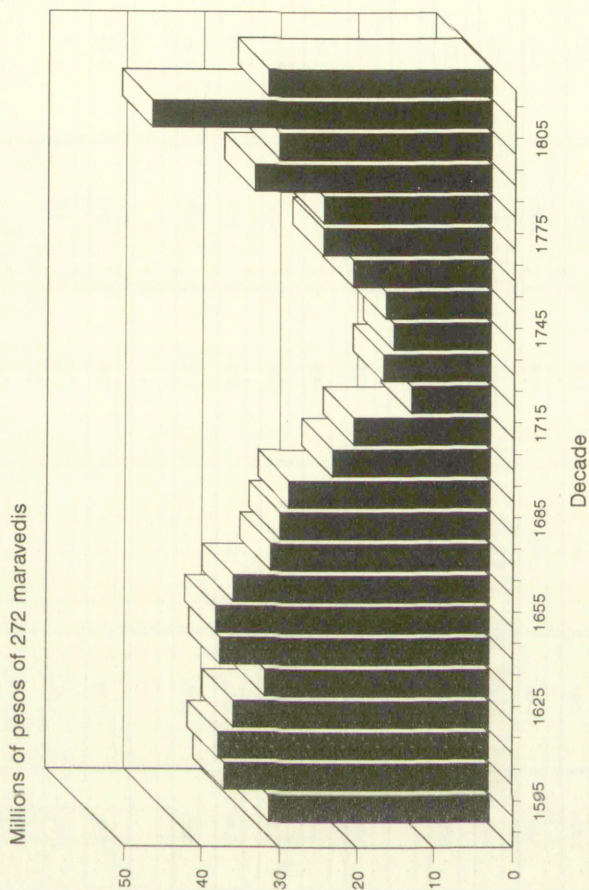
1701-1710	6.26	1.86	5.10	1.76	1.54	.94	17.45
1711-1720	3.55	.08	2.68	2.16	.70	.82	9.98
1721-1730	5.07	1.64	2.41	2.18	1.26	1.02	13.59
1731-1740	4.51	1.43	2.54	2.06	.76	1.01	12.30
1741-1750	6.20	.55	3.70	2.03	.03	.81	13.31
1751-1760	4.36	--	9.75	2.12	.14	1.20	17.57
1761-1770	6.58	.10	11.01	2.06	.22	1.44	21.41
1771-1780	12.10	--	4.31	2.36	1.01	1.57	21.35
1781-1790	19.86	.05	1.91 ³	3.68	1.56	3.29	30.35
1791-1800	13.86	5.13 ³	--	2.92	2.02	3.24	27.17
1801-1810	18.00	19.30	--	2.60	.57	3.12	43.58
1811-1820	21.45	2.50	--	2.51	.05	2.17	28.68
Total	214.59	172.30	104.83	49.56	43.89	34.28	619.45

1. Discrepancies are the result of rounding off to the nearest 10,000th peso.

2. Remissions to Castile for the period 1787 to 1804 were taken from *estados* or spreadsheets for the viceroyalty of Peru. Estimates for the years after 1804 were based on the trends manifested from 1787 to 1804, an *estado* of 1812, and scattered documents for the epoch from the Archivo General de Indias.

3. *Extraordinario* no longer appeared as an expenditure entry in the Lima accounts after 1786.

Figure 1
EXPENDITURES: TREASURY OF LIMA, 1581-1820
By Decade



Decade i.e. 1655 = 1651-1660

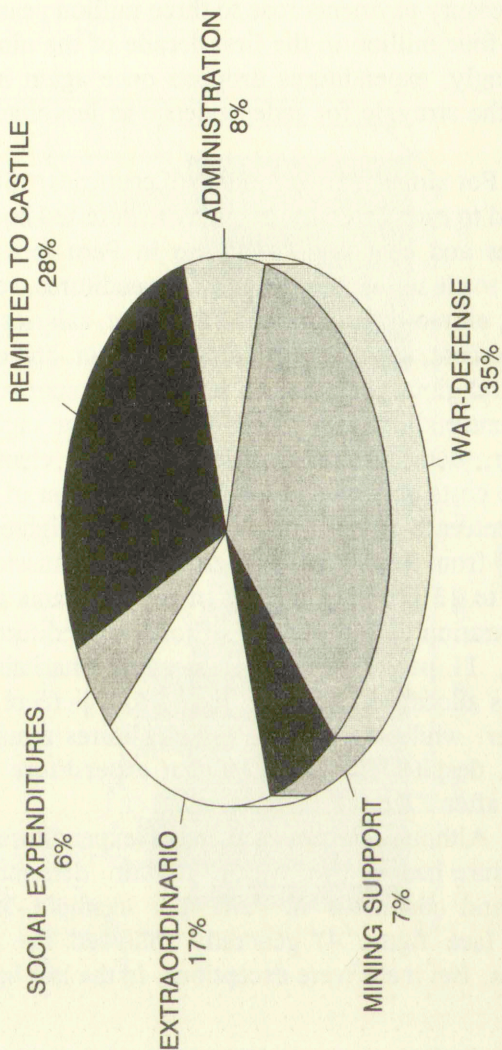
Upper Peru, where mining production was dropping significantly.¹⁶ Since fiscal conditions in the viceroyalty improved only very slowly after 1720, expenditures did not reach two million pesos annually again until the 1760s and 1770s. They jumped sharply in the 1780s, however, when treasury payments rose to three million yearly and then to a peak of over four million in the first decade of the nineteenth century. Not surprisingly, expenditures dropped once again in the second decade during the struggle for independence to less than three million pesos yearly.

