trade and the international economy, mainly a result of Holland's occupation of the offshore islands of Curaçao and Bonaire (1624). Dutch ships brought African slaves and European manufactures, recrossing the Atlantic with Venezuelan tobacco, cocoa, salt, and silver—payment for Venezuelan cocoa exports to Veracruz.[64] Mexican consumers preferred high-quality Venezuelan cocoa to cocoa from Ecuador. Around 1700 Venezuela was within the orbit of New Spain's mining economy, smuggling cocoa, silver, and tobacco in exchange for Curaçao's African slaves and European goods.

What emerges from analysis of Spanish imperialism in the sixteenth and seventeenth centuries is the need for a systemic conspectus of Spain's overseas expansion as part of early modern western Europe's growth and change. In those critical centuries a historic shift occurred in the locus of European dynamism, moving economic hegemony from north Italy to northern France, the Netherlands, and England. This overview demythifies Spain's grandeur and power. Spain, like Portugal, was ideally positioned for maritime expansion at the end of the fifteenth century; yet its economy was and remained agricultural and ranching, its population density was low, its labor was largely unskilled, and its manufacturing capacity was negligible. What has obscured Spain's economic unpreparedness for empire was its facile invasion and occupation of America.

Northwest Europe: Penetrating the Spanish Empire in America

In the second half of the seventeenth century, in the decades between the Peace of Westphalia that ended the Thirty Years War in 1648 and the outbreak of the War of the Spanish Succession in 1701, profound structural changes occurred within the west European economy and within its major area of American interest, the Caribbean or West Indies. The long-term displacement of economic primacy in manufactures (mainly textiles) from North Italy to the Netherlands, southeast England and northern France, ended. Within this new economic heartland of northwest Europe, a secondary displacement occurred when England overtook the United Provinces as Europe's foremost maritime and naval power belatedly followed by France. Expansion of the national economies in this new European economic core was not compartmentalized, for they exchanged goods, services, and people—not always to mutual advantage. All three shared an interest in expanding exchanges with Spain at its south Andalusian commercial complex and across the Atlantic in the Spanish Caribbean trading zone where export-driven expansion offered Europe's producers and merchants the incentive of economies of scale.[65] Neglected by Spaniards for roughly a century and a quarter, the Caribbean islands now became outposts of penetration established first by the Dutch, then the English, and finally the French. Anglo-French competition for predominance in the economy of Iberian America would last for another century and a quarter ending in great sea battles in the West Indies off the "Saints" in the Lesser Antilles (1782) and a few years later off Spain itself at Trafalgar (1805).

The Netherlands had been the first area of western Europe to profit by Spain's expansion into the western Atlantic. By revolting against the Spanish patrimonial empire in the 1560s, the north Netherlands, or United Provinces, assumed the right to trade illegally in the Caribbean utilizing the islands of Curaçao, Bonaire, and St. Eustatius and later to seize and hold portions of the sugar plantation coast of Brazil's *nordeste* until 1654. Around 1650 the Dutch virtually eliminated the Portuguese as the major maritime power in the Indian Ocean and became the main slave dealers to Brazil and the Spanish empire in America by occupying west African coastal supply points. As a result of its manufacturing output, its entrepôt function between north and south Europe, and its expansion into the western and south Atlantic Ocean and into the Indian Ocean, the United Provinces transformed Amsterdam and its immediate hinterland into Europe's leading commercial, manufacturing, and financial center.[66] Forced to abandon control over Pernambuco, the Dutch transferred their expertise in sugar production and refining to the recently occupied English Caribbean. They supplied the islands with African slaves and, for a time, even equipment and other imports in exchange for raw sugar.[67] Meanwhile the economy of the southern Netherlands (Catholic or Spanish Flanders) continued to concentrate around Antwerp, Bruges, and Ostend, shipping textiles directly to the Sevilla-Cadiz complex or indirectly through France's northern ports. After mid-century, however, both the Flemish and Dutch economies gradually lost their dynamism, and their Caribbean operations were quickly overshadowed by the scope and complexity of English manufacturers and traders.[68]

With the Restoration, English shipping and industry (the latter aided by the immigration of skilled Dutch and French Protestant textile workers) expanded rapidly and pressed beyond traditional sales areas in north and central Europe. Like their Dutch competitors, the English were drawn to Spanish silver flows whose importance mounted after 1660 when sustained trade with southeast Asia was initiated.[69] Early in the Thirty Years War English intermediaries as neutrals freighted reexports of colonial silver from northwest Spain's ports to Spanish armies in the Netherlands and between Barcelona and Genoa where American silver moved overland on the "Flanders Road" to the Netherlands. These contacts led to purchase of Spanish wool for the production of the "new drapery" sold to the Iberian peninsula and reexported through the Sevilla-Cadiz complex into the Caribbean and the Spanish colonies. Aggressive exports of "Spanish cloths" to the Iberian peninsula and the Iberian colonies in America, escaping the limitations of income and demand in Europe, spurred the development of English woolen manufactures and export growth markedly in the closing decades of the century. Following the Dutch to the Caribbean, the English established island colonies for smuggling at Providence, New Providence, and Jamaica. Smuggling was complemented by tobacco plantations, which were soon overshadowed at the end of the century by sugar plantations—the seventeenth-century Caribbean's "absolutely unprecedented social, economic and political institution"—and the inevitable linkage to two major Atlantic capitalist enterprises: rum distilleries in Holland, England, and France and the African slave trade.[70]

Over the first 125 years of Iberian colonialism in America Portuguese slavers were the principal intermediaries between American demand for slave labor and the west African slave coast. The Dutch followed them in the seventeenth century, supplying sugar planters in Brazil's *nordeste* and then English planters in the Caribbean. By the 1660s English merchants in a chartered company brought slaves into the Caribbean. It is noteworthy that the Navigation Acts were adjusted to permit ships from Spanish colonies to enter Jamaica and other English island ports to buy slaves in exchange for silver and staples. With sustained demand for African slaves in the Spanish colonies, English merchants—once they had secured slaving stations on the west African coast—also aimed to bid at Madrid for the state-assigned contract *(asiento)*. By the early eighteenth century the slave trade was "an essential part of economic life in England."[71]

This sequential pattern in relentless pursuit of economic innovation, expansion, and profit prepared England—by the end of the seventeenth century perhaps Europe's most "modern" economy—to become the world's largest trader in forced labor in the eighteenth century or, for that matter, in the history of humanity. Around 1700 English merchants and commission agents were established at Cadiz and in the Caribbean. They had surpassed the United Provinces in manufacture and shipping, extended a hegemonic umbrella over Portugal and its colony in Brazil, and through the hoped-for *asiento,* planned to penetrate the Spanish colonies in America. The major obstacle to this grand design was a resurgent and expansionary France.

French economic expansion lagged behind that of England and Holland. Colbert's economic policy was designed to bring French merchants, manufacturers, and shippers up to English and especially Dutch standards in "steady application to work" and in "economie,"[72] and there is no doubt that in the effort to match and surpass competitors, the role of the French bureaucratic elite was decisive. France's size and defensive needs were extensive. Its population was larger than that of other western European nations, and its armed forces required large-scale state intervention for recruitment, training, and maintenance. To meet administrative demands, a large bureaucracy developed that also supervised basic sectors of the economy, namely textiles, shipping, and, of course, the navy. And like the Dutch and the English, the French directed their expansion toward the principal source of Europe's silver supply: Spain and its American colonies.

Two major avenues of penetrating the Spanish economy were open to French merchants. Oldest and expanding in the last half of the seventeenth century was the seasonal migration of farm workers from southwest France over the Pyrenees and down into Aragon, bringing grains and cattle. There were swarms of French peddlers at Madrid and along the Mediterranean coast as far as the silk-raising area of Valencia. A survey of French nationals in Spain in 1680 turned up 65,000 seasonal workers and residents, 10 percent listed as tradesmen. The second avenue stretched from the ports of Rouen, Saint-Malo, and Nantes to the ports of Lower Andalusia. It was via this route that the French exported the woolens of Hainault, Beauvaisis, and Normandy along with Brittany's linens and laces. To Rouen's merchants, "Linens are the real gold and silver mines of that country, for they are imported only for export to those areas whence come gold and silver."[73]

By 1700 French shipping was already prominent at Cadiz while French nationals figured at Sevilla, San Lucar, Puerto Santa María, and Cadiz. The most enterprising and aggressive merchants and shippers were found at Saint-Malo, and their connections to the higher French bureaucracy were close and effective. They dominated shipping between northern France and Cadiz; they extended their operations overseas into the Caribbean; and they were instrumental in the occupation (1697) of Saint-Domingue in the western half of Hispaniola neglected by Spain. Earlier they had occupied islands of the Lesser Antilles (Guadeloupe and Martinique) and, like the English and Dutch, had engaged in piracy. Saint-Domingue, however, furnished what were most desirable, a base for smuggling operations with Spanish colonies and the chance to develop sugar plantations and their associated enterprise, the slave trade. Saint-Malo and Nantes businessmen backed a chartered company to supply slaves to French Caribbean colonies; and on the accession of Louis XIV's grandson as king of Spain in 1700, French businessmen received the coveted *asiento* for the Spanish colonies. By then Malouin merchants and shippers were prepared to reopen the passage around Cape Horn in order to push into the Pacific directly to Callao and the capital of the viceroyalty of Peru at Lima, the terminus of silver carried down from Potosí.[74]

Analysis of Spain's decline and the structural changes and geographical shifts in the west European economy during the seventeenth century should not obscure the rapidity of the changing relations of power among regions of western Europe. At the time of the treaties of Westphalia, the United Provinces were the leading economic power in the area, while fifty years later they were an ally of England and a contained antagonist of France. In the same five decades the structural rigidities and generalized underdevelopment of the Spanish metropole and its colonies became an international commonplace. Behind the diplomacy and war in Europe in the latter half of the seventeenth century lay the struggle for access to the source of Spanish silver, colonial staples and overseas markets for Europe's manufactures. There was a Caribbean or West Indian counterpoint in the development of commercial capitalism in England and France and the displacement of the United Provinces in the international economy. In this sense, it was inevitable that the French would utilize every instrument available—exports, shipping, then naval and land forces—to take advantage of their asymmetrical relations with Spain and its American empire.

In the 1640s French manufacturers and merchants at Bordeaux and Nantes complained of the volume of imports of Dutch and English woolens and silks. A decade later Foucquet, Colbert's predecessor, created a protective tariff system, and Rouen and Saint-Malo merchants were heavily involved in exporting textiles to Spain and its colonies. Seeking information about "Spain's trade with its Indies as well as all Europe's trade at Cadiz," the French government in 1658 posted a consul *(commissaire de marine)*, Patoulet, to Cadiz via Saint-Malo to "consult with all the Merchants involved in this trade in order to find out the quality and quantity of goods to be forwarded to Cadiz." By the 1670s French diplomats threatened to use gunboat diplomacy at Cadiz to dissuade Spanish authorities from interfering with French merchants illegally trading with America from that port—"Spaniards realize that France is ever-ready to assert itself by force."[75] French naval authorities in 1680 prepared contingency plans for occupying Havana or Buenos Aires. By the 1690s French merchant communities along the Atlantic coast and their bureaucratic connections could appreciate western Europe's stake in Spain's colonial trade ("the largest and richest ever seen anywhere"), they realized the need to dispel fears that their commercial expansion into Spain's colonial trade would displace Spanish vested interests ("grandees who receive income from the Indies like the duque de Alba . . . the Inquisitor and religious communities which participate in trade . . . as well as merchants"), and they agreed on a French policy objective—"to become the masters of Spain's trade in the Indies as well as in Europe."[76]

Over forty years of economic pressure, diplomacy and cultivation of influential elites in Spain culminated in 1700 when Louis XIV's grandson became Spain's monarch and thereby provided the opportunity to transform Spain and its colonies into a "dependencia."[77] Nothing could be more revealing of French policy than the emphasis in guidelines issued to the French ambassador on his way to Madrid in 1698, advising him that "the most important sector of France's trade in Spain . . . the one bringing in the most silver, consists in shipping French merchandise and manufactures to Cadiz, Puerto Santa María, San Lucar . . . to be loaded aboard the galleons and fleets that sail to the West Indies . . . ."[78]

Despite the shortcomings of France's economic performance under Colbert and his immediate successors, the French state had pushed its commercial communities to the point of serious competition with the English for hegemony over Spain and its colonies, making French merchants residing in Spain the "vanguard of French economic penetration." Colbert's policies perhaps never fused what Luthy has called "state capitalism . . . with the spirit of frugality and austerity of the Jansenist bourgeoisie," nor curbed "idleness, alms-giving, pilgrimages, holidays, convents, rentiers, lawyers." Yet even Colbert's flawed success in generating economic growth in the context of a Catholic monarchy would serve as a model for a later generation of Spanish bureaucrats. In the eighteenth century Spanish economic planners or projectors would attempt to adapt Colbert's strategy for inducing growth by privilege, monopoly, concession, and state subsidy to overcome what Bourbon Spain shared with Bourbon France, "a society both Catholic, nobiliary and backward-looking."[79]

2. Financing Empire: The European Diaspora of Silver by War

In silver lies the security and strength of my Monarchy.

Philip IV quoted in Domínguez Ortiz,
"Los caudales de Indias y la politica exterior de Felipe IV"

The Spanish credit system . . . depended absolutely on specie and principally on the treasure of the Indies landed at Seville for the king. Parker, *The Army of Flanders*

Tracking the diffusion of Peruvian and Mexican silver under the Spanish Hapsburgs involves pursuing strands of the fabric now perceived as the nascent Atlantic economy. The task is complicated, often elusive, and difficult to quantify. As Felipe Ruíz Martín once wrote: "How can one estimate the amounts carried by couriers . . . during periods of limited licensing . . . or lost in the Pyrenees, Alps, and Apennines where bandits lurked. Shipowners and crews were equally involved."[1]

The patterns of silver mining in colonial Mexico and Peru as well as the complementary structures of the "managed" Atlantic trade forged by Spanish colonialism are now generally understood. Some of the conduits of silver into Europe are well known: the open and covert ways by which importers in Lower Andalusia covered chronic trade deficits with their European suppliers of manufactures, the exchange of silver for goods smuggled from foreign Caribbean ports, and the surreptitious ship-to-ship transfers off the Azores, the Canaries, and Cadiz. In tracing the impact of American silver on Castile's relations with Europe, we may begin to understand the creative but "chaotic fluctuations" that invariably followed the irregular arrivals of silver fleets at Europe's commercial and financial centers at Sevilla, Medina del Campo, Villalón, Florence and Genoa, Besançon, Lyon, Augsburg, Paris, Antwerp, and London.[2] Here our focus is on internal and external ramifications of Castile's initial ad hoc financial practices become policy. As early as 1539 analysts in Castilla's bureaucracy had to report that "we have debts about which we know nothing . . . each day come demands for payment, and we have no record nor account books."[3] Clearly Castile's new international projection now required creating a "serviceable, long-term debt at low rates of interest."[4]

What remains to be assessed is silver's dispersion by warfare on the European continent in the sixteenth and seventeenth centuries. In a general sense the development of north Atlantic Europe was a response to the stimuli of war as well as trade. Pursuit of silver for financing war was the leitmotiv of Castile's Hacienda (treasury) operations under the five Hapsburg reigns in Spain between 1517 and 1700. Continuing warfare was the outcome of the late medieval vision of Charles V ("knight errant lost in the modern world") of a universal Catholic empire centered on Europe, a vision received from his grandfather Maximilian, architect of a revitalized Holy Roman Empire dominated by Austria and emperor from 1494 to 1519.[5] He was committed to Hapsburg dynastic expansionism, championship of the Counter-Reformation and opposition to the pursuit by emergent states of economic and political policies that conflicted with those of the Holy Roman Empire. The basic incompatibility of that vision and commitment with the aspirations for sovereignty of the emergent states in France under the Valois, in England under the Tudors, and briefly in the Spain of Fernando and Isabel provided the underlying reasons for European conflict in the sixteenth and seventeenth centuries. Spain fought the various campaigns that constituted the Thirty Years War to preserve the Holy Roman Empire in Europe *and* its colonies in the western Atlantic.

