THE TRANSPACIFIC TRADE AND BACKWARD LINKAGES: SPANISH MAGISTRATES AND INDIGENOUS ECONOMIES IN GUATEMALA AND THE PHILIPPINES IN THE EIGHTEENTH CENTURY

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The world economy was truly born in the 1570s when a Spanish force from Mexico occupied Luzon and several other islands in the Philippines archipelago. Until that time, America had been tied directly to Europe and Africa but not to Asia. After the founding of Manila in 1571, however, America had direct contact with Asia. Once Chinese merchants discovered that the European newcomers possessed silver, the trans-Pacific trade was on. As Dennis Flynn and Arturo Giráldez have noted, that trade was “born with a silver spoon.”¹ Thereafter, for over two centuries almost every year a ship left Acapulco bound for the Philippines loaded with silver, and another one – and sometimes even more - left Manila bound for Acapulco filled with silk and porcelain. Commerce involving that ship – referred to somewhat inaccurately as the Manila Galleon – constituted one of the most important trade routes in history. Chinese economic expansion in the late Ming and Qing periods was greatly stimulated by the demand for Chinese goods that Europeans could now buy. Furthermore, the flow of silver to Asia must have eased inflationary pressures in Europe, where the rapid inflation of the early sixteenth century gradually declined and became less disruptive.

¹ Dennis O. Flynn and Arturo Giráldez, “Born with a ‘Silver Spoon’: The Origins of World Trade in 1571,” *Journal of World History*, 6, No. 2 (Fall, 1995), 201-221.
Finally, economic expansion in America was greatly stimulated by the development of a whole new trade based on the demand for the silver produced in the Spanish colonies.

The trans-Pacific trade between China and Spanish America – “silk for silver” as Flynn and Giráldez have characterized it – has captured the attention of historians since the time of William Lytle Schurz.² So too have the mining industries of Mexico and Peru.³ Recently, the Chinese side of the trade – the production of silk and porcelain – has received a great deal of attention. And well it should, for it is clear that China was at the time the most heavily industrialized part of the world.⁴ However, what is less often realized is that Spanish America also became heavily industrialized because of the demand for its primary export. What remains to be studied in both China and Spanish America is the variety of backward linkages that developed to provide for the growth and expansion of export industries. The latter, in fact, depended on those linkages for food, clothing, raw materials, beasts of burden, and even, one presumes, entertainment.

as well as the labor necessary for those activities. At the same time, the trans-Pacific trade itself produced backward linkages, for seaborne commerce requires ships, rigging, sails, tools, pitch, barrel-makers, and food. The need to defend the *nao de Manila* required cannons, cannon balls, smaller firearms, gunpowder, lead bullets and swords. Finally, the defense of the trade routes themselves required the construction and provisioning of fortresses at many strategic sites. The multiplier effect of the trans-Pacific trade thus was of enormous importance in the early-modern world economy.

This brief essay cannot study all of these backward linkages. More modestly, I will attempt to analyze in a preliminary way the similarities and differences between these economic activities within the Spanish Empire. I will choose two different regions, each with different characteristics and each playing a different role within the world economy and the trans-Pacific trade. These will be Huehuetenango in highland, land-locked Guatemala, and Ilocos, a lowland province facing the South China Sea in western Luzon.

II

The Spanish empire was run at the local level by officials who combined the roles of bureaucrat and entrepreneur. They were called corregidores or alcaides mayores. Corregidores and alcaides mayores were exactly the same in all ways except for their titles and usually their salaries, for the former tended to earn less than the latter. They were magistrates who ruled over indigenous populations but who had little to do with any non-Indian people who lived in the provinces under their control.

While serving as the lowest level bureaucrats in the Spanish empire, these officials also usually became the primary entrepreneurs in the areas under their jurisdiction. This was because the Spanish crown paid very low salaries. These were
widely regarded as too low to maintain a decent standard of living for its bureaucrats. The magistrates found a solution to this problem: they developed business activities that provided them with enough income not only to live comfortably but in some cases to allow for personal enrichment. This was possible because in areas with a considerable indigenous population magistrates possessed political power allowing them to compel payment of both tribute and debts owed by the people referred to in both America and the Philippines as indios, that is, Indians (a term that shall be used in the rest of this essay to refer to the native people on both sides of the Pacific).

The standard practice of these low-ranking royal officials throughout the empire was what was known as a repartimiento (from the verb repartir: to allocate or pass out): the magistrate extended credit to the native people either for the payment of tribute or for the purchase of goods, and then using his political power he forced the Indians to pay what they owed. Repayment was usually required in kind, in the form of commercial goods. The goods always were evaluated at a price below that of the market, thereby allowing the magistrate to sell the goods at higher prices and to make a profit. Debt collection sometimes required the use of force: village leaders, responsible for collecting the debts, could be incarcerated or whipped to compel payment. These were methods that private merchants had no power to implement. This is why in places with large indigenous populations, private merchants were always either less active than magistrates or formed business partnerships with them to take advantage of the political power that the government officials possessed.

In addition to repartimientos, magistrates also engaged in a variety of different kinds of business activities, once again taking advantage of their political power to supplement their meager government pay. The Spanish crown, of course, prohibited its officials from engaging in any commercial activities in the areas of their jurisdiction, and
therefore repartimientos and all other forms of business with the Indians were illegal. Nevertheless, for most of the colonial period they were tolerated as a necessary evil. The crown punished them only if their greed led to levels of exploitation that provoked the Indians into rebellion, or if they ran afoul of important higher-ranking government officials. The legal status of the magistrates’ business, however, is not of great economic concern. The point to emphasize is that repartimientos and the other business activities of the magistrates were of great economic significance, especially because these royal officials used their positions to make themselves the most important entrepreneurs in the areas of their jurisdiction. These were the people who more than anyone else or any other institution integrated the indigenous people of the Spanish empire into the world economy by setting up the network of backward linkages supporting export industries.

Huehuetenango-Totonicapán This highland province was fifty miles as the crow flies from the Pacific Ocean, in a country that had a coast on two oceans. Inhabited mostly by Quiché and Mam Maya, as well as by small numbers of Jacaltec, Kanjobal, Chuj and Ixil Maya, it was located in the highest of the Central American highlands, in what is now northwestern Guatemala. In 1746 its 54 villages contained 6,810 tributaries, or over 27,000 Indians. This gives us an idea of the size of population in the middle of the eighteenth century, when the repartimiento system probably reached its peak. The non-Indian population was practically non-existent in Huehuetenango.

The province was run by a Spanish magistrate with the title of alcalde mayor. The province might seem to be isolated for it exported nothing to the world economy and imported very little from any other part of the world, but this would be a superficial assessment. In fact, the economic activities organized by the alcalde mayor served to integrate the province into the world economy in a way that while not attention-getting was
nevertheless significant. In fact, this post was considered one of the most lucrative in the whole Kingdom of Guatemala. The salary was low, only 331 pesos per year. However, income from business was estimated by the president of the audiencia in 1738 to be 12,000 pesos, that is, 36 times his salary.

