CHAPTER TWENTY ONE

IMPERIAL ECONOMIES

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INTRODUCTION

This chapter presents an overview of the overseas Iberian empires’ economic systems and its main trends over the course of the sixteenth and seventeenth centuries. It outlines the type of productive structures dominant in each empire and examines the exchanges and connections within the two Iberian empires, and between the Iberian empires and the rest of the world. The first section of the chapter briefly discusses the motivations for the Iberian overseas expansion. The second section analyses the economic structures of the territories under colonial rule. It highlights the factors that shaped economic activity, such as pre-existing local conditions, goals pursued, and the institutional frameworks regulating land ownership and labour, considering changes and shifts that both empires underwent across time and space. The third section takes up the Iberian commercial networks across the world and discusses their role as drivers of globalisation. It deals with the well-known intercontinental routes of Carrera de Indias and Carreira da Índia, while also examining the role of American silver in global trade. The last section looks into the impact of the Iberian transoceanic flows in the domestic economies.

THE ORIGINS OF IBERIAN OVERSEAS EXPANSION

In 1581 when Philip II, king of Spain, was acclaimed as Philip I of Portugal he also became the legitimate ruler of the overseas territories, which by then had been incorporated into the Portuguese Crown. Until 1640 when the Union of Crowns came to an end, the Spanish and Portuguese overseas possessions were thus unified under the same ruler. Although run separately, together they comprised territories extending from the Americas—New Spain, Peru, and Brazil—to Asia—Portugal’s Asian strongholds and the Philippine Islands, including a few fortresses and trading posts in Africa. Despite its geographic dispersion, it was a worldwide empire, the largest the world had ever known, whose origins go back to fifteenth-century Iberian overseas expansion.

Various explanations have been put forward to account for this expansionist drive, several of which place its motives against the background of a national framework. Overseas expansion was, however, a European phenomenon, an assertion that
requires examining the Iberian expansion within a wider historical context—late-medieval Europe’s commercial relations with the East and the search for precious metals to offset the adverse balance of payments. Recent studies have also brought attention to the influence of the *Reconquista*, as a common factor in the forging of the Portuguese and Spanish empires (Elliott 2015, 202). Other common factors include the geographic location of the Iberian peninsula—at the crossroads of Mediterranean and Atlantic sea lanes—as well as consecutive breakthroughs in nautical science, including shipbuilding. The caravel stands out among the innovations, considering that it became the main conduit of the early Iberian expansion. This was, in fact, the ship that the Portuguese used to circumnavigate Africa—before it was eventually replaced by the larger carrack (*nau*)—and that Castilians used to sail to the Canary Islands in the early fifteenth century and Columbus used in his inaugural voyage to America in 1492. The precise characteristics of the process through which older Mediterranean traditions ended up constructing caravels apt to navigate across the ocean are still under debate. However, few scholars doubt that the caravel, and with it the European expansion to other continents, was the result of the convergence of northern European and Mediterranean shipbuilding traditions in the Iberian peninsula (Schwarz 2008, 23–42; Casado Soto 1991, 121–144). Early explorations also benefited from improvements in such navigational instruments as the astrolabe, the cross-staff, the quadrant, and the compass (Turner 1998, 29–37).

The concurrence of these factors led the Iberian powers into overseas expansionist ventures throughout the fifteenth century. Portugal took the lead with the successful conquest of Ceuta in 1415. Shaped by ideological and political motivations stemming from the *Reconquista* and engaging mainly the nobility and the royal house of Avis, the seizure of Ceuta proved, nevertheless, to be crucial for exploratory voyages given that it bolstered the hopes that Sudanese gold could be accessed by sea. Combining trade and plunder, probing expeditions southwards were soon periodically organised, eventually leading to the discovery or rediscovery of the Atlantic islands. Between 1425 and 1480, the Portuguese went on to settle the uninhabited archipelagos of Madeira, Azores, Cape Verde, and São Tomé. Together with the Canary Islands, whose conquest was first conducted by Castilian nobles before being reclaimed by Isabella of Castile in the late fifteenth century, the Atlantic archipelagos played an indispensable role as experimental laboratories of the social, economic, and institutional framework of Iberian imperialism. Colonising institutions—the Portuguese royal land grant system (donatory captaincy) and the Spanish *encomienda*—were first tried there before being implemented elsewhere, as was the setting up of the first plantation economies, based on slave labour and sugar production.

