

From Agents to Consulado: Commercial Networks in Colonial Mexico, 1520-1590 and Beyond*

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Este trabajo pretende ser una revisión de las interpretaciones que ven en las relaciones entre los mercaderes de la Nueva España y los de Sevilla una subordinación más amplia del comercio colonial bajo el dominio del comercio metropolitano. El trabajo muestra cómo un conjunto de factores permitieron la constitución de una clase autónoma de mercaderes centrados en la ciudad de México. Primero, la reconfiguración del monopolio sevillano frente a los problemas planteados por la distancia y las estructuras de comunicación. Segundo, la creación de mercados de crédito y bienes controlados por instituciones y grupos novohispanos: un proceso que iba mano a mano con el desarrollo de la economía colonial. Tercero, la búsqueda de apoyos políticos e institucionales para mejorar los intereses de los mercaderes novohispanos. El trabajo termina examinando las consecuencias del ascenso de esos mercaderes para la relación entre colonia y metrópoli a finales del siglo XVI.

Analyses of the relationship between Europe and the world during the early modern period have undergone a notable sea-change over the last decade or so. While recognizing that Europe was an important agent in the development of overseas trade and commercial capitalist relations, recent accounts stress the dialectical nature of the early-modern world system. Steve Stern in particular has recognized and highlighted the role played by local agents, and local social and economic structures in guiding the outcome of European expansion.¹ This shift, while providing a welcome move away from a mechanistic view that ultimately trapped historical initiative within the inner logic of some other-worldly system, has re-opened the

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¹ Stern, Steven J.: "Feudalism, Capitalism, and the World-System in the Perspective of Latin America and the Caribbean," *American Historical Review*, 93, n.º 4, 1988, pages 829-872.

question of how to gauge rising European power in the world-wide economic sphere. This is a difficult question, one that pushes us out into waters which we are poorly equipped to navigate. It sweeps the historian out into a wider sea where the lack of information on such macro-level indicators as 'national' income, production, exports or imports makes the charting of the world-system an exercise founded upon qualitative observations and inductive reasoning.

The difficulty of the venture should not prevent its attempt. Focusing on the commercial networks that emanated from Mexico City, this paper argues that the relationship between Europe and one of its 'peripheries', New Spain, was characterized by interaction rather than subordination. Commercial networks acted as conduits for commercial information, commodities and the various forms of capital upon which the inter-colonial and trans-Atlantic trades were founded. Without reliable studies that can draw up a reliable balance sheet of capital flows, gross national product and the like, an examination of the structures of trade is perhaps the next-best indicator of the ties between centre and periphery. From this structural perspective it becomes apparent that, by the end of the sixteenth century, Sevillian merchant class effectively divided the trans-Atlantic trade with their Mexico City counterparts. As the century progressed, the commercial networks of the Sevillian trading houses found themselves stretched too thin to compete against increasingly robust commercial networks forged by an emerging colonial merchant class which had made New Spain its centre of operations. By the first quarter of the seventeenth century, overseas trade between Seville and New Spain had been dramatically reconfigured. It had become a bi-polar system in which exchanges between the two networks were largely undertaken during the periodic fairs held in Veracruz.

The conventional historiography of New Spain's economic relationship with its metropole and the role of trade and capital movements within this relationship places New Spain's economy in a subordinate and dependent position vis-à-vis Spain and consigns the merchants of Mexico City to the role of local collaborators. These accounts, born of the laudable goal of tracing the long-term causes of Mexico's subordinate status within the contemporary world system, unfortunately obscure as much as they reveal. The colonial trades, structured according to the lines drawn by Spanish mercantilist policy and controlled by metropolitan merchants, are linked with the decapitalization of New Spain. Instead of remaining in New Spain in order to animate colonial economic development, surplus capital is seen to be

drawn to Spain to the benefit of the metropole.² The colonial system, the argument runs, tightly controlled the nature and direction of economic development. It encouraged the growth of productive activities (mining, export agriculture) that would most directly benefit Spain, either by supplying the metropolis with needed commodities or by providing it with the highest possible returns on investments. The logic of the system rippled throughout the colonial economy. It entrenched coercive labour systems and stalled the development of local markets.³ For metropolitan producers, the system created consumption markets whose dependence on European sources of supply provided additional opportunities for financial capital to flow back to Europe.⁴

The argument is a familiar one. It is presented here, greatly simplified, to highlight the putative role played by the outflow of colonial capital in entrenching New Spain's underdevelopment during the colonial period. This efflux has often been viewed in macro-economic terms as historians have attempted to measure rising European capital accumulation through estimates of inter-regional bullion transfers.⁵ It has also been treated at a more structural level through an examination of the social networks in which these transfers were effected. In the case of New Spain, studies point to an alliance of metropolitan and elite Mexico City merchants who, acting in concert, effectively tilted the balance of trade in Europe's favour. Enrique Semo and David Brading, for example, argue that the Mexico City merchant elite served as a *de facto* conduit for a trade organized by, and in

2 The argument that the decapitalization of the colonial economy at the expense of metropolitan interests lay at the heart of New Spain's hobbled economic development emerges in a number of works encompassing a wide variety of theoretical positions. See Haring, Clarence: *Trade and Navigation between Spain and the Indies in the Time of the Hapsburgs*, Gloucester, Mass., 1964, page 211; Borah, Woodrow W.: *Early Colonial Trade and Navigation Between Mexico and Peru*, Berkeley, 1954, page 83 and his *New Spain's Century of Depression*, Los Angeles, 1951; Wallerstein, Immanuel: *The Modern World System. Volume 1: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, San Diego, 1974; Brading, David A.: *Miners and Merchants in Bourbon Mexico, 1763-1810*, Cambridge, 1971, pages 95-100; and Semo, Enrique: *The History of Capitalism in Mexico: Its Origins, 1521-1763*, Austin, 1993, pages XIII-XVVI and *passim*.

3 Semo: *The History of Capitalism ...*; Wallerstein: *The Modern World System...*

4 For a strong presentation of this perspective see de Andrade Arruda, José Jobson: "Colonies as mercantile investments: The Luso-Brazilian Empire, 1500-1808", in Tracy, James, editor: *The Political Economy of Merchant Empires*. Cambridge, 1991; and Fernando Novais: "Brazil in the Old Colonial System", in Graham, Richard, editor: *Brazil and the World System*, Austin, 1991.

5 See for example the classic Chaunu, Huguette and Pierre: *Séville et l'Atlantique*, Paris, 1955-1959, which substantiated in large measure Earl J. Hamilton's monetarist argument for the strong impact of colonial silver upon the European economy, see his *American Treasure and the Price Revolution in Spain, 1501-1650*, Cambridge, MA., 1934.

favour of, Spanish, English, French, Dutch and German trading houses based in Europe.⁶

These explanations take up a persistent theme in studies of colonial societies: the defection of local elites who, in the pursuit of self-enrichment and power, chose to serve as the agents of metropolitan interests rather than agents of local economic development. Their role as the local agents of metropolitan power supports both the *dependista* and world-systems models which highlighted the general subordination of the periphery to the centre. This view of things is misleading. Examining the relationship between metropole and colony from the perspective of late-sixteenth and early-seventeenth century New Spain, one is struck by three important and inter-related observations. The first is the autonomy of the merchants of Mexico City; from the last decade of the sixteenth century these individuals were no longer the mere agents of Sevillian merchant houses but instead appear much more as independent participants in the trans-Atlantic trading system. The second observation concerns the central position of Mexico City in relation to a sphere of exchange that integrated Peru, the Philippines, Central America and the Caribbean. Thomas Gage, traveling through the colony in the seventeenth century was quite impressed by the centrality of New Spain. Upon his arrival in Veracruz in 1625, Gage regaled his readers with a lengthy inventory of the regions connected to this entrepot. All of which, the traveler wrote, "...maketh this little town very rich and to abound with all the commodities of the continent land, and of all the East and West Indies' treasures".⁷ Thirdly, the seventeenth century represented a parting of ways for the economies of the colony and the metropole. As the work of Ruggiero Romano and Peter Bakewell demonstrate, by the mid-seventeenth century, the economy of New Spain responded primarily to self-generated economic conjunctures. The shock-waves of the seventeenth-century crisis in Europe abated to gentle swells as they crossed the Atlantic.⁸ The merchants of Mexico City had become an autonomous class of colonial capitalists; New Spain had become a new centre within the developing economies of the Spanish American colonies.