Once initial protonationalist opposition to the accession of Charles of Hapsburg was overcome by suppression of Castile's Comunero rebellion in 1521[6] and, above all, once Peruvian and Mexican silver appeared in volume at mid-century, Spanish officials had to license large-scale export of precious metals to meet the needs of Charles's military enterprises as well as to advertise Castile's capacity to handle the growing problem of debt liquidation when silver flows were interrupted or when demand exceeded supply.[7] Opening these floodgates enabled Spain to subsidize its European networks of Hapsburg power over the following seven decades in Italy, North Africa, Flanders, Germany, Austria, Portugal, Hungary, and the Balkans by attracting investment in the Spanish public debt by "magnates of public finance, members . . . of high capitalism, [and] isolated members . . . of petty capitalism . . . ."[8] At the same time investment in fixed-interest, short-, and long-term government bonds (*juros* offering the attractive rate of 5–7 percent interest, when Genoa's municipal bonds offered 1.1 percent) by Spain's aristocrats, bureaucrats, merchants, provincial gentry, and enriched peasants as well as by convents, monasteries, cathedral chapters, and hospitals furnished continuing sources of relatively secure income.[9] They added to the justifications of religion, political power, and national prestige, and united supporters of Hapsburg policies in Spain and abroad. Silver built consent if not always consensus.

Never before had western Europe enjoyed the buoyant sense of access to such unparalleled financial resources promising liquidity for both private and public enterprise.[10] In 1598 perhaps as much as 4.6 million *ducados* annually were being paid to *juro*-holders from a budget of 9.7 million; in the seventeenth century, the Hacienda of Philip IV managed to expand the public debt to twelve times Castile's annual revenues.[11] Unloaded from incoming convoys from New Spain and South America, silver came to be perceived as a harvested exportable comparable, for example, to the wool exchanged for Flemish textiles. The perception of silver as crop or *fruto* combined with the Hapsburg conception of a dynastic patrimonial empire linking central Europe, Germany, Burgundy, the Netherlands, and Spain in a kind of international division of labor transformed Castile into the financial core of the Catholic order in Europe. In this context, warfare on multiple fronts from the Mediterranean to the Baltic, from the Atlantic to central Europe justified Castile's long-term borrowing capability based on American silver. In Hapsburg cosmography the role of Spain and its colonial world in underwriting Hapsburg dynasticism and papal hegemony in Europe had little to do with the atrophy of Spanish development relative to that of northwest Europe. If sacrifice there were, it was God-ordained.

From *Cambiadores Públicos* to *Hombres de Negocios: Juros* and *Sacas*

Financial policy emerging under Charles V shaped the general patterns of Castilian state finance until the end of the seventeenth century. The financial needs of the Castilian protostate of the late fifteenth century had been controllable, matching an economy of erratic agricultural output, extensive sheep farming, and a low level of manufacture.[12] Raw wool exports to Flanders' workshops constituted the principal source of export earnings and imported goods. Merchant intermediaries financing wool exports then constituted the majority of lenders to the state. They were what Ruíz Martín has called petty capitalist intermediaries, *regatones* and *colporteurs.*[13] Collapse of the *comunero* rebellion in 1521 together with heavy outlays for Spain's campaigns against French competitors in Italy introduced what became

Spain's characteristically ad hoc, disorganized borrowing practices and the pile-up of the Castilian public debt.

With the influx of precious metals from conquest and occupation of Hispaniola, Mexico, and Peru and the initial output of silver mines in Central Mexico and then Upper Peru, the borrowing capacity of Castile's treasury expanded. Charles's treasury officials could now bypass the limited capital resources of Spanish merchant bankers *(cambiadores públicos)* to tap those of German groups like the Welsers and Fuggers (the latter's fortune came from silver mining in central Germany), of the Flemish Schetz bankers and later those in north Italy: the Spínola, Affaitadi, and Grillo.[14] These "cosmopolitan" bankers in turn were displaced between 1538 and 1557 mainly by Genoese who would maintain their role in Spanish Hapsburg finance until at least the third decade of the next century.[15] Unlike Castile's merchant bankers, foreigners enjoyed access to large pools of capital, understood the credit techniques of the time, could anticipate state borrowing needs and—this was critical—could cope with a discernible, predictable pattern of assured (if often postponed) amortization.[16]

Confidence in lending to the Castilian government was grounded on faith in sustained inflows of silver on both public (royal or crown) and private account, although revenue from Castile's domestic taxation was also significant. According to the official registry at Sevilla, between 1526 and 1555, inflows of colonial precious metals jumped by a factor of 6, from 3.2 million *ducados* per decade to 18.4 million. In one decade, 1536/45 to 1546/55, these imports climbed almost 73 percent.[17]

American mining, however, was only one of Castile's main revenue sources. In the 1540s annual borrowing of about one million *ducados* was also secured on provincial taxes from the Castilian Cortes and by revenues in which rising customs receipts from colonial trade *(almojarifazgo de Indias)* figured prominently. About this time, too (1532–41), the Vatican assigned part of its income from Spain's *subsidio* and sale of *bulas de cruzada* to the Castilian treasury—testimony of its support of Hapsburg hegemony.[18] With the state's failure to broaden the tax base to include privileged groups enjoying exemptions, the tax burden rested on a multiplicity of excise taxes paid by the mass of consumers.[19] By 1539 Hacienda officials managed to liquidate most of the outstanding public debt using domestic revenues supplemented at critical junctures by initial expropriations *(secuestros)* of precious metals arriving from America on private account. In the early 1550s the pattern began to change when Hacienda scrambled for funds to finance Charles's ill-fated siege of Metz. Up to this time, mainly Castilian revenues had covered the "inordinately large expenditures on imperial policy," but it was now becoming clear that "credits granted by [foreign] bankers" could be attracted by returns from the overseas colonies and would continue to be.[20]

The Treasury handled incoming colonial metals shipments through three mechanisms. It received the surplus of colonial treasuries *(cajas reales)* at Sevilla's Casa de Contratación plus a tax on remissions in silver. In addition, when Charles desperately needed cash, Sevilla's authorities were authorized to seize *(secuestrar)* privately owned incoming precious metals, offering in compensation interest-bearing government bonds or *juros* of varying maturities. A *secuestro* is reported in 1523, another financed Charles's amphibious assault on Tunis in 1535, when Contratación sequestered 800,000 *ducados,* offering in return *privilegios de juros* at 3 percent annual interest (far below an open market rate of 14 percent or higher). Other forms of security consisted of *consignaciones* (assignments) or claims on specific revenues *(situados)* such as ordinary excise taxes, cruzada bulls, or the sums paid for offices in the military orders.[21] A *secuestro* was ordered in 1551 when Charles directed agents at Milan to procure loans backed by expected precious metals' receipts from America, at which point his Hacienda officials complained that "nothing remains of all these kingdoms' revenues."[22] At Sevilla treasury officers proceeded to commandeer all silver available including 600,000 *ducados* belonging to passengers returning from the colonies. This coincided with Augsburg bankers agreeing to further loans to Castile providing that repayment were made from what La Gasca brought back from Peru. By then Spain's principal creditors were Europe's great German and Genoese financiers.[23]

A main financial instrument used by the embryonic Castilian state to capture funds for an expansive European policy was the sale of *juros.* Like prior short-term borrowing from the peninsular merchant capitalists, sale of *juros* was becoming a common financial technique in the 1480s. By this time, Isabel and Fernando had lowered their inherited *juro* debt by perhaps half. While they subsequently had to augment the volume of *juro* obligations, the volume of such obligations was to explode under their grandson, Charles V.[24]

Juros represented a certificate of the *privilegio* of participation in a royal debt obligation stipulating "periodic payment of annual interest drawn on royal rents."[25] They were issued in various denominations according to term and source of payment, *al quitar, de resguardo, por vida, por herencia, perpétuo. Juro*-holders knew the specific revenue source of interest and ultimate redemption. Although initially payments came from a variety of revenues, over time, colonial income became the preferred source.[26] *Juros* became a fiscal expedient "impelled by money flowing from colonial springs" which attracted *juro* investors from the fair towns of Villalón and Medina del Campo to Sevilla's Casa de Contratación.[27]

Diffusion of *juros* developed in two phases. Until the late 1550s Castile applied *juro* income mainly to domestic expenditures, limiting sales of *juros al quitar* to Castilians. But once the scale of Spanish Hapsburg entrapment in Germany and Flanders ballooned and foreign policy dictated Castile's fiscal and financial policies, another pattern of response developed. In this second phase, Hacienda turned to corporate bodies holding pools of investible funds, to monasteries and convents, cathedral chapters, hospitals, and chaplaincies *(capellanías)*. The investment pool was extended from a few merchant banking houses like the Schetz (Antwerp) and Fuggers and Welsers (Augsburg) to draw upon the larger pool of Genoese capital. Genoese merchants proceeded to market their *juros* in Spain and elsewhere, encouraged by the Castilian government's readiness after 1566 to issue export licenses *(licencias de saca)* covering precious metals exports.[28] By then the assurance of colonial silver backing for *juros* which were "flooding the fiduciary market" had made *juros* the "most coveted form of repayment."[29] By the early 1550s, this instrument of liquidity made it possible for the Spanish Hapsburgs to bypass the *cortes* of Castile, and in five years (1551–55) more than one-quarter of all colonial receipts over a more than fifty-year period (1503–60) were unloaded at Sevilla.[30]

The rising trend of silver shipments notwithstanding, the economic situation inherited by Charles's son Philip II has been painted as "realms wracked by poverty . . . and on the brink of financial collapse . . . ."[31] Already Castile's treasury officials were—and remained—masters of fiscal brinkmanship. The conjuncture of an accumulated public debt of 25 million *ducados* in 1559 (equivalent to 16 times estimated annual revenues)[32] but offset by colonial silver imports inspired Hacienda officials to attempt to convert a regulatory agency of colonial trade, the Casa de Contratación at Sevilla, into a sort of early state bank. Under this plan, Contratación was assigned working capital for investment in colonial trade in expectation that its earnings might help amortize the public debt over a ten-year period. So-called *juros de la Casa de Contratación* would compensate owners of silver subject to *secuestros* in the 1550s. This exercise in state enterprise lasted only fifteen years, collapsing partly due to bureaucratic incompetence, partly (one suspects) because of the covert opposition of Sevilla's commercial corps, and partly because Hacienda officials had to appropriate Contratación funds to finance the forces suppressing insurrection in Flanders (1576–84).[33]

One facet of all these financial activities merits emphasis. Despite repeated bankruptcies, Philip II, like his father, made the payment of interest (if not always capital) on Castile's public debt a cardinal point of fiscal policy. Unlike the French, who frequently repudiated their debts,[34] Philip could afford to honor at least the backlog of interest due on Spanish obligations because the overseas mining colonies from which he always "awaited fresh income" became a major financial prop. In 1557, for example, 70 percent of military operations against France was financed by American silver receipts. The next year, 85 percent of total state borrowing was guaranteed by the same source; and in 1559 Philip, like his father before him, fell back upon what Rodríguez-Salgado has called the "disreputable policy of taking bullion from New World fleets," commandeering all private-sector incoming silver at Sevilla.[35] Here was tacit recognition that state income could be augmented only minimally by what was becoming standard practice—sale of "vassals, jurisdictions, titles" and most public offices, alienation of state revenues "mortgaged to secure immediate cash loans and by *juro* commitments on a scale hitherto unknown." These practices were the genesis of structures later making it impossible for the Castilian state "to persist with real measures of centralization."[36]

To be more precise, the trajectory of Castile's financial policy over the century after 1550 is foretold by indicators appearing between 1553 and 1559. As servicing the public debt rose from 17 to 44 percent of Castile's annual revenues, colonial income (including sequestrations) as share of such income moved from 22 to 32 percent. To finance Philip's initial military operations in 1557 and 1558, Hacienda had to seize 2.7 million *ducados* from an incoming *flota;* for the next campaign, another *secuestro* netted 1.4 million.[37] There is no exaggeration in asserting that American silver in *secuestros* and (briefly) *juros de la Casa de Contratación* represented at one time "enormous fiscal reinforcements."[38]

Second, while the volume of *juro* obligations nearly doubled, the share of the most negotiable and hence desirable type *(juro al quitar)* was 75 percent. Here was a positive correlation between public debt, rising *juros al quitar,* and the role of colonial funds in Castile's revenues.[39] So Sevilla became the main office for handling *juros,* whose volume achieved a "scale hitherto unknown" reflecting the "craving for *juros* as preferred investment." At the century's end, these instruments—now the foundation of Castile's long-term debt—allowed Spain's "clases privilegiadas" to live off interest income, while Castile's Hacienda turned over to the private sector oversight of fiscal operations which "its own ministers had proved unable to handle."[40]

War Finance: An Appetite for Silver

In the half-century (1598–1648) following the reign of Philip II there were repeated financial crises as the domestic and colonial resources of Castile were absorbed in what Spain's political class envisioned as a winnable war—the conflict with the Dutch Republic that was renewed in 1621. This coincided with what became after 1631 a downward inflexion in the already unreliable official registry of incoming silver at Sevilla.[41] War with France commencing in 1635—"año decisivo"—worsened the financial situation. Five years later came uprisings in Portugal and Catalonia that Pierre Chaunu has called "the great crisis . . . that dragged in its wake the grandeur of the Spanish empire." By 1640 it became clear that Spain had receded as the European hegemon, and insiders recognized the country's reliance upon colonial silver to fund warfare. Silver continued to settle perennial trade deficits with Spain's suppliers in northwest Europe and, in particular, expenditures on military forces—wages, arms, food, and transport. A "monetary hemorrhage" flowed from Spain into Europe as "letters from Italy, Germany, and Flanders clamoured for . . . shipments of what was already the sinew of war," and it was obvious that New World silver constituted the security and stability of the Spanish Hapsburg *monarquía,* a bulwark of the public debt including *juro*-based debt held by financiers *(hombres de negocio),* by Spanish noblemen, merchants, bureaucrats, clergymen, and wealthy peasants.[42]