**THE ECONOMIC STRUCTURE OF THE IBERIAN EMPIRES**

By the mid-1500s, the Portuguese overseas empire comprised an array of widely dispersed territories, strongholds and trading posts, incorporated by various titles of acquisition and stretching from Brazil to the China coast. Differently from the Spanish, this was a maritime empire, connected by sea routes, which is best described as being organised in “two great subsystems”. On the one hand, an Atlantic system,
encompassing Brazil, as well as the mercantile stations (feitorias) of western coast of Africa and the Atlantic islands and, on the other hand, Portuguese Asia with its string of trading posts, fortresses, and territories, spanning from the East African coast to South China Sea (Schwartz 2007, 20–21). Local conditions prior to the arrival of the Portuguese differed greatly and so did the economic goals pursued by central authorities and settlers in each of these complexes. Accordingly, different institutional solutions were implemented to develop and protect economic activities.

Built from scratch and going back to the first half of the fifteenth century, the economy of the first Atlantic complex was based on three pillars – sugar, slaves, and gold. In the island of Madeira, settlers concentrated on sugar production after a short-lived wheat production cycle. Benefiting from capital investments by Portuguese and foreigners (Genoese and Flemish), by 1480, the output of the 80 sugar mills processing cane was estimated at 100,000 arrobas (1 arroba = 32 lbs, or 14.69 kg). Beginning in the 1480s, the expansion of this cash crop in São Tomé was equally impressive, with output levels reaching 175,000–200,000 arrobas in the last quarter of the sixteenth century (Godinho 1982–1984, Vol. 4, 96). The emergence of a plantation regime in the Atlantic islands rested on an institutional framework—the donatorial captaincy—that replicated, with some modifications, the royal grant of lordship, common in late medieval Portugal. By royal gift (doação), private entrepreneurs were granted royal jurisdiction over a specified territory and, more importantly, empowered to allocate plots of land to settlers through a carta de sesmaria, a medieval Portuguese land title.

Originally intending to add economic value to unused or vacant land, the sesmarias became a powerful instrument to attract settlers, given that the plots, provided that they would be put to cultivation within a specified period (3–10 years), were given in full ownership (Saldanha 2001). As such, this land grant system became the basis of a wealthy group of landowners and was later on successfully introduced to promote agricultural production in Brazil. Sugar production in the Atlantic islands depended on slave labour, at first acquired in the Canary Islands and the Mauritania coast, later on from the Gulf of Guinea. Conducted by private individuals, the slave trade was organised around royal trading posts, of which Arguin and Mina (present-day Elmina) stand out. Data of the volume of slaves passing through the Portuguese trading posts is scarce, although one estimate points to a yearly average of 2,200 slaves between 1450 and 1530 (Schwartz 2007, 24). Hence, long before the peak of slave labour demand from Brazil, the Portuguese were already controlling the slave trade, thanks to a chain of permanent trading posts along the African coast and in the islands of Cape Verde. The last pillar in the first Atlantic system—gold—was obtained via the Portuguese factory-fortress of São João da Mina. The king enforced a royal monopoly over the gold trade and between late 1480s and the 1550s, 332 kg of gold (ca. 25 million réis), on annual average, were shipped to Lisbon (Costa et al. 2016, 80–81). The gold flows decreased continuously after the 1530s, but this was largely compensated by the high economic returns from the Portuguese Cape route, following Vasco da Gama’s inaugural voyage in 1498. Its success was backed by the establishment of the Estado da Índia, which in turn, justifies the empire’s economic shift to the Indian Ocean in the first half of the sixteenth century.

The onset of the Estado da Índia dates back to the early 1500s, when the Portuguese acquired a few strategic sites (Goa, Malacca, and Hormuz) as part of their goal to
replace the Italian cities in the profitable role of middlemen in the Asia-Europe spice trade via the Cape route. As an economic system, however, by the 1530s *Estado da Índia* depended heavily on intra-Asian shipping routes that linked port cities such as Malacca, Hormuz, and Mozambique to the main port of the *Carreira* (Cochin), carrying pepper, spices, and other commodities to be loaded onto the *Carreira* ships (Schwartz 2007, 26–27; Pearson 2007). The growing involvement of the Portuguese in intra-Asian port trade had been carved out through naval power and by eliminating competition from Muslim merchants. A complete monopoly of trade and navigation in the Indian Ocean was never enforced, but the *Estado da Índia* was nevertheless marked by an endemic state of war, mirrored in a string of factory-fortresses scattered from East Africa to Malacca and in permanent warships patrolling the seas. In those trading stations, royal officials were entrusted with supervising the royal monopolies over the intra-Asian trade of pepper, cinnamon, and nutmeg, among other products, established in the early decades of the sixteenth century. Private trade was, however, built in the system from the onset, with the result that many *casados* (settlers) and soldiers residing in Portuguese-controlled settlements were engaged in this intra-Asian trade.