The development of market networks elaborated by the merchants of Mexico City went hand-in-hand with the maturation of New Spain as an

6 Semo: *History of Capitalism...*

7 Thompson, J.Eric, editor and translator: *Thomas Gage's Travels in the New World*, Norman, Oklahoma, 1958, pages 35-36.

8 Romano, Ruggiero: *Conjunctures opposées: la 'crise du XVIIe siècle' en Europe et en Amérique Ibérique*, Geneva, 1993, and Bakewell, Peter: *Silver Mining and Society in Colonial Mexico: Zacatecas, 1546-1700*, Cambridge, 1971, pages 226-228.

independent centre of commercial capitalist development. Mexican trade networks allowed for the creation of local credit markets, monetized the colonial economy, organized infrastructural investment in roads, ports and warehousing and, finally, strengthened the position of Mexico City within a trading system that intergrated such disparate regions as Peru, the Philippines, Spain, the Caribbean, Venezuela and Central America. The increasingly dense thicket of connections between Mexico City merchants as creditors, debtors and agents laid the social foundations for the creation of institutions, particularly the *Consulado* in 1592, that consolidated their position as a class within the social hierarchy of New Spain as well as within the larger colonial system. Ultimately, by building an autonomous colonial market, the flowering of locally based market networks (of which elite merchant networks comprised only the top echelons) attested to the formation of a new, if smaller scaled, centre whose function and development was not exclusively determined by the logic of the emerging world-system. Though they were new players within the early modern Atlantic, New Spain and its merchants interacted with, and influenced, the shifting parameters of that larger system. Rather than being the puppets of metropolitan interests, colonial merchants came to challenge the puppeteers in the pursuit of their own interests.

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The emergence of autonomous New Spanish market networks did not happen instantaneously. It was a social process that unfolded over the three-quarters of a century following the initial colonization of Mexico in the 1520s. The following pages will chart out the history of this development by examining the workings of the early Indies trade, the relationship between the economic development of New Spain and the rise of a colonial merchant class and its commercial networks, and the consequent reconfiguration of the trans-Atlantic trade into a bi-polar system.

The precise chronology of the emergence of autonomous colonial market networks is a hazy one. All the same, the decades following the rapid expansion of silver production in New Spain, 1550-1560, appear as a watershed. Prior to this period, it is clear that the trans-Atlantic and colonial trades were indeed controlled by merchant houses based in Seville. These houses organized networks of wholesalers, shippers, factors and agents that infiltrated the emerging colonial sphere and bound it tightly to Spain. In the trading circuits of the mid-Atlantic region, factors and agents

were stationed in a variety of Caribbean ports and key locations within New Spain such as Veracruz, Puebla de los Angeles and Mexico City. These networks, as was the case for many early modern commercial operations, were built upon pre-established social networks based upon nationality (such as it was during this period) and kinship. In addition to Andalusian networks, in the first half of the sixteenth century we find successful networks comprised of Portuguese, Burgalese, Catalans, English and Genoese merchants operating in New Spain.⁹ Working within these social networks, merchants also adopted more formal forms of association such as partnerships and small scale firms in which members were engaged on a commission basis, salary or combination of both.

These Sevillian-based commercial networks connected and controlled the two poles of the trans-Atlantic trade. They were influential players in the Sevillian market, one of the principle ports of Europe's expanding overseas trade. The issue of the extent to which the merchant houses engaged in the Indies trade controlled the entrepot economy of Seville is beyond the scope of this paper. It will suffice to say that from an Atlantic (as opposed to continental) perspective this group had a lock on the provision of European commodities and capital for the Spanish colonial markets, a fact that did not escape the attention of some of the truly great players in sixteenth-century European commerce. Large scale continental firms such as the Fuggers opted to transfer the business of purveying credit in the New World to Sevillian merchant houses.¹⁰ They did so presumably because New Spain lay beyond the effective ambit of their commercial networks. Seville was, in the structure of European-colonial exchange, a threshold point beyond which transaction costs rose steeply, a factor that ensured its importance as a relay point for Europe-Indies trade.¹¹

9 Connell-Smith, George: "English Merchants Trading to the New World in the Early Sixteenth Century," *Bulletin of the Institute of Historical Research*, T. 23, n.º 67. May, 1960, pages 53-67; Otte, Enrique: "Mercaderes Burgaleses en los inicios del comercio con México", *Historia Mexicana*, V. 18, núms. 1-2. July-Sept. y Oct.-Dec., 1968, pages 108-144, 258-285; Pike, Ruth: *Enterprise and Adventure: The Genoese in Seville and the Opening of the New World*, Ithaca, 1966; Vilar, Pierre: *La Catalogne dans l'Espagne Moderne*, Paris, 1962.

10 See for example, the Fugger's Sevillian agent Cristóbal Rayzer's transmission of a New Spanish credit contract to the Genoese Jerónimo de Cataris in *Documentos americanos del Archivo de Protocolos de Sevilla, siglo XVI*, Madrid, 1935, N.º 1157.

11 For the connections between transaction costs and commercial networks and their importance in the development of early commercial capitalism see North, Douglass C. and Thomas, Robert P.: "An Economic Theory of the Growth of the Western World," *Economic History Review*, Second Series, T. 23, n.º 1, April, 1970, pages 5-7, 12-13.

As the principle purveyors of capital and commodities to New Spain, the Sevillian merchant houses extended their control into the second pole of the trans-Atlantic trade: the colonial economy. The mechanics of this control are familiar. Sevillian merchants, through their agents and factors, controlled the supply of the credit and goods needed for the development of mining, agriculture, ranching and other productive sectors. This relationship between local producers and Sevillian merchants not only favoured the latter but also seems to have encouraged a creeping infiltration of these productive operations by the Sevillians. They did so in order to maximize their control over these operations and thus assure repayments on goods and credit forwarded. As we shall see this was an uneasy relationship, one that would prove structurally difficult to maintain, given the state of communications during this period. It survived, in large part, because of the lack of competition from local merchants, who lacked local sources of capital.

Not that early sixteenth-century New Spain was entirely bereft of locally-based commercial initiatives. These did exist and one of the principle forms through which early settlers organized commercial ventures was through the institution of the *compañía* or partnership. These associations allowed settlers to pool scarce resources in order to establish small production or commercial operations. The *compañías* focused on ventures that required low levels of financial capital. Placer mining, which required proportionally little infrastructural investment, or the sale and cultivation of local agricultural goods typify the scale and nature of these enterprises. Attesting to the lack of local capital accumulation in the early sixteenth century, the *compañías* relied heavily on fixed or physical capital contributions (eg. foodstuffs or coerced indigenous tribute labour) to ensure the success of their undertakings. Finally, it is noteworthy that many of these *compañías* were not set up by merchants. In the contracts of these partnership, the principals identified themselves as miners, *encomenderos*, or simply as the *vecino* —resident settler— of a given town.¹²

As contrasting forms of commercial organization, the disparity between the settler's *compañía* and the Sevillian merchant house could not be

12 Millares Carlo, Agustín and Mantecón, J.I., editors: *Índice y extractos de los protocolos del Archivo de Notarías de México*, México, 1945, Volume 1, record numbers: 9, 15, 29, 41, 72, 77, 94, 111, 131, 160, 167, 238, 280, 399, 423, 437, 477, 482, 483, 487, 531, 568, 612, 647, 702, 720, 975, 1001, 1024, 1058, 1112, 1163, 1188, 1246, 1259, 1281, 1386, 1421, 1430, 1597, 1601, 1620, 1675, 1702, 1755, 1793, 1916, 1925, 2062. Volume 2, record numbers: 2074, 2112, 2121, 2202, 2238, 2267, 2307, 2433, 2478, 2506.