For almost two-and-one-half centuries, 1581-1820, percentages allocated to each category of outlay manifested both viceregal spending priorities and changing conditions in Peru (see figure 2). War and defense made up 35 percent of all expenditures, remissions to Spain 28 percent, extraordinary outlays 17 percent, salaries and civil administration 8 percent, support for mining 7 percent, and charitable, educational, and religious allocations 6 percent. Comparison of percentages for the seventeenth century (1581-1700) and the eighteenth (1701-1820), however, demonstrate significant priority changes (see figure 3). Defense costs almost doubled from 26 percent of total expenditures in the seventeenth century to 47 percent in the eighteenth. Mining support dropped from 9 percent to 4 percent and remissions to Spain from 39 percent to 13 percent. Salaries of civil servants and costs of imperial administration took 6 percent of total expenditures in the seventeenth century, 11 percent in the eighteenth. Charitable, educational, and religious allocations doubled from 4 to 8 percent from one century to the other, while extraordinary expenditures remained the same at 17 percent, despite elimination of that expenditure item from the Lima ledgers after 1786.

Although revenues dictated expenditures, each category of expenditure had its own special rhythm, determined in large part by events and conditions in Peru. For example, military and defense outlays (see figure 4) generally followed the patterns dictated by revenues. But there were exceptions. In the last half of the seventeenth

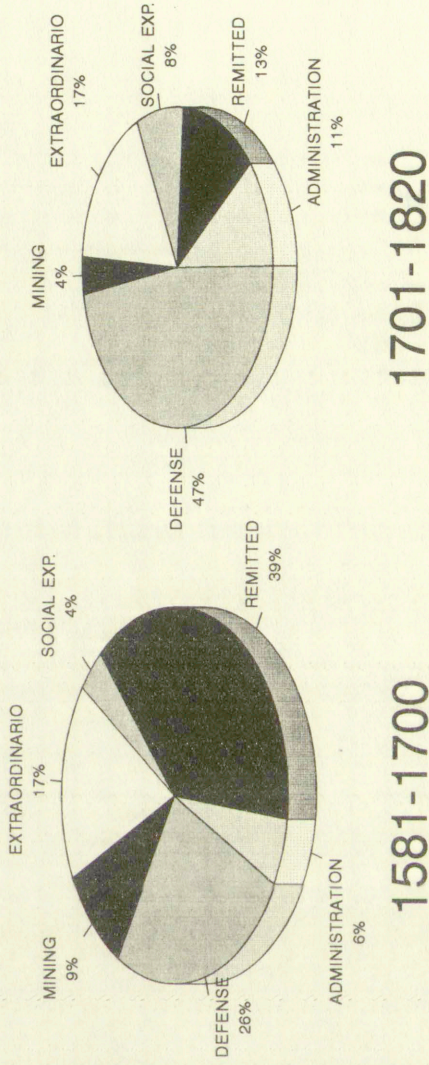
¹⁶ In the three decades 1581-1610, for example, revenues remitted to the Lima treasury from *cajas* in Peru and Upper Peru amounted to over sixty-seven million pesos or an enormous 68 percent of total income for the matrix treasury. In the three decades 1701-1730 revenues sent to Lima from outlying treasuries totaled about twelve million pesos and constituted only 29 percent of total revenues.

Figure 2
EXPENDITURES: TREASURY OF LIMA, 1581-1820
Percentage by Expenditure Category



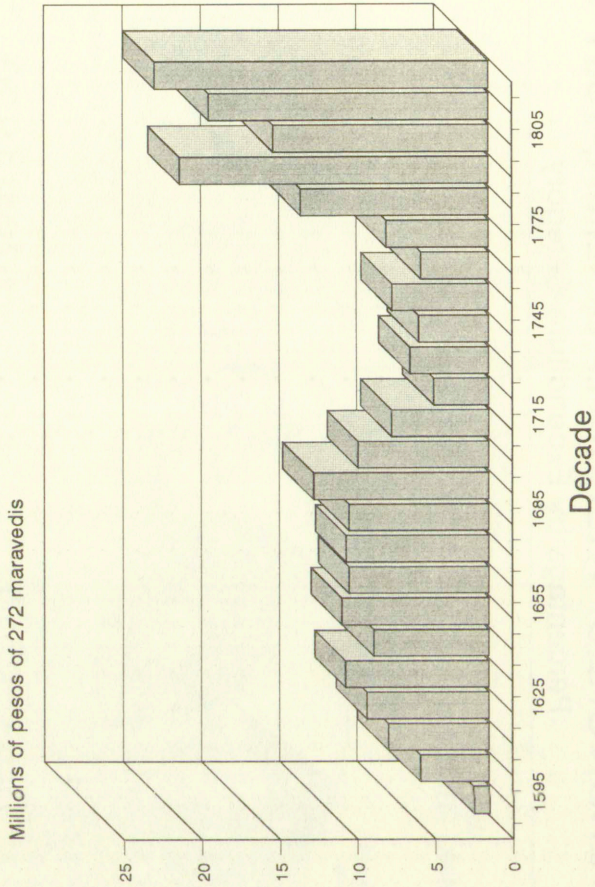
Discrepancy caused by rounding off to nearest whole number