Fortunately the chance survival of documentation relating to an alcalde mayor and his merchant backer will allow us to get an insider’s view of the repartimiento and to analyze in great detail the nature of business and government in highland Guatemala in the middle of the eighteenth century. The documentation resulted from a company that an alcalde mayor named Juan Bacaro founded with a merchant associate named Juan Montes de Oca in 1765. As an outsider, an alcalde mayor needed access to the marketing skills, lines of communications, and personal connections - in short, the local knowledge - that only a resident merchant would have. Since the annual salary of the position was only 331 pesos, Bacaro was not going to get rich on his government pay. Like all the other alcaldes mayores, he took up the post because of the prospect of economic gain resulting from repartimientos.

It was for that purpose that Juan Bacaro joined Juan Montes de Oca in forming a commercial company on 24 July 1765. As far as is known, this is the only example of a contract of this kind yet found. The contract had the following major provisions:

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\[5\] Archivo General de Indias (Seville) (hereafter cited as AGI), Guatemala 603, Expediente diario No. 1, Testimonio de la Instancia de Don Juan de Bacaro, Alcalde Mayor de Gueguetenango..., 1773 (all subsequent folio citations in this case are from this document); AGI, Guatemala 599, Expediente diario No. 1, de Juan Bacaro, 1775; AGI, Guatemala 607, Testimonio de Autos instruidos... 1780, fols. 80-93.
(1) Montes de Oca, the merchant, would find the guarantors that the law required Bacaro to have in order to guarantee the payment of tribute to the Royal Treasury.

(2) Bacaro agreed to invest his financial assets – in fact, his wife’s dowry - making his total cash investment 8,000 pesos. However, his right as alcalde mayor to carry out business in his jurisdiction – the repartimiento - was counted as being worth another 12,000 pesos, raising his total investment on paper to 20,000. Montes de Oca, in turn, would put up 14,000 up front, but after that the latter would be responsible for investing the capital necessary to keep the business going. Their business was specifically identified as consisting of “cotton, tools, mules, cattle, wheat, wool, and tiles.”

(3) Montes de Oca was to provide Bacaro with all the necessary goods to sell in the jurisdiction of Huehuetenango, to take charge of the business accounts, and to provide Bacaro with updated reports on those accounts.

(4) Montes de Oca was supposed to distribute the thread acquired in Huehuetenango through the repartimiento only to weavers of “good credit,” who then would repay their debts by paying in woven cloth.

(5) To insure that Bacaro would not set up competing operations that would have harmed their joint business, the alcalde mayor agreed that he would carry out no business activity in Huehuetenango other than that of the company. On the other hand, his salary as high magistrate – his 331 pesos paid to him annually by the royal treasury - would remain separate from the operations of the company.

(6) The high magistrate and the merchant agreed that upon completion of his term of office, the revenues would be distributed according to a schedule of
priorities. First, Bacaro would receive 12,000 pesos, “the value of the alcaldía mayor” as recognized in the earlier paragraph. Second, the administrative fee that Bacaro paid to get his title of office would be returned to him. Third, all the capital invested by Bacaro and Montes de Oca would be recovered. Fourth, the two associates would be reimbursed for the cost of the “gifts that are customarily given to His Lordship the Lord President Captain General of the Kingdom and to the lord judges of the Royal Audiencia on their birthdays and on Easter.” Fifth, the salaries of the people who carried out clerical work for them would be paid. Finally, whatever money that was left would be split evenly between the two business associates.  

What is important to note in this contract is the inclusion of 12,000 fictitious pesos on Bacaro’s part, the evaluation of his right to carry out the repartimiento. Besides serving as a means to increase Bacaro’s share of the profits – had he put up no capital he could not have expected to share in the profits to this extent - in effect this meant that the office itself was treated as a franchise, the right to do business in Huehuetenango. As Bacaro later explained the system, the principle asset that he brought to the company was “the permission, granted to Alcaldes Mayores by law and municipal custom, in those Provinces, to carry out commerce in the villages and district with the ability to put out [repartir] to the Indians on credit certain portions of items and consumer goods used by the natives.”

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6 Fols. 6-9.

7 AGI, Guatemala 599, Exp. Diario No. 1 (1775), Informe de Juan Bacaro, no date, acted upon by the Consejo de Indias on 31 July 1775.
Of course, other merchants besides Montes de Oca had the right to conduct business in the area. Bacaro himself could even have tried his hand at it without being the magistrate. So what was Bacaro actually contributing to the company by being the alcalde mayor, and why was the merchant willing to give Bacaro such a large share of the profits? After all, the alcalde mayor was going to be allowed to take 12,000 pesos in cash right off the top of revenues, even though his cash investment was less than that of Montes de Oca. Why, in other words, was the alcalde mayor’s right to carry out business considered so valuable when technically any private citizen had the right to do the same?

The answer is to be found in the fundamental difference between a private merchant and a merchant-magistrate: the former had nothing more than economic suasion to force payment of debt. The cost of default would be perhaps harassment and ultimately the denial of future business opportunity to the person who defaulted. However, since most of the Indians were poor and not worth the expense of a law suit, little else would have happened, and the merchant would have had to accept the reality that unpaid debts were losses. A magistrate had options not available to a merchant. He could use the full powers of his office, including the power to arrest debtors and even flog them, to compel payment of debt. Moreover, he had the power to detain and whip the village leaders, who were almost always the people who took responsibility for distributing among the villagers whatever was sold through the repartimiento and then collecting the goods being used to repay the debts.

Therefore what an alcalde mayor had that a merchant did not was political capital in a form that had recognized commercial value. In short, political power, rather than mere market forces, was an integral and essential part of business between government officials and Indians in the highlands of Guatemala – and of course
everywhere else in the Spanish empire. It gave the government officials an advantage over merchants. That is why in the past, when the positions had been sold, people were willing to pay to get political power, and then to use it. That was why the merchant was willing to assign real commercial value to political capital, which in effect became a financial asset.

Of course, market forces were by no means absent from business operations. The value of the franchise varied from place to place in the Spanish empire, depending on the perception of commercial gain. The post that Juan Bacaro had received, the alcaldía mayor of Huehuetenango, was recognized as one of the most valuable magistracies in Central America. During the period from 1675 to 1750, when posts as alcalde mayor were usually sold, it was one of the most expensive magistracies in all of Spanish America, the purchase price rising to 5,800 pesos by the 1740s.  