While American silver on royal account was at minimum between 10 and 20 percent of Philip IV's revenues, its significance was multiple. It provided desperately needed liquidity—although *juro* issues alienated Hacienda revenues—and satisfied financiers who avoided debased copper coinage.[43] When *flotas* arrived intact, Madrid would decree holidays in the largest cities; when one was delayed, the premium on silver soared, domestic trade slowed, and it became difficult to subsidize military operations and supporters abroad. Hence everyone "hurled themselves impatiently on that river of silver."[44] The financial roller-coaster of the Thirty Years War was not due, we are assured, to neglect of Hacienda problems by Philip IV who is reported to have developed a "solid understanding of that complicated book-keeping." As he confessed at one point, "Nothing do I regret more than having to seize silver." Options included appeals to officials, clergy, and businessmen in the colonies for gifts or loans, which frequently ended in renewed sequestrations of silver consigned to Sevilla merchants—*secuestros* compensated by at least 5 million *ducados* of *juros* issued between 1621 and 1640.[45]

Broadly speaking, Spain's appetite for silver was a measure of its preoccupation with defending Hapsburg hegemony in Europe and Castilian dominions in America in the course of what has been likened to the first world war.[46] It was an instance of financial policy dominated by external over domestic considerations. This long-term factor was paralleled by the usual current account deficits with European suppliers of basic imports, such as textiles, writing and printing papers, hardware, glass, and even hawkers' goods, consumed in the peninsula and (mostly) reexported to America. In the late 1640s the deficit was exacerbated by the continued fall in wool exports, while profit margins on other traditional Spanish exports—oils, wines, and dried fruits—dwindled.[47] Further pressure derived from Madrid's policy of putting into circulation debased copper coinage. Naturally, foreign creditors insisted on repayment in silver, and as a result, Hacienda officials often fell back on a standard excuse for avoiding payouts, "we have no more silver than what the galleons bring."[48]

With an understandable yet perverse logic, Madrid's fiscal policy concentrated on augmenting the flow of Peruvian and Mexican silver into the peninsula through the port of Sevilla.[49] One element of the strategy was repeated appeal for monetary gifts and loans circulated throughout the two American viceroyalties. These appeared so frequently that by 1647 the Consejo de Indias referred without hyperbole to the "very steady gifts requested in the Indies."[50] Response came from high colonial officeholders, the wealthy merchant communities of Mexico City and Lima, large estate owners, and from religious corporations. In 1628 the Consejo de Castilla took a different tack, linking expansion of colonial trade, merchants' profits, and the silver needs of Hacienda. Colonial trade held the highest priority ("it is so important to keep") for, were it to decline, "the thread of benefits we draw is severed," reducing the already small number of financiers willing to lend to the government. From this analysis flowed a recommendation which would have broken Sevilla's century-old colonial trade monopoly: extend the privilege of colonial trade to other Andalusian ports. Open the trade to Cadiz, Gibraltar, and Malaga, it was suggested. Otherwise Spain's European suppliers would surely expand their smuggling activities in order to satisfy colonial demand. This radical proposal went no further because Sevilla's oligopolists opposed it.[51] Equally unproductive were renewed efforts to persuade Sevilla's merchants to lend to the government. When Hacienda asked why its merchants were reluctant to lend, the Sevilla merchant guild protested that Spanish merchants did not own incoming silver; they were intermediaries, merely *consignatarios* and *encomenderos.*[52]

Hoping to tax the real rather than the officially registered value of the "waves of silver," Hacienda officials in 1630 properly questioned the accuracy of silver imports registered at Sevilla and insisted on copies of silver registers sent from Lima to Portobelo for transshipment to Sevilla. The Consejo de Indias confessed that its investigating officials proved incompetent, even flag officers of transatlantic *flotas* collaborated in silver smuggling, and concluded that "the issue is so corrupted, that few results could be expected."[53] Twenty-five years later, in trying to compel silver hoarders to convert to copper, Madrid officials ordered Sevilla's notaries to disclose the contents of legal documents that recorded silver that Spanish and non-Spanish merchants alike expected to receive for goods dispatched (often through the connivance of strawmen) to the colonies. They backed down before the combined protests of both the Consejo de Indias and Sevilla's consulado.[54]

Liquidity crises during the Thirty Years War and creditors' hardening insistence upon reimbursement in silver obliged the Treasury to turn to Sevilla's merchants for funds or, failing satisfactory response, to further *secuestros*. Invariably, of course, Madrid vowed to abandon the *secuestro* policy, but the promise was always soon broken. In reaction, Sevilla's businessmen took defensive action by concealing assets to protect their colonial trade operations. It was at best a cat-and-mouse game in which both state and society were long-term losers.

Sequestrations were scarcely novel when the Thirty Years War began in 1619; the Spanish Hapsburgs had established the pattern early in the previous century.[55] In essence, Madrid would approach Sevilla's merchant community and, when funds were not forthcoming or the volume was unacceptable, would appropriate private consignments of silver in exchange for government bonds. Philip IV's regime started out disavowing sequestrations but had to change course. In 1625 Sevilla's merchant community offered a 300,000 ducado loan for the siege of Breda and the Flanders campaign; but when one of two expected *flotas* failed to arrive, Madrid expropriated 40 percent of privately consigned silver already unloaded. In 1630 Madrid again requested financing for an Italian campaign. Sevilla's merchants bargained, offering 500,000 in silver and demanding *juros* of 6 percent annual interest plus jurisdiction over the naturalization of alien merchants operating at Sevilla.[56] Over the next decade both parties joined in the dance of credits requested, funds granted, *secuestros* executed—all in return for *juros* backed by prospective silver imports on government account.

By 1641 foreign bankers were insisting on reimbursement in silver only, while Sevilla's merchants underregistered or, more often than not, simply omitted registering their silver. Or they refused to commit cargo to outbound *flotas* "unless assured their funds would not be appropriated." By agreement between *flota* flag officers and Sevilla merchants in 1641, a *flota* sailed from Veracruz with silver presumably to be registered later *(por registrar)* on reaching Sevilla.[57] When Madrid again disavowed its sequestration tactics in the late 1650s, the damage was already irreparable. State policy rooted in expediency had disorganized Sevilla's colonial trade, driving merchants into a lasting defensive mode of smuggling and fraudulent record-keeping, now tolerable forms of corruption. In 1649 it was clear that "for some years not a single shipment . . . in coin or bullion had appeared in the registers from America." Eleven years later, efforts to insure compliance with regulations for registry of incoming American silver were formally abandoned. By way of compensation in 1660 the merchant guilds of Sevilla, Mexico City, and Lima consented to a fixed annual silver payment to Madrid. The Thirty Years War along with previous international involvements had proven to be a "disastrous piece of business for . . . the Spanish monarchy."[58]

At the onset of Spain's participation in the Thirty Years War, *juros* were still viewed as a sound placement for individual as well as religious corporate investors. To judge by an earlier, very proximate breakdown in 1577, investors preferred readily negotiable *juros al quitar* over other types, which explains the observation concerning "how much exchange rates, usury and interest have taken root among so many" in Spain's early commercial capitalism.[59] For some financiers speculative *juro* profits could be high; witness the case of Genoese speculator Doria who in 1613 bought *juros* well under par, then proceeded to cash them the following year at par. *Juros,* like mortgages *(censos),* another popular investment, had come to represent high profitability.[60]

The large *juro* debt increases resulting from the financial requirements of Philip IV's regime were invariably underwritten by optimism about continued receipts of American silver to compensate periodic shortfalls in domestic revenues and by bills of exchange that some creditors were authorized to present directly to overseas colonial treasuries at Mexico City and Lima, bypassing Hacienda's agents at Sevilla.[61] Madrid also adopted new techniques of *juro* sales—forced sales to bureaucrats (obliged to convert one year's salary to *juros*), assigning *juro* quotas by province, and—a last resort—accepting *juros* when *asentistas* bought tax farms.[62] The ballooning of public debt based on *juros* plus the effects of inflation may be gauged by several measures. Between 1598 and 1621, *juro* capital rose 22 percent (from 92 to 112 million ducados); in 1634 *juro* interest payments alone absorbed perhaps half of Castile's annual revenues; while over four decades of international conflict (1621–67) *juro* interest payments grew from 5.6 to 9.1 million ducados.[63]

The luster of *juro* investment began to dim in the course of repeated fiscal crises and military setbacks during the Thirty Years War and continued to darken once the war was over. A number of factors discouraged further *juro* investment by individuals who had inherited them as well as by corporate bodies endowed with the charitable assignment of *juros*. Among these were the tactics of Castile's Hacienda bureaucrats, who halved annual interest payments between 1629 and 1659, then totally suspended interest in 1645. In 1677 the state decreed a 50 percent reduction in the nominal value of pre-1635 *juros* and a halving of the interest rate on those issued after 1635. By the 1670s when discounting and reduction of *juros* secured on royal rents began, investors' disillusionment was widespread.[64]

Why Castile's Treasury began, after the mid-1630s, to manipulate what had long been a major source of government finance remains open to conjecture. Following the series of treaties at Westphalia with England and the United Provinces (1645–48) and the settlement with France in 1659, Castile's financial commitments abroad began to contract. This appears to coincide with a decline in the level of official government (but not private) receipts of colonial silver at Sevilla, which remained well below the highs of 1590–1620—hardly an incentive to prospective *juro* investors. Reinforcing Hacienda's shifting *juro* policy was the sentiment that long-held *juros* (many now in the third to fourth generation of *juristas*) had been repaid in interest many times over the initial investment, and that—given widespread speculation—the ratio of fixed interest to declining market price was intolerably skewed.[65] It is no surprise that the early Spanish Bourbon regime chose to cut outstanding *juro* principal by one-third (1703) and in 1718 by a further 33–50 percent. This was a curiously silent financial revolution, a sea change by consensus.[66]

Paths of Diffusion: Italy, France, and the Flanders Road

The silver that often guaranteed *juro* investment was a major factor in Europe's expanding regional and international economy well before 1550. Economic expansion after about 1450 had raised demand for precious metals and renewed exploitation of silver mines in the Tyrol, Alsace, Saxony, Bohemia, and Silesia. Then Peru's and New Spain's mines supplied an extraordinary increase in Europe's medium of exchange. American silver—cheaper to produce than Europe's—was reexported from Sevilla eastward to Barcelona and thence to Florence, Genoa, and the Low Countries, and via northern Spain to the Atlantic ports of southwestern France, and then on to Holland and its Baltic correspondents.[67] Flows of American silver into northwest Europe's regional economies accelerated the monetization of Europe and advanced a market-oriented economy there. They were essential in shifting western Europe's economic axis from north Italy and the Rhone valley westward to the Atlantic. They turned Barcelona and southwestern France (Hendaye and Bayonne) into nuclei of "fraude metallique." They transformed late sixteenth- and early seventeenth-century Genoa into the financial capital of the "siecle de l'argent." And they account for a variety of prized silver coins: Segovia's *ocho reales de plata,* Antwerp's *philippes,* Elizabethan England's four reales of silver, and France's *pièces de quatre reales d'Espagne.*[68] While silver transfers from the peninsula paid for Castile's wars, diplomatic maneuvering, and growing trade imbalances, they also bought grain imports during food shortages such as the severe crisis of 1583–84.[69] Many were the roads along which American silver leaked from Spain into Europe; and there were other circuits by which American silver left Spain for the Middle East, India, and China.[70]

For about a century after 1550 Genoa remained a center for diffusing Spain's American silver. Genoese banking houses lending to Madrid along with those to whom they marketed *juros* had to be serviced. More important, Spain's military forces in the Low Countries in the early campaigns insisted on payment in gold (it was less bulky than the silver equivalent), and Genoa capitalized on its network of banking connections and mastery of international exchange to supply it. For example, French exchange speculators would forward gold coins to Genoa to be exchanged for silver delivered by galleys from Barcelona. Genoa's *hombres de negocio* then forwarded gold for Castile's armies in Flanders. Exchange rates oscillated in tandem with those of Sevilla.[71] It is worth noting that one of twenty-six grandee titles created under Charles II was sold to the Genoese banker Domingo Grillo—incidentally an *asentista* who supplied African slaves to Spain's American colonies.[72] The Spanish government's four bankruptcies between 1646 and 1662, however, led Genoese banking houses to lower their exposure in Spanish finance.

Another highway for exiting silver, at least until 1635, led to western France. Most of the silver crossed the border between Irun and Hendaye and traveled on to the commercial center at Bayonne.[73] Also, imports of Breton grains and Anjou linens were covered by silver exports and, in addition, there were the earnings of thousands of Auvergnat field hands migrating each year into northeast Spain at harvest time. The movement of American silver fueled the regional economies of Bayonne, Bordeaux, La Rochelle, Nantes, and Rennes, which served as intermediaries for Dutch trade with Spain when Holland and Spain were at war. Nor should we overlook Madrid's massive subsidies (1588–1606) to the pro-Spanish Catholic League of the Guise in France, estimated at 600,000 *ecus* annually—"an enormous sum of silver moneys" since the League's soldiery was paid in silver *philippes*.[74] Fortunately there are two crude measures of France's silver imports from Spain during the first 130 years after the first large-scale shipments of American silver were unloaded at Sevilla. In only two of the decades (1631–40 and 1671–80) between 1551 and 1680 did the proportion of silver to total coinage of France's mints fall below an average of 65 percent. Furthermore, at the major mints in west or Atlantic France, Bayonne and Rennes, that proportion remained strikingly high, 84 and 98 percent respectively; together these mints produced almost 65 million *livres tournois*.[75]

A third, and perhaps the widest, artery for the diffusion of America's silver from Spain into Europe was Madrid's use of silver to finance the corps of mercenary soldiery from Spain, Germany, Italy, Burgundy, and the Netherlands recruited to fight the Hollanders in Flanders.[76] As this force expanded, it absorbed a growing disproportion of Castilian revenue. In the years 1572–76 alone, it required fully one-quarter of Castile's revenues to maintain an average of 63,000 men in the field; the percentage surely remained or increased when Philip IV's administration was able to muster a peak force of over 88,000 in 1640.[77] Recruits marched along two main highways: one leaving Genoa and Milan (the "Spanish Road") passed through eastern France; the other traversed Tyrol and Alsace. The two converged in Lorraine to reach the Spanish Netherlands. For decades the Spanish government in a vast logistical enterprise moved thousands of troops often accompanied by women and children; contracted for weapons, food, and clothing; and arranged for mules, horses and carts, wagons, and lodging. Arming these contingents entailed arranging *asientos* with suppliers at Milan, Innsbruck, and Liege. In the seventeenth century, all were paid in silver.[78]

Financing this military enterprise were Madrid's domestic and American silver resources. Direct transfers were made through *asientos* or contracts with Genoese financiers. Indirect sources of silver for paymasters at the Antwerp headquarters came from Dutch merchant bankers, who obtained silver from Spanish shipping "at sea, in the Azores or off Lisbon," which represented earnings on indirect merchandise sales to importers at Sevilla for reexport to Spain's American colonies. In point of fact, in the 1640s when the Flanders army was at its peak strength, ships carrying silver were often detached from returning fleets from America and sent directly to Antwerp for settling the *asientos*.[79] Madrid's contracts for wages, supplies, and billeting of mercenaries in the Army of Flanders ultimately put specie in the hands of European peasants who furnished food and lodging at way-stations or *etapes*. Over the decades that Madrid maintained a military machine in the Netherlands to defend its interests there, American silver was diffused from the peninsula into Europe through north Italy and, via the Spanish Road and the Rhine, into the Netherlands. Annual silver fleets entering Amsterdam from Spain after 1648 made that city the center of Europe's international payments system.[80]

Sovereignty and Privatization

Many were the reasons for the ultimate recession of Hapsburg hegemony in Europe, but beyond doubt the sustained effort to suppress rebellion in the United Provinces of the north Netherlands and retain Flanders drained the resources of Castile and its overseas empire. One must recall that during the thirty years of war Madrid was involved in eliminating Dutch outposts in Brazil and the Caribbean as well as the Dutch Republic in Europe. The collapse of Hapsburg power in western Europe followed a relentless drive to mobilize its resources in America and the Iberian peninsula—in Catalonia and Portugal as well as Castile—while keeping at bay its increasingly threatening rivals, England and France.

