

To what extent did the crown policies between 1536 and 1575 weaken the economy of New Spain in the Americas?



Panoramic view of Mexico City during colonial times. (Talavera tiles based on unattributed oil painting in the Franz Mayer Museum, Mexico City). <<https://geo-mexico.com/?p=6598>>

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Section One - Identification and Evaluation of Source

The question for investigation is to what extent the crown policies between 1536 and 1575 weakened New Spain's economy in the Americas. A relevant question has been chosen

The first source is *The Cambridge History of Latin America* by Leslie Bethell in 1984. It is **relevant** as the first authoritative study exhaustively recording early modern Mexico and Central American events, explicitly referencing the economy. Relevance This is a long way from the time period in question

V-O The **origin** is **valuable** as professor Bethell specialises in nineteenth-century Latin America and has written nine books and numerous papers on New Spain and Spanish colonisation. However, the **origin** is **limited** as Bethell himself admits partial research relied predominantly on a few unestablished primary sources. In the Atlantic Trade section, he stated the sources were 'hardly studied' and 'very uneven in [their] availability and level of sophistication¹.' This **limits** the author's L-O potential to provide a more thorough insight into the economic situation, such as missing precision in data and export types.

V-P The **purpose** is **valuable** as it seeks to provide the first scholarly overview of large-scale Latin American history, providing readers with a comprehensive understanding of critical events, particularly the context of Mexico's economic activity. However, such **purpose** leads to a **limiting** summarisation. Bethell sometimes combines different causations to one central contention, like L-P mixing political and religious incentives behind labour system modifications under crown establishment². These combinations create perplexity amongst readers.

V-C The **content** is **valuable** because four chapters focus on policies' correlation with economic development or harm, including the Illustration of Spanish Destruction, Established Metropolises, Export Economies, and Domestic Economies. They provide figures and reasonings related to the research, such as the balance of trade charts and a description of the taxation system. The **content** is **limited** because Bethell used various speculative statements, suggesting his uncertainty in analysis, L-C including phrases like 'probably out of order,' 'probably facilitated,' and 'maybe 150,000'³. These statements lack specifics and certitude, raising doubt and confusion amongst readers and are unavailing for future studies.

The second source is the 1539 *Juan de. Document signed and Autograph Letter Signed to Hernando Cortés*, part of *New Spain and Early Independent Mexico manuscripts* by David Szewczyk⁴. The document is **relevant**, recording exports, specific goods, and new trade routes. It also records events in Panama, delivering evidence on policies' impacts. Partial relevance

¹ Bethell, *The Cambridge History of Latin America* 2008, p. 599.

² Bethell, *The Cambridge History of Latin America* 2008, p. 267

³ Bethell, *The Cambridge History of Latin America* 2008 p. 83, p.48, p.64

⁴ Szewczyk & Barnes, *The viceroyalty of New Spain and early independent Mexico: A guide to original manuscripts in the collections of the Rosenbach Museum & Library* 1980

V-O Being an official document, the **origin** is **valuable** in presenting the best figures available endorsing economic establishment in trading from crown policies. However, the **origin** is **limited** as the conquistadors were not academically trained, leading to several accountancy mistakes, including not following regular accounting schedules⁵.

L-O but could be better explained

L-P The **purpose** is to present officially to the crown the circumstance and achievements. As a **limitation**, the Spanish held an interest in inflating actual figures and cargos to attract crown approval and support. Nevertheless, this **purpose** is **valuable** in revealing what economic events were essential to the crown by explicitly stating events like management in Panama and new ports established like ‘San Lazaro⁶.’

O-C The **content** is **valuable** because the document specifically stated the types of goods traded, like ‘biscuits, sugar, bacon, and shields⁷.’ These descriptions exhibit the export diversity and the effectiveness of new trade routes in the early stages of colonisation. However, the **content** is L-C **limited** with lacking clarity in the description of revenues and taxes, which for readers, raises uncertainty about real macroeconomic growth.

Word Count: 523

⁵ Szewczyk & Barnes, The viceroyalty of New Spain and early independent Mexico: A guide to original manuscripts in the collections of the Rosenbach Museum & Library 1980

⁶ Szewczyk & Barnes, The viceroyalty of New Spain and early independent Mexico: A guide to original manuscripts in the collections of the Rosenbach Museum & Library 1980

⁷ Szewczyk & Barnes, The viceroyalty of New Spain and early independent Mexico: A guide to original manuscripts in the collections of the Rosenbach Museum & Library 1980

Section Two - Investigation

By 1575 New Spain's economy was in turmoil. It suffered from insufficient indigenous manpower or infrastructure to achieve a European-style, emerging, free-market economic system⁸. There was high inflation, limited aggregate supply, broken markets, and almost no enterprises; practically few exports except gold and silver existed as it was too expensive to ship other goods at great distances⁹. Some historians, such as John Coatsworth and Philip Powell, argue that the Spanish crown policies from 1536 to 1575 were exclusively valueless and were the leading cause of the recession. While others, such as John Elliott and Stuart Schwartz, argue that these policies contained benefits and flaws, other long-term factors, like diseases, were more significant. This essay contends that definite flaws within the crown policies contributed to the depression, such as economic and hierarchical systems. Nonetheless, they still brought minor trade establishments and stability to society, and other long-term factors with a lack of management were more significant.