The 22,000 pesos in cash that the merchant and the magistrate invested in Huehuetenango were eventually supplemented by capital that Montes de Oca borrowed from the heirs of a recently deceased merchant. Montes de Oca eventually spent 67,000 pesos to acquire the merchandise to sell to the Indians and to cover all the other expenses. The company produced revenues totaling between 90,000 and 101,000 pesos in four-and-a-half years of the company's existence. This was not an enormous sum, of course, but it does demonstrate that Huehuetenango can hardly be considered commercially isolated. Unfortunately, the circumstances of the company's abrupt dissolution, a dispute between the two men, makes it difficult to estimate profits

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8 AGI, Guatemala 277, Provisiones de Alcaldes Mayores, Huehuetenango-Totonicapán, 13 July 1750.

9 Fols. 25-27, 11, 57, 72.

accurately, for Montes de Oca, in charge of the accounts, probably understated the real revenues from sales in order to short-change Bacaro. The latter eventually claimed that profits totaled over 28,000 pesos. Nevertheless, it is clear that business expenses ate up a substantial part of revenues. This is an important point, for the contemporary critics of the repartimientto system never took into account the cost of doing business and thus they grossly inflated real profits being made. The reality seems to have been that profits, after expenses had been deducted from revenues and after capital investment been recovered, were good but not spectacular.

To operate a business of this magnitude and, as we shall see, geographical reach, Bacaro and Montes de Oca had to employ several locally-based agents who received commissions of either three or six per cent of the sale price. These associates were located in the capital of Santiago (modern-day Antigua), in Totonicapán, in the province of San Salvador (the source of indigo), and in Ciudad Real (modern-day San Cristóbal de las Casas, Chiapas). Consequently, although Juan Bacaro may have been the lowest-ranking salaried government official in the high magistracy of Huehuetenango, he could not operate without people whose income was not in the form of a government salary. Rather, they were paid out of the revenues being generated by the company.

Although revenues were probably understated in the suit, both sides agreed on the nature of the business. The single-most important item of commerce was thread, usually of cotton but sometimes of wool, spun by Maya women in their houses and then either woven into cloth by the same women using their traditional back-strap looms or shipped to the capital to be made into textiles by weavers there. Second in importance was cloth, especially cotton cloth. At the same time, the acquisition of raw cotton and wool to be spun was a cost of business that the company had to defray. Wool was available in Huehuetenango itself, for the highland province was one of the most
important centers of the sheep-raising industry in Central America. Two types of wool, black and white, appear in the accounts. The most common was white, which in 1772 sold for three pesos per arroba (25 pounds), while the black sold for four pesos.¹¹ The all-important cotton, however, could not be grown in the chilly mountainous environment of Huehuetenango. Therefore the business partners had to arrange to purchase it in the Pacific coastal province of San Antonio Suchitepéquez, where the alcalde mayor of that magistracy made raw cotton into one of his major items of business.¹² After acquiring it from the Indians of his province, the magistrate of Suchitepéquez sold it to the alcaldes mayores of other districts for their business operations.

In practice, therefore, the repartimiento system in Huehuetenango was a kind of putting-out system organized for the purpose of acquiring textiles. The Indian population received money or credit and/or raw materials to spin thread, weave textiles, and raise sheep for wool. Meanwhile people in the coastal lowlands to the south received money or credit in return for the raw cotton needed for the repartimientos in the highlands. The business activities of one magistrate, therefore, depended to a great extent on those of another. The commercial activities of the magistrates thus stimulated the economic integration of the coast and the highlands, that is, areas of different ecological conditions and commercial opportunities.

¹¹ Fols. 98-99.

¹² Fols. 34, 36; AGI, Escribanía de Cámara 358C, Residencia de Manuel Lacunza, Alcalde Mayor de Suchitepeques, 1748; Archivo Histórico Nacional (Madrid) (hereafter cited as AHN), Consejos 20950, Residencia del Presidente Alonso Fernández de Heredia, fols. 1-21 (1768); ibid., Consejos 20952, Pieza 56 (1769); AGI, Guatemala 715, No. 421, Oficio del Presidente al Secretario de Hacienda, 3 Feb. 1804.
The business accounts provide information that illuminates why the repartimiento system was controversial and was often criticized by reformers. Juan Bacaro advanced money or credit to the Indians so they could pay their tribute. The indigenous people repaid most of the debt in the thread that they spun, which was evaluated at two reales per pound, in the case of most thread (coarse, called hilo grueso) or four reales in the case of the higher-quality kind (hilo fino), which came exclusively from the villages of Chiquimula, San Cristóbal, and Aguacaliente. A sample of stock sold in 1772 was made up of 57 percent coarse thread and 43 percent fine thread. Normally the debt had to be paid off in six months, although in practice the Indians sometimes fell into arrears and the thread ended up being paid late. The accounts reveal that the alcalde mayor’s business agent sold the coarse thread to textile manufacturers at the price of six reales per pound, while the fine thread went for eight reales. Gross profits therefore were either 200 or 100 percent of investment, and were realized usually in six months. If the price differential between what the Indians were paid and the eventual price of the goods on the market was in fact disguised interest on a loan, then the rate of interest charged was either 200 or 100 percent – for a six-month loan. To call that usury would be a gross understatement, and it certainly explains why the repartimiento was an important issue in bureaucratic politics. On the other hand, as noted, reformers rarely took the costs of doing business into account, and therefore judgments made by distant bureaucrats were misleading because they over-estimated profits.

Although the alcalde mayor of Huehuetenango carried out repartimientos primarily to acquire thread and cloth, he also advanced money and credit to the Indians.

13 Fols. 80-84.
14 Fols. 80-82, 147-151.
to purchase in advance other goods as well. Most of these were of minor importance, such as lambs, candles, honey, and hams (the latter always mentioned as among the “gifts” given to high-ranking government officials). Of greater significance was wheat, to be taken to cities to be made into bread. The non-Indian population tended to live in those cities, and of course because of their European cultural heritage wanted to eat bread like Europeans. This branch of the business took on considerable importance in 1770 because a locust plague, after destroying most of the indigo crop in San Salvador, ended up causing famine in various places in Central America as well as in Chiapas and Yucatan. It even caused crop failure in parts of Huehuetenango, and the Indians of several villages were granted two years of tribute relief as a result. The shortage of food opened up opportunities, and Juan Bacaro shipped wheat produced in Huehuetenango to Santiago as well as to Ciudad Real. The profits became a major bone of contention between the two because the shipments to Chiapas took place just as the partnership was breaking up. Nevertheless, the activities of the merchant and the magistrate, by stimulating commercial exchange between different regions, demonstrate again that economic integration was an important effect of the business activities uniting business and government in the eighteenth century.