Such massive European and overseas entanglement had decisive economic and political consequences. In the first place, Castile was obliged to seek specie by multiplying and raising excise rates and extending taxes indefinitely, commandeering incoming silver, and setting aside preferred state revenues to guarantee obligations owed demanding *asentistas* and bond-holders.[81] Of even greater long-term significance was accelerated sale of aristocratic titles and certificates of *hidalguía* and, above all, alienation of elements of national sovereignty through the sale of seigneurial jurisdictions and public offices at all government levels—"a process of atomization and autonomization."[82] As the state privatized revenues and jurisdictions especially in Castile and Leon to purchasers often paying in *juros*, nobility and aristocracy came virtually to control Castile, while the inflation of noble entitlements expanded tax exemptions and other immunities.[83]

Sale of public office proceeded on an even broader scale in both metropole and colonies. In the last phase of the Low Country debacle under Philip IV, the sale of offices assumed an unprecedented magnitude while under the last Spanish Hapsburg most royal income was alienated.[84] Multiple and rising excises squeezed the mass of taxpayers.[85] At the same time, a large proportion of state income as well as authority was absorbed by "administrators, collectors, receivers, treasurers, notaries, bailiffs, and law enforcers." Buyers of office and entitlement came mainly from moneyed groups: merchants, brokers, businessmen. At Sevilla these constituted a majority of the purchasers of *hidalguías* and municipal offices.[86]

The dissipation of effective sovereignty under the later Hapsburgs can also be traced through alienation of a principal revenue source of the *monarquía,* colonial trade at Spain's most trade-centered city and headquarters of its transatlantic trading system, Sevilla. There Hacienda contracted out the customs of Sevilla *(almojarifazgo mayor)* and arranged *asientos* (with non-Spaniards for most of the seventeenth century) to manage customs collection of colonial trade, the *almojarifazgo de Indias*—a major component of Castile's general revenues *(rentas generales).*[87] Given the impressive income of the *almojarifazgo de Indias,* it was a preferred security, guaranteeing interest payments under the terms of *juros de resguardo,* the fall-back when other designated revenues were overcommitted. In 1583 such *juro* obligations already absorbed most *almojarifazgo* income.[88]

And Madrid had to proceed further in parting with elements of its sovereignty at Sevilla. It privatized bureaucratic posts in the Casa de Contratación;[89] It sold to Philip IV's *valido,* the Conde-Duque de Olivares, the post of *juez conservador* along with the lucrative postmastership of the colonial mails *(correo mayor),* which he in turn proceeded to market.[90] It sold *maestrajes de plata* responsible for registry and general oversight of silver shipments from colonial ports to Sevilla and privatized to Sevilla's merchants, through their consulado, collection and allocation of the tax financing the armament of Atlantic *flotas (avería).*[91] Small wonder that the Consejo de Castilla lamented in 1652 that "the keys to our ports are in the hands of Portuguese and foreigners fattening on profits" which facilitated their involvement in "todo lo prohibido." By 1660, in exchange for an annual lump sum assessed among the merchants of Sevilla, Mexico City, and Lima, "the entire machinery of registration, customs and averia was abolished for cargo from the Indies."[92] Further, the process of selling state authority was extended to the colonial administration. Viceregal posts were sold, and the viceroys were empowered to sell entailments *(mayorazgos)* to wealthy landed estate owners, mine owners, and merchants. The lesser colonial posts of *gobernador, corregidor,* and *alcalde mayor* were also sold, easing the path for merchants in the colonies to enjoy a "privileged authority for their business deals, and to defraud royal rights with impunity."[93] Finally, during the Thirty Years War Philip IV repeatedly had to petition both colonial and peninsular elites for monetary "donations" and loans (preferably interest-free). A supplicant sovereign could hardly function as an absolute one.

There are conclusions to be drawn from the seventeenth-century process characterized as the "progressive dispossession of the state for private gain and the consequent rise of a new aristocracy."[94] War finance backed by the liquidity of colonial silver granted Spain the illusory luxury of pursuing power and grandeur in Europe for a century. Selling its authority and alienating sources of state income, the government at Madrid demonstrated an inability to control public finance and to underwrite the costs of an empire whose dispersion made its defense difficult.[95] More significant, sales of provincial and municipal offices undermined the central government by a process fundamentally "incompatible with the practice of 'absolutism.'"[96] By the end of the seventeenth century, Spain's fragmented Hapsburg administration served a fragmented state where vested interests formed a bloc of consensus maintaining what had become a mutually profitable equilibrium: in other words, the status quo. Over time, the dispersion of silver had unpredicted consequences in Spain's double dependence: on Europe for much of what it consumed and reexported to America and on the colonies for the silver to pay European suppliers and cover state expenditures.

3. Westphalia: The Legacy of Unequal Treaties

In the middle of the seventeenth century, the Treaty of Westphalia established the international law of modern times . . . This treaty assigned to each country its proper place . . . it defined relationships of equality, inferiority, patronage.

Hauterive, *De l'état de la France à la fin de l'an VIII*

In spotlighting the prominent role of foreigners in Spain's commercial exchanges with western Europe and its American colonies, seventeenth-century Spanish analysts recognized both the growth of international trade and, tacitly, Spain's deepening economic backwardness. By about 1700 Spaniards had created a colonial economy which in value of mining product was one of the most profitable in the world. At a moment when European demand for manufactures seemed inelastic, wealthy colonial mining centers were hungry for European imports. Annual rates of return from exports to the Iberian colonies varied between 8 and 15 percent, sometimes reaching 30–50 percent or more.[1] Yet merchants in Lower Andalusia could not draw upon the economy of Spain to supply goods to meet that colonial demand. Nor could the Spanish state provide resources to defend its empire effectively from encroachments by competing powers. The definitive transition from power to inferiority occurred around mid-century with the treaties signed in the province of Westphalia ending the Thirty Years War and the sequence of commercial concessions initiated in 1645. In long-term significance, Spain's commercial concessions far outweighed its loss of political power.

The European treaty system of the last half of the seventeenth century flowed from contradictions in Spain's imperial role. Spain, still an essentially agrarian and pastoral economy whose merchants would not (or could not) follow the Dutch practice of eschewing "middlemen and buying out of first hand," had to draw upon European producers and merchant intermediaries to satisfy the needs of its colonial consumers for manufactures.[2] Nonetheless early in Philip II's reign, Spanish policy aimed to deemphasize the cosmopolitan or open posture toward Genoese and other foreigners in Andalusia, so characteristic of the patrimonial empire of Charles V. In the seventeenth century, however, Spanish colonial commercial policy, which was designed to hold down foreign participation, failed to prevent a rapid increase in the involvement of foreign residents in trade with Spanish colonies. For their part, foreign businessmen wanted legal recognition of their presence and their rights and protection for their persons and property.

A propitious moment for obtaining this recognition came at the end of the Thirty Years War, when Holland and England emerged as the dynamic commercial and manufacturing centers of Europe. They were able to legitimate the ambiguous situation of their merchants who supplied imported goods and financed Spain's colonial trade in the Lower Andalusian commercial system at Sevilla and San Lúcar, Puerto Santa María and Cadiz, through an asymmetrical treaty system thinly masking informal imperialism.[3] The treaty system provided a status of virtual extra-territoriality (likened recently to the "*capitulaciones* [which] protected Europeans in Asia"),[4] that was indispensable as the foreign community niched itself into the Lower Andalusian trade complex, extended its prohibited operations, and extracted from the Spanish state a "treatment more favorable than that enjoyed by its own subjects." Extension of this system after 1650 signaled Spain's constant "dread of superior force" and its spiraling underdevelopment.[5]

The Treaty System

Although the Spanish government had long tolerated resident foreign merchants in Andalusia (the internationally linked Genoese had been accepted since the fourteenth century) Spanish legislation granting concessions to foreigners was spasmodic. In addition, concessions were often made to politically weak "nations." Just before the twelve-year truce (1609) between Spain and the United Provinces, Madrid—recognizing that it lacked the expertise and capital resources of more developed west European economies and eager to "attract them to its ports by treaties which then were favorable"—yielded concessions to the Hanse towns that would reappear in subsequent treaties.[6] These included recognition of Hanse merchant houses at Spanish ports and separate status as a *corps de nation*, the presence of consuls representing the community and their own internal system of adjudication, a forerunner of the judges-conservator. Particularly important were provisions permitting Hanse merchants to utilize their own nationals rather than Spaniards as brokers *(corredores)* and—a keystone to the operations of all foreign resident merchants in Andalusia—the right to export their silver earnings. These agreements embodied many, if not all, the guarantees desired by foreign commercial enclaves in Lower Andalusia; where legal ambiguities in the stipulations subsequently appeared, private settlements were arranged.[7] Within forty years, however, the Hanse towns were insignificant in the Spanish colonial economy; far more significant were the victorious exinsurgents of the Spanish Hapsburg patrimonial state, the United Provinces of the Low Countries.

Madrid's treaty with the United Provinces at Münster in Westphalia (1648) implied equality among signatories when in reality there was none. It incorporated and elaborated the earlier Hanse arrangements. The Dutch were to enjoy the Hanse towns' status—"the same rights, franchises, immunities and privileges" in establishing consuls to protect the status of merchants, factors, ship captains, and sailors (art. xvi). In religious observances Dutch Protestants were to "govern themselves with all modesty, without giving any scandal in word or deed or uttering any blasphemies" (art. xix)—a major religious concession by Catholic Spain. In addition, and in cryptic fashion, there was reference to the Dutch as enjoying the "same security and freedom" conceded to the English in "the last treaty of peace" (art. xvii).[8] As a very perceptive French observer would later phrase it, the treaties signed by Spain provided "merchants . . . with the right to establish commercial houses in Spanish ports, to reside under their consuls' protection, in a kind of independence of sovereign authority, to create an ethnic unit, to enjoy a special court for commercial litigation. . . ."[9]

The critical innovation of the treaty with the United Provinces concerned the Dutch presence in what Madrid had long considered its exclusive Spanish imperium in America: now Madrid had to recognize Dutch possessions in the Caribbean and in Brazil (art. v) although there was to be no trade between Dutch and Spanish colonies (vi). Here is evidence of a novel dilemma as Spanish officials had to countenance the occupation of "soft" or lightly populated areas of the Caribbean by expansionist west European powers. Madrid had to acknowledge the Dutch commercial presence and competition in Spain's Caribbean complex.[10] By extending to the Dutch what had earlier been conceded to Hanse towns (art. xvi), Spain weakened its control over foreign residents and would find it difficult to check fraud and "its economic decadence."[11] To the nominal privileges granted earlier to the Hanse, the Dutch had added juridical rights and, more important still, they had the national mercantile structures and business skills to exploit them.

As befitting a commercial and maritime power not yet the equal of the United Provinces that had remained neutral in Spain's early-seventeenth-century conflicts, England made gains in Spain more modest than those of the Dutch, yet still substantial.[12] In 1605 English commercial interests had managed to obtain concessions not enjoyed by the Dutch and the Hanse towns, even exemption from the jurisdiction of the Spanish Inquisition. This gave religious toleration to English Protestants and, even more important, grounds for resisting what were in fact Spanish commercial pressures masked as religious regulations, since inquisitorial action "often was a cover for investigations of an entirely different nature, motivated by hatred or commercial jealousy."[13] As the probability of a general European peace increased in 1645, Lower Andalusia's English merchant community planned to consolidate an enclave status vis-à-vis Spain's transatlantic trade system. Between March and November 1645, pressure from English merchant interests produced three directives or cedulas issued by the Consejo de Estado laying the basis of special rights for English merchants. The 1645 cedulas consolidated the position that English merchants, shippers, and shipping had acquired in Spain's international trade in the first half of the seventeenth century. They were subsequently amplified in the treaties of 1667 and 1670.[14]

The March cedula, issued in return for a 2500-ducat payment, covered "those which do reside and commerce in Andaluzia, principally in the cities of Sevilla, San Lúcar, Cadiz and Malaga." It enjoined the administrator of customs at Sevilla from incarcerating "men of trade" under suspicion of illicit practices. The administrator could, however, "proceed against [their] merchandizes and not against [their] persons."[15] If customs officials insisted on examining English merchants' business records, they had to specify items under investigation; under no circumstance could their records be sequestered. Once English importers had deposited their goods at the Sevilla customs and their duties assessed, their "bales, packs, trunks and chests" could be moved to their shops. The customs "headwaiter" or his substitute were prohibited from then carrying out search *(visita)* of merchants' properties for items not appearing on registers earlier submitted for customs inspection and from demanding bills of lading that ship captains delivered personally to English importers.[16] Finally, to oversee execution of the cedula's terms and to preside over judicial affairs of the English "nation," Madrid appointed a judge conservator for Andalusia, selecting as its first appointee Francisco de Vergara, a member of Sevilla's *consulado*. The road to collusion was opened.

There followed studied reluctance by two public officials of Sevilla (*juez* and *fiscal de grados*, both close to *consulado* interests) to carry out the cedula. A second cedula (June) insisted upon its execution. In fact, the June cedula was not officially issued since the *fiscal de grados*, Juan de Villalva, simply "kept it in his possession." So a third cedula (November) reiterated the main provisions of the March cedula, adding that the English merchant community would select its own judge conservator. There was also a crucial clarification of the judge conservator's jurisdiction: he could take cognizance of cases involving Englishmen and Spaniards only when the English appeared as defendants—perhaps a concession to objections of Sevilla's merchant tribunal.[17] In brief, members of the English "nation" had acquired immunity from judicial oversight by Spanish audiencias and chancelleries, they were protected from inspection *(visita)* even by Sevilla's municipal authorities, and, moreover, they alone nominated their judge-conservator.[18]

In other ways, too, the November cedula amplified earlier concessions. Now customs personnel had to wait three days following a ship's arrival before inspection *(visita)* could begin, thereby providing time surreptitiously to off-load cargo omitted from the vessel's manifest that was delivered to the Spanish customs. Second, in cases where discrepancies occurred between items listed on manifests (delivered to customs) and bills of lading handed to English resident merchants, ship captains rather than the merchants would be responsible. There was another major amplification in the November cedula: the protection against a *visita* in search of items slipped undutied through customs, originally limited to English firms at Sevilla, was extended to those at San Lúcar, Cadiz, and Málaga.[19]

The significance of these cedulas specifying new rules of the game should not be underestimated. En bloc, their details indicate how the English merchant community forged a network of privilege within which to operate in order to protect imports from England and to participate legally (and illegally, too) in Lower Andalusia's colonial trade. The 1645 cedulas consolidated the prominence English merchants, shippers and shipping acquired in Spain's international trade in the first half of the seventeenth century. During a virtual half-century of international warfare, the English had capitalized on their role as Spain's neutral intermediary, somewhat analogous to that of the neutral United States between 1797 and 1808.