EXPENDITURES: TREASURY OF LIMA, 1581-1820
 Percentage by Expenditure Category



Discrepancy caused by rounding to nearest whole number

Figure 4
WAR-DEFENSE EXPENDITURES: TREASURY OF LIMA, 1581-1820
 Military, Naval, and Situado Outlays by Decade



Decade i.e. 1655 = 1651-1660

century, spending remained high for defense despite falling revenues, most likely because of the rising threat of European incursions on the Pacific coast of Spanish South America and the need to build up a stronger military presence at Panama during that period.¹⁷ In the 1780s when the largest jump in military spending occurred, it may be explained in large part by viceregal military efforts to stamp out the widespread Indian rebellions in the Andes led by Túpac Amarú and Túpac Catari. Not surprisingly, military and naval costs reached their zenith in the last decade of the colonial epoch (1810s) during the wars of independence when Spain finally lost its hold on Peru. In fact, they constituted 83 percent of all outlays during that turbulent era.

The allocation of *situado* funds also had its own special pattern. Chile was the principal recipient of revenues sent to the south to support troops on the frontier and to garrisons at Concepción, Chiloé, and Valdivia, taking about two-thirds of all *situado* payments during the colonial period (see figure 5). After 1675, however, Panama received a large share of the military subsidies coming out of Peru, which amounted to 35 percent of the total sent to garrisons protecting the coast against foreign marauders or holding back the Mapuches on the frontier.

The pattern for remissions to Spain (see figure 6) also followed its own unique course. After reaching an annual average of over two million pesos—an enormous 63 percent of total expenditures in the last decade of the sixteenth century—Peruvian bullion flowing to the metropolis on the king's account began dropping in the next three decades to slightly over one million pesos annually in the 1620s. But surprisingly, with silver production dropping in the mines of both Lower and Upper Peru after 1630 and with increasingly heavy demands being placed on the local exchequer from expansion of the Spanish presence in Peru, remissions to Spain from Peru remained relatively high through the 1650s, averaging over one million pesos per year.

These shipments plummeted rapidly after that to virtually nothing by the second decade of the eighteenth century, but unexpectedly, they remained high until the 1660s. Why? The large amounts sent to the metropolis on the king's account during this period of downturn may have stemmed in part from the coming to power in Spain in the

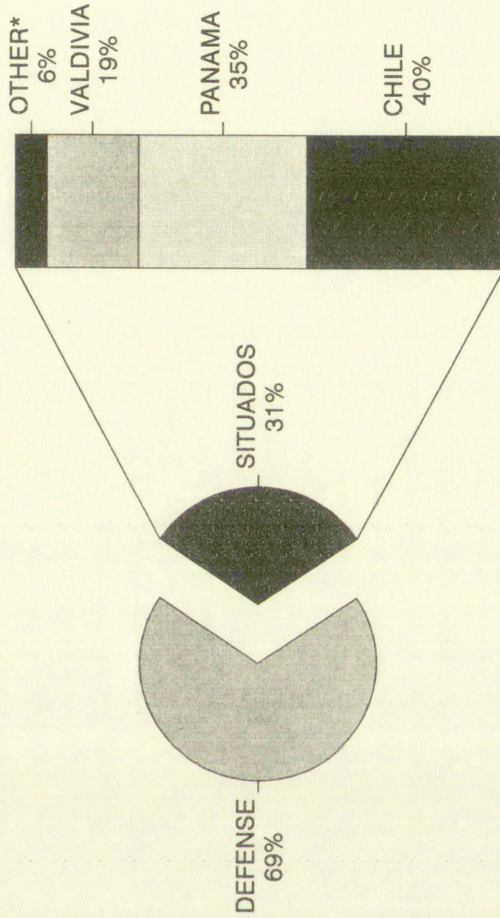
¹⁷ See Peter T. Bradley, *The Lure of Peru: Maritime Intrusion into the South Sea, 1598-1701* (New York: St. Martin's Press, 1989), 103-84.

1620s of the *válido* (favorite), the Conde-Duque de Olivares. This vigorous *alter ego* of Philip IV imposed a policy calculated to bring together the fragmented areas of the Spanish empire at home and abroad by standardizing tax payments across the empire and levying new taxes on those areas previously exempt, justifying these new taxes on the grounds that all imperial subjects could now enjoy full privileges as Castilians while at the same time assuming equal tax burdens with their Castilian counterparts. For Peruvians this meant payment of an additional 2 percent in the sales tax called the Union of Arms (*Unión de Armas*). It also meant new taxes, new impositions on the clergy and officeholders, and more rigorous tax collection procedures. This kept Peruvian remissions flowing to Spain at the rate of over one million pesos annually until the 1660s when they decreased by over a half to an annual average of 600,000 pesos. By the second decade of the eighteenth century, these shipments amounted to only a meager 80,000 pesos or 8,000 pesos annually, most of which probably never got to Castile in any event.

This sudden drop-off can be explained primarily by the failure of the royal exchequer in Peru to generate surplus income. Remissions from Upper Peru had decreased sharply, and every last peso was needed to pay for pressing imperial needs. Nothing remained to ship to the metropolis, at least not until the 1780s when tax revenues became large enough once again to produce a tiny surplus. Then in the 1790s and first decade of the eighteenth century remissions increased markedly, particularly in the ten years 1801-10 when almost two million pesos a year left Peru for Spain. This can be explained in part by extreme pressure from the metropolis to get help for the severe fiscal crisis at home, partly by viceroys anxious to display their loyalty and efficiency to Charles IV, and partly by the expansion of the Peruvian economy and tax base.