more glaring. The former were founded with extremely low levels of liquid capital (about 300 to 800 pesos), were distinctly ephemeral (the longest lasted but a few years), and were highly localized.¹³ In contrast, the Sevillian merchant houses moved large amounts of capital, maintained their corporate identity over generations, and established networks that extended throughout Spain and beyond to ports along the shores of the Baltic, the eastern Mediterranean and of course the Atlantic.¹⁴ The widespread use of Castillian in business transactions beyond the Iberian peninsula only underscores the strong position of Spanish merchants in early sixteenth-century Europe.¹⁵

Nevertheless, the Indies trade was subject to two interconnected structural constraints : communications and distance. These factors would limit the degree to which Sevillian merchant houses could organize centralized forms of commercial control over the colonial economy. In the 1520s, New Spain was just coming into the sights of the Sevillian merchant class as their factors stationed in the Caribbean began to report back the news of the conquest and settlement of the Yucatan and Mexico.¹⁶ Fifty years later, the colonial economy of New Spain was in full expansion and integrated mining centres, sugar and indigo plantations scattered throughout the vice-royalty. For metropolitan merchants, playing the colonial market effectively, therefore, meant being able to act upon changing conditions occurring in widely dispersed centres of consumption and production. The key variable for success was the effectiveness of communication. Here the Sevillian merchant houses were at a distinct disadvantage in relation to their colonial counterparts. In general, the success of commercial networks relies upon their range, the speed with which they can move information, commodities and capital and the reliability of the nodes that constitute these networks.¹⁷ Reliability and speed had always proved to be problematic for the Sevillian merchants even when they enjoyed a position of dominance in New Spain's market. During the initial period of the Indies trade, the Sevillian merchants maintained their dominance in spite of shortcomings in the sphere of communication because of their monopoly over financial capital and European consumption goods. However, as colonial merchants began to

13 *Ibidem*.

14 Vila Vilar, Enriqueta: *Los Corzo y los Mañara: Tipos y arquetipos en el comercio de las Indias*, Sevilla, 1991.

15 Elliott, John H.: *Imperial Spain, 1469-1716*, London, 1983, pages 197-198.

16 Letters in Otte: "Mercaderes Burgaleses..." make this clear.

develop and increase their own sources of capital, and thus present themselves as competitors in the developing colonial economy, the Sevillians' lines of control were stretched to the breaking point. As we shall see, this process developed over the span of decades. Sevillian merchants would continue to send over their agents but these individuals were increasingly outnumbered by their locally-based counterparts.

The effectiveness of Sevillian commercial operations in the Indies relied upon the acumen and loyalty of their overseas factors and agents. These individuals were semi-autonomous actors because the annual cycle of information transmission between Seville and the New World could not keep up with changes in local market conditions. Into their hands fell the responsibility for monitoring colonial debtors, ensuring that goods sent from Seville found the best possible sale, and securing the remittance of silver or other commodities back to Seville. Unfortunately for the Sevillian trading houses, not all factors lived up to the expectations of their employers. In 1549 Gonzalo and Gaspar Jorge, Sevillian slave traders, contracted with Diego Alemán to serve a four year term as their factor in Veracruz.¹⁸ A year later, however, we find the Jorges engaging another individual, Cristóbal Alonso, as their new factor in Veracruz.¹⁹ What happened to the first factor, Diego Alemán, is unknown. He may have preferred to do business on his own account and deserted, he may not have survived the year in disease-ridden Veracruz, or he may have been replaced on basis of his performance. With the lines of communication stretched as thin as they were, there was relatively little a given trading house could do to guarantee the loyalty or performance of their employees. In the Jorges' case, they could only hire a substitute and hope for the best. Some Sevillian trading firms attempted to ensure the accountability of their factors by engaging members of the family or close acquaintances. This accounts for the prevalence of trans-Atlantic commercial networks based upon kin or nationality. It would prove to be a common practice for junior members of a given house, often sons-in-law, to receive their initial training as factors in distant markets.²⁰

17 See Stigler, George J.: "The Economics of Information," *Journal of Political Economy*, Vol. 69.

18 *Documentos americanos del Archivo de Protocolos de Sevilla*, n.º 919.

19 *Ibidem*, nos. 1133 and 1134.

20 Vila Vilar: *Los Corzo y los Mañara...*; Hoberman, Louisa: *Mexico's Merchant Elite, 1590-1660: Silver, State and Society*, Durham, NC, 1991; Jeannin, Pierre: *Merchants of the Sixteenth Century*, New York, 1972.

The Sevillian houses, however, faced an additional problem: the tyranny of distance. The chain of command between Seville and a given mine or city in New Spain was slow and cumbersome. Working on information that could be as much as two years old, the decisions of these merchants often appear as so much shooting in the dark. The correspondence between the Sevillian merchant Alonso de Nebreda and his factors, Hernando de Castro and Francisco de Herrera, makes this clear. In 1520, Hernando de Castro complained of the difficulties he encountered in the sale of the various merchandise sent by Nebreda. Castro asked that his employer hold off on shipping more wine unless he could find it at bargain prices in Seville. In no circumstance should he send more cloth or vinegar.²¹ Nebreda responded appropriately, shifting the focus of his operations to European markets. By the time Castro's letter reached Seville, however, all had changed. The demand for and price of cloth had picked up again and now commanded profit margins of one hundred to one hundred and fifty percent. For the next few years, Nebreda's new factor, Francisco de Herrera, practically found himself at wits-end from not being able to capitalize on this opportunity for lack of shipments from his employer.²² In his last letter, Herrera sounds a distinctly plaintive note asking whether his employer had forgotten him and openly wondering what he ought to be doing with himself.²³

Louisa Hoberman's analysis of the investment patterns of seventeenth-century merchants helps explain de Herrera's plight. The merchants that she studies did not participate in the overseas market in a steady incremental fashion but rather in bursts interspersed by stretches of relative inactivity, indicating that they had exhausted their working capital or had turned it to safer, or more profitable, economic sectors accessible to them.²⁴ In the trans-Atlantic trade, as with most others, a deal that turned sour could ruin a firm without the reserves to withstand temporary setbacks. The potential for unwanted complications rose sharply when it was question to advance credit of capitalize ventures for settlers who were neither family members or

21 "Ropa de ningun arte enbiéis, señor, porque como digo, no ay quien la gaste....Y del vina-
gre no vendo nada ni por pensamiento." Hernando de Castro to Alonso de Nebreda, September 25th,
1520. in Otte: "Mercaderes Burgaleses...", page 130.

22 Francisco de Herrera to Alonso de Nebreda, December 12th, 1521; October 20th, 1522. in
ibidem, pages 266 and 277.

23 "No sé qué dezir a vuestra merçed hasta sus cartas [llegan]...Porque no sé qué me hago, per-
diendo mi tiempo..." Ibidem, pages 278-79.

24 Hoberman: *Mexico's Merchant Elite...*, pages 51-55.

employees of the trading house. For the merchant based in Seville, there existed few effective recourses in cases of loan default or non-payment for goods. All the same, profits when they came, were extremely high and it would seem that these windfalls ensured that the Indies trade, on average, paid handsomely. Such were the risks of the Indies trade.

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Problems of communication and distance were not the only reasons for the erosion of the dominance of Sevillian commercial networks over the colonial economy. To these 'external' factors affecting the structure of the Indies trade must be added two interconnected 'internal' developments: the growth and complexification of New Spain's economy and the corollary rise of an autonomous class of colonial merchants. The 1550s marked a distinct shift in New Spain's precious metal production. The first decades of colonization rested upon the gold cycle. Garnered through working placer deposits or through plunder, over 5 million pesos worth of the metal were legally remitted to Seville.²⁵ In the second half of the century, however, gold remittances fell to little over 1 million pesos. During this period, silver production developed and quickly eclipsed gold production as the dominant pole of the colonial economy. The advent of silver production was important for the development of local commercial development for a number of reasons. First, silver production (as opposed to placer mining or theft) was a highly capital and labour intensive affair. Infrastructural costs in silver mining, such as drainage works as well as the equipment and tools required for the actual work of excavation and extraction, were of an order of magnitude higher than in placer mining. The rapidly expanding labour forces of the colonial mining centres depended upon outside sources for their clothing and sustenance. The viability of the mining centres rested upon a steady stream of foodstuffs, tools and supplies, livestock, labour and consumable goods which encouraged the development of a variety of other secondary productive sectors to a level apparently unmatched by gold.²⁶ Consequently,

²⁵ Mark Burkholder states that roughly half of this gold 'production' was based upon plunder. Burkholder, Mark: *Colonial Latin America*, Oxford, 1994, pages, 126-127.