Data for isolated years (1605 and 1622) indicate that the English shipped their own merchandise along with those of Dutch merchants to the "treasure ports of San Lúcar and Sevilla." In 1622, for instance, 80 percent of cargo exported from London to Mediterranean ports went to Spain. Most of it (77 percent) was subsequently reexported to Spain's American colonies.[20] In other words, almost two-thirds of England's exports to the Mediterranean were fed into the Spanish transatlantic pipeline. Starting in 1630 and continuing over the next seventeen years, England's role as neutral carrier burgeoned as English ships entered French, Dutch, and Spanish ports.

The most intense activity came in the decade, 1635–45, when not only Holland but also France warred against Spain while England "became the major carrier of Spanish silver coin and bullion to Flanders." As an English contemporary put it pithily, it was a "known truth, that wheresoever silver is imported, the rest of the trade must follow."[21] Dover became the transfer point for English shipping to north and south Europe, the latter constituting the main theater for English commercial expansion. To supply Spanish military operations in Flanders, military contractors *(asentistas)* at Madrid forwarded silver coin and bullion to English carriers proceeding to Dover; there, one-third continued to Dunkirk under English convoy, two-thirds to the London mint where it was sold to English merchants for bills of exchange payable in Flanders. Although perhaps "less than a tenth . . . ever got near the London mint," there was an extraordinary rise in the amount of silver coined in the decade, 1637–47; the highest annual levels at London came in the six years, 1641–47.[22] Meanwhile English ships and crews penetrated the Iberian commercial lifeline to the colonies. They joined Portuguese convoys between Lisbon and Brazil and participated in shipping between Sevilla and the Caribbean because the English offered freight rates "six times lower than the Spanish could provide."[23] The record of these years underscores the importance of the Spanish trade and, through Spain, of America to England's commercial expansion before English mercantilism was formalized in the navigation acts of mid-century. The Dover transit traffic was significant: in 1638 traffic between Dover and Low Country ports, Spain and the western Mediterranean was almost as large by value as all London's exports in 1640. For selected years between 1633–48, Dover's reexports to all Spanish ports formed the bulk (58 to 87 percent) of all shipments to south European destinations.[24] In the decade after 1635 when France was at war with Spain, and French linens along with sailcloth (widely used in Spain's colonial shipping for sails and sacking) were barred from Spain, English merchants resident in Spanish ports purchased lucrative licenses to import prohibited French manufactures.

By 1651 the liquidity of English merchants led them to contemplate engrossing the entire Spanish wool clip to deprive Dutch, Flemish, and French manufacturers.[25] Earnings from Dover's reexports along with invisible earnings in port-to-port shipping and smuggling so augmented the wealth of London's merchants that, despite a domestic recession (1641–46), they managed to lend Parliament funds to equip the New Model army.[26] Here as in other ways, London merchants laid the ground for Cromwell's expansionary policy, penetrating into the center of the Spanish empire in America, the Caribbean.[27]

Over the next twenty-five years English merchants fully capitalized on their Andalusian treaty beachhead of 1645 to protect their commercial operations throughout Spain and simultaneously have Madrid recognize their territorial expansion in the Caribbean. In the 1660s the English economy entered a phase of renewed expansion, political stability was reestablished and the drawing power of Spain's American colonies proved irresistible.[28] Madrid had solid reasons to come to terms with the English, because the occupation of Jamaica (1655) and smuggling activities there had depressed the sales of merchandise freighted by Spain's *flotas* and *galeones.*[29] In two treaties (1667, 1670), the English matched Holland in access to Spain's trade in Europe.[30] The "privileges and immunities" granted the English in Andalusia in cedulas of 1645 were extended to English "trading, buying and selling" in Spain and Spain's European possessions.[31] The formalities of ship arrivals as in 1645 received detailed attention. Unregistered merchandise, discovered aboard ship after a bill of lading had been sent to customs indicating that the whole cargo would shortly go ashore, was no longer subject to automatic confiscation until eight days had elapsed, "to the end that the concealed goods may be entered and the confiscation of them be prevented."[32] Moreover, only unlisted items (not the whole cargo) might be subject to confiscation.

Virtually at the end of the treaty of 1667, "the first and great commercial treaty between England and Spain," came the English merchants' coveted goal, the equivalent of the most-favored-nation status obtained by the United Provinces in 1648 and by the French in 1659—"the same privileges, securities, liberties and immunities, whether they concern their persons or trade, with all the beneficial clauses and circumstances which have been granted, or shall be hereafter granted"(art. xxxviii).[33] Apparently Sevilla's merchants balked at executing article ix (providing for a judge conservator) and at article xxxviii (awarding most-favored-nation status. Consequently Madrid had to issue a cedula in 1670 forcing Sevilla's notary, Andrés Pérez de Mansilla, to register and, moreover, publish the articles, further testimony to the fragility of Spanish "absolutism."

Madrid had to accept another sign of political and economic inferiority in 1670 as well. In the so-called "American" treaty, English interests (like the

Dutch earlier) now obligated Madrid to recognize the altered situation in the western Atlantic, where the English were exploiting Caribbean island footholds to trade illicitly with the Spanish colonies. The brevity of the treaty and of article viii in particular ("The King of Great Britain shall hold and enjoy all the lands, countries, &., he is now possessed of in America") misled no one. And while trade between respective colonies remained prohibited (art. ix), the English intended to interpret this broadly by welcoming Spanish shipping entering their colonial ports for whatever reason.[34]

The changes, first in the United Provinces and then in England, that laid the bases for the policies and institutions of the mercantilist state and economy caused a definitive shift in the locus of Europe's economic development in the seventeenth century. The third nation to follow a pattern of stepped-up commercial development was France. Like their predecessors, the French also focused upon establishing a privileged position for their community in Lower Andalusia and, through it, Spain's colonies in America.

French interest in Spain and its colonies had developed in the early decades of the century. At mid-century, however, while the Dutch and English were at peace with Spain, the French—seeking to expand on two fronts, over the northern edge of the Pyrenees and into the towns and countryside of Flanders—were at war with Spain. In 1646 when the possibility of a settlement arose, the French government called upon the leading merchants of Saint-Malo and Rouen then trading with Spain to formulate the basic issues in contention. Their preoccupations were probably collated by a French consul in Spain, a long-term merchant resident there. Not unexpectedly they resembled those of Dutch and English competitors: choice of community representatives *(protecteurs et directeurs du commerce et navigation)* with internal jurisdiction over the community; protection against arbitrary *visita* by customs officials or inspection of private business documents; confiscation of illegal imports but not of the entire shipment in which they were included; the right to travel and conduct business, including exemption from obligatory recourse to Spanish brokers *(corredores),* and the right to export silver. Not until 1659 were these objectives realized.[35]

The treaty of the Pyrenees culminated more than fifty years of French commercial growth in Spain and, like the English treaties of 1667 and 1670, laid the legal basis for more than another century of operations there.[36] Under its terms, French merchants, shipmasters, pilots, and crewmen were safeguarded against arbitrary imprisonment (art. ix). Goods illegally embarked for export were subject to confiscation only in the fashion "hitherto practiced in such instances affecting the English, or . . . the Dutch, according to the Treaties made with England or the United Provinces (art. vii)."

Smuggled and prohibited items were liable to confiscation, "but neither the ship . . . nor . . . other properties . . . found aboard the same vessel, may in any way be confiscated (art. xviii)." Business documents could be written in French (art. xxv).

On the other hand, reference to consuls is oddly brief and vague unlike the detailed status stipulated in Anglo-Hispanic treaties, and more curious still, inviolability of domicile and the establishment and role of judges-conservator were omitted. Nonetheless, article vi granted French "subjects, tradesmen, rural and urban residents" the same "privileges, franchises, liberty and security as French merchants." Only in 1662 did Madrid authorize judges-conservator for the French. At the same time, at the urging of French merchants, civil and criminal jurisdiction over their community was assigned to Spain's Consejo de Guerra on the presumption that Spanish military officers would identify with their French counterparts and thereby somehow identify with French interests.[37]

In essence, the security of French resident merchants was strengthened while their involvement in illegal operations became more difficult for Madrid to control. The French in the Treaty of the Pyrenees gained what French consul Catalan called "liberté de commerce."[38] This turned out to be hyperbolic, however. Over the remainder of the century, French traders in Spain remained particularly vulnerable. They formed *the* preeminent foreign trading bloc in Spain's transatlantic system, but during a series of Franco-Spanish conflicts (four in twenty years, 1669–89), their goods remained subject to inspection and confiscation. Freedom from what they considered arbitrary search remained a primary concern.[39]

The Treaties Applied

Microanalysis or *explication de texte* of the treaty system imposed by her trading partners as Spain's economic stagnation deepened in the late seventeenth century can perhaps highlight those clauses essential to the subsequent operations of foreign merchants in Sevilla and, later, Cadiz. The meaning of seemingly parallel treaty clauses on commercial and shipping issues in fact varied with the logic of power between Spain and England or Holland or France. The "privileges" conceded to foreign merchant communities ("nations") covering their rights of residence, consuls and judges-conservator, the handling of their shipping, incoming cargoes, and smuggling infractions did provide protection. In fact, such privileges turned out to be a means of entry for foreigners, beachheads for penetrating Spain's major economic region, Lower Andalusia—more specifically, the Sevilla–

San Lúcar–Puerto Santa María–Cadiz triangle. While Dutch, English, and French mercantile groups all had the goal of increasing their shares in Spain's colonial markets—satisfying the demand for goods and obtaining silver—in other ways they differed. Holland and England, for example, had relatively few nationals in Lower Andalusia; their leading economic sector, the textile manufacture, was advanced relative to France's; their shipping and navies were large. By about 1660, both had established territorial outposts strategically located for illicit ("interlope") activity in Spain's main overseas commercial complex, the Caribbean. France, on the other hand, with thousands of migratory workers in Spain,[40] lacked the maritime resources of its English and Dutch competitors. Only its linen manufacture was well developed, and—a crucial difference—it still had no strategically located island deep in the Caribbean.

These fundamental differences had long-term significance. For example, since France—unlike England—lacked a Caribbean base close to a major Spanish Caribbean port, the French had to exploit relentlessly the "rights" of their commercial enclave in Lower Andalusia. For their part, Spanish merchants and public functionaries tended to overreact to what they interpreted as French economic imperialism. As for the English after 1667, they could and did employ double-pronged pressure in Lower Andalusia and the Caribbean. In this sense, perhaps England's most strategic territorial acquisition in the seventeenth century was Jamaica, intended initially as a commercial entrepôt rather than a plantation enterprise. With the recession of Dutch maritime power counterbalanced by England's export expansion and naval forces, Madrid had to weigh the threat of the French military against that of English naval forces. The international dynamics of the late seventeenth century rendered the Spanish empire doubly vulnerable as Spanish policy-makers foresaw war in the peninsula *and* the Caribbean. It was prepared for neither.

The treaty system, therefore, thinly disguised Spain's growing incapacity as a European and colonial power. Equality of privilege formalized by the treaty system was illusory. In fact the treaties opened the way for both English and French commercial expansion into Lower Andalusia's colonial trade; they were imposed to legitimize illegal commercial activity.

Treaty clauses formed a web of legitimization of fraud in which profits were distributed unequally between foreign mercantile enclaves in Lower Andalusia and the Spanish bureaucracy. Today, we consider external domination without territorial control "informal imperialism;" in this sense Spanish interests in the public and private sectors shared responsibility for

Anglo-French informal imperialism in late seventeenth-century Spain. The political and social status of judges-conservator handpicked by French and English enclaves in Lower Andalusia is revealing. Repeatedly these communities chose prominent, strategically influential Spaniards—governors of Sevilla or Cadiz, captains-general, *oidores* (judges) of *audiencias* and *chancelleries*—"whom low level judges would not dare confront." Characteristically, the office of judge-conservator merited "gifts" *(donativos)* that offered to improvident and impoverished nobility opportunities to restore their fortunes. In return, the Spanish judges-conservator were expected to "favor those whom they sponsored, who thereby could dare to defraud the treasury and break laws on foreign trade."[41]

The pattern of judge-conservator appointees established webs of protective linkages between foreign merchant enclaves and Spanish influence-wielders. At Sevilla, in 1645, the English nominated (and Madrid appointed) as judge-conservator Francisco de Medrano, *oidor* of the Audiencia of Sevilla, who was replaced three years later by another *oidor,* Jerónimo del Puyo Araciel. Appeals of their decisions went to the Consejo de Estado at Madrid. At Cadiz in 1664 the French picked as their judge-conservator the port's governor, Antonio Pimentel; their appeals were channeled to the Consejo de Guerra. It should come as no surprise that at one point the French proposed as judge-conservator the Consejo de Guerra itself. When there were objections, they selected García de Torres y Silva and later José Pardo de Figueroa, incidentally both members of the prestigious Consejo de Castilla and *asesores* of the Consejo de Guerra.[42]

Farming Andalusia's Customs: Báez Eminente

Using the commercial treaty system that established their formal presence in Lower Andalusia's import-export sector, foreign commercial enclaves aimed to insulate their often patently fraudulent activities from Spanish judicial retaliation. Selection of judges-conservator was one technique; another, and perhaps most effective for bypassing colonial trade controls, was infiltrating the regional customs and revenue collection system.

The basic duties imposed by Spanish customs were Sevilla's *almojarifazgo mayor* (5 percent import duty) on foreign trade and the *almojarifazgo de Indias* (also 5 percent) on colonial trade flows. European imports were dutied *ad valorem* based upon official values *(aforos)*. After 1624 the *almojarifazgo de Indias,* under an arrangement worked out between Sevilla's consulado officials and farmers of the customs *(asentistas),* was refined: bales *(fardos aforados)* of high-value imports would pay by weight *(arroba)*, bulkier, low-value goods in chests *(caxones toscos)* by volume.

Curiously, by the 1660s aggregate charges on goods entering Sevilla were higher than at Cadiz, a factor but not the only one accounting for the expansion of Cadiz's traffic at the time.[43] More important was Cadiz's large outer bay, which provided ideal conditions for large-scale smuggling. Directly across the bay north of Cadiz lay Puerto Santa María at the mouth of the Guadalete River, gateway to Xeréz and Sevilla. By mid-century Puerto Santa María was already the preferred residence of Genoese, Navarrese, and French merchant families. Its smuggling role was, if not yet legendary, at least well recognized.[44]

At mid-century, too, Spanish administration of the Sevilla customs house was in flux. In 1647 after the first cedulas covering English residents in Andalusia appeared, tax farmer Simon Rodríguez Bueno tightened administration and modified duties, dispatching employees without forewarning to search commercial records and warehouses, and revising upward official values *(aforos)*. Then in 1661 Madrid abandoned farming out Sevilla's customs. This resulted in a marked fall-off in collections, and two years later Madrid restored the tax farm—yet another indication of the state's incapacity and its long-term tendency to permit private initiative to invade the sphere of the bureaucracy.