For the most part, then, the repartimientos of the magistrate of Huehuetenango consisted of grants of money, credit, and/or raw materials in return for repayment at a later date in kind. However, Bacaro and Montes de Oca also sold goods to the Indians. Some of these were directly related to textile production, such as cards and looms for making crude sacks. The most important sales to the native people, however, were in

16 AGI, Guatemala 554, Exp. No. 10 (1772).
17 Fols. 139, 142-144.
the form of livestock, namely, mules, bovine calves (to be raised), and cows and bulls (for meat provided at village fiestas). Mules apparently were used exclusively as pack animals to transport goods into and out of the district of Huehuetenango, for the highland mountainous terrain was rarely appropriate for plows and plow teams and the roads were much too narrow for wheeled vehicles. The special nature of Indian demand seems to have been understood as well, for the magistrate also imported quetzal feathers, used in Maya ritual clothing, and sold them to the native people. Agricultural implements like hoes and metal-tipped digging poles (azadones), as well as machetes, figured prominently among the goods sold to the Indians as well.\(^\text{18}\) However, the magistrate also handled imports exclusively for the small number of Spanish priests and colonists in the area. These included cacao for chocolate, tobacco, sugar, gunpowder, shoes, writing paper, and even on one occasion a flute.\(^\text{19}\)

The commercial networks of the company of Bacaro and Montes de Oca were extensive. Most of the livestock sold to the Indians apparently came from other regions of Guatemala, while the iron tools were imported from Puebla, New Spain.\(^\text{20}\) Most of the goods acquired in Huehuetenango were shipped to Santiago, where they were sold, and at that point we lose track of them. However, other sources reveal that cotton textiles were normally shipped from the capital to the textile-importing regions of Tegucigalpa (a silver-mining camp) and San Salvador (the leading producer of indigo, which in the eighteenth century was the most important export from Central America to the world economy). Demand in the latter for cotton textiles was so great that eventually

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\(^{18}\) Fols. 10-11, 97, 144-145, 271; 103.

\(^{19}\) Fols. 5, 27-30.

\(^{20}\) Fol. 97.
San Salvador became a main importer of cloth brought in all the way from China on the nao de Manila. 21

In the capital itself the thread was provided to weavers, who were involved in a putting-out system with merchants like Montes de Oca. 22 Thread was also sold to a small number of non-Indians who were evidently textile manufactures or hat makers (who purchased only woolen thread, which was not as plentiful as cotton). Some stock – more than two and a half tons (5,165 pounds) of cotton thread - sold in the capital in 1772 was purchased by eleven different individuals, two of whom were women. 23

Some of the textiles made in Guatemala, including some manufactured in Huehuetenango, were sent to Oaxaca and from there presumably to Mexico City (for Oaxaca itself was a major exporter of cotton textiles and would not have been importing them from Guatemala). 24 It is probable therefore that many of the textiles shipped north ended up being consumed by the workers in the silver mines of northern Mexico, since it is known that cloth made in southern Mexico ended up there once it had entered into

21 AGI, Guatemala 561, Expediente No. 13, de Juan Ignacio Garzón, 1778; Guatemala 607, Testimonio de los Autos instruidos a concecüencia de Real Cédula, dada en San Lorenzo a 16 de Octubre de 1769..., 1780, fols. 21-29, 61-80; Guatemala 690, Informe del Gobernador-Intendente de San Salvador, 28 July 1786. For imports from China, see AGI, Guatemala 555, Carta de la Diputación de Comercio al rey, 1 Oct. 1772; Testimonio del expediente instruido a instancia de los Diputados del Comercio de esta Ciudad sobre el modo, terminos, y circunstancias…., 1772, fols. 43-52.

22 Fols. 7, 22, 39.

23 Fols. 80-82, 148-151.

24 Fol. 11; Robert W. Patch, "Imperial Politics and Local Economy in Colonial Central America, 1670-1770," Past and Present, #143 (May, 1994), 102.
the commercial networks of the Mexican capital. These inexpensive textiles thus served to integrate Guatemala and Mexico and tie the former into the latter’s export economy as a backward linkage of the mining economy. Wheat, as already noted, went either to Santiago or Chiapas. Meanwhile, since liquidity was always a problem of business in colonial Spanish America, Montes de Oca traded with clients in San Salvador in order to acquire indigo, which was frequently accepted in lieu of cash even by the agents of the royal treasury.\textsuperscript{25} The exportable nature of indigo allowed Montes de Oca to carry out commerce with associates in Cadiz. This in turn got him involved as an investor in a slave-trading company working the African coast.\textsuperscript{26} Business and government thus worked hand-in-glove in Central America not just to effect the economic integration of the region’s provinces but also to tie the region into the world economy as an exporter of indigo (San Salvador) and silver (Tegucigalpa and) and to fund the slave trade.

The costs incurred by the business of Bacaro and Montes de Oca were overwhelmingly of three kinds: (1) the transportation of goods between Santiago and Huehuetenango (goods moving in both directions), between Huehuetenango and Chiapas, and within the district of Huehuetenango; (2) the purchase of livestock to sell to the Indians; and (3) the cost of buying cotton in the coastal province. All goods moved on the backs of mules, for there were virtually no roads for wheeled vehicles. Each mule regularly carried a load of about 250 pounds. The cost per mule was 12 reales (1 peso 4 reales) from Totonicapán to the capital, 18 reales (2 pesos 2 reales) from Huehuetenango to the capital, and 24 reales (3 pesos) from Huehuetenango to Ciudad Real.\textsuperscript{27} At times the mule trains must have been virtual caravans, for during the

\textsuperscript{25} Fols. 5, 53.

\textsuperscript{26} Fols. 53, 76.

\textsuperscript{27} Fols. 102, 139, 152.
food shortage 200 mules carried the wheat from the province to the capital, while 50 transported the grain to Chiapas.28

The only other expenditures mentioned were usually minor: sacks (to wrap up the thread, clothing, and wheat), the cost of labor for wrapping those goods (not inconsiderable in the case of tons of thread), rental of a market stall to sell the wheat, an occasional interpreter for dealing with the Maya, the delivery of mail, and the purchase of an account book. Minor losses occurred because of the theft of goods from a warehouse and when the Indian mule drivers stole a mule load of wheat. Moreover, some of the lard purchased went bad before it could be sold.29

However, the accounts also include a particular expense demonstrating the close relationship between business and government in colonial Spanish America: contributions to government officials. As already mentioned, Bacaro and Montes de Oca had to provide “gifts” to the president-captain general and to the judges of the audiencia on their birthdays and on Easter.30 These, however, were minor. On some occasions sales taxes and internal customs duties were paid, although the merchant and the magistrate frequently seem to have found a way around them. This is suggested by the inclusion on one occasion of payment of customs duties, which had to be done “because of the lack of a guide.”31 However, once Montes de Oca stopped cooperating with Bacaro, the latter could not easily find a way around taxes and ended up paying both customs and sales taxes.32 That seems to have been one of the advantages that an

28 Fol. 139.
29 Fols. 5, 10-14.
30 Fols. 8-9.
31 Fols. 5, 10, 11.
32 Fols. 5, 10, 83, 139, 152.
alcalde mayor had by working with a local businessman with local knowledge. Once the
tie was cut, Bacaro was on his own.