²⁶ Here I'm drawing on Kris Lane's dissertation on the gold industry of the Audiencia of Quito as a point of comparison. See Lane, Kris: *Mining the Margins*, Unpublished Ph.D. Dissertation, University of Minnesota, 1996. In the case of Minas Gerais, however, gold production appears to have engendered a thriving subsidiary productive enterprise. The issue is perhaps one of scale and, of course, labour—the critical missing variable in the Audiencia of Quito.

the mines also stimulated colonial exchange. As the work of Peter Bakewell makes clear, the business of supplying mining centres such as Zacatecas and Guanajuato was a highly profitable one indeed.²⁷ What is more, it was a business more readily accessible to locally based merchants than those stationed overseas. Though members of Mexico City's merchant elites made their fortunes in the silver business, it was not restricted to members of this elite. Participants in this purveying trade were drawn from the entire spectrum of New Spain's traders, from the local indigenous traders upwards. Recently arrived settlers gravitated towards this trade as a quick and obvious means of accumulating wealth. On the 12th of March, 1573, Gonzalo García de la Hera wrote to his relative Diego Pérez regarding the opportunities offered by the silver trade: "...we remain in good health, thanks be to God, in these mines of Zacatecas where, thanks be to our Lord, I am doing well. *I have saved over 6 000 pesos in the four years that I have been here. This land ...is very good to poor people like ourselves.*"²⁸

Secondly, silver production led to an extensive monetization of the colonial economy. Silver was not all sunk into luxury consumption as Chaunu would have us believe.²⁹ Instead, it moved through and animated the channels of local commerce. A little over a decade after the conquest, the Spanish administration established the Royal Mint in Mexico City.³⁰ Spanish authorities opted to mint silver and copper coins in an effort to answer the needs of colonial commerce. The production of silver coinage during the sixteenth and early seventeenth centuries was considerable, apparently averaging between 1.5 and 3 million pesos per year.³¹ To this sum must be added the increasing circulation of unminted silver slugs which, in addition to copper coinage, cacao beans and *tlacos* (scrip-like tokens), helped monetize the lower levels of the colonial economies.³² Finally, silver production far outstripped the production of gold by sheer volume. Richard Garner estimates that in the first phase of large-scale silver production, 1559-1627, the New Spanish silver industry posted average annual growth rates of 2.5 % before leveling off to average rates of 1.2% for the subsequent period, 1628-1724. These rates compounded a level of

27 Bakewell: *Silver Mining and Society...*

28 Quoted in Otte, Enrique: *Cartas privadas de las Indias*, México D. F., 1988, page 274.

29 Chaunu, Huguette and Pierre: *Séville et l'Atlantique*, volume 8, part 1, page 751.

30 Contador Rodrigo de Albornoz to Charles I, March 1st, 1533, in Paso y Troncoso, Francisco: *Epistolario de Nueva España*, México, 1939, volume 2, page 43.

31 Meek, Wilbur: *The Exchange Media of Colonial Mexico*, New York, 1948.

32 *Ibidem*, pages 70, 76.

production that in 1559 already measured around 5.9 million pesos per year. Significantly, he argues that the colonies retained roughly fifty per cent of the silver that they produced.³³

Though silver production, and the secondary sectors it engendered, were of key importance to the development of the colonial economy these were by no means the only productive sectors in expansion during the sixteenth century. Other sectors, in particular commercialized agriculture and local manufactures, would prove to be key components of New Spain's internal and external trade. Sugar, indigo, cacao, leather would account for an increasing percentage of New Spain's exports to Europe. Goods produced by colonial *obrajes* (workshops) and other forms of artisanal production would form an important part of the colony's internal commerce.³⁴ To give an indication of the maturation and diversification of the colonial economy, Mexico City by the end of the sixteenth century had a full range of tradesmen engaged in such activities as printing, leather-work, silk-weaving, jewelry making, pottery and textile production.³⁵

Hand-in-hand with these developments came the expansion of urban centres which scattered themselves throughout New Spain. Aside from the most important centre, Mexico City, cities and towns such as Puebla de Los Angeles, Oaxaca, Guadalajara, Zacatecas, Taxco and the like formed important regional markets. These markets were critical in enmeshing the indigenous economy to the rapidly developing settler economy. They provided a nexus where indigenous, settler and imported goods could be exchanged. This in turn led to the percolation of silver and other forms of currency through the countryside and encouraged indigenous settlements to specialize their production in response to the greater opportunities presented by the urban markets. In the valley of Mexico, there were a number of villages that devoted themselves to the manufacture of particular forms

33 Garner, Richard L.: "Long-Term Silver Mining Trends in Spanish America: A Comparative Analysis of Peru and Mexico", *American Historical Review*, T. 93, n.º 4, 1988, pages 903-904. Ward Barrett argued for far lower retention rates, though it is interesting to note that in his figures these rates increased (from 11% to 28%-29%) for the period under study here, adding weight to the idea of a developing monetized colonial market. See Barrett, Ward: "World Bullion Flow, 1450-1800" in Tracy, James D., editor: *The Rise of Merchant Empires: Long Distance Trade in the Early Modern World, 1350-1750*, Cambridge, 1993, pages 242-243.

34 Salvucci, Richard J.: *Textiles and Capitalism in Mexico: An Economic History of the Obrajes, 1539-1840*, Princeton, 1987.

35 Archivo de Notarías de la Ciudad de Mexico Database (hereafter ANCM database). This database, developed from the raw data provided by Pilar Gonzalbo Aizpuru and her team of researchers at the Colegio de Mexico, regroups 2691 notarial contracts from the years 1547 to 1592.

of pottery and textile production, or turned their hand to commercialized agriculture and husbandry.³⁶

Much of the preceding discussion is based on a now familiar rethinking of the development of the colonial Spanish economies first forwarded by Carlos Sempat Assadourian. In his work on the viceroyalty of Peru, Assadourian argued that local factors (particularly the development of silver production and the rise of internal inter-regional markets), rather than external factors, were responsible for the path taken by the Peruvian economy.³⁷ As I have argued above, an analogous situation existed in New Spain. These developments would have profound consequences for the balance of power between the merchants of New Spain and Seville. First of all, a more complex colonial economy made it increasingly difficult for Sevillian houses to effectively integrate and control the various sectors of the colonial economy from the other side of the Atlantic. This work had to be undertaken on the local level by merchants who were capable of not only organizing the circulation of goods and obtaining financial capital but also of monitoring suppliers and debtors in order to insure consistent returns on their investments. This was the opening that allowed for the steady development of a colonial merchant class that took control of an increasing share of New Spain's commercial life until, by the early seventeenth century, they dominated it. Secondly, what allowed Mexico City merchants to take advantage of this opening was their growing access to, and subsequent control of, financial capital. Here too, the critical factor appears to have been the remarkable growth of silver production. The business of supplying the mines being more readily accessible to them, colonial merchants drew the first, and possibly most important, cut of its profits.³⁸ What is more, in contrast to other key colonial commodities such as sugar, silver did not have to be shipped across the Atlantic in order to be converted into financial capital through sale on European markets controlled by European merchants.³⁹ This source of revenue was then reinvested in other trades and,

36 Gibson, Charles: *The Aztecs Under Spanish Rule: A History of the Indians of the Valley of Mexico, 1519-1810*, Stanford, 1964.

37 *El sistema de la economía colonial: El mercado interior. Regiones y espacio económico*, México, 1983.

38 Bakewell: *Silver Mining and Society...*

39 This difference was critical and may go a long way in explaining the comparatively desultory development of an autonomous merchant class in places such as Brazil where indebted producers were constantly under the thumb of metropolitan rather than colonial merchants. See Schwartz, Stuart B.: *Sugar Plantations in the Formation of Brazilian Society. Bahia, 1550-1835*, New York, 1985, pages 193-195.

more importantly for the local generation of financial capital, came to animate an increasingly dynamic and widespread credit market. As the colonial reservoir of capital grew, the merchants of New Spain became less dependent on Seville for advances in goods or in financial credit. They could thus present themselves as independent players in even the critical trans-Atlantic trade.