Francisco Báez Eminente ("crafty Hebrew") bought the farm of *almojarifazgo* and related tax collections of Andalusia in 1663. This *asiento* remained in his family for the next five decades.[45] A Jewish convert to Catholicism (hence a *marrano*), he was part of the Portuguese merchant banking group with Dutch connections used by the Conde-Duque de Olivares. *Converso* merchants with the name of Báez and Báeza were also in New Spain in the 1640s.[46] Báez Eminente's selection as *asentista* of Lower Andalusia's tax system suggests the Spanish state's dependence upon the financial links and expertise of Sephardic families which, expelled from Spain, had moved to Portugal and then on to Holland. International links, language skills, liquid capital, and command of business techniques made them natural intermediaries between Madrid and Amsterdam. It was not unusual in the seventeenth century to find Sephardic and *marrano/converso* families as tax farmers in Andalusia, consultants to Spanish authorities on the United Provinces, merchants overseas in New Spain, and slave dealers representing the Dutch West India Company at Cartagena de Indias, Curaçao, and Jamaica.[47]

Báez Eminente proved remarkably flexible and effective in handling the Andalusian customs. A conjunction of factors created a climate favoring illegal imports and exports in colonial trade. A cedula (1660) eliminated the official registry of imports from the colonies *(registro de venida de Indias)*, which did not prevent Sevilla's merchants making independent estimates of imports.[48] At the same time, treaty clauses permitted English, Dutch, and French vessels anchored at Cadiz to escape careful monitoring, leading Eminente to complain of virtual floating warehouses *(navires magasins)* loading and unloading without control.[49] Finally, these conditions favored the appearance of gangs of from 50 to 100 men in so-called *compañías de metedores* organized and led by "young gentlemen, second sons of the country's finest households," *(segundones)* whose social status exempted them from local criminal jurisdiction. Cases of smuggling involving them came under the jurisdiction of the Consejo de Guerra (also, it will be recalled, responsible for cases involving members of the French merchant enclave).[50] As a French report summarized the situation: "Formerly there were no regulations covering operations in the bay of Cadiz. Cargo was transferred with impunity from one foreign vessel to another about to sail to the Indies; customarily merchants filed a *guía* in the amount of 200 while loading 1000 [pesos]. Abusive practices were equally widespread in the city, where the purpose of the 'Ministry of *Metedores*' was smuggling in exchange for an agreed-upon fee. The City's leaders, often including the very respectable, engaged in such practices and were held in awe by [customs] personnel fearful of the consequences of carrying out their duty. They were silent spectators of such highway robbery."[51]

Eminente developed a two-stage strategy to reduce incentives for smuggling by Spaniards collaborating with foreigners. He lowered official values *(aforos)* by 25 percent *(cuarto de tabla)*, even changing *aforos* daily (some claimed) or making special arrangements with certain merchants. Duties on imports destined for reexport to the colonies were also cut (to 2.5 percent), while goods entering the domestic market continued to pay 4 percent. These Eminente supplemented with across-the-board reductions on the quantity of imports dutied *(gracia de pie de fardo)*.[52]

He also worked out a solution for the *metedores*, the "really dominant figures in the Indies traffic." Probably at his request, the president of the Consejo de Indias (Pedro Núñez de Prado) removed the official in charge of policing their activities. His replacement received from Eminente 1000 ducados annually to exert his authority over the *compañías de metedores;* rumor had it that the payment came from the 4–5 percent that merchants formerly paid *metedores* to handle their cargo.[53] Overall, through appointments to the customs bureaucracy and influence in the Casa de Contratación and the Consejo de Indias, Báez Eminente created a web of patronage. It is not surprising that his hand-picked administrator of the Sevilla customs later became (1684) president of the Casa de Contratación.[54]

These techniques applied to the foreign merchant enclaves of Lower Andalusia represented the first phase of Báez Eminente's administration. They helped divert foreign trade from Sevilla to Cadiz to such an extent that in 1679 Cadiz merchants supported the *asentista*'s plan to provide a *donativo* to Madrid to move the customs administration from Sevilla to Cadiz.[55] At this moment Báez Eminente unveiled his second stage of customs revamping. A series of private agreements *(convenios)* were made with foreign resident enclaves covering their largest imports. The *convenios* may have commenced with the French as early as 1668; in any event they were in effect with English, Dutch, and French groups by 1680. Under such unpublicized but operative arrangements, for example, English merchants received at customs an across-the-board reduction in official values *(en la hoja)*, and certain imports had their volume reduced by 25–60 percent for duty purposes. These specific duty reductions reveal the well-thought-out and pragmatic nature of Báez Eminente's customs administration. Imports of English woolens, spices, silks, and lace were thus favored, and comparable reductions were granted to French linens, beaver-skin hats, and lace.[56]

The impact of the *convenios* should not be minimized. While imports of cheaper, low-quality Silesian linens remained dutied at 12 percent, better quality French linens paid only 2–5 percent, making the export of Breton and Norman linens "the most valuable branch of their Spanish trade" and laying the foundation for France's capacity to compete with other European producers in Spain's colonial markets. French importers in Andalusia considered these "privileges the foundation of their trade in Spain, without which they could not survive."[57] Báez Eminente's strategy of arranging unpublicized deals with foreign merchant groups at Cadiz was made palatable by conceding to Cadiz and other Andalusian ports a percentage of annual customs revenues, a practice apparently long tolerated (and hardly unknown) by Madrid authorities.[58]

Báez Eminente's *convenios* formed a paralegal pattern of commercial "treaties" paralleling the official treaty system. They provided mutual if unequal rewards. The customs *asiento* was profitable enough that his firm administered it for two generations, and Madrid was guaranteed at least an annual minimal revenue from its most reliable and highly liquid sector, colonial trade flows. The greatest advantages accrued to foreign resident merchants, for combined reductions in the volume of dutiable imports and official values lowered the effective spread of duties to 5–12 percent, well below the 21 to 25 percent that had been charged before.[59] So satisfactory was this parallel system to Báez Eminente and his group that in 1688 Sevilla's *consulado* submitted its own bid for the customs *asiento,* but Madrid rejected it. Sevilla's consortium may have tried to take advantage of an inquiry by Inquisition authorities against Eminente in 1691, but the inquiry was suspended. In fact the house of Báez Eminente survived well into the reign of Philip V.[60]

Further strengthening the parallel system engineered by this *asentista* was the fact that for most of the eighteenth century—actually, down to Spain's first national tariff reforms (1778–1782)—both the English and French governments insisted on maintaining both the official system and the unofficial *convenios: cuarto de tabla, pie de fardo,* and, of course, the much reduced *aforos.*[61] From the viewpoint of the foreign merchant enclaves, treaties and *convenios* were highly effective. In 1686 fully 94 percent of the value of cargo shipped to the colonies on *flotas* and *galeones* consisted of non-Spanish goods.[62] Foreign pressure on Madrid can be explained in large measure by the sheer value of Cadiz's exports to the colonies: estimated at 7 million pesos per annum (1667–68), it equaled approximately two-thirds the value of Amsterdam's exports. Together, paralegal agreements and formal treaties had created an atmosphere in which well-capitalized foreigners in the last half of the seventeenth century exploited Spain's transatlantic trading system at transfer points in Lower Andalusia. "Seen from Cadiz," as Morineau has put it graphically, "exploiting America via the *Carrera* [Indies' trade] was big business involving half of Europe, from Genoa to Hamburg."[63]

Foreign Enclaves in Lower Andalusia

While economic stagnation and some contraction persisted in late-seventeenth-century Spain, foreign and colonial trade through Lower Andalusia's ports remained the motor of the metropolitan economy and by extension of western Europe.[64] Activity in Lower Andalusia continued to oscillate with the periodic departure of convoys to the Caribbean and their return with cargoes consisting mainly of silver. American silver passing through Sevilla and Cadiz favored trade compartmentalization and oligopoly there. Lower Andalusia became a commercial center of Europe, "a rich land, entry point for precious metals . . . a province particularly penetrated by foreigners." In a perverse inverse fashion, "the more Lower Andalusia's commercial role became passive," a recent Flemish scholar has said, "the more Spain and its colonial appendage stimulated Europe's economy."[65] Sevilla and now the bay and port of Cadiz had become the pivot of European and Spanish colonial trade.

Instead of serving as a potential dynamic factor in Spain's domestic economy, Lower Andalusia's trade flows were a magnet drawing non-Spaniards: Genoese, Flemish, French, and English merchants.[66] For many reasons, merchants from Catalonia, patrimonial Spain's most economically developed area in the late fifteenth century, had failed to establish a foothold in Lower Andalusia after the occupation of America. Overland movement of goods was expensive, coastal navigation was subject to North African corsairs, and Castilian bureaucrats treated Catalans from Barcelona as virtual foreigners lacking capital and credit. "The greatest beneficiaries of the treasures of the Indies," Vilar has aptly concluded, "were those who loaned to royalty on the basis of this immense security. Since Barcelona had abandoned its role as banker to the sovereigns by the end of the fourteenth century, they lost opportunities for profit along with power to influence."[67]

Despite banking and financial operations by foreign firms in Spain and their influence on economic policy, Spain's businessmen might arguably have developed a manufacturing capacity in Lower Andalusia to compete with European imports in their colonial trade. However, colonial trade in the sixteenth century provided no stimulus for sustained growth, much less development, to Lower Andalusia's woolen and silk manufacture which—lacking a determined protectionist policy and confronting foreign competition—virtually disappeared by the seventeenth century. Alternatively, over the long run, lacking competitively priced domestic goods for colonial consumers, Castilian businessmen might have ordered through their own agents directly from producers abroad. Here Castilians, despite *arbitrista* hand wringing, would not or could not break into the tightly knit networks of producers and distributors in Europe's early commercial capitalist economy.[68] Foreign merchants, with the capital and business skills Castilians lacked, maximized their advantages to favor artisans in the homelands whence they had migrated and where they returned with savings, business expertise, and connections they could transmit to the next generation who then often completed the circle by training at Sevilla or Cadiz. As was later noted of the guano export enclave in nineteenth-century Peru, " . . . a thriving export industry could operate for decades alongside a stagnating poverty-stricken domestic sector."[69]

Foreign merchant enclaves structured like family enterprise formed culturally and economically hermetic undertakings, maintaining security by relying upon speaking and keeping business records in their native tongue, recruiting among their ethnic group, and buying primarily from producers at home. There was a constant capital drain, therefore, from Lower Andalusia to Italy and the Low Countries, to France and England. No surprise, then, that when the wife of the duque de Medina Sidonia—aristocrat and grand seigneur with jurisdiction over San Lúcar, a gateway to the Indies—entered that town, she was greeted by cheering "cuadrillas de ingleses, portugueses y flamencos."[70]

Great entrepôts, like nature, abhor a vacuum and toward the mercantile vacuum of Lower Andalusia foreign businessmen inevitably gravitated. Data on foreigners in the Sevilla-Cadiz axis over the seventeenth century show a record number of foreigners naturalized "para comerciar a Indias." Flemish (98), Portuguese (91), Genoese (42), and other Italians (19) formed the majority (80 percent) or 250 of a total of 310.[71] The Flemish and Genoese had established a strong presence and early on profited from Iberian expansion into the Atlantic, while Portugal's incorporation into the Spanish imperium (1580–1640) accounts for the Portuguese contingent.[72] Of greater and growing economic importance would be French (23) and English (5) merchants.

More telling is the chronological distribution of naturalizations: fully 58 percent (179 of 310) were issued in 25 years, 1625–49, decades of relative stability in the schedules of colonial convoys just prior to the disrupted sailing schedules of the last half of the century. Unfortunately, chronological distribution by country of origin is not available nor is there a listing of Spaniards trading with the colonies at this time. At best there is Abbé Vayrac who, in 1718, found "Navarrese, Biscayans or residents of the outskirts of Cadiz and Sevilla who sail aboard *galeones* and *flotas* with a small assortment of goods, or responsible for those of foreign merchants, and return from the Indies with considerable wealth." These Spaniards were, however, really agents of Lower Andalusia's foreign resident merchants. As Veitia Linaje had noted earlier in 1672: "Because we neither favored, fomented nor rewarded [Spanish] merchants, most of our trade is now in the hands of foreigners who dominate them, becoming wealthy and ennobled by what we disdain."[73]

In the second half of the seventeenth century, the locus of the colonial and European entrepôt trade of Lower Andalusia was shifting—in fact, if not in law—from Sevilla, on the meandering Guadalquivir 50 miles above its mouth at San Lúcar, southward to the bay and port of Cadiz. Silting of the Guadalquivir and the bar at San Lúcar made passage of large ships of the Atlantic trade dangerous, while the distance upstream to Sevilla and the limited anchorage there caused further impediments to shipping. Other factors dictated the shift: the growing burden of customs charges,[74] repeated state confiscation of incoming silver, and interruptions by war at sea along with the lobbying of Cadiz merchants enhanced the natural attraction of the bay for illegal transfers of colonial cargo.[75] In the decentralized so-called absolute Hapsburg monarchy, local interests at Cadiz could, at their own discretion, enhance the attraction of their port by independently reducing export duties below those of Sevilla.[76]

The Bay of Cadiz was in effect a bay within a bay, a broad enclosed harbor some thirty miles in circuit opening on the north into a larger and more open outer bay with anchorage for many ocean-going vessels. On the west a five-mile tongue of land separated it from the Atlantic Ocean; on the north, it was separated from the outer bay by a headland jutting out from the mainland whose irregular coastline curved south and then west to form the bay's eastern and southern shores.