The most important outlay of funds by the company was to pay the tribute of the
Indians of Huehuetenango. Bacaro was of course responsible for delivering this to the
royal treasury, but in practice he shipped whatever money he could collect to Montes de
Oca in the capital, and it was the merchant who actually delivered the tribute. It was
presumably easier doing it this way than for the magistrate to keep tribute and business
accounts separate and then transport the tax revenues to the capital. Business and
government thus worked hand-in-glove and were virtually inseparable. The result,
however, was that tribute came to be considered as simply a cost of doing business, that
is, payment to the king of his share of the profits. Business, in short, was inextricably
linked to colonialism.

*Ilocos*  Unlike Huehuetenango, Ilocos was a province with a seacoast. This influenced
its role in the Spanish empire, for it meant that it had good maritime communications.
This of course worked against isolation and in favor of integration, and in fact the
Filipinos eventually adapted to participation in a new system of world trade set up after
the Spanish occupation. As Francisco Leandro de Viana, the fiscal (attorney general) of
the Royal Audiencia of Manila put it in 1765, “there is not an Indian [native] in these
islands who has not a remarkable inclination for the sea.” The province was

33 Fols. 5, 10, 11, 99-102.

34 Francisco Leandro de Viana, “Memorial of 1765,” in Emma Helen Blair and James
Alexander Robertson, eds., *The Philippine Islands 1493-1898* (Cleveland: The Arthur
H. Clark Company, 1907) (hereafter cited as Blair and Robertson), XLVIII, 301.
devastated by epidemics spread by European expansion, but in the eighteenth century there was substantial demographic recovery. The population of Ilocos may have quadrupled between 1700 and 1800, and probably was near 150,000 in the 1780s.\(^\text{35}\) This meant a much larger population than in Huehuetenango.

Ilocos was a lowland province with a warm, tropical climate, which permitted the production of many crops that could not be raised in the highlands of Huehuetenango. Among these were sugar, cotton, and rice. These were all commercial crops, for although the Philippines had few, if any, regional markets before the Spanish conquest, the founding of Manila meant the creation of what quickly became a vast market for consumer goods. Indeed, the capital city was one of the largest cities in Asia outside of China at the time. The consumer demand exerted by a market of such size opened up opportunities for alcaldes mayores, who also used the province’s maritime resources to sell things needed for the trans-Pacific trade.

From the very beginning of the Spanish presence in the Philippines, Spaniards were interested in trading with other parts of south and southeast Asia. Spanish ships traded far and wide in this vast region in the late sixteenth and early seventeenth century, for with American silver they could purchase the relatively inexpensive Indian textiles needed to exchange for the spices of the Spice Islands. They occupied Tidore and Ternate, thereby infringing on the Portuguese commercial sphere of influence, in order to be closer to that supply. The Spanish thus had considerable success in Asia in the decades after the establishment of their colony in the Philippines. As M. N. Pearson put it, in addition to the fine harbor of Manila “The early Spanish had two other

advantages – capital and determination.” These helped get the Spanish established, and their capital became one of the greatest of Asian emporia in the early modern world economy. Later, however, Spanish participation in trade declined. In the middle of the seventeenth century Indian goods were still being sold in the Philippines, but they were taken by Indian merchants operating in Bantam. Then in the 1660s direct trade between Gujarat and Manila was initiated, the goods being carried by the Gujarati merchant marine. Bengal also participated in this direct trade. On the other hand, sometime in the middle of the seventeenth century Spanish ships stopped going to India. Nor did they go to the Spice Islands or China. What happened?

Pearson explained the decline of direct Spanish participation in the trade in south and southeast Asia as the result of excessive restrictions, Dutch attacks, Spanish withdrawal as a form of deference to Portuguese interests (at a time when the two countries were ruled by the same king), Spanish missionary activity resulting in the exclusion of Spaniards in many areas, and finally “underlying all these factors… a decline in the spirit of the Spanish.”


We shall return to this interpretation later in this essay. In the meantime, what is clear is that the galleon trade peaked in the 1690s and then went into decline. It is no surprise then to find Spanish merchants in Manila in the eighteenth century moving into new areas, shifting their investments, and resuming voyages to India and China. Dyewood was shipped to China for that country’s textile industry, and silver pesos – but apparently never silver bars – were taken to India to purchase textiles there. Many of these were being sent to New Spain on the nao de Manila, as exports of raw silk and porcelain went into decline. At the same time, products made in the Philippines also began to be sent on that ship, as Spanish merchants found a market for fine cotton cloth in America.\textsuperscript{40} Exports from the Philippines continued to expand over time. By the middle of the eighteenth century, if not earlier, rice, sugar, cotton and indigo from the Spanish colonies were being taken, sometimes by \textit{sangleys} (ethnic Chinese living in the Philippines) to the Coromandel and Malabar coasts in southern India and to Bengal as well. Moreover, the same goods, as well as ebony and bird nests, were being exported to China.\textsuperscript{41} At the same time, English merchants, sometimes using Armenians or Portuguese as front-men, were starting to participate in trade with the Philippines. Their efforts to sell English woolens in Manila failed, somewhat predictably, but they had more success with cotton cloth from Madras.\textsuperscript{42} In short, significant changes in trading

\textsuperscript{40} Álvarez de Abreu, “Commerce of the Philippines,” in Blair and Robertson, XLIV, pp. 284-88, 293, 301, 308; XLV, 39-40, 63, 83.

\textsuperscript{41} Nicolas Norton Nicols, “Commerce of the Philippinas Islands [1759],” in Blair and Robertson, XLVII, 257; Viana, “Memorial of 1765 ,” 303-306.