During the first decades of colonization, New Spanish merchants were either the factors of the more established and better capitalized Sevillian houses or became small-time entrepreneurs.⁴⁰ Lacking the kind of institutional support that an established house could lend, individual entrepreneurs undertook much of the work of distribution and credit arrangements themselves. In this respect they appeared as little more than itinerant traders moving from town to town claiming their debts and moving their merchandise.⁴¹ As time went on, however, Mexico City merchants established their own networks of agents and factors who were stationed throughout the colony (and, indeed, beyond) to oversee the movement of commodities and supervise an expanding number of financing arrangements extended by Mexico City merchant houses. The merchant class of New Spain had taken up the charge of providing capital and goods for mining ventures, haciendas, obrajes and sugar plantations.⁴² They also became intimately implicated in the distribution and sale of silver and local, Asian and European commodities. These networks constituted the direct links between an emerging group of colonial merchants, who had made Mexico City their centre of operations, and the surrounding regional economies of New Spain. Tight connections were forged with other colonial regions as well as the metropolis itself. In the notarial contracts of the period we find agents and factors of these merchants were stationed in the Caribbean, Guatemala, Venezuela, Peru, Manila and Spain.⁴³

These documents also offer some quantitative evidence for Mexico City's growing integration of the colonial economy, indicating a distinct rise

40 Yuste, Carmen: *Comerciantes mexicanos en el siglo XVIII: Selección de documentos e introducción*, México, 1991, page 11.

41 See, for instance, the case of Diego de Torres, Archivo General de la Nación, México (hereafter AGN), Ramo Inquisition (hereafter INQ), 5, 1, Foja 271r.

42 For merchant investments in sugar plantations see Hoberman: *Mexico's Merchant Elite...*, pages 95-110 and Barrett, Ward J.: *The Sugar Hacienda of the Marqueses del Valle*, Minneapolis, 1970. For investments in haciendas see also Hoberman: *Mexico's Merchant Elite...*, pages 110-127 and Florescano, Enrique: "Formation and Economic Structure of the Hacienda in New Spain," in Bethell, Leslie, editor: *The Cambridge History of Latin America*, Volume 2, pages 176-179, 181-182.

43 ANCM database — all years.

in the number and total value of transactions between Mexico City merchants and regional markets.⁴⁴ By measuring these values relative to the values posted by the value of credit and commodities brought into the colony by Seville, the increasing importance of Mexico City's, and its merchants', position in the colonial economy is made clear. In 1553, the value of exchanges with Seville accounted for 70.2% of all exchanges whose provenance or destination was specified in the contracts: a total of 19 178 *pesos de a ocho*. In 1571, the preponderance of the trans-Atlantic linkage had been cut significantly. The Sevillian circuit's share of the distribution of goods and credit had fallen to 57% of the total (3 677 *pesos*). Mexico City's exchange with the regions had developed enough to account for 43% of this total. In 1586, this split was reversed, with the trans-Atlantic market accounting for some 41.7% of the total observable value of exchanges (2 559 *pesos*), with the Mexico City-regions trade taking up the remaining 58.3%. In 1593, the eclipse of the Seville trade relative to the Mexico City-region trade was complete, with the former accounting for only 6% of total exchanges (42 872 *pesos*) and the latter taking up the lion's share at 94%.⁴⁵

The changes in the structure of colonial credit arrangements reinforces this view of the growing power of the Mexico City merchants within New Spain and their corollary emancipation from Sevillian control. During the transition decades of the late 1540s and 1550s Sevillian merchants were still key players in the provision of credit—both in the form of financial capital and goods forwarded—to the colonial economy. In February of 1547, Hernando Vásquez received 3686 *pesos de a ocho* worth of goods from Sevillian merchant Luis Gómez on credit. The contract does not specify the exact nature of the goods forwarded but it does indicate that Luis Gómez transmitted his goods through his factor, Leandro Pérez, who was stationed in Mexico City at the time.⁴⁶ Six years later a similar exchange was made, but this time the value of the goods was considerably higher: 13 237 *pesos* worth of textiles and European manufactured consumption goods, a sum which made up nearly 6% of the total value of all transactions recorded in the data set for that year (228 915 *pesos*).⁴⁷ The forwarding of goods on cre-

44 *Ibíd.*

45 *Ibíd.*, years 1553, 1565, 1566, 1571, 1577, 1586 and 1593.

46 Archivo de Notarías de la Ciudad de México (hereafter ANCM), Francisco Fuentes, Libro 1, May 2nd, 1547.

47 Obligation of Pedro Sánchez Moreno and Gaspar Moreno to repay Francisco and Gregorio Peña for goods shipped, ANCM, Diego Isla, Libro 1, February 2nd, 1553, and ANCM database, year 1553.

dit from Seville, particularly at this scale, underscores the degree to which colonial merchants were dependent on the deep pockets of their metropolitan counterparts. Without the capital required to purchase the goods outright, they had to satisfy themselves with a share of the final profits that was reduced by the interest that accompanied the loan. Finally, in such arrangements merchants stationed in New Spain wielded far less bargaining power with regards to the price of the commodities sent from Europe.

As colonial merchants began to find their own sources of capital, their position vis-à-vis the Sevillians would change. Not only did they escape the interest obligations on their loans and, as we shall see below, bargain harder over the price of imported goods, but they themselves began to wield the financial capital they had accrued to their own advantage. The merchants of Mexico City were increasingly able to turn their energy and financial resources toward the creation of colonial credit markets, of which they were the principal beneficiaries. Direct access to the centres of production and the establishment of effective networks of agents and factors who assured the smooth circulation of credit and its repayment appear as the two key factors undergirding their success. I have already raised the important opportunities provided by silver production for local accumulation. The role networks played in the formation of a colonial credit market remains to be examined.

Without formal banking institutions, the colonial credit market was based on credit offered by the Church as well as credit offered by merchants and other secular individuals. Mexico City merchants preferred to distribute their loans over a number of debtors. This was a risk-spreading strategy and the middling sums advanced (2 000-3 000 pesos appears as a ceiling) suggests that there was a limit to the liquidity of individual New Spanish merchants. The effective operation of this credit market rested in important ways upon reputation and reliability. Debtors were scrutinized in order to establish whether they were worth the loans they were being offered. Merchants who acted as guarantors for such loans also passed a similar evaluation by their colleagues.⁴⁸ All of which depended upon the circu-

48 As José María Quirós, in his *Guía de los Negociantes* (published for his peers at the Consulado of Mexico City), explained, "In all his dealings, may he [the merchant] proceed with the most scrupulous honesty and good faith; because, in addition to being the two poles around which the harmonious machine of commerce turns, his observance of these principles engenders his honour, his good name and consequently his credit." See also John Stuart Mill's observations on the connection between reputation and credit in Mill, John Stuart: *Chapters on Socialism in On Liberty and Other Writings*, edited by Stephan Collini, Cambridge, 1989, pages 252-253.

lation of information both through formal and informal conduits. Formal mechanisms were defined by the network of factors and agents a given merchant positioned throughout the colonial economy. Informal means included the daily conversations held by Mexico City merchants in the Plaza Mayor. The relatively rapid and accurate transmission of information was an incomparable advantage for the merchants of New Spain as they challenged the Sevillians for the control of the circulation of credit throughout the colony.