By the mid-sixteenth century, the crown withdrew its direct participation in regional trade, transforming some of the monopolies into regional *carreiras* and concession voyages, given as reward for military services or contracted out to private individuals (Subrahmanyam 1993, 137–142; Disney 2009, 155–157). Although bringing new opportunities to private entrepreneurs in the state-controlled trade, intra-Asian trade remained the most important single source of revenue of the *Estado* thanks to the collection of custom duties and to the enforcement of a system of licences (*cartazes*). Sold for a specific fee, the *cartazes* equated to a protection cost and granted Muslim allies safe passage across the Indian Ocean, provided they called at one of the Portuguese-controlled customs houses, being Goa, Diu, Hormuz, or Malacca. Not surprisingly, by 1580s customs duties amounted to 60% of the crown’s total revenues in Asia, while ca. 25% derived from land rents, which is a reminder that land occupation was not absent from the *Estado da Índia* (Matos 1994). Recent studies have, in fact, brought attention to the fact that the incorporation of a handful of territories (Goa, Bassein, Daman, Ceylon, and Mozambique) led the Portuguese to create a framework for the regulation of land issues. In contrast to the *sesmarias*, largely used in the Atlantic Islands and Brazil, in Asia the Portuguese resorted to the juridical framework of *emphyteusis*, which proved flexible enough to translate the pre-existing land tenure system and to accommodate the goals of the colonisers. Indeed, by acknowledging overlapping rights to the same plot of land and its produce, the *emphyteusis* was better suited to regions where a well-defined set of property rights already existed and where colonisers aimed at collecting land revenue rather than exerting direct control over agricultural production (Serrão and Rodrigues 2012). The *prazos* system bears witness to a legal hybridity that characterised land regulation in Bassein, Daman, and Mozambique (Rodrigues 2013; Miranda 2014).

After 1590, fierce competition from the Dutch and the English, as by several Asian potentates, led to the loss of ports and strongholds and to a serious decline in trade operations, with the worst losses occurring between the 1620s and the 1640s. The Portuguese Crown kept a few disperse settlements (Mozambique, Goa, Daman,
Diu, Timor, and Macao), but by then Lisbon’s attention had long shifted again to the Atlantic, thanks to the rise of the Brazilian sugar economy in late sixteenth century. Brazil’s colonisation had been a protracted affair that stands in contrast to the rapid pace of Spanish settlement in the New World. A comprehensive program of occupation only took shape in the 1530s, with the creation of 14 donatorial captaincies, following the model successfully used in the Atlantic islands. By 1570, sugar cane production was expanding fast, as the number of sugar mills multiplied in the captaincies of Pernambuco and Bahia. In the first decade of the 1600s, Brazil produced ca. 735,000 arrobas a year and the output kept rising to reach between 1–1.5 million arrobas in the 1620s, a level that would not be surpassed until the mid-eighteenth century (Schwartz 2004). This growth was driven by rising prices in Europe and supported by capital investments from Portuguese merchants, but sugar mills were also funded by investors from elsewhere in Europe, notably from the southern Low Countries. Enslaved Amerindian labour was used to work on engenhos, which also existed in the Spanish Caribbean, but it declined rapidly, more so than in Spanish America, for reasons related to opposition from Jesuit missionaries and to their extremely high mortality rates. When Portugal gained a foothold in Luanda (1575), African slaves from Angola began replacing native labour in the engenhos (Schwartz 1985).

Linking Brazil and Angola, sugar and slaves thus formed the basis for the trade networks of the second phase of the Portuguese Atlantic system, which emerged by the end of the sixteenth century (Mauro 1983). Between 1600 and 1620, this complex yielded significant profits both for the crown, through taxation, and to colonists and merchants. In the following decades, the sugar economy would suffer changes as Portugal was dragged into the military conflicts that opposed Spain and the Dutch Republic in the Eighty Years War (1568–1648). Warfare and the emergence of competing supply markets in the Caribbean were among the pressures faced by Atlantic complex. Yet, peace with the Dutch (1661) created conditions for recovery, mirrored in the diversification of agricultural output, which included tobacco. By the end of the seventeenth century there was no doubt that Brazil was the cornerstone of Portugal’s imperial activity.