\textsuperscript{42} P. J. Marshall, “Private British Trade in the Indian Ocean before 1800,” in Ashin Das Gupta and M. N. Pearson, eds., \textit{India and the Indian Ocean 1500-1800} (Calcutta:
patterns took place in the eighteenth century. Spanish silver pesos, on the other hand, continued to be one of the main goods shipped abroad, for they were of course highly prized, especially in the big markets of China and India.\footnote{Viana, “Memorial of 1765,” 310.}

This world of enlarged and expanding commercial contacts was the context in which Spanish government officials in the Philippines operated in the eighteenth century, a period for which information about their activities becomes available. Positions in those islands were not highly sought after, and apparently were never sold. Nevertheless, some poor souls were found who were willing to serve the king, and themselves, after a very long voyage overseas. To make the journey, however, many of them had to go into debt, in part because they often purchased merchandise to take with them to sell in order to gain cash quickly. This had unfortunate results from the crown’s point of view, for as the fiscal of the Audiencia explained it in 1765:

The poverty of the alcaldes mayor, their being loaded with debts when they go from Manila [to take up their posts], and the ambition to become rich in a short time, draw them into trading with the product of the tributes in each province; they buy vessels, lade them with goods, and convey these to Manila, or send them to other provinces. If the vessel sink [sic.], if the Moros seize it, or if it run aground on some shoal and the goods are damaged, or if any other disaster occur, the alcalde loses nothing, for he possesses nothing; and the damage is suffered by the king alone.\footnote{Viana, “Memorial of 1765,” 257.}

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\footnotesize{Oxford University Press, 1987), 285; Serafin D. Quiason, \textit{English Country Trade with the Philippines, 1644-1765} (Quezon City: University of the Philippines Press, 1966).}
This gives us an idea of the kinds of business activities of government officials. Once again it will be possible to focus on the activities of a particular magistrate, in this case, Francisco Fernández Zendrera. Unfortunately, however, the reports regarding this official will not allow us to quantify the results of his business operations. Zendrera came to the Philippines in the 1780s with no money but with good prospects because his brother-in-law, Antonio de Andrade, was the fiscal of the Royal Audiencia of Manila. He discovered that entry into the profitable overseas trade required a considerable quantity of capital, which he lacked. Therefore he did what he could, devoting himself at first to petty commerce. He used the goods brought with him from Spain to enter into a partnership with a corporal of the military garrison of Manila who ran a small store. The goods were sold on credit, almost certainly to the soldiers of the garrison, who had a guaranteed salary that could be used for collateral.

Zendrera’s big break came when he got himself appointed, almost certainly with the help of his brother-in-law’s influence, alcalde mayor of Ilocos. He then engaged in the usual business activities of magistrates throughout the Philippines and indeed throughout the Spanish empire. He manipulated tribute to benefit from the ups and downs of agricultural production. Thus when there was a rice shortage, he demanded that the indigenous people pay their taxes in kind because the price of rice was of course higher on the market. On the other hand, when the crop was abundant he made them pay

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45 For what follows, see AGI, Filipinas 653, Informe de los Alcaldes Mayores sobre tierras baldias, produccion y condiciones de las provincias, Ilocos, 1783; AGI, Filipinas 592, Residencia de Francisco Fernandez de Zendrera, Alcalde Mayor de Ilocos, 1787.

46 AGI, Filipinas 633, Expediente 1772.
in money, thereby requiring the people to sell more on their own to pay their tribute. The manipulation of tribute meant that all the risks inherent in an agricultural economy dependent on the weather were passed on to the peasants and all the benefits went to the alcalde mayor. As one priest once lamented, "the losses are for the King and the profits for the alcaldes mayores." 47

Zendrera also carried out repartimientos requiring the spinning of raw cotton into thread and the weaving of cotton thread into a variety of textiles, including bedspreads (sobrecamas). The latter may have been used as sail cloth, and some of the surplus was exported to Mexico. The alcalde mayor also advanced credit for the purchase in advance of the cotton harvest, thus guaranteeing himself a supply of the raw material needed for the indigenous people to spin into thread. He purchased in advance significant quantities of fiber and rope to be used on boats, ships, and probably the nao de Manila itself. He also carried out repartimientos to corner the local supply of sugar, rice, and coconut oil, which were in great demand in Manila. Because practically the province’s entire production of commercial crops was pledged to the alcalde mayor through these advance payments of credit – in effect, a crop-lien system - private merchants found that there was none left for them to purchase. The magistrate also succeeded in selling some goods to the local people on credit. Among these were shoes, which were of doubtful value to a peasantry that never wore them. Perhaps they were destined for use by the indigenous elite.

The alcalde mayor of Ilocos used his power in a variety of ways to extract what he could from the local population. Since cock fights were, and are, extremely popular in the Philippines, Zendrera charged organizers for permission to hold their events. He

47 AGI, Filipinas 653, “Informe de los Alcaldes Mayores sobre tierras baldias, produccion y condiciones de las provincias, partido de Camarines y Albay, 1783.”
set up butcher shops that overcharged their customers by using fraudulent weights. He forced the people to sell him cows at prices that he dictated, rather than at market prices. He required the villages to provide him with servants for his household.

Most interestingly, however, are the ways in which Zendrera used his position to increase production of commercial goods. Thus he forced the people to produce coconut oil in quantities large enough to export, even though coconut oil was not a tribute item. He set up an hacienda to raise rice, and forced the villagers to perform labor services for him. He even set up a manufacturing operation in a factory, and forced the native people to weave cloth, paying them in a kind of paper money of no use outside of the province. He was said to have been so mean as to bring charges of wizardry against a native healer who treated him for snake bite – after having been bitten by the snake in his own factory.

Another of the alcalde mayor’s businesses was shipbuilding. Zendrera took advantage of the location of the province by requiring the indigenous people to build boats for him so he would not have to hire someone else to take his goods from Ilocos to Manila. He forced entire villages to provide almost continuous labor for shipbuilding for over a month, an operation that involved between 100 and 300 workers daily. He operated at least three barcos (probably barques). In effect, his goods were transported free of charge, but of course at the expense of the indigenous people.

The alcalde mayor’s shipbuilding eventually allowed Zendrera to take advantage of the expanding opportunities for trade with other parts of south and southeast Asia. Although evidence is scanty, it is clear that he used the barques constructed for him by the natives to carry out long-distance trade with India. However, this was not to acquire the luxury silk or cotton textiles produced in Bengal or Gujarat. Rather, the ships went to the Coromandel Coast, on the southeast, to purchase the cheap printed cotton textiles
that made places like Madras and Pondichery famous. Even though the currency of this
part of India was the golden pagoda, the local merchants accepted Mexican or Peruvian
silver pesos. This was because they could transport it to the parts of India that were on
the silver standard and trade it for gold.\textsuperscript{48} Therefore the alcalde mayor traded in what he
could most easily acquire from the Filipino natives, namely, rice, cotton, and sugar.
Ilocos, unlike most Philippine provinces, produced white rice, for which there was
greater demand on the world market, and this gave Zendrera an especially valued trade
good. On one voyage his ship sold an undisclosed quantity of rice in Malacca and in
Pondichery. On a subsequent voyage Zendrera tried to ship 3,000 cabanes (132,000
kilos, or about 177 tons) of rice, accompanied by 6,000 pesos in cash, to the
Coromandel port of San Thomé, with the goal of purchasing “efectos” (merchandise),
presumably textiles. However, the ship went down in heavy seas and the cargo was lost.
This got him into serious financial difficulties later because to finance the operation he
had borrowed the 6,000 pesos from the \textit{Temporalidades} – the royal fund resulting from
the confiscation of the property of the Jesuits – none of which was supposed to have
been lent for commercial purposes.\textsuperscript{49} In the short-run, however, it did not prevent him
from becoming a city magistrate (\textit{alcalde ordinario}) and permanent city councilman
\textit{(regidor)} of Manila.