If we examine the credit market of Mexico City in global terms as it is revealed in the contracts sampled in the database the success of this challenge is evident. Analysing those credit contracts that specify the provenance and destination of the credit in question one makes three inter-related observations. The first concerns the displacement of credit. In the latter half of the sixteenth century the Mexico City credit market underwent a radical re-orientation. In the 1550s, Mexico City was a net 'importer' of credit, receiving 15 648 *pesos de a ocho* and sending out 1070 *pesos* to the regions. In the 1570s, the supply of credit tendered by Mexico City picked up somewhat, arriving at a sum of 6 274 *pesos*, though this total was overshadowed by the 18 053 *pesos* that it received.⁴⁹ The 1590s marked the break-through for Mexico City as a purveyor of credit for it was during this decade that the city sent out some 22 356 *pesos* to the regions and imported a mere 724 *pesos*.⁵⁰ The second observation concerns the transformation in the predominant type of credit in circulation. Here one notes a gradual shift from credit in the form of goods extended on credit to purely financial credit in the form of cash advances and letters of credit. As Mexico City asserted itself as the predominant centre for the provision of capital, it concurrently weaned itself off its reliance on lines of credit extended by outside sources for the procurement of goods. The breakdown for the decades 1550, 1570 and 1590 is given in table 1.

The third observation relates to Mexico City's place as a financial centre within the colonial credit market. The volume of financial credit in circulation in Mexico City expanded steadily over the latter half of the sixteenth century. The notarial contracts at our disposal do not, to be sure, allow us to take accurate measurements of the total value of credit in circulation—financial or otherwise—but they do offer a good indications of trends

49 Though the figure of 18.053 needs to be placed in context, for it included a single transaction of 15.000 *pesos de a ocho* in the form of a hacienda sold on credit.

50 ANCM database, years 1547, 1553, 1555, 1570, 1571, 1576, 1577, 1578, 1587, 1592 and 1593.

COMMERCIAL NETWORKS IN COLONIAL MEXICO, 1520-1590 AND BEYOND

over time. In the 1550s, then, registered financial credit movements amounted to 24 678 *pesos*. In the 1570s, this figure had risen to 26 958 *pesos*. In the 1590s, this figure would more than double, totaling some 59 381 *pesos*. In addition, financial capital appears to have taken increasing prominence over credit in goods within the general credit market as indicated by table 2.

TABLE 1

MOVEMENT AND TYPE OF CREDIT, 1550, 1570, 1590

<i>Decade</i>	<i>Credit Received</i>	<i>Credit Tendered</i>	<i>Goods on Credit Received</i>	<i>Goods on Credit Tendered</i>
1550s	2 156	50	13 492	1 020
1570s	2 497	2 901	15 556	3 373
1590s	299	17 843	425	4 513

Values are in pesos de a ocho. Source: ANCM database, years 1547, 1553, 1555, 1570, 1571, 1576, 1577, 1578, 1592 and 1593.

TABLE 2

<i>Decade</i>	<i>Total value of credit</i>	<i>Financial Credit</i>	<i>Credit in goods</i>
1550s	45 563	24 678	20 885
1550s	65 221	26 958	38 263
1550s	90 876	59 381	31 495

Values are in pesos de a ocho. Here I have added those contracts which do not specify the provenance or destination of the credit moved, presumably these contracts concerned the movement of credit within Mexico City itself. Source: ANCM database, years 1547, 1553, 1555, 1570, 1571, 1576, 1577, 1578, 1592 and 1593.

Taken together, these trends shed more light on Mexico City's merchants growing capacity to use financial capital. These resources, and the existence of widespread and integrated commercial networks with which to wield them, were the pillars of their economic power and influence. Mexico City merchants' imbricated themselves throughout what one might term the 'criollo' sector of the colonial economy as a wide variety of producers from the hacendado, to the miner, to the obrajero came to depend on them for

needed capital. This had important consequences for larger processes of intra-elite alliance building. Charting out the details of this process in order to establish the relative balance of power within such groups is decidedly beyond the scope of this paper. All the same, it does point to the social and political dimensions of the development of colonial market networks. These aspects are important for this paper's more circumscribed problem of how to gauge the impact of an emerging colonial merchant class on the contours of the European world-system. It is thus to the Mexico City merchants' consolidation and elaboration of institutional power that I now turn.

There are a number of indications that support the thesis of a rising colonial merchant class. In 1554, the first concentration of merchants were already established, appropriately enough, "where Mercury reigns," in the south-east corner of the Plaza Mayor in Mexico City.⁵¹ From mid-century on, individuals describing themselves as merchant and *vecino* of Mexico City or other colonial centres become far more common in the surviving notarial documents. The use of *compañías*, so important in the early part of the century, abated because local merchants were accumulating enough capital to effectively engage in trade or invest in various forms of production on their own account. The *compañía* all but disappeared from the notarial contracts of Mexico City from 1570 to 1610.⁵² It persisted in smaller towns, such as Cholula or Xalapa, where the scarcity of financial capital continued.⁵³ The *compañía* also survived in the higher echelons of the commercial world. A classic example was the Manila trade where Mexico City merchants invested large amounts of capital into the construction of the galleons and the purchase of Chinese goods. Each share ranged from 8 000 to 15 000 *pesos* a piece, a far cry from the 300 to 800 *pesos* investments put forth by the *compañías* in the first half of the century.⁵⁴

Louisa Hoberman's work on the seventeenth century extends this story of a consolidating colonial merchant class, clearly outlining its con-

51 Cervantes de Salazar, Francisco: *México en 1554 y Título Imperial*, Edited by Edmundo O'Gorman, México D. F., 1963, page 45.

52 ANCM database. Insofar as the existence of *compañías* was concerned, I extended the sample to include the first decade to the seventeenth century. Even there however, I was only able to find six extant partnership contracts for this decade: ANCM, Juan Pérez de Rivera, [1601-1604] volume 3357, fojas 158r. ff.; Andrés Moreno, [1600-1602], fojas 325r. ff.; José Rodríguez [1602-1608], fojas 1099v., 1184r., 1476v. and 1488r.

53 Archivo de Notarías de Xalapa, volume 1 (1578-1594), nos. 328, 441, volume 6 (1609-1617), nos. 649, 659; García Reyes, Cayetano: *Índice y extractos de los protocolos de la Notaría de Cholula (1590-1600)*, México D. F., 1973, nos. 123, 307, 621, 678, 1101, 1251, 1332.

54 AGN, Archivo Histórico de Hacienda (hereafter AHH), 1636, fojas 275-283; 289 ff.

tours and its operation within New Spain.⁵⁵ Her examination begins in the 1590s, a critical juncture for the merchants of Mexico City for it was at that point that they added political and institutional power as key supports for their growing economic dominance of the colony. In 1592, New Spain's emerging merchant elite accorded itself a corporate identity separate from their Sevillian counterparts when they established the Consulado of Mexico City. The Consulado would also serve to distinguish, in symbol and in action, its constituents from other, less important, traders active in the colony. As its founding charter makes clear, admission into this body was restricted to colonial wholesalers, that is the upper levels of the viceroynalty's commercial world. Specifically excluded were *tratantes*, peddlars, as well as shopkeepers (though many members of the Consulado ran retail operations).⁵⁶ In addition, membership in the Consulado was reserved exclusively for vecinos of New Spain, a status that required a minimum of ten years' residence in the colony.⁵⁷ The Consulado fulfilled three roles. The first was as a commercial tribunal through which set business practices could be enforced and disputes settled. Tellingly, the Consulado targeted such individuals that undermined the interests of the colonial merchant elite. In 1596, for instance, Agustín Rodríguez was charged, apprehended and tried by the Consulado for price-cutting (*barratear*) in Veracruz.⁵⁸

The second role of the Consulado was to provide the merchants of Mexico City with institutionalized support in key areas of colonial commerce. Through a network of couriers, factors and informants, the Consulado acted as a centre for gathering and disseminating information relating to trade amongst its members. News from Veracruz concerning the movements of the fleets, reports of shipwrecks or of the lurking presence of foreign vessels, was all passed on to Mexico City via a specialized courier service.⁵⁹ The Consulado also underwrote important public works projects, such as the improvement of warehousing and port facilities, which assisted its members directly.⁶⁰

The third function of the Consulado was that of a forum dedicated to organizing a coherent commercial policy and a means of lobbying colonial and metropolitan authorities.⁶¹ Most of the policies elaborated and acted

55 Hoberman: *Mexico's Merchant Elite...*

56 AGN, AHH, 1169, 1.

57 *Ibidem*.

58 *Ibidem*, 218.

59 *Ibidem*, 1119, fojas 355r-356v; 371r-371v; 375r-376r.