The Spanish American colonial system differed significantly from the Portuguese Atlantic system, both in its main features as well as in its historical evolution. Despite containing regions suited for the production of tropical cash crops, the Spanish would only develop a large-scale plantation system in their Caribbean islands later than the Portuguese. This different situation had to do with such factors as the Spanish focus on the production and exportation of bullion, the initially limited labour supply of African slaves—in comparison to Portuguese—in Spanish Latin America, and the expansion of agricultural production and a proto-industry of textiles, ceramics and metal objects, among other manufactured products.

Spaniards laid the economic basis of its American empire during the first half of the sixteenth century, parallel to the conquest of the discovered lands. The initial settlements of Spaniards in the Americas were in Cuba and Hispaniola. From the Caribbean, Spanish conquerors violently and quickly overthrew the most powerful pre-Hispanic empires of America—the Aztec Empire in Mesoamerica, and the Inca Empire in the eastern area of South America. In 1519, Hernán Cortes left Cuba bound for the coast of Yucatán. In 1521, he had already conquered Tenochtitlan,
the capital city of the Aztecs. Francisco Pizarro, alongside Diego de Almagro and
the priest Hernando de Luque, led the conquest of the Inca Empire. In 1533, Pizarro
dominated Cuzco, and two years later the Spaniards founded Lima. The two leaders
knew how to exploit the political differences within both empires and to align the
enemies of Aztecs and Incas with their purposes. Mexico City-Tenochtitlan and
Lima became the two capital cities of two Spanish Viceroyalties in America, New
Spain and Peru, respectively.

During the early years of the exploration and conquest of America, the
Capitulaciones of Santa Fe regulated the Spanish settlement in the new lands.
According to them, the crown got half of the newly conquered territories, and
Columbus, who was appointed viceroy of the new lands and whose titles would
be heritable, would obtain a tenth of the wealth produced by the new lands.
Furthermore, the Capitulaciones drew a model of conquest similar to that of the
Portuguese, a model based on the establishment of trading posts. However, once
the conquest of the main indigenous centres of power came to an end in the 1530s,
the model of settlement changed. Charles V & I, Holy Roman Emperor and king
of Spain, was able to prevent that the conquerors became feudal lords of American
lands (Céspedes del Castillo 2009, 26–82).

As soon as Castilian conquerors realised that the discovered lands were nei-
ther Catai (part of present-day China) nor Cipango (Japan), they redefined the
economic purposes of their enterprise. The major goals of the Spanish conquerors
and their descendants became agricultural production and rent-extraction. In this
context, it is worth considering the main forms of land and labour exploitation
and how they changed over time. Initially, in the late fifteenth and early decades
of the sixteenth century the enslavement of indigenous people (naturales or indios)
extended over the territories controlled by the conquerors (Zabala Vallado 1981).
Parallel to enslavement, other forms of forced labour over indigenous extended
and ended up overshadowing enslavement. One of the most important was the
encomienda. Following the Spanish model of encomienda, American indigenous
paid an encomendero a tribute, either in kind or in services or, more rarely, in cash.
In return, encomenderos had to protect and guarantee the evangelisation of their
encomendados. Although the encomienda of tributes in service was abolished in
1532, the encomienda of tributes in kind was maintained throughout the sixteenth
and seventeenth centuries. There were some 600 encomiendas in New Spain, among
which those of Nueva Vizcaya and above all the valley around Mexico City were the
most important, and 500 in Peru, where Spanish conquerors and their heirs inherited
encomiendas in the jurisdictions of Lima, Bogotá, La Plata, Quito, Chile, and Buenos
Aires (Elliott 2015; Gibson 1964; Cramaussel 1992; De la Puente Brunke 1990).
In the case of Peru, the coerced labour regime known as mita, which consisted in
annual labour service granted to the king, continued during the colonial era and
overlapped with the encomienda system. Another relevant form of forced labour
was the enslavement of African peoples, who became the basis of the economy of
plantations in the Caribbean (Philips 2011, 325–349; Eltis 2000).