The acquisition of cheap cotton textiles from the Coromandel Coast reveals how
the trans-Pacific trade had changed over time. For the first century and a half of its
history, the trade route had involved American silver moving in one direction and

\textsuperscript{48} Arasaratnam, “The Coromandel-Southeast Asia Trade,” 129.

\textsuperscript{49} AGI, Filipinas 663, Demanda sobre cobro de 6,000 pesos con su premio, dados en el
año de 1785 a corresponder para la Costa de Coromandel, a Don Francisco Zendrera, de
los fondos de obras pías de temporalidades, 1797.
Chinese silk and porcelain moving in the other. But in the late eighteenth century the nao de Manila was also carrying cheap textiles from India. Cotton cloth made in the Philippines, the result of the repartimiento system, was also on board. Cheap cotton textiles made in China were also being shipped to consumers in America despite prohibitions on such imports. The significant demographic expansion of the eighteenth century, which in economic terms caused the expanding demand for clothing as well as for food, thus helped transform one of the most famous trade routes in history. At the same time, the history of Philippine commerce is also evidence of significant changes in China and India. China was no longer the importer of nothing but silver, and India had become interested in importing more than just spices from the Moluccas. Both of the Asian giants had become less self-sufficient in rice and therefore imported it from Spain’s Asian colony. At the same time, their advanced textile industries increasingly required imports of cotton and dyes, which the Philippines could produce.

The business career of Zendrera demonstrates that it was possible at times for a petty merchant – for that is how he began – to rise to the status of international businessman, once in possession of the capital essential for doing so. Yet it should never be forgotten that he acquired that higher status as a result of his political position; without the money, ships, and goods acquired as alcalde mayor of Ilocos, he would never have made it. Moreover, it is unlikely that he would have been appointed to that position without the influence of his brother-in-law. Finally, he would not have been favored with a loan from the Temporalidades fund without collateral, thus demonstrating that money begets more money. Once again, of course, influence was also necessary to overcome the legal objections to such a loan. A variety of different factors, only some of which were of an economic nature, helps explain the career of Francisco Fernández Zendrera.
Why did commerce within the Spanish empire, within Asia as well as between the Philippines and America, work in this way? Why did government officials come to play such an important role, not just in dominating the local indigenous economy but also in effecting economic integration into the world economy? This was, after all, not the way that commerce in the other European colonial empires was carried out.

The reason is clear: magistrates in Guatemala and the Philippines frequently conducted their commercial activities in ways that private merchants could not. They could get the native people in debt and then demand repayment in wheat, a non-indigenous product, thereby forcing the peasants to change to European agriculture. They could refuse to accept repayment in money of repartimiento debts when the price of the contracted goods went up, and correspondingly demand repayment in money if the price went down.

Political power allowed the local royal officials to do other things that private merchants could not. They could interfere with the functioning of local markets in order to hinder other merchants’ trade and favor their own, confiscate the boats of small merchants to delay the transportation of the goods of competitors, prohibit the sale of other people’s goods until their own were sold, and force peasants to sell grain and

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50 AGI, Filipinas 653, “Informe de los Alcaldes Mayores sobre tierras baldias, produccion y condiciones de las provincias, Ilocos, 1783.”

51 AGI, Filipinas 592, “Residencia de Francisco Fernandez de Zendrera, Alcalde Mayor de Ilocos, 1787.”
other goods exclusively to them with the excuse that it was for the king’s service.\textsuperscript{52} An especially enterprising alcalde mayor could force the native people to perform a variety of jobs for him, such as harvesting his crops of wheat or rice, carrying goods like cotton from the coast to the highlands, building roads or bridges to improve communications, constructing boats for his own use, carrying goods to market or even shipping them overseas - all for little or no wages.\textsuperscript{53}

The importance of political power in the achievement of economic goals should not be surprising. After all, although the other European empires in Asia operated differently compared with Spanish colonialism, the other Europeans also used power and even violence to accomplish their goals. The Portuguese were the first into south and southeast Asia, and they were also the first to use violence – in the form of sea power - to establish their factories and naval bases and to force Asian merchant mariners to pay for protection from Portuguese confiscation in order to carry out trade. Similarly, the Dutch and English East India companies used military power to displace the Portuguese, coerce Asians into unequal commercial relationships, and gain an important share of the carrying trade. The British navy also played a significant role in British acquisition of markets in Spanish America throughout the seventeenth and eighteenth centuries. Laissez faire regimes in fact did not exist in Europe and were antithetical to colonial systems. Governments intervened in the world economy as a

\textsuperscript{52} AGI, Filipinas 653; “Informe de los Alcaldes Mayores sobre tierras baldias, produccion y condiciones de las provincias, Ilocos, 1783”; AGI, Filipinas 592, “Residencia de Francisco Fernandez de Zendrera, Alcalde Mayor de Ilocos, 1787.”

\textsuperscript{53} “Informe de los alcaldes mayores sobre tierras baldias, produccion y condiciones de las provincias, Cagayan, 1783,” AGI, Filipinas 563; “Residencia de Francisco Fernandez de Zendrera, Alcalde Mayor de Ilocos, 1787,” AGI, Filipinas 592.
matter of course, and did not hesitate to kill human beings to accomplish their goals.

What the Spanish contributed was a political system in which a bureaucracy ruling over
millions of native people was paid for in part by the illegal business activities carried
out by the bureaucrats who were supposed to be impartial judges over the people under
their jurisdiction but who in fact used power to accomplish their goals.

Conclusions

The repartimiento system can be understood in part as a form of tolerated
corruption. However, as the above descriptions make clear, it was more than that. It was
above all else a commercial system integrating the provinces of the Spanish Empire. It tied
regions of different ecological conditions into networks of trade based on regional
specialization. It allowed merchants profiting from textile production in highland
Guatemala to provide mining camps with goods necessary for the miners to work, to ship
dye to the textile industry of Europe, and to invest in the African slave trade. It allowed
entrepreneurial magistrates on the other side of the Pacific to export rice, sugar, and dye to
the great industrial powers of Asia and to ship textiles to America for consumption by the
people who worked in the mining camps and on indigo plantations. The Spanish empire
thus united the industries of China and India with the industries of Europe (for they all
consumed American-made dyes), the importers and exporters of human cargo in Africa,
and the mines and plantations of America.