60 *Ibidem*, 1119, fojas 369r-370r.

61 *Ibidem*, 213, 13.

upon by the Consulado were of an exclusionary nature. Through the Consulado, the merchants of Mexico City forced the expulsion of foreign merchants from New Spain in 1614.⁶² They excluded Peruvian merchants from the lucrative Manila trade while simultaneously opening up the Peruvian market for themselves in 1620 and again in 1630.⁶³ In 1640, the Consulado was instrumental in the expulsion of converso and Portuguese merchants from New Spain, a strategy that centered around the mobilization of other colonial institutions such as the Inquisition.⁶⁴ At times, the Consulado's exclusionary policies ran them into trouble with their counterparts across the Atlantic. In 1597 the merchants of the Consulado of Seville complained to Philip II that their goods were being unfairly taxed and that their merchants were excluded from trafficking their goods within the colony. Though the Spanish administration eventually forced the Mexico City merchants to lift the import duties, it upheld the limitations on the Sevillian trade in the colony, requiring Sevillian merchants sell their wine in bulk directly to Mexico City and prohibiting them from trading directly with consumers in the mines.⁶⁵

What, then, were the implications of the emerging presence of an autonomous colonial merchant class for larger discussions concerning the place of commercial capital in the development of New Spain's economy and its position within the larger European world-system?

To begin with, their privileged place within the colonial economy allowed Mexico City merchants to engage in the principal linkage between Europe and the Americas—the Indies trade—as independent actors. From their perspective, they were operating from a position of power within one of the dynamic centres of the Spanish colonial world. Recall that, by the end of the sixteenth century, Mexico City merchants were able to establish agents throughout New Spain, in other Spanish colonies and Seville itself. The fact that we find agents working for Mexico City merchants in Seville is significant, but we should not make too much of it. New Spain was not commercially colonizing the metropolis. Though there were a number of *agentes* in Seville, there is no evidence of there having been any *factores*

62 AGN, Civil, 48, 2, fojas 275r-284v.

63 Borah: *Early Colonial Trade...*, page 120; AGN, AHH, 213, 13 and AGN, AHH, 599, 3.

64 Hordes, Stanley: "The Inquisition as Economic and Political Agent: The Campaign of the Mexican Holy Office Against the Crypto-Jews in the Mid-Seventeenth Century", *The Americas*, Vol. 39, July, 1982, and Alberro, Solange: *La actividad del Santo Oficio de la Inquisición en Nueva España, 1571-1700*, México D. F., 1981, and her *Inquisición y sociedad en México, 1571-1700*, México D. F., 1988.

65 AGN, AHH, 599, 6.

working for Mexico City merchants. The difference between these two functions is critical. The former are essentially brokers while the latter are actual employees of a given trading house. Thus, as the trans-Atlantic trade developed and the colonial merchant class grew, it should not surprise us to find Sevillian merchants acting as the agents, that is the brokers, for Mexico City houses and vice-versa. This was a relationship of service not one of subordination. Hoberman's work on the seventeenth century indicates that even the wealthiest of Mexico City's merchants continued to offer their services as brokers for their Sevillian counterparts.⁶⁶

These arrangements represented a significant shift in the dynamics in the trading system that connected Mexican silver to European commodities. Trans-Atlantic trade was transformed into a bi-polar system whose centres lay at opposite ends of the Atlantic. As it developed during the latter half of the sixteenth century, trade across the Atlantic took on two forms. The first was the brokered trade which we have touched upon above. In this form, Mexico City merchants placed their orders for European commodities directly with Sevillian trading houses. In certain cases the New Spanish and Sevillian houses were connected by the ties of kinship, but a number of these arrangements rested entirely upon the strength of the contract and of the confidence between the two merchants.⁶⁷ The second form revolved around the cyclical movement of the Indies fleets and the fairs that formed upon their arrival at San Juan de Ulúa, the colony's principle port. It transformed the mid-Atlantic into what Yuste termed a segmented market divided between New Spanish and Sevillian merchants.⁶⁸ The fair allowed New Spanish merchants to participate and compete in the trans-Atlantic market in a way that had hitherto been closed to them. Instead of gleaning profits from the commission rates offered to them by Sevillian merchants, the merchants of Mexico City use their control of the supply of silver and other colonial export commodities to garner wider profit margins for themselves. Even the mechanics of exchange at the Veracruz fairs seem to have favoured the colonial merchants at a tactical level. Upon their arrival at San Juan de Ulúa, ships from Seville would unload and auction their goods in bulk. David Braiding argues that this system in effect favoured the New Spanish traders

⁶⁶ Hoberman: *Mexico's Merchant Elite...*, page 45.

⁶⁷ Hoberman finds an important number of the most established Mexico City merchants with kinship connections to trade and banking families in Spain. *Ibidem*, pages 44-47. For purely contractual arrangements see ANCM database record numbers: 246, 884, 1169, 1640, 1997, 3031, 3039, 7275, 7283.

⁶⁸ Yuste: *Comerciantes mexicanos...*, page 7.

because they could afford to wait until prices dropped while the Sevillians, pressed by the fleet's uncompromising schedule, were often pressured into selling at prices lower than they hoped for.⁶⁹

After a certain point however, any such discussion of the relative distribution of profits in the trans-Atlantic trade must confront the larger question of how to assess the relationship between colony and metropole. One of the main difficulties lies in how to undertake the accounting for the movement of liquid capital between the two poles of the system. Historians who argue for the decapitalization of the Spanish colonies base their arguments upon the volume of silver and gold remittances. Such analyses tend to gloss over the issue of profit flows. Silver was indeed remitted to Seville in large quantities, but European goods were simultaneously being 'remitted' to the Indies. The key question to be answered is which side garnered the larger profits from this exchange. It is a complicated question because the value of European commodities was assessed in silver. Unfortunately, the value of silver was not stable, neither over time (we know that it was devaluing vs. gold) nor across space (the value of a unit of silver shifted dramatically during its trip between the mining centres and its arrival in Seville). Merchants engaged in the trans-Atlantic trade were making profits at each step. This makes it very difficult to assess, in macro-economic terms, where these profits 'came to rest' as it were, or, in other words, where capital accumulation and decapitalization were most pronounced.

A more indirect manner of gauging the nature of the relationship between New Spain and Spain is to examine the economic development of the colony. If the colony was being 'decapitalized' we should expect to find that economic development would be atrophied or non-existent. In spite of the demographic catastrophe of the sixteenth century, which engendered a sharp retrenchment in productive forces, the colonial economy—defined here as those sectors of the economy that integrated indigenous and settler spheres of production and exchange—appears to have grown considerably over the course of the sixteenth century and into the seventeenth (with a decade or so of contraction occurring around the 1640s). We can track this trend through the expansion in the number of *obrajes*, silver production, and the growing monetization of the indigenous economy. The actions of colonial merchants had an important role to play in this general development. They were instrumental in infusing the colonial economy with capital through investments in production and the creation of local credit mar-

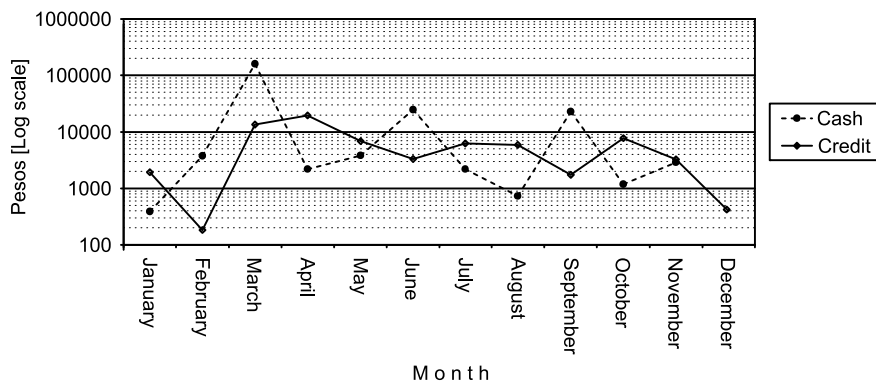
69 Brading: *Miners and Merchants...*

kets. They also served an integrative function both by investing in trade infrastructure such as roads, ports and storage facilities and by connecting disparate production centres to local, regional and overseas markets.