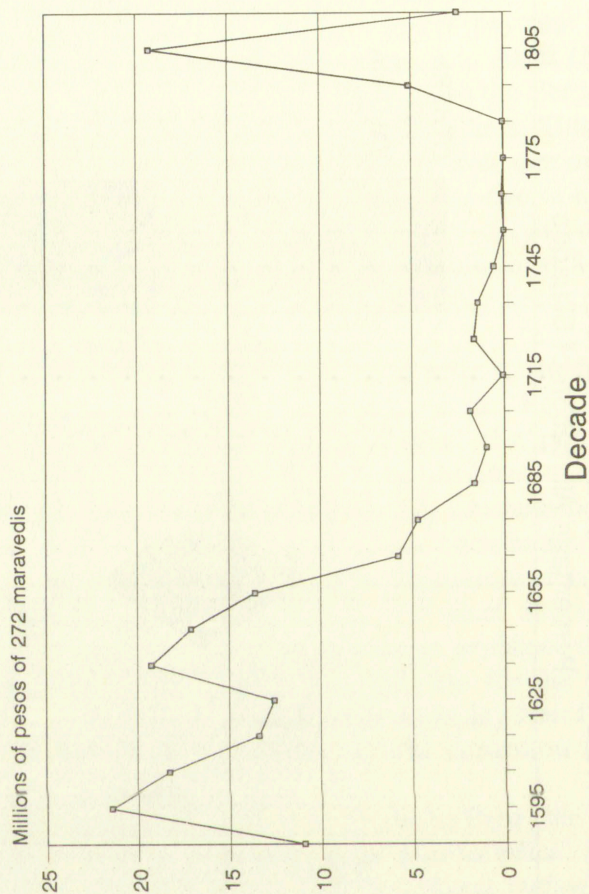
Direct state support for mining endeavors in Peru (see figure 7) focused primarily on the mercury mine at Huancavelica. In the seventeenth and early eighteenth centuries, these direct outlays were allocated primarily to keep up production at Huancavelica and in the late eighteenth century to purchase European mercury. Throughout the seventeenth century, annual assistance to Huancavelica hovered around 300,000 pesos annually or three million pesos per decade. After 1700, however, subsidies for the mercury mine dropped precipitously, one allocation together with remissions to Spain that the viceroy curtailed

Figure 5
WAR-DEFENSE EXPENDITURES: TREASURY OF LIMA, 1581-1820
Percentage Allocation of Situados



*Chiloé, Concepción, and Maynas

Figure 6
REMISSIONS TO CASTILE: TREASURY OF LIMA, 1581-1820
 By Decade



Decade i.e. 1655 = 1651-1660

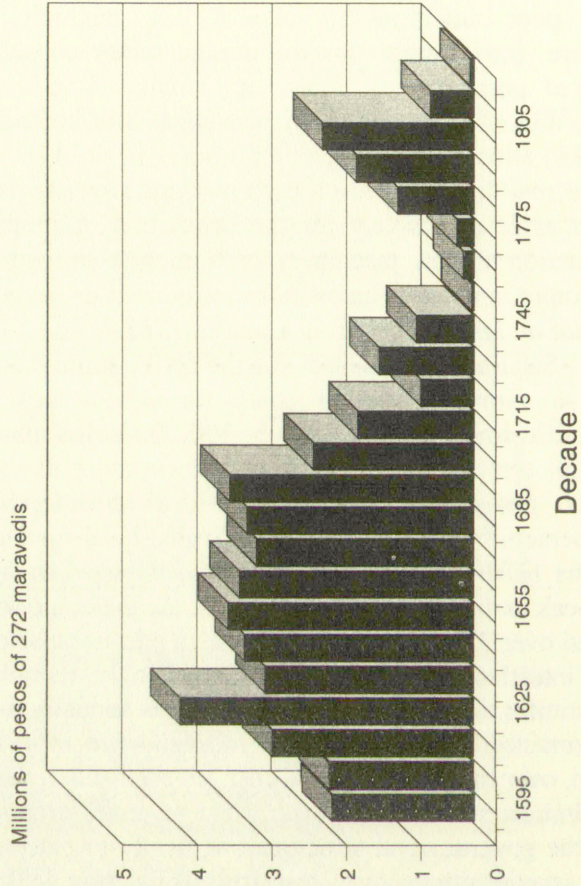
sharply in the face of revenue reductions. In the end, mercury production at Huancavelica probably suffered a bit from this drastic cut in its subsidy, but continued large outlays for mine repair and improvement could probably not have helped much because of the exhaustion of mercury deposits there.

After 1750, Peruvian miners' reliance on imported mercury from Almadén in Spain and after 1788 from Idria in Germany testifies to the poor conditions at Huancavelica. Beginning in the 1750s, therefore, state support for the mining sector consisted far more of increased purchases of European mercury, sold at artificially low prices, than of support for Huancavelica. Still another reason for the increased allocations for mining purposes in the 1780s and 1790s was the one *real* tax collected on each mark of silver registered in Peru, a tax set aside exclusively for the promotion of mining production—introduction of new machinery or mining techniques, stimulation of gold output, and other innovations introduced or suggested by the new *Tribunal de Minería* set up in Lima in 1785.