At the same time, the repartimiento’s involvement with the Indians became one of
the most important branches of the peasant economy. Tribute in many cases became
nothing but an adjunct to the magistrates’ business. It is important to note that
repartimientos of money or credit were usually carried out on St. John’s Day (June 28) and
on Christmas; by no small coincidence, those dates happened to be the days when tribute
payments were due. The payment was treated as a normal business expense of the magistrates and their business partners. Tribute in effect was the king’s share of the profits. The repartimiento, by absorbing the tributary system, became the most important mechanism for extracting wealth from the peasants and for incorporating the native people into the regional and world economies.

The commercial system run by the magistrates worked so well in part because it took advantage of an already-existing division of labor by gender. Everywhere, cotton cloth was the major trade good handled by the magistrates, and everywhere men and boys produced the raw cotton while women and girls did the spinning and weaving. The repartimiento thus tapped the surplus labor of men, women, and children, that is, the entire peasant community.\(^{54}\) It also was successful and endured for centuries because it took advantage of already-existing structures of production. Spinning, weaving and cultivation of cotton and grains were traditional branches of the indigenous economies of Mesoamerica and the Philippines; in most places new productive processes were not needed. Economic exploitation and commercialization, while disruptive in some contexts, were completely compatible with native traditions, and thus indigenous culture had a better chance of adapting to colonialism rather than succumbing to the excessive demands of the colonists.

Finally, studying regions or localities from the perspective of the Spanish empire as a whole can draw attention to both commonalities and differences. Spanish colonialism clearly had to adapt to what the invaders found, and thus in places like Argentina, Chile, the Amazon, the Caribbean coasts and islands, northern Mexico, Florida, Texas and the US

southwest it was impossible to base a colonial regime on a native economy because that economy was too close to subsistence; the imposition of tribute or the exaction of labor services would have caused the people to starve to death – and indeed forced labor caused starvation when imposed in the Caribbean. Missions were founded to teach the Indians agriculture in order to raise them above the level of subsistence. This never worked. On the other hand, wherever the indigenous people were a peasantry, that is, producers of a surplus, Spanish colonialism adapted and extracted the surplus through tribute. In Mesoamerica and the Philippine islands, the indigenous economies were so productive that the people could pay tribute and provide labor services without danger of societal collapse. Tribute, in turn, was the key to the success of the Spanish magistrates who carried out the repartimiento.

This in turn raises questions regarding the Philippines. It is sometimes believed that Filipinos were close to subsistence at the time of the Spanish invasion. However, given Spanish failure elsewhere to transform people from subsistence to surplus producers, it is likely that Filipino society was already organized enough to be able to respond to the challenge presented by Spanish demands. Filipinos were already agriculturalists and some of them paid more than half their rice production to their lords as tribute. They lived in lineage-based village-sized units called barangays which organized production and extracted a small surplus, and they already had political rulers with considerable authority. What was clearly lacking was a regional state ruling over many barangays, but this does not mean the non-existence of a surplus. Overall production in the archipelago was significant enough to attract the presence of Chinese and Malay merchants before the arrival of the Spanish.\(^5\)^\(^5\) Moreover, they apparently responded to market incentives when

the Spaniards shortly after their arrival began to purchase food and other goods. These conditions did not exist in most of the subsistence economies mentioned above, and where they did exist – on the Caribbean islands – disease and overwork wiped out the native people within fifty years of contact with the Spanish. The Philippines, as we have seen, were not free from epidemics, and the Filipino population decreased substantially after 1571. Nevertheless, demographic decline was not as catastrophic as elsewhere, and society did not collapse.

It is important to note, then, that Spanish colonialism was not just destructive of indigenous societies; it also constructed new societies by forcing people to be more productive, which resulted in the Philippines from the introduction of the Chinese plow. Spanish colonialism then introduced a more extractive system of tribute and the repartimiento in order to take advantage of the productive capabilities of the Filipino people. The empire tied them into the regional and world economies, and in the process it tended to homogenize, at least to a point, the indigenous people. The “Indians” of the Philippines would have been readily recognized as Indians by Spaniards with experience in America. In short, where conditions were similar, so too were the results.

This imperial perspective also casts doubt on Pearson’s interpretation of the decline of Spanish participation in the Asian trade in the seventeenth century. Clearly, mercantilist restrictions inhibited trade, but evidence from the rest of the empire suggest that such restrictions usually just added to the cost of doing business as a result of the need to pay

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56 Luis Alonso Álvarez, El costo del imperio asiático. La formación colonial de las islas Filipinas bajo el dominio español, 1565-1800 (México: Instituto de Investigaciones Dr. José María Luis Mora y La Universidade da Coruña, 2009), pp. 234-245.

57 Corpuz, An Economic History of the Philippines, pp. 36-38.
bribes. Profit levels, moreover, were maintained in part because the mercantilist restrictions, far from hurting all forms of commerce, in fact protected monopolies and limited competition. Dutch attacks were more serious but were not continuous, and ceased after 1648. Spain’s missionary policy clearly did lead to complete exclusion from Japan, but did not have an impact on relations with the more important Chinese until the early eighteenth century, and would have had no impact at all in non-Muslim India. On the other hand, Spanish deference to Portuguese interests in order to mollify the Spanish take-over of Portugal and its empire was quite important as a cause of Spain’s withdrawal from trade in Asia, and helps explain why the Portuguese were allowed to carry out commerce from which the Spanish were excluded and why their operating as front men for others was usually overlooked.

Least defensible of all of Pearson’s explanation, however, is the assertion that “underlying all these factors was a decline in the spirit of the Spanish.” Spanish entrepreneurial activity was quite evident elsewhere in the Spanish empire in the seventeenth century, and therefore the lack of “spirit” is an argument that is difficult to support. A more important explanation of withdrawal from Asian commerce in the seventeenth century was the mere size of the Spanish mercantile community in Asia. The entire Spanish population of Manila was only around 200 in the early seventeenth century, and reached only 882 in 1709. The number of merchants must therefore have been equally small and undoubtedly unable to take advantage of all commercial opportunities. Therefore merchants chose to invest their time and money in what was most profitable, and clearly this meant importing silver from America and using it to buy Chinese goods brought to Manila.

58 Antonio Álvarez de Abreu, “Commerce of the Philippines with Nueva España,” XLIV, p. 282; XLV, p. 43.
When circumstances changed and the profitability of the galleon trade was declining, Spanish merchants shifted their interests and investment into other areas. Zendrera’s business, begun in Ilocos and extending to Malacca and the Coromandel Coast, is an example of this shift. It is also a manifestation of how Spanish magistrates as far removed from each other as Juan Bacaro and Francisco Fernández Zendrera adapted to what they found and carried out commercial activities that while illegal nevertheless served to unite the Spanish empire through commercial networks based on personal interest. The Spanish crown, supposedly concerned first and foremost with the dispensation of justice, often lamented that its magistrates were probably not good judges for the people over whom they ruled because of conflict of interest. However, they were undoubtedly quite excellent judges of what was economically possible and commercially profitable.