Seventeenth-century Cadiz, located on the rocky northern tip of the narrow promontory, dominated entry into the wide outer bay as well as the narrow entry into the Cadiz bay. Surrounded by water on three sides, it commanded a broad view of the Atlantic to the west. On the north, across the entry into the outer bay, it faced the distant promontory at Rota; to the east, directly across the outer bay, it was in sight of Puerto Santa María. Cadiz's other link to Puerto Santa María and then north to Sevilla and Madrid was by a circuitous road that wound south, east, and then northward around the bay. And even this link could be severed when storm-driven tides invaded the low-lying channel *(cortadura)* at the base of the spit, temporarily connecting ocean to bay. Understandably the adjacent area was named the Isla de León, while Cadiz was often referred to as the "Island of Cadiz." Cadiz's peculiar geographical situation played a significant role in the history of Spain's colonial trade and thereby in its relation to the rest of Spain.[77]

The rocky promontory sheltering Cadiz from the open sea sloped down on the bay side where the commercial center of the city was located. The town's main artery, the broad Calle Nueva, began at the shore. Two- and three-storied whitewashed buildings and narrow streets offered some protection from the dazzling sunlight, summer heat, and strong easterlies. Construction was vertical rather than horizontal, since the small walled city lacked space for many permanent residents not to mention the seasonal pressures of crews and businessmen who crowded the port in preparation for the departure of convoys to the colonies. There was a premium on commercial and residential space, and rents and real estate values were disproportionately high. Few European port towns of the time were notable for well-planned sewage disposal and water supply. Surrounded by saltwater, Cadiz lacked adequate drinking water, which, along with grains, meat, fruit, and vegetables, had to be imported. Few residences had their own cisterns; most inhabitants bought water daily from water-carriers, a trade French immigrants monopolized at the end of the century. Cadiz was usually overcrowded, its streets littered and almost always foul-smelling. Beauharnais visiting Cadiz in 1699 found it "poorly located for its residents' convenience." At the end of the century, wealthy businessmen—English, Navarrese, and French from Auvergne and Limousin along with other foreign resident merchants—constructed summer residences at Puerto Santa María. At the Puerto, terrain was level and streets were wide; cultivated lands surrounded the area. Such were Cadiz and environs as this promontory on the Andalusian coast facing the Atlantic became the main staging area for Spain's colonial trade, for flotas and *galeones*. Admirably suited as an entrepôt, Cadiz and its bay were isolated from Spain geographically and economically.[78]

In the last quarter of the seventeenth century, Flemish and French traders were prominent members of the merchant community in and around the Cadiz entrepôt.. Their position was secured by a pattern of residence, business, and social networks and, in regard to the French, a rising volume of transactions. The connection between Flanders and Spain was old, going back at least to the middle of the fifteenth century when there had been exchanges of Spanish raw materials (mainly wool) for Flemish woolens and linens. Stimulated by incorporation under the crown of Spain and by the opening of America in the early sixteenth century, the trade was still strong at the end of the seventeenth century and, although diminishing, continued into the early nineteenth century. With the reopening of hostilities between Spain and the United Provinces in the final phase of the Thirty Years War, Madrid created the *almirantazgo* (an admiralty with naval and commercial responsibilities) to provide cargo vessels and their escorts (in all, about twenty-four armed merchantmen) sailing in convoy between Dunkerque and Sevilla, a kind of *flota* for the "commerce du nord." The principal promoters were Flemish merchants at Sevilla: Nicolas Antonio and Francisco de Smidt, Guillermo Becquer, and Guillen Clore. Their enterprise collapsed in part due to Antwerp interests involved in smuggling in Spain. The Flemish enclave was influential enough to arrange its own merchant guild in 1645 to oversee Flemish commercial contacts with the American colonies—another failed enterprise. In 1697 Flemish merchants in Lower Andalusia offered to organize a chartered company for trade with the Spanish colonies; this, too, failed.[79] Nonetheless, over the second half of the century the Flemish community survived, overshadowed gradually by the French whose government was simultaneously absorbing by conquest parts of Flanders.

French merchants appeared as a significant trading community in Andalusia early in the seventeenth century, and their numbers grew between 1620 and 1640 as ships from Calais, Rouen, and Saint-Malo freighted goods between Flanders and Andalusia.[80] The next phase in their commercial development came when they substituted French linens, woolens, and silks for Dutch and Flemish products. Breton merchants from Saint-Malo became the vanguard of French expansion into Andalusian trade. They carried to Sevilla and Cadiz linen goods of Quintin, Vitré, Coutances, and Morlaix, returning with Andalusian wines, alum and, of course, American silver. Joined by compatriots from Auvergne and Limousin in the seventeenth century, Malouins remained the most prominent among French residents and, in terms of shaping French commercial policy toward Spain under Mazarin, Colbert, and their successors, they were, until the 1720s, by far the most influential.[81] Malouins occupied the Atlantic islands off Argentina's south coast, proved the feasibility of regular entry into the South Pacific via the Straits of Magellan, and penetrated the *Mar del sur* to trade with the Pacific coast ports of the viceroyalty of Peru during the War of the Spanish Succession.

The French and Flemish in Lower Andalusia as agents of merchant-family networks in Brittany, Normandy, and Flanders were advantaged by consanguinal and affinal social ties and common bonds of birthplace, language, and culture. Capital for operating at Sevilla or Cadiz—for the business of importing from Europe, reexporting through Spanish strawmen to the colonies, and finally remitting to Europe colonial earnings in silver specie and bullion along with a few colonial staples—required large sums of money that were often tied up for from three to four years. Such funds could best be mobilized within the extended merchant family. To contain costs, merchants borrowed and ordered through family networks to purchase merchandise directly from producers, thereby avoiding commission fees.

Descriptions and records of French and Flemish firms portray in general a principal house in France or Flanders with branches at Cadiz or Sevilla. Savary described substantial Parisian merchant families "trading with Spain, who avoid agents, sending instead their offspring, brothers, or relatives to Spain. The profession of agent at Cadiz was a virtual training school for French business leaders. As a rule they spent time there and, at the proper age, returned home rich in experience, replaced by a younger relative who, in turn, was trained in trade."[82] This pattern of recruitment and training produced such long-lived French commercial families at late-seventeenth-century Cadiz as Eon, Danycan, Boyetet, Magon, Lefer, and Lecouteulx, many of which lasted well into the eighteenth century.[83]

Analysis of Flemish records produces only minor variations on the

French pattern, differences reflecting perhaps more information. Flemish family firms set up representatives at Cadiz, although there were also independent Flemish merchants, commission agents, and consignment firms *(participation en commission)* serving an international clientele. Consignment and commission houses operated on the basis of contracts *(statuts)* specifying the number of capital shares, duration of the contract, and division of responsibilities. The more important members of the firm usually drew upon Flemings of long residence in Andalusia and upon a constantly revolving group of Flemish trainees; local Spaniards provided the lower-rank employees. In general Flemish business installations were deceptively simple, a *comptoir* (office) and a warehouse. The longevity of the Flemish and French houses produced "veritables dynasties des marchands."[84]

Between the home merchant house and representatives at Cadiz or Sevilla there existed regular, extensive correspondence, which implies that the agents in Spain operated under close family surveillance. Mail couriers' schedules were well organized and rigorously maintained: within twenty-four hours of a courier's arrival, a return courier departed. Cadiz and Madrid were linked by weekly service. Every two weeks a mail courier left Madrid for Burgos, San Sebastian, Irun, Bordeaux, Paris, and Brussels; a letter between Cadiz and Antwerp averaged twenty-six or twenty-seven days.[85] Dependable and relatively rapid communications insured that French, Flemish, and other suppliers learned quickly of fluctuations in colonial supply and demand when special *azogue ships* (which freighted mercury to the mining colonies) returned from the western Atlantic.[86] An efficient mail service allowed foreign representatives at Cadiz to control the cost of warehousing goods ordered for convoy departures to Caribbean ports.

The Import-Export Process

As colonial demand strengthened and the small initial nucleus of Castilian *comprador* or entrepôt bourgeoisie shrank, the function of foreign merchant houses at Cadiz was to order, receive, and warehouse for reexport the principal items of colonial American demand: linen, woolen, and silk textiles. We now recognize that American silver was a major (perhaps even the determining) factor in the development of commercial capitalism in western Europe and that silver represented sales returns on the products of Europe's protoindustrialization: textile manufactures of Holland and Flanders, England, France, Italy, and Germany. Compared to the exports of other European ports, Cadiz's shipments to America were significant.[87] Imported linens were the most important—the better grades for underclothing, shirting, and trousers, the coarser for baling. From Holland came batistes, stays, and laces; from Flanders, *brabantes, brantilles,* and *présilles;* from France's Norman and Breton provinces, *rouens* and *toiles blanches, bretagnes,* and *crées;* and from Silesia, *platilles, estopilles, bocadilles,* and *napages.* Flemish linen bleached in Holland (hence, *olan*) encountered heavy competition at the end of the century from similar French and Silesian products.

After linens came woolens from Holland *(anascotes, camelots, draps)* and from England (*bayettes* and *sempiternes*) along with taffetas and silk stockings. From Flanders came white and dark serges and woolen stockings. The same sources forwarded mercery and, of course, mixed fabrics. Even after French occupation of its major textile centers, Flanders remained "the most important woolen-producing province" as far as Spanish imports were concerned. This, despite French annexation policy under Louis XIV which incorporated into the French economy the traditional Flemish skills linked to Spain's colonial trade through Lower Andalusia, what has recently been called the Flemish "strong tradition of exports to Spain." [88]

Maritime freight costs between north European ports and Cadiz were, according to Flemish commercial records, surprisingly low, about 2 percent of cost of the goods shipped. Flemish and French data reveal that only about one-third of Cadiz's European imports were diverted to local consumption: 75 percent of this was landed at Cadiz and Puerto Santa María, while the balance was introduced through other parts of Andalusia.[89] At Cadiz fully 75 percent of Flemish sales were made to other foreign houses, the rest to Spaniards. Most sales (60 percent) were on credit payable in weekly silver installments, only 15 percent in cash.[90]

Total imports from Europe based upon data covering a few years average around 39 million *livres tournois* (1670), falling off in the years 1685–1686 to 35. The largest amount came from France (about 38 percent),[91] followed by England (18 percent). These percentages, however, are somewhat misleading since the English were concurrently marketing quantities of textiles directly into Spain's colonies in and around the Caribbean.[92]

Most imports at Cadiz—more than two-thirds—were reexported aboard convoys (the *flotas* and *galeones*) to supply mainly Peru and New Spain. It was the practice of foreign firms' agents at Cadiz to inform their European home offices of imminent convoy departures. The home office would then dispatch merchandise to Cadiz. When ships arrived with the merchandise ordered, customs officials in collusion with foreign importers manipulated treaty provisions for their private ends. Before unloading could commence, treaty provisions mandated that a consul forward a note signifying approval of stationing a customs guard ("waiter") aboard to prevent surreptitious off-loading of cargo either by lighter to the shore or to vessels loading for departure in convoy. For his part, a consul might delay his note for three or four days to "allow enough time for merchants to carry out their fraudulent activities."[93] Unauthorized off-loading continued furthermore after the Spanish guard came aboard. For example, merchants bribed waiters at the going rate of 2 *écus* per bale *(ballot)* of high-value silks unloaded surreptitiously, which explains the "très petite partie" of imports registered at customs.

While the customs guard and incoming cargo awaited unloading, the ship's captain went ashore personally to deliver to his consul the ship's register *(livre de bord)*. Then importers awaiting their incoming cargo assembled at their consul's residence to decide the number of bales to submit for customs declaration. Each merchant filed a general declaration *(estat en gros)*, usually omitting up to 80 percent of cargo volume;[94] this was then handed to the Spanish customs for official registry, while importers accompanied their merchandise from inspector to inspector. Only then was quantity reported. A bale might be opened and "if by chance a larger volume than declared were found," the appropriate treaty clause might be invoked. Still, customs would not confiscate the bale, "one would merely pay additional duties on what had not been declared." Bales when approved received an inked seal.[95]

This system was designed to check, at least in theory, bales containing high value goods. "At Customs bales of linens and silks alone were opened, rarely those containing other goods." For example, when bales with fine *(batiste)* linens were examined, customs affixed a lead seal to each bolt *(pieza)*. When about one-third of cargo had been unloaded, customs might be notified that the remainder was destined to another port, whereupon the guard—a key player in the customs ritual—abandoned his post. He was, as French consul Patoulet explained, essential to the process since more than all else he "facilitates the offloading of undeclared goods."[96]

So much for cargo landed at Cadiz, most ultimately reexported. This was a small percentage of what finally went aboard ships convoyed to the colonies since "most cargo [was] trans-shipped without registry, that is, from the foreign vessel to the galleons or the *flota*, bypassing Customs."[97] Illicit ship-to-ship transfer in the bay avoided both import and reexport duties *(almojarifazgo de Indias)* levied per bale aboard convoyed vessels, regardless of value. Unregistered bales, however, were conveniently concealed on outbound convoys. Spanish ship captains collaborated in smuggling cargo while Contratación personnel conveniently "avoid[ed] those places suspected of concealed merchandise" or simply chose to forward to American ports the registers of legal cargo for checking when cargo arrived there.[98]

What made large-scale reexport of unregistered or inadequately dutied European merchandise aboard convoys to colonial ports possible was the appointment of convoy officials by a process of virtual self-selection, a key structure in evading controls on undutied outbound freight. Prohibited by colonial trade regulations from shipping cargo to the colonies under their own names, foreign merchants did so through extraofficial arrangements with convoy officers and Spanish strawmen *(presta-nombres, prête-noms)*.

Although the Consejo de Indias nominally controlled outbound convoys to America, the Casa de *Contratación* (its subordinate agency in Andalusia) set export tonnage and hence the number of vessels supplying the ports of Tierra Firme (Cartagena and Porto Belo) and New Spain (Veracruz). The number of 500- to 600-ton merchant vessels tended to increase toward the end of the century. Tierra Firme convoys generally averaged 10 to 12 ships, those to Veracruz, 8 to 10.[99] For permission to proceed in convoy, Madrid charged merchant vessels between 3,000 and 4,000 *écus;*[100] those few ships *(registros)* authorized to sail alone to the Honduras coast or Buenos Aires paid slightly more.[101]

Convoy flag officers—generals, vice- and rear admirals—along with captains of heavily armed escort vessels received monthly salaries from the government, payable on funds in colonial rather than metropolitan treasuries. The salaries were in effect base salaries since officers purchased appointment by making advances to a poorly budgeted state treasury and were expected to recover the advances from charges on cargo protected by escorts. For example, flag officers often advanced up to 100,000 *écus* in buying their offices. These sums were repaid at colonial ports at 8 percent interest—well above the going rate in Spain. In theory, naval commanders could also draw an allowance of 21 silver *ducados* per ton for repairs *(radoub)* and refitting *(agrément),* also payable on colonial treasuries. To cover these and other outlays, they generally borrowed at Cadiz. Even two years prior to official appointment, a captain might advance 20,000 *écus* for *agrément* plus another 12,000 one month before the departure date to cover ships' stores. These loans (also at 8 percent) were repaid as well on colonial treasuries.