Salaries and expenses for the civil administration of Peru (see figure 8) remained virtually static throughout most of the colonial period. Costing only a little over 100,000 pesos annually in the late sixteenth century, administrative salaries and outlays rose to almost 200,000 pesos yearly in the 1610s, a reflection of the growing bureaucracy.¹⁸ They stayed at or near that level for the next 170 years until the 1770s, when administrative costs began rising again to reach their peak in the 1780s. During that decade the outgo for administration reached over 350,000 pesos annually, in part because of the imposition of the intendancy system in Peru. Surprisingly, though, administrative expenditures dropped below 300,000 pesos annually in the next decade and remained at that level until independence in 1821. On balance, though, over time few dramatic changes occurred in the costs of day-to-day administration in Peru even when revenues dropped significantly. Once the governmental structure was firmly in place at the beginning of the seventeenth century, it seemed to function well enough to serve both crown and local interests without the need for much expansion, at least until the 1780s. The new mint, customs houses, and tobacco monopoly set up at mid-century and the establishment of intendancies

¹⁸ In 1605, for example, Philip III established the new *Tribunal de Cuentas* (auditing bureau) in Lima with its large staff of accountants, bookkeepers, notaries, and clerks.

Figure 7
MINING SUPPORT: TREASURY OF LIMA, 1581-1820
 By Decade



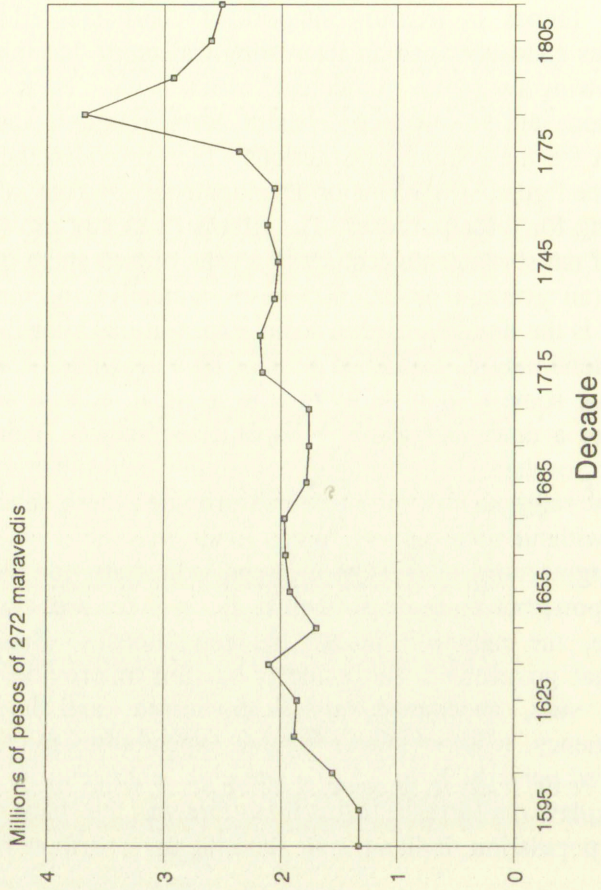
Decade i.e. 1655 = 1651-1660

in the 1780s pushed bureaucratic costs up somewhat, but otherwise neither the size of the bureaucracy nor the salaries paid to Peruvian officials seemed to change significantly. Also since viceregal officials were paid well by Peruvian standards, most lived handsomely on their salaries.¹⁹ Moreover, inflation never seemed to put severe pressure on their real incomes, at least until the beginning of the nineteenth century.

Trends in treasury support of charitable, educational, and religious endeavors had an interesting trajectory that mirrored in part the growing awareness of viceregal officials and clerics of the need for education, aid to the poor, health care, religious instruction, and support for the religious institutions which provided these services in Peru (see figure 9). Two major developments stand out in governmental spending for these purposes. The first is its steady growth throughout most of the seventeenth century to a peak of two-and-a quarter-million pesos (an average of 225,000 pesos annually) for the 1670s. The second is the dramatic rise in social expenditures after the 1770s. This latter trend may be explained perhaps by a growing awareness that the state had some responsibility for the spiritual, educational, and social needs of a new, increasingly Hispanicized society; that Peru needed schools, orphanages, hospitals, poor relief, and other social services; and that religious institutions which provided these benefits could not do so without state support. When funds were not available, as in the early eighteenth century, the viceregal administration had to cut back its support, but no more so than it did in other areas such as aid for defense, the mercury mines, and remissions to Spain. Since the viceregal government felt some obligation to provide for the poor, needy, sick, abandoned, and dispossessed, and its large Indian constituency, it is not surprising that expenditures for these purposes increased perceptibly during the late eighteenth century. Three factors may explain the increase. Most important was the sharp upsurge in the Indian population, Indian tribute, and the use of tribute funds for *sino-*

¹⁹ For example, in 1748 the annual salary for the viceroy was 69,000 pesos, for a member of the *audiencia* 3,240 pesos, and for an *alguacil*, a constable in the Lima treasury, 624 pesos. The most skilled artisans in the city received a bit less than 600 pesos per year. Rural peons earned between fourteen to eighteen pesos annually in the Andes. In Peru, obviously, the salary of a public official, even a minor one, provided a good living.