The crown contributed to the recession through defective monetary and fiscal policies, causing high stagflation and insufficient investments. Crown established an unrestricted-mining policy in 1504 under the *Quinto-real* tax system in which any conquistador could organise mining freely with no capacity limitation¹⁰. The consequential mining rush oversupplied silver, leading to high inflation and currency debasement. There was annual inflation of 20%, and production efficiency decreased, hindering entrepreneurship¹¹. Through the sixteenth and seventeenth centuries, the crown set the free ownership policy with no official establishing proprietorship of firms or investments, indicating the lack of property rights¹². Coatsworth argues that these policies disincentivised businessmen with uncertainty in entrepreneurship activities and hindered corporations with no economies of scale¹³. Moreover, Charles V allowed seizures and confiscations of private treasures, and later, such action became commonplace, with governments seizing cargo arriving in Seville and cancelling promised repayment¹⁴. Merchants were, therefore, disinterested in enterprises and trade. Philip II also defaulted on debts various times since 1557 owed by Genoese merchants, leading to a domestic credit-market freeze with surging interest-rates of 50-90%¹⁵. Last, the *alcabala* tax on traded goods

⁸ Bethell, *The Cambridge History of Latin America* 2008, p. 322-326.

⁹ Bethell, *The Cambridge History of Latin America* 2008, p. 365-366.

¹⁰ Wagner, Henry R, "Early Silver Mining in New Spain." *Revista de Historia de América*, p. 49-71.

Cortés, Hernán, and Jay I. Kislak Collection. "Hernán Cortés power of attorney"

¹¹ Levack, Muir, Veldman, Maas, Brian (2007). *The West: Encounters and Transformations*, Atlas Edition, Volume 2 (since 1550) (2nd ed.)

¹² Vance, John T., *A Guide to the Law and Legal Literature of Mexico*. Washington, D.C. 1945.

¹³ Coatsworth, "Obstacles to Economic Development", p. 92.

¹⁴ Bethell, *The Cambridge History of Latin America* 2008, p. 372.

¹⁵ (Álvarez-Nogal & Chamley, *Philip II against the Cortes and the credit freeze of 1575-1577* 2016)

and the *tithe* tax on all Indian-produced goods led to higher transaction costs¹⁶. The taxes, alongside trade control, default, and legislation, reduced trade. The purchasing power of consumers decreased, and investment and enterprise diminished. Coatsworth hence argues that crown policies generally impeded entrepreneurial activity in New Spain¹⁷. Nevertheless, despite the flaws, these policies should be considered in a sixteenth-century context where powerful nations like England, France, and Portugal all used similar strategies in their colonies, as such policies provided immediate revenues and required low effort¹⁸. Spain was almost constantly at war, which indicated the importance of these profitable yet simple policies. The population at the time held limited economic knowledge, and criticising policies with a significant extent of modern context is unwise. For instance, ideas such as ‘economies of scale’ were not proposed until the 18th century. Notwithstanding this narrative, these economic policies factually worsened the economy, causing several economic crises related to rapid price-level fluctuations and enterprise diminishes. Even after realising the induced damage, the crown only made limited amendments appropriate to local circumstances.

Argument made

Perspective

Accompanying these failed policies was the ineffective hierarchical system with people sent out who were either incompetent or self-interested, destabilising the economy with constant indigenous revolts. The crown set various titles in New Spain, including viceroys, caciques, adelantados, and letrados. They were city rulers, indigenous rulers, military conquistadors, and official lawyers¹⁹. The viceroys and adelantados were supposed to guide the economy and convert local populations²⁰. Instead, they behaved poorly, constantly suppressing the indigenous people with the forced and heavy workload with low-standard wages²¹. Conquistadors’ misdemeanours were prevalent across New Spain²². Suppression and mistreatment against the indigenous population declined the labour force and further promoted battles, such as the Mixtón War led by the indigenous group *Caxcans*.

Evidence

¹⁶ Altman et al, *The Early History of Greater Mexico*, p. 36.

J.H. Parry, *The Sale of Public Office in the Indies Under the Hapsburgs*. Berkeley: University of California Press 1953.

¹⁷ Coatsworth, "Obstacles to Economic Development", p. 93.

¹⁸ A. Webster, *Western colonialism* 2020

¹⁹ Malagón-Barceló, J. (1961). The Role of the Letrado in the Colonization of America. *The Americas*, 18(1), 1–17.