Unavoidably ship commanders, who were as a rule not "gens de qualité," had to borrow. They purchased rank by "the loans made to obtain the preference of *Contratación*'s president and magistrates"; the advances were recoverable by charges on freight, passengers and silver remissions. There are reports that commanders of warships convoying merchantmen may have been forced to borrow from merchants at Cadiz or Sevilla at above the usual rates, binding themselves to repay at 25–30 percent on bottomry *(à la grosse aventure)*. By way of partial compensation, the captains of *flota* escort vessels could register 150 tons of cargo aboard their ships; in fact they often commandeered all the cargo space. Thus royal escort vessels were heavily gunned, overloaded, and unmaneuverable cargo vessels. Indeed, many warship commanders ordered escort vessels built at their own expense to profit from "the right to command them and take them to the Indies on two trips"—another example of private sector enterprise in naval protection involving dozens of people.[102]

Broadly viewed, Charles II's state completed the process of alienating to private enterprise what was a state responsibility: oversight of its maritime link to the American colonies, its principal source of liquidity. Meanwhile, Cadiz's naval installations lacked supply depots, training facilities, and crews (half the escort vessels' crews were non-Spaniards).[103] Small wonder that galleon commanders "take aboard all the fraudulent goods presented," that ships loading for the colonies were not inspected by *Contratación,* permitting thereby foreign and domestic shippers to "conceal all the fraudulent shipments made," and that much cargo outbound for the colonies was registered neither by *Contratación* nor customs. Ledgers of the Flemish firm of Boussemart at Cadiz, involved in exporting goods to the colonies, reveal that on average over three decades (1670–1700) fully 69 percent of its shipments bypassed official registry, a percentage sometimes reaching 90 percent.[104]

Spanish naval officers as well as captains of merchant vessels were responsible for delivery of cargo overseas only to a few Caribbean ports. Foreign merchants at Cadiz still had to monitor at long distance sales of their merchandise in the colonies and remission of silver and selected primary product, such as cochineal and cocoa. Since the Spanish transatlantic system guaranteed, at least in law, exclusive participation of Spaniards (really, only Castilians) and a very few naturalized immigrants, foreigners could neither ship cargo, accompany it, nor supervise *feria* sales in person. As initially formulated, the design of the Spanish system was hardly mercantilist, rather it provided a framework of one-port monopoly and, within it, oligopolistic competition. In practice, foreign resident merchants—already responsible for most merchandise aboard convoys—employed either their few countrymen who had met Spanish requirements for naturalization (twenty years' residence, a Spanish wife, ownership of real estate, a minimum of

4,000 *ducados* of wealth) and as *genízaros* were entitled to travel to the colonies when properly authorized, or as Spanish collaborators, the *prestanombres.*[105]

Infiltrating the colonial commercial system developed in stages. Until early in the seventeenth century foreign importers at Sevilla or Cadiz sold to Spanish shippers *(cargadores)*. Thereafter a number of factors modified the sales system. An expanding volume of reexports to the colonies required a volume of capital customarily exceeding the resources of Spanish merchants while payment for goods bought on credit could be delayed anywhere from two to four years; Spanish agents or factors who sailed on convoys often disappeared in the colonies leaving uncollectible debts. As colonial trade in the third quarter of the century turned "less profitable and more uncertain," French resident merchants modified their sales management. They settled on transactions partly payable in cash, the balance on a convoy's return at 12 percent. The next phase was full ownership of exported goods by faking sales to Spanish agents *(encomenderos)* or factors *(factores)* who accompanied their goods. In this phase, they netted 40 to 50 percent over principal cost to cover higher risk. Hence the critical importance of the *prestanombre* to the system.[106]

A system of long-distance transatlantic trade flows in which great financial responsibility devolved upon unsupervised agents thousands of miles overseas and in which legal formalities were used as a cover for a system that was manifestly illegal, depended upon trust, upon what Spanish guild merchants termed *verdad sabida y buena fé guardada*. Its operation was deceptively simple. French, Flemish, and other foreign traders in Lower Andalusia covered their shipments by selecting "a Spanish friend of probity and trust, whom they arrange to sign their bills of lading and invoices, and to list the embarked goods for Customs." They carefully selected a Spaniard whose personal holdings approximated the value of cargo shipped in their name so that under questioning he might reply to Contratación's investigators "with every assurance they belong to him." No proof of payment was given the *prestanombre* because "he is a friend of the merchant and offers his services in return for those he has received from him or others of his country of origin." The *prestanombre* signed the invoices *(facturas)* giving in return to the real owner an acknowledgement *(reconnoissance)* that the merchandise was his. The *prestanombre* then distributed the invoices to three Spanish agents *(commissionaires)* on the same outbound convoy so that in case of his death overseas "there is always someone to supervise sales."

On returning from overseas, the Spanish *commissionaire* did not use the *prestanombre* (only an intermediary) but rather reported directly to the foreign proprietor of the goods exported, providing a *compte de vente* and the sales proceeds, "bypassing the Spaniard who had signed the invoice." Acknowledgements and invoices were retained by the foreign exporters "pour sa securité." To minimize the risk of heavy fines for illegal participation, merchants selected "good, responsible people whom they use as agents for goods risked in the Indies."[107] Rare were the occasions when such trust was misplaced. There is reason to believe that for generations at Puerto Santa María across the bay from Cadiz, where foreign merchant enclaves existed, naturalized Flemings along with Navarrese families, such as the Vizarrón and Arraníbar, served loyally as *prestanombres* or *commissionaires*.[108]

Once the heavily laden ten to fifteen merchant vessels in *flota* and galleon convoys had departed along with their equally laden escorts, Cadiz's level of activity subsided, and merchants and treasury officers awaited the returning vessels. Elapsed time between departure and return for either fleet in the 1670s varied from thirteen to fourteen months. Later, especially after 1681, the elapsed time of galleons' round-trips began to lengthen to from nineteen to thirty-two months as a result of a breakdown in the operations of the Portobelo fair on the Isthmus of Panama.[109] For ports on the islands of Jamaica and Curaçao in the last half of the seventeenth century were developing extensive direct sales by English and Dutch merchants who relied far less than French or Flemish merchants on sales at Cadiz.[110] These Caribbean smuggling operations were in the jargon of the time *à la longueur de la pique* because English, Dutch, and French shipping, paying lip service to the treaty stipulations agreed upon at Münster and reiterated in the Anglo-Spanish "American" treaty, stationed themselves just outside Spanish colonial ports (in the roadsteads), where they could "traffic directly, hand-to-hand, in what their vessels carried," a practice made possible by "corrupt Spanish colonial officers whose cooperation they buy."[111] Disruption of the Portobelo fair and the simultaneous resurgence of New Spain's silver exports probably combined to shift foreign merchants' interest from Tierra Firme and South America to the more promising Mexican market.

The counterpart of reexports of European manufactures was receipt (and, ultimately, reexport) of silver coin or bar that represented earnings on colonial sales. Selling in distant colonial fairs was more problematic than in Spain itself, and comparative profit rates reflected this. Flemish business records show returns on sales to Spanish distributors supplying Andalusian consumers yielded 12–15 percent; on sea loans (*a premio de mar,* what the French termed *à la grosse aventure*) to Spanish shippers *(cargadores)* exporting to the colonies, profit margins averaged much higher (40–50 percent). And goods exported on consignment to colonial ports earned even higher rates (40–75 percent).[112] Compared with estimates by a knowledgeable *arbitrista* like Osorio y Redín, these returns seem modest and may reflect bookkeeping designed to mislead Spanish tax inspectors. At any rate, given the high level of returns on colonial operations, foreign merchants were encouraged to maximize the volume of both their registered and illegal reexports to the colonies and to circumvent or weaken Spanish regulations covering imports of silver and staples from colonial ports.

Once returning convoys entered Cadiz bay, the formal apparatus of state control began. Contratación's president, its *jueces* and other personnel boarded the admiral's flagship to post the prohibitions against illegal movement of cargo; officers then visited the vice- and rear-admirals' ships to repeat the ritual. Other personnel remained aboard until the cargo register was prepared. Since this was delayed deliberately four to five days, importers had time to arrange to "withdraw their silver and place it aboard foreign shipping." Of the commanders of incoming galleons it was observed they reported to customs nothing regarding "articles shipped on their account."[113] At best perhaps 50 percent of incoming cargo from the colonies was listed, signifying a high percentage of the most valuable cargo—silver—went unreported. We must recall that unregistered silver was also loaded at the colonial port of exit, registries prepared there were often not remitted to Cadiz, and surveillance of ship-to-ship transfers on the high seas or off the Canaries or Azores was virtually impossible. As for unminted silver put ashore at Cadiz, merchants usually disregarded injunctions to present it at the Sevilla mint in order to save the 6 percent duty.[114]

Metedores solved the problem of re-embarking for west European ports precious metals from shore to ship in Cadiz bay. Merchants called upon the services of these young noblemen,[115] paying them one percent commission for passing silver and gold in carefully labeled packages over the city walls *(por alto)* or from Puerto Santa María. Then it was rowed in small boats to foreign merchantmen or warships anchored in the bay. Local officials, such as Cadiz's governor and aldermen, also received a commission.[116]

Again, a bond of trust existed between *metedores* and merchants, since "a Spaniard would be dishonored and mortified by his countrymen if not faithful to merchants," and for their part, merchants paid punctiliously the agreed-upon commissions. Operations of *cuadrillas* (gangs) of *metedores* were an open secret to officials all the way up to the Consejo de Indias, which "unable to prevent, is obliged to tolerate them."[117] The incentives to continue illegal transfers of metals became even greater at the century's end to judge by generally rising volumes of silver carried by *flotas* inbound from Veracruz. According to Everaert's data, these almost quadrupled from 8.5 to

30 million between 1670 and 1697.[118] Since Saint-Malo merchants then formed the largest single foreign merchant enclave at Cadiz reexporting precious metals and raw materials, they were the most insistent that their government station two warships in the bay year-round to transport silver to French Atlantic ports.[119]

One should not conclude, however, that the carefully structured legitimization of fraud at Cadiz deprived the Spanish state of income from the transit of goods between Europe and America. While the nominal level of duties remained well above the effective rates, and merchants constantly tried to avoid even these, the government often arbitrarily imposed a general levy *(indulto)* on the whole business community in the colonial trades to recover lost revenue. French documents refer to a form of standard levies. There was often an *indulto* of 400,000 *écus* on departing galleons, and this was paid again by merchants in Peru on the galleons' return to Spain. *Flotas* to Veracruz were levied somewhat less (275,000 *écus*) collectible on leaving Veracruz.

Indulto income, which appears to have produced on average about 1.3 million *écus,* netted Madrid half this sum. The balance went to officers of the Consejo de Indias and Contratación (they provided no accountability) as well as to officers of the Sevilla consulado.[120] It was typical of the Spanish state at the end of the century that it entrusted to Sevilla's consulado the assessment and collection of *indultos,* just as customs collection of Lower Andalusia was farmed to Báez Eminente. The two collection devices on the Lower Andalulsian transit trade, *asiento* and *indulto,* were thus complementary. After 1667 *indultos* became more frequent and their application more arbitrary, perhaps indicating Madrid's recognition of the rising percentage of underregistered precious metals imports that rose by a factor between 2 and 3 between 1620 and 1659.[121] For example, in 1677 and again in 1678 *indultos* affected solely foreigners' goods, particularly those of French merchants; in 1682 foreign merchants had to contribute 412,000 pesos, raised in 1684 to 830,000. In 1691 and again in 1697—perhaps reflecting an increase in total value of imports from the colonies—*indultos* amounting to the extraordinary sum of 10 million pesos each were levied on precious metals arriving on private account.[122]

Since the Sevilla consulado's officers were given discretion in allocating *indulto* assessments among Cadiz's foreign merchant enclaves, and since the economic role of the French was paramount there, the French community complained bitterly that Spanish policy was designed to ruin their trade "especially that at Cadiz, the largest and most profitable our nation has."[123] By alienating *indulto* collection to Sevilla, the state shed responsibility for inequity in assessments by claiming ignorance of "what goes on in the Indies trade" while merchants and bureaucrats at Sevilla shared roughly half the proceeds of the levies "to the prejudice of the trade of foreigners who bear the cost."[124]

Managed Trade or Pseudomercantilism?

The contradictory nature of the Spanish colonial trading system functioning in Lower Andalusia in the last half of the seventeenth century, was neatly encapsulated by French consul Patoulet reporting from Cadiz in 1686. "Our merchants smuggle all they can, avoiding duties as much as possible since customs rates are as high as 23 percent. They do the same with the goods they ship to the Indies aboard galleons (these warships are prohibited from loading cargo). They load their goods without registry at Contratación and transfer them from ship to ship. They do the same with the silver they export from Cadiz, or that taken from the galleons. All fraudulent activities are carried on with the assistance and knowledge of Spaniards."[125] The term *pseudomercantilism* best covers this practice, or was it really policy?

Arbitristas' analyses, informed, usually accurate and circulated in manuscript at high levels of policy-making, had little effect on economic growth because Spanish society, supported to a significant degree by a successful colonial mining sector, confronted no compelling need for structural changes. Meanwhile, over the last five decades of the seventeenth century, first England and then France elaborated pragmatic and idiosyncratic structures of protection enhancing economic development which later analysts named "mercantilism." The selection and combination of protective mechanisms generated by post-Westphalian mercantilism whose choice depended upon particular national historical conditions—hence the complex of navigation acts legislated by the English parliament or economic intervention by the French state (*colbertisme* or *dirigisme*). Despite their variety, however, all these mercantilist policies had one thing in common: their prohibitions were manipulated primarily for developmental rather than fiscal ends.[126] Their multiplication became a measure of the growth of the modern state. To the contrary, the prohibitory mechanisms Spain elaborated and applied to colonial trade in the sixteenth century were not designed for national economic development.[127] Bullionist in intent, in practice episodic and ineffective, they undermined the metropole's limited production of quality goods, which were increasingly supplied by Spain's northern neighbors. Over two centuries Spain initiated and then developed on a massive scale colonial silver production and its complex infrastructure, first forcing and then gradually drawing Amerindians and mestizos into a colonial market economy dominated by an elite of mining entrepreneurs, wholesale merchants, estate owners, ranchers, bureaucrats, and churchmen—all eager consumers of old world goods largely produced in Europe outside the Spanish metropole. Consequently the great surge of colonial precious metals exports between 1580 and 1630 and corresponding colonial demand for imports increasingly bypassed the metropolitan economy, stimulating instead Genoese, Flemish, Dutch, English, and French artisans, merchants, and shippers.

This is not to argue that the Spanish system was aimless or, for its purposes, ineffective. A careful reading of Veitia Linaje's classic legislative compendium on the Spanish transatlantic trading system, *Norte de la Contratación,* proves this. It simply did not (nor was it intended to) generate broad economic development, which is what John Cary discerned when in 1695 he commented in a Bristol publication that "One great reason why the Kingdom of Spain still continues poor notwithstanding its Indies, [is] because all that the inhabitants buy is purchased for its full value in Treasure or Product, their Labour adding nothing to its Wealth, for want of Manufactures."[128] Cary, however, was already analyzing English economic praxis through a mercantilist or developmental prism at odds with the obsolescent economic strategy of the Hapsburg patrimonial state. The Spanish Hapsburgs failed to distinguish between the parts of their patrimonial empire, whether Castile (producer of wools), Flanders (center of manufactures exchanged for Spanish wools, dyestuffs, and above all, silver), or Peru and New Spain (silver producers). The vision of late seventeenth-century Cadiz as the "emporium of the world" persisted well into the eighteenth century.

Since colonial silver output during the seventeenth century did not contract markedly (although there was some fluctuation and much illegal siphoning), and since New Spain's population recovery began in the closing decades, the net effect in colonial Spanish America was gradual expansion of a market-oriented economy along with sustained growth in consumer demand. Only a few economies of non-Iberian Europe produced and shipped goods to, and received in return silver from, Spain's colonies in America—the most important regional economy for European products outside Europe. Europe's producers and exporters who expanded operations within the framework of Lower Andalusian trade regulations after Münster had to create an international treaty complex affording elements of protective extraterritoriality for foreign merchant enclaves. The treaties were, at bottom, maintained by threat of retaliation by sea and by the cultivation of Spanish collaborators by land.

The unequal relations between Spain and major economic regions of