Figure 8
ADMINISTRATIVE EXPENSES: TREASURY OF LIMA, 1581-1820
 By Decade



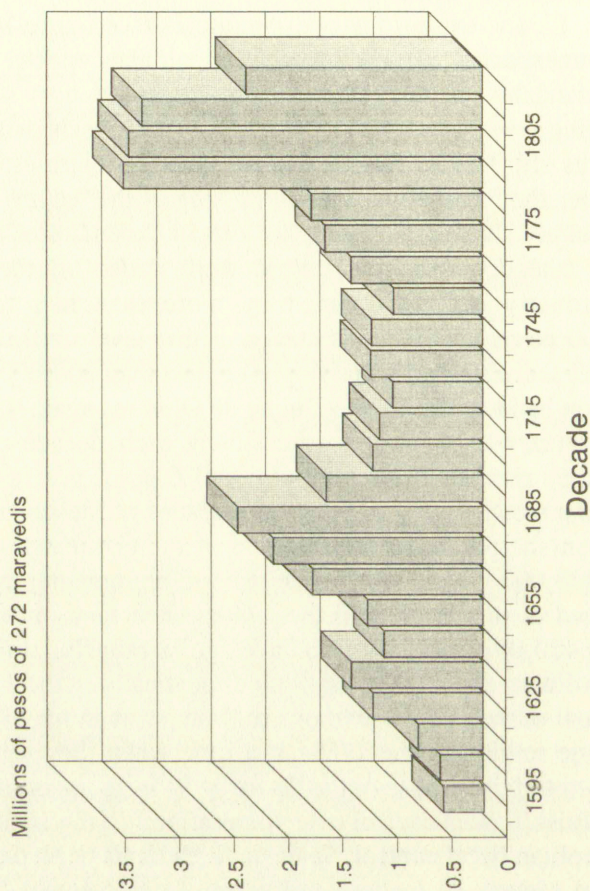
Decade i.e. 1655 = 1651-1660

dos and other clerical activities among the Indians, including the one *real* assessment being used for Indian hospitals. A second factor was the onset in 1780 of the social security system (*montepíos*) for pensions and disabilities for civil officials and the military. A third may have been caused by the elimination of the *extraordinario* category from the account entries after 1786 and the placement of social expenditures in their own fixed *ramos*.²⁰

Lastly, extraordinary expenditures (see figure 10) followed the most unexpected course over the colonial epoch. Initially, and understandably, in the 1580s outlays in this category were very high, averaging over one million pesos annually, primarily because the accounts still had no clearly defined structure with established *ramos* on either the income or expenditure side of the ledger. Royal accountants simply lumped entries for all sorts of expenditures in the *extraordinario* category. As new *ramos* were added in the next decade, extraordinary outlays declined by more than half to a little over 400,000 pesos annually and stayed at that level until the 1620s when they fell sharply—and surprisingly—to less than 200,000 pesos annually (the iron hand of the Conde-Duque de Olivares again?). Subsequently, extraordinary expenditures rose slowly each decade until the 1660s when they reached an average of 600,000 pesos yearly or thereabouts, declining slowly again in the latter decades of the seventeenth century and then sharply in the first decade of the eighteenth to a little more than 200,000 pesos yearly because of plummeting revenues. They remained at this level until the 1740s when they once again grew to almost 400,000 pesos a year on average. Strangely, almost perversely, extraordinary expenditures shot up dramatically in the 1750s and 1760s to annual outlays of close to one million pesos in the 1750s and a little over one million in the 1760s at a time when they should have been expected to fall because of the desire of Spanish imperial policy makers to establish tighter control over fiscal affairs in the Indies. To increase metropolitan fiscal control, Spanish bureaucrats needed a more precise, detailed picture of income and outgo from colonial treasuries. The catch-all *extraordinario* category, however, was a potpourri of expendi-

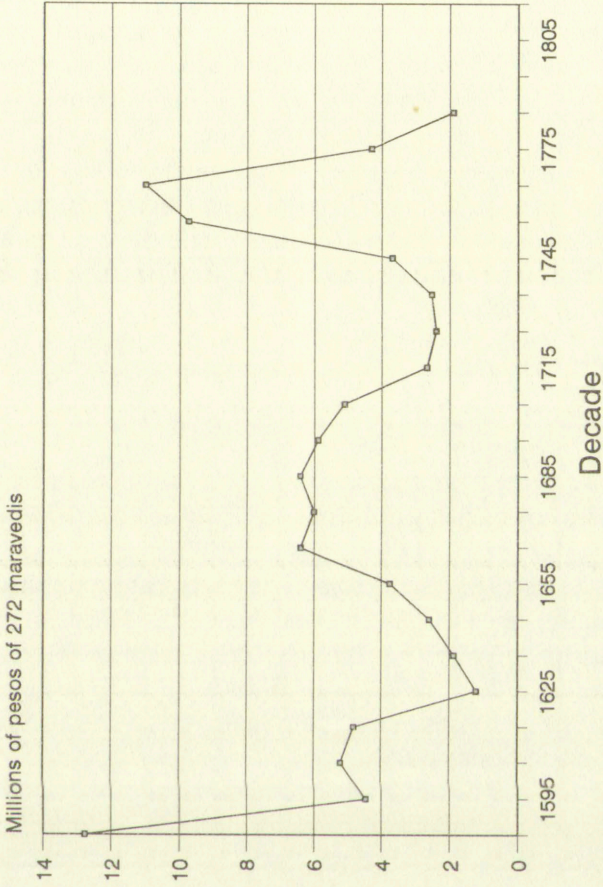
²⁰ Another reason may have been a change in accounting techniques by which accountants in the 1780s began listing tribute income and expenditures by what was actually collected and expended from the *ramo* rather than listing net amounts as they had previously.