Not all was forced labour in America. There was free labour in agricultural
work, which grew over the sixteenth century as the demographic catastrophe that
casted the conquest provoked a continuous demographic fall in each American
region (Borah and Cook 1971, 1974, and 1979). Workers at mints and tobacco
and earthenware factories were free workers. In the main cities of America, apart from artisan guilds to produce textiles and ceramic, there were obrajes - workshops that produced manufactured products such as wool, cotton and linen textiles, metal objects, and gold and silver objects. One or several European or Creole proprietors owned the obrajes, where indigenous massively worked in varied conditions—from waged labourers to forced workers who had been punished for crimes or must work to redeem debts. The rise of obrajes initially fostered imbalances in the Spanish Atlantic trade system, as their final product was commercialised in the American markets, which did not stop growing during the seventeenth and eighteenth centuries. The spread of manufactured goods such as textiles, which had been produced in obrajes, limited the importation of Iberian textiles in America. Iberian producers, who had seen the market opening of America as a great opportunity, were adversely affected by the success of this colonial proto-industry (Romano 2004, 159–241; Miño Grijalba 1993; Lorenzo Sanz 1986, 440–441). Last but not least, mining—especially silver mining—deserves a special mention because of its importance in the international economy of America. Silver mines were privately owned and worked by indigenous populations. However, owners had to pay a 20% tax (quinto del rey) over the value of gold and silver to the crown. Zacatecas in the Viceroyalty of New Spain and Potosí in Peru became the leading producer silver mines in America, especially after 1550, when the introduction of the patio process in the extract of silver, based on the use of mercury amalgamation to remove silver from ore, cheapened the production costs (Bakewell 1971, 1989; Lacueva Muñoz 2010). As a result, Spanish American silver production and transmission became one of the most important factors in the growth of the American economy during the seventeenth century. Even though silver coins barely filtered into the everyday economy of the majority of the American population, silver production fostered the economic growth of such important sectors as regional commerce and international trade of the Viceroyalties of New Spain and Peru (Romano 2004). It is worth noting that silver was not the only driving force in the rise of Spanish American economy, because there were many others—growth of Creole and Iberian population and end of the indigenous demographic fall, agrarian production growth, proto-industrial expansion and specialisation, and expansion of credit and improvement of credit techniques (Miño Grijalba 1993; López-Cano and Valle Pavón 1998).

In the Philippines, Spaniards developed labour and agricultural systems similar to those of America. Although Iberians had stepped on the Philippines in 1521 for the first time, Spaniards did not conquer the islands until the last third of the sixteenth century. In 1565, the American expedition headed by Miguel López de Legazpi and Andrés de Urdaneta discovered the Kuro Siwo ocean currents, which allowed them to sail back to America across the Pacific Ocean. After several years of conquest, the Spaniards controlled the island of Luzon, and partially that of Mindanao and other minor islands of the archipelago (Phelan 2010). The archipelago became a General Captaincy of the Viceroyalty of New Spain. Following the colonial Mexican model, the Spanish conquerors divided the native units of settlement (barangays) into new forms of settlement, which facilitated the extraction of tributes from natives through the encomienda (Hidalgo Nuchera 2002, 75–86; Alonso Álvarez 2002, 37–48).

To sum up, the economic structures of the Iberian empires in Asia and the Atlantic were shaped by different pre-existing conditions in different local contexts, to which
the Portuguese and the Spanish responded with different institutional solutions. Not surprisingly, some main features were remarkably distinct. Based on donatorial captaincies, *engenhos* (sugar mill), and on an enslaved labour force, the Portuguese Atlantic system was more market-oriented from the onset. The Portuguese benefitted from an international network of investments and sought to produce tropical products for Europe and Africa. In the case of Spanish America, the exports to Europe in the sixteenth century consisted mainly of highly valued products, such as precious metals, given that the plantation economy and the production of such commodities as sugar and tobacco in the Caribbean remained a relatively small-scale operation until the late seventeenth century.

Similarly, the Iberian colonial offshoots in Asia also carved out significant distinctions between them. Portuguese Asia with its string of fortresses and strongholds was an enterprise based on trade and tax collection and, as such, stands in contrast to the territorial settlement of the Spanish in the Philippine Islands. Nevertheless, the institutional framework that shaped the land tenure system in both empires in Asia presents a striking similarity. Indeed, the institution transferred to the Philippines, an adaptation of the New Spanish *encomienda*, bears a resemblance to the *prazos* system that characterised land regulation in Bassein, Daman, and Mozambique, in that both aimed at rewarding military services and translated into the collection of land rents.