Fisher, Lillian Estelle. *Viceregal Administration in the Spanish American Colonies*. Berkeley, University of California Press, 1967

Murdo J. MacLeod, "Cacique, Caciquismo" in *Encyclopedia of Latin American History and Culture*. Vol. 1, p. 505. New York: Charles Scribner's Sons 1996.

²⁰ A. Webster, *Western colonialism* 2020

²¹ Fisher, Lillian Estelle. *Viceregal Administration in the Spanish American Colonies*. Berkeley, University of California Press, 1967

²² John Huxtable Elliott, *Imperial Spain: 1469-1716* (Penguin Books, 2002). p165-166.

Evidence against the conquistador Nuño de Guzmán and viceroy Don Antonio de Mendoza. Guzmán's policy was to 'terrorise the natives with often unprovoked killing, torture, and enslavement,²³' quoting historical geographer Peter Gerhard. Historians, including Powell, argue that the incompetence of Guzmán and his personal war got the crown involved in other long-term wars, such as the Chichimeca War from 1550 to 1606²⁴. Caciques, appointed indigenous rulers meant to assist Spanish conquistadors, helped local people with continuous revolts²⁵. Major caciques, such as Hatuey and Enriquillo's assistance, worsened the situation, making caciques an inappropriate median between the locals and the Spanish²⁶. Nevertheless, Elliott contends the wars' rebelling **Perspective** nature from a conquest view that part of the Cacique action was due to patriotic or religious reasons instead of solely resentment towards the rulers, which Powell neglected in his argument for suppression leading to continuous battles²⁷. Overall, this hierarchical system still caused much turmoil within the economy with constant fights and local indignation. Spanish rulers' selfish and careless nature undoubtedly slowed down production and supply in New Spain while depopulating **Argument made** the natives. Local authorities were also hindering economic development by further escalating violence. Falling production efficiency and conflicts originated recession in the long run.

Tradings and policy reforms under crown policies favoured the economy. Viceroy and other conquistadors found trading ports such as Campeche in 1541 alongside smaller cities like Colima, Antequera, and Guadalajara, all established during the 1530s. With new establishments and trade **Counter argument** routes, sea trades between Campeche and Veracruz grew, boosting the economy in New Spain; cartographer Girolamo Ruscelli's map recorded an increase of more than 20 new trade routes²⁸. Schwartz hence contends that the policies improved the trading efficiency of mining and agricultural products²⁹. Also, the modified *pepena* system promoted wage increases and allowed **Evidence** miners to take ores themselves, which incentivised the population³⁰. Resultantly, more labour forces alongside enterprises appeared, increasing the aggregate supply and expenditure³¹. These

²³ Quoting Peter Gerhart in "Sixteenth Century Indigenous Jalisco" by John Schmal.

²⁴ Philip Wayne Powell, *Soldiers, Indians, and Silver: The Northward Advance of New Spain, 1550–1600*. Berkeley and Los Angeles: University of California Press 1952.

²⁵ Ida Altman, "The Revolt of Enriquillo and the Historiography of Early Spanish America," *The Americas* vol. 63(4)2007, 587-614.

²⁶ Murdo J. MacLeod, "Cacique, Caciquismo" in *Encyclopedia of Latin American History and Culture*. Vol. 1, p. 505. New York: Charles Scribner's Sons 1996.

²⁷ John Huxtable Elliott, *Imperial Spain: 1469-1716* (Penguin Books, 2002).

²⁸ James Lockhart and Stuart Schwartz, *Early Latin America: A History of Colonial Spanish America and Brazil* (Cambridge University Press, 1983). pp. 64–70, p. 86 map.4

²⁹ James Lockhart and Stuart Schwartz, *Early Latin America: A History of Colonial Spanish America and Brazil* (Cambridge University Press, 1983). pp. 61–71,

³⁰ Reséndez, *The other slavery the uncovered story of Indian enslavement in America* 2017

³¹ Daniela Bleichmar, *Visible Empire: Botanical Expeditions and Visual Culture in the Hispanic Enlightenment*. Chicago: University of Chicago Press 2012, pp. 70–72.

Perspectives

implemented crown policies led to positive impacts on the economy in New Spain. However, in Schwartz and Reséndez's accounts, most positives were before 1545. There were far fewer investments and policy modifications in later periods, indicating that the positive amendments from 1536 to 1575 slowly declined.