Figure 9
SOCIAL EXPENDITURES: TREASURY OF LIMA, 1581-1820
 By Decade



Decade i.e. 1655 = 1651-1660

Figure 10
EXTRAORDINARIO ALLOCATIONS: TREASURY OF LIMA, 1581-1820
 By Decade



Decade i.e. 1655=1651-1660

tures which prevented outsiders from gaining any real insight into true fiscal realities unless auditors in Peru or Spain were prepared to take on the time-consuming task of dissecting the *extraordinario ramo* item by item.

It is difficult to explain why extraordinary expenditures reached their zenith in the mid-eighteenth century at over one million pesos annually and amounted to an astounding 50 percent of total viceregal expenditures. Perhaps the sudden rise in extraordinary spending at mid-century coinciding with a general increase in revenues and expenditures revealed a regeneration within the Peruvian exchequer—the emergence of all sorts of new expenditures which did not fit into established *ramos*. Otherwise, the sizeable mid-century outlays for *extraordinario* make no sense in terms of the Bourbons' desire to rationalize colonial fiscal administration and make it more efficient and accountable. On the other hand, the massive sums reported in this category during the mid-eighteenth century may have either constituted a form of resistance to the royal wishes or manifested the fiscal independence of the viceroy and his treasury officials, who, like modern-day governmental fiscal manipulators, found it convenient and self-serving to obscure true fiscal realities.

As more Bourbon reforms took hold in the fiscal realm, extraordinary expenditures did drop suddenly in the 1770s to only a little over 400,000 pesos per year and only 20 percent of viceregal disbursements. After 1786, the extraordinary entry abruptly disappeared as an expenditure category in Lima and most other places in the viceroyalty. Subsequently, however, treasury officials found a new category for masking the true state of fiscal affairs, *real hacienda en común*, which served their purposes in much the same way as the *extraordinario ramo* in the epoch prior to 1786.

In conclusion, this macro-analysis of viceregal spending patterns reflects the broad directions of Spanish imperial fiscal policy in colonial Peru. In large measure, as reflected in colonial expenditures, these policies were calculated primarily to serve the interests of the mother country; after meeting colonial necessities, any surplus revenues went home to Spain. With over a quarter of total expenditures allocated to Castile between 1580 and 1820, the subordinate, dependent status of Peru in the public fiscal sector can be well established quantitatively, particularly in the extended seventeenth century when remissions amounted to almost 40 percent of the outgo from the Lima

treasury. The overweening importance placed on the protection and defense of Peru against foreign incursions and on the suppression of domestic uprisings is also obvious from the large sums spent for military and naval purposes—the highest priority in Peru, especially in the eighteenth century.

Internally, too, the state supported mining endeavors, particularly in the direct subsidies going to Huancavelica from Lima, but again this served the economic purposes of the state—to increase silver and gold output and the tax revenues realized from such production. State assistance for a variety of charitable, educational, and religious enterprises, on the other hand, demonstrated an increasing government responsibility for the social, educational, charitable, and religious needs of Peruvian society. In this arena a trade-off also emerged between religious institutions and the state. Although the latter assumed a fiscal dominance over the church, manifested in the myriad of assessments imposed on the clergy and religious organizations, these received state aid in return for their participation in charitable works.

From another vantage point, analysis of spending patterns in the viceroyalty of Peru also reflects the truly pre-modern character of the Spanish colonial fiscal system. The stark reality was that individuals and institutions depending upon treasury outlays lived on sufferance. This was certainly true for mining operations at Huancavelica, the garrisons in Chile or Panama, the military and naval establishment based in Lima and Callao, and the various philanthropic enterprises supported by the state. When revenues fell, the treasury simply could not meet its normal obligations—except for bureaucrats' salaries—forcing those who depended upon treasury allocations to survive as best they could on much less, or nothing at all. No provisions existed for putting aside surplus tax monies to meet either the regular needs of society or emergencies in Peru. Moreover, except for loans to the treasury by clerical institutions (*censos*), individuals, and the merchant guild, workable mechanisms for deficit financing simply did not emerge until the end of the eighteenth century when royal officials began to borrow consistently from those *ramos* of the royal treasury which produced a surplus or had been set aside for pension funds or charitable purposes.

Imperial accounting techniques were also crude and unwieldy. When the more sophisticated double-entry system for keeping track of income and expenditures was finally introduced in 1787, accountants

abandoned the new procedures within four years in every Peruvian treasury except Lima. Also, until 1787, the existence of the mammoth *extraordinario* category which obscured how tax monies were actually spent was still another sign of the imprecision and backwardness of the fiscal system. But perhaps this backwardness, simplicity, and imprecision in fiscal matters was one reason the Spanish empire endured for over three hundred years. Although highly structured on the surface with strict laws dictating how tax revenues should be collected and disbursed, a loose, often makeshift system emerged, allowing the viceroy and his treasury minions in Peru to adapt more flexibly and resiliently to colonial fiscal needs so as to serve local or regional interests as much as or more than the interests of the crown.