In his study of the eighteenth-century merchants of Mexico City, David Brading argued that the control of this class exercised over colonial commerce led to the general lack of specie in New Spain. According to Brading, these merchants acted as a reservoir for silver, hoarding it and then shipping it across the ocean to Seville upon the fleet's departure.⁷⁰ Drawing from the notarial records of the second half of the sixteenth century a notably different picture emerges. These contracts, which specify whether exchanges were made in cash or in credit, allow us to monitor the monthly flow of each in Mexico City. If the conditions that Brading observed for the eighteenth century existed in the sixteenth, we would expect to see yearly surges of cash transactions against a general background of credit transaction in response to the imminent departure of the fleet. Instead, it would appear that the cycle of cash flow in the economy was governed by a quarterly cycle. [See figure 1]

FIGURE 1

MONTHLY MOVEMENT OF CASH AND CREDIT.
 COMPILATION OF YEARS 1555, 1565, 1571, 1581 AND 1593



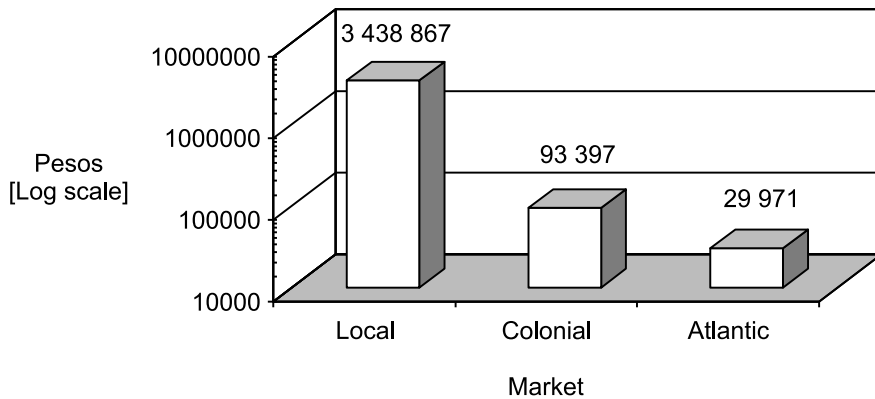
Source: ANCM database. Compilation of years, 1555, 1565, 1571, 1581 and 1593. These years were chosen because they offered the largest samples for each decade in the latter half of the sixteenth century.

70 *Ibidem*, pages 95-100.

In fact, by breaking down these contracts according to their market scale (local, colonial or Atlantic), one notes that the bulk of cash transactions were happening at the local level. [See figure 2] Though the Mexico City merchant elite may have gradually concentrated the overseas trade, it seems that it was impossible for them to entirely demonetize the colonial economy.⁷¹ They simply did not control a large enough portion of local markets to make their investment patterns affect the general state of day-to-day exchanges.

FIGURE 2

DISTRIBUTION OF CASH IN CIRCULATION ACCORDING TO MARKET SCALE



Source: ANCM database. All years.

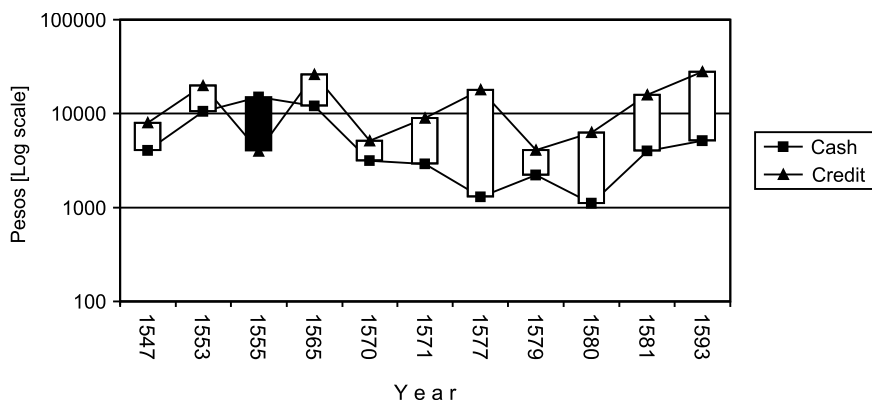
Another interesting thing to note in the seasonal movement of cash and credit in figure 1 is the movement of the credit cycle through the year. It lags behind the rises and dips of cash, serving to even out the colony's money supply over the course of the year. This was, in effect, another consequence of the rise of local credit markets in New Spain. Tracking the long-term movement of cash and credit volumes in the sample, the development of a colonial credit market becomes even clearer.⁷² [See figure 3] After the 1560s, the supply of financial capital available through local credit exceeded the supply of specie.

⁷¹ On the growing concentration of the overseas trade in the early colonial period see Hoberman: *Mexico's Merchant Elite...*, pages 265-270.

⁷² Sevillians contributed roughly a tenth of the credit totals in this sample: 17 999 pesos from a total of 179 736 pesos. ANCM database.

FIGURE 3

EVOLUTION OF MEXICO'S LOCAL CREDIT MARKET, 1547-1593



Source: ANCM database. Years 1547, 1553, 1555, 1565, 1570, 1571, 1577, 1580, 1581, and 1593. These years were chosen to build these series because they contained values for both cash and local credit transactions. NB: The bars between values for each year represent the spread between total cash and total credit transactions. For those years where credit circulation exceeded cash circulation—all except for 1555—the bar was left empty.

* * *

By the beginning of the seventeenth century then, it would appear that New Spain had fostered the formation of a strong colonial merchant class. This class was instrumental in stimulating the colonial economy during its formative period. It provided the basis for the local disbursement of financial capital, laid down the infrastructural groundwork for commerce and acted aggressively to place New Spain in a position of strength within the Spanish colonial world. The Philippines would become a colony of a colony as Mexico City merchants monopolized the rich Manila trade during the seventeenth and eighteenth centuries. Other regions, particularly Central America and Venezuela would also become firmly tied to this new colonial centre. The merchants of New Spain were decidedly not the subordinates of the metropole as appears to have been the case in Brazil.⁷³

The relationship between New Spain and its metropole thus needs to be rethought. Though this paper has sought to provide grounds for lending

⁷³ Maxwell, Kenneth: *Conflicts and Conspiracies: Brazil and Portugal, 1750-1808*, Cambridge, 1973, page 8.

New Spain more autonomy vis-à-vis Europe than previously stated by the *dependistas* and the world-systems theorists, I feel that the issue of determining the nature of this relationship requires more work. The issue of relative parity or inequality, for instance, remains unresolved. The fact that decapitalization at a macro-level during the early colonial period cannot be seen as the cause of Mexico's uneven pace of economic development does not mean that the country was not susceptible to some of the other legacies of colonialism.

As we have seen, the shift in the structure of the trans-Atlantic trading system in the late sixteenth century marked the beginnings of the ascendancy of a colonial merchant elite. The growth of a semi-autonomous pole of commercial capitalist development seems to have richly rewarded this elite. Tracking the trajectory of this class into the seventeenth century, Hoberman finds that this class became increasingly exclusionary while emerging from the contraction of the mid-seventeenth century relatively unscathed. The growing stratification of the New Spanish commercial world (evidenced by the concentration of commercial networks and of financial capital) may have boded ill for the development of the colonial economy as a whole over the long-run. A critical factor to consider is the uses to which colonial merchant capital were put. Colonial merchants were instrumental, for instance, in capitalizing productive sectors based on coerced labour. To the *obraje* worker, it mattered little that the source of the wages that had initially trapped him in the grips of peonage came from a colonial or a metropolitan merchant.

Nor was the rise of the Mexico City merchant class the only reason for the inability of New Spain to push past the plateau it had come to rest upon in the seventeenth century. Local structures of production, the links between agriculture, early manufacturing and trade or the general level of infrastructures may all have been key variables in determining this state of affairs. All the same, it would be sadly ironic if there proved to be significant links between the emergence of a colonial merchant class and the slowed development of New Spain: the latter would have come as the price of greater autonomy of the former.