Argument made

Additionally, other impactful, long-term problems caused the economic turmoil. There were diseases, including smallpox, measles, and typhus³². Spanish conquistadors came with these diseases, yet the local population was highly vulnerable due to a lack of immunity to alien conditions³³. Diseases led to population decimation from 24 million to only 3 million³⁴. Following the crisis was less labour and falling production. According to local records, major epidemics in 1520 and 1545 caused a 12 and 6 million population reduction³⁵. The effects on children led to future demographic issues³⁶. The natural conditions were not ideal either. Complicated terrains with meagre proper roads created troubles amongst economic transactions, and in rainy seasons, which were five months, transactions were almost impossible³⁷. The language, religious and cultural barriers made infrastructure establishment challenging to implement³⁸. These factors, especially diseases, led to a weakened economy for decades. Even in a stable sixteenth-century society, crown policies would be flawed, let alone this demographic collapse, which became disastrous combined with other factors. Elliott thus asserts that these factors led to a limited supply of labour with inadequate efficiency and ultimately to economic downfall³⁹. In the short term, crown policies did seem more inappropriate and impactful. However, these are the primary factors contributing to a depressed economy in the long run.

Counter argument

Evidence

Argument made

The crown policies definitely weakened New Spain's economy with its monetary and fiscal policies alongside the failed hierarchical system. Despite several trade routes and positive policy modifications, major stagflation, limited investments, and induced conflicts hindered economic growth. Nevertheless, New Spain's implementation barriers, challenging terrains, and diseases with demographic disasters were the primary reasons in the long run. Elliott has commented, 'It is difficult to measure the economic consequences of policies' while 'disease wiped out the native

³² Bernardino de Sahagún, *Florentine Codex: General History of the Things of New Spain 1550-1585*

³³ Cynthia Radding, "'Secret Judgments of God': Old World Disease in Colonial Spanish America," *Hispanic American Historical Review* 73, no. 2 (January 1993): pp. 309-311

³⁴ Cook & Lovell, *Secret judgments of god: Old world disease in colonial Spanish America* 2001

³⁵ Miguel Ángel Jiménez Clavero, "Virus Emergentes y Cambio Global," *Virus emergentes y cambio global*, 2015

³⁶ John Huxtable Elliott, *Imperial Spain: 1469-1716* (Penguin Books, 2002).

³⁷ Ouweneel, Arij (1997). *Shadows over Anahuac: an Ecological Interpretation of Crisis and Development in Central Mexico, 1730–1800*. Albuquerque, NM: University of New Mexico Press. p. 90

³⁸ Castleman, Bruce A. (2005). *Building the King's Highway: Labor, Society, and Family on Mexico's Caminos Reales 1757–1804*. Tucson, AZ: University of Arizona Press. p. 31.

³⁹ John Huxtable Elliott, *Imperial Spain: 1469-1716* (Penguin Books, 2002).

population' and 'strongly [hindered] the economy⁴⁰.' Comprehensively speaking, without proper enforcement and firm control, the policies, accompanied by epidemics and difficult terrains, contributed to the downfall of New Spain's economy.

Conclusion matches
information presented
in the investigation but
could have been a little
more detailed

Word Count: 1323

⁴⁰ John Huxtable Elliott, *Imperial Spain: 1469-1716* (Penguin Books, 2002).

Section Three - Reflection

This investigation allowed me to gain insight into historians' difficulties, including primary source analysis and varied perspectives.

Latin American historians face the problem of finding reliable primary sources in indigenous languages, especially when many early modern primary sources remain blurred, censored, or damaged. While evaluating, because of the defaced manuscripts and language barrier, historians face difficulty coming to a conclusive statement with firm evidence. Other information sources, such as anecdotes and rumours, hold questionable credibility and are inapplicable. I needed

Challenge
identified
and
explained

indigenous accounts on exporting system modification but lacked translated and readable copies. Historians like Lockhart and Schwartz attempted to tackle the challenge of looking for graphical sources such as maps to forge educated interpretations. While not fully accurate, these educated interpretations are crucial guides to historian's exploration of the distant past. However, considering the limited new findings and uncertainty, the interpretation barrier is still a significant challenge. Therefore, I understand the potential limitations and weaknesses in analysing native events with limited accounts, and understand the need for historians to make educated guesses after recognising the uncertainty in the perceived information.

Furthermore, historians are also challenged by the issue of producing a solid judgement concerning a part of debatable history. Historians like Coatsworth, Powell, Elliott, and Schwartz often disagree on important events regarding the crown's impact on New Spain's recession. While the first two contend about the fatal flaws of the mining systems, others argue that there were attempts that worked in favour of the economy. When the latter two assert that the trade established boosted the economy, others claim it was collectively only a minor portion. Initially, in the exploration, I was uncertain and puzzled about which side was more significant. Historians like Bethell checked through the sources and carried out archaic studies in an attempt to address the problem.

Nonetheless, as a high-schooler with limited access to primary data, I am only able to forge judgements based on past historians' contentions and their convincement. This exploration helped me acknowledge the importance of the ability to conduct primary, individual research on controversial events to avoid invalid and partially-focus claims on the past.

Challenge identified and
explained

Word Count: 351

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