APPENDIX

SOURCES, METHODS,
PITFALLS, AND DISCLAIMERS

The sources for this article may be found in the summaries of the *cartas cuentas* for the royal treasury (*caja*) of Lima, 1581-1820, compiled from archives in Sevilla and Lima.²¹ Although there were a large number of *cajas* in Lower and Upper Peru during the colonial epoch, the Lima treasury in the viceregal capital served as the matrix treasury through which revenues from all the other *cajas* flowed, those of both Upper and Lower Peru in the seventeenth century and Lower Peru after ca. 1740. Also royal officials in the City of Kings made key decisions on how tax income should be disbursed throughout the viceroyalty. Moreover, accountants in Lima were more precise in delineating how they allocated their resources and in breaking down their entries into more precise categories, far more so than their counterparts in the interior who showed expenditures only in all-encompassing, broad entries, usually conforming to the *ramo* on the income side of the account books from which they were paid out. Thus, from the Lima accounts, one can obtain a far more detailed picture of how tax revenues were allocated and a clearer view of viceregal spending priorities. It must be emphasized, however, that the figures in the Table are not for total expenditures by category for the entire viceroyalty. Each individual *caja* account also listed its own local disbursements—the costs of salaries for treasury officials and their supplies, allocations to priests, mining expenses, charities, military

²¹ These Lima accounts may be found in John J. TePaske and Herbert S. Klein, *The Royal Treasuries of the Spanish Empire in America: Peru I* (Durham: Duke University Press, 1982).

support, etc. To assess total expenditures for the various categories established here would thus demand analysis of accounts for each Peruvian *caja*. Late in the eighteenth century, however, accountants in Lima began turning out *estados* or spreadsheets of the yearly income and outgo for the entire viceroyalty. *Estados* for the years 1787-1804 and 1812 found in Sevilla at the Archivo de Indias, Audiencia de Lima, 1136 and 1438-1441 have been particularly useful in checking and verifying the data provided in Lima accounts.

The method used in constructing the Table was first to establish the six expenditure categories and then to allocate each expenditure item from the Lima accounts into one of the six. When doubts arose as to where an item properly belonged, the writer consulted the individual *ramo* on the *data* (outgo) side of the ledger to see exactly what disbursements were from a given item. In determining the amounts remitted to Spain, he also consulted those *legajos* in the Archivo de Indias used by Earl J. Hamilton²², which listed the money being sent to Spain on royal account. When compiling the aggregate figures, some entries were ignored, such as *depósitos* or *préstamos*. Thus, expenditure totals for each category and for each decade were on what the individual entries revealed, not the aggregate totals on the *data* side of the account books. All numerical entries were converted to *pesos de ocho* of 272 *maravedíes*.

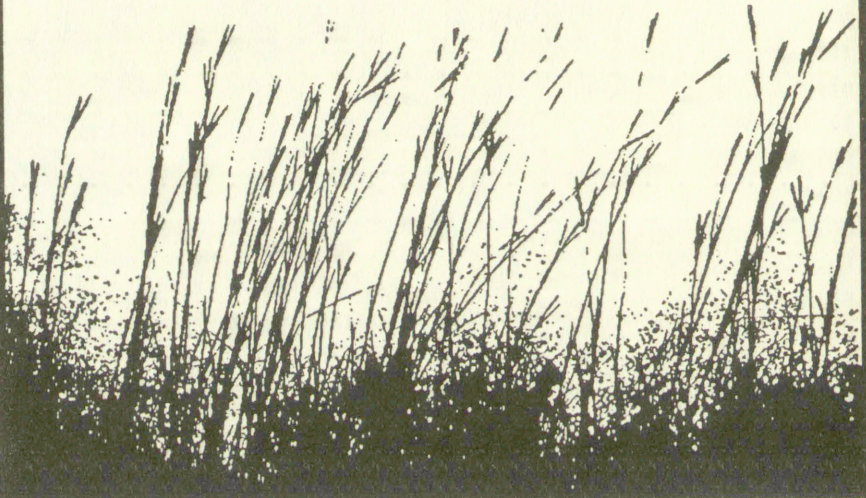
The pitfalls are many. One enormous problem was the change in accounting procedures in the 1770s and 1780s, which called for the listing of gross revenues and gross expenditures, rather than net figures reporting what was left over on the income side and simply collection costs on the outgo side. The introduction of the *real hacienda en común* category also creates confusion. Although most expenditures from certain revenues went solely to one of the six categories of expenditures, this was not always the case. Tribute, for example, was not always allocated to the clergy for *sínodos* or other charitable purposes; it sometimes went for administrative or military expenses, particularly in the late eighteenth century. Still, after surveying the *estados* for this period, the writer feels that for establishing broad general trends, the Table is fairly close to the mark. Fine-tuned analysis of the individual

²² Earl J. Hamilton, *American Treasure and the Price Revolution in Spain, 1501-1650* (Cambridge: Harvard University Press, 1944), 34-5, 40-2.

ramos over time would probably not significantly change either the trends or priorities put forward here. Thus, the figures presented should be looked upon as a well-informed, systematic estimate of viceregal spending patterns. It is reasonable to believe that they reveal actual secular trends that provide a picture of the fiscal realities in colonial Peru in the public sector.

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