**IBERIAN CONNECTIONS AND GLOBAL TRADE**

The economies of the Iberian empires depended on maritime networks that connected the home countries with their overseas territories, while also linking the latter with one another. The Spanish *Carrera de Indias* and the Portuguese *Carreira da Índia* were the major shipping routes, through which not only commercial exchanges but also the circulation and movement of people took place. Linking New Spain with the Philippines, the trans-pacific trade conducted by the Manila Galleon (*Galeón de Manila*) became a third long-distance commercial axis in the Iberian worlds in the late sixteenth century. Although these three commercial routes were institutionally independent, porosity between them and participation of Portuguese in the Spanish commercial system was persistent. Given the significance of trade, it is worth pointing out from a renewed perspective how the organisation and connection of the Spanish and Portuguese commercial systems, and silver trade, articulated both empires during the sixteenth and seventeenth centuries.

For the early modern period, the Portuguese colonial trade is often depicted as an almost complete monopoly, run by state institutions by which earnings of the exchanges were mostly channelled to the crown’s coffers. The *Carreira da Índia* is usually brought up as the best example to illustrate this notion. For one, the crown held monopoly rights over pepper and spices imports, while also claiming exclusive rights over the Cape route. As such, trade with Asia hinged on several restrictions: Lisbon was the staple port city, shipping was organised by the crown and vessels sailed under a compulsory convoy system. The most important institution for Asian trade, the *Casa da Índia*, was entrusted with organising shipping and trade in Lisbon, while a shipyard (*Ribeira das Naus*) and a warehouse (*Armazéns de Guiné e Índia*), both managed by royal officials, provided support to the *Carreira*. 
Like the Spanish Carrera de Indias, however, the Portuguese Cape route gave ample room for private trade operations, carried out by merchant networks operating in free competition. Private merchants traded in non-monopolised goods, and the value of their share carried in the Carreira’s carracks increased over time (Boyajian 1993, 29–52; Costa 2013). Until the mid-century, the cargos were mainly composed of pepper and other spices, with yearly averages of imports amounting to 35,000–40,000 quintais (1 quintal = 58.7 kg), but the amount of pepper imports decreased in the following decades (Costa et al. 2016, 81). This fall, which coincided with a rise of shipping costs and a decline in the rate of returns, was compensated by a shift in the structure of the cargos. Indeed, by the end of the sixteenth century, the Carreira showed a growing openness to private capital, eventually becoming a supply line for Asian textiles, namely Chinese silks and Indian cotton fabrics. Such a shift is intrinsically connected with an expansion of the slave trade in the South Atlantic, underpinned by increased demand for labour, both from the Portuguese and Spanish Americas. Given that cotton textiles were bartered for slaves, this shift provides evidence that the Cape Route became a conduit for trade flows with a global scope (Costa et al. 2016, 84).

Like the Portuguese Carreira da Índia, monopoly is the term normally used to characterise transatlantic Spanish trade. Monopoly must be understood here in its early modern context. Until the eighteenth century, the Carrera de Indias trade was based on three pillars: (i) exclusivity of the staple port of Seville in Spain to trade with America, in the peninsula, and the staple ports of Havana in Cuba, Veracruz in New Spain, and Nombre de Dios-Portobelo in Tierra Firme, to trade with Spain, in the Americas; (ii) access to trade with the Indias was an exclusive right of the merchants’ guilds of Seville—which had been established in 1543—Mexico City—founded in 1592, and Lima—created in 1613; and (iii) shipping was organised on the basis of a convoy system, whereby two annual merchant fleets—convoys—sailed from Spain to America and then made a return journey—one to New Spain and another to Tierra Firme-Perú. In addition to the merchant guilds, which ensured access to trade, served as a mercantile court for guild’s members, and fixed the price of freights (fletes), the other institution that regulated the Carrera de Indias was the House of Trade (Casa de la Contratación). Founded in 1503 and state-run, the House of Trade organised trade and shipping in Seville, while fulfilling several other tasks such as collecting custom duties, registering immigrants, licensing captains, and functioning as royal warehouse and sailing school. The crown not only participated in trade but also collected import and export taxes (almojarifazgo) to fund the institutional operations that kept the Carreira alive. Ships of the Carrera de Indias were built in royal shipyards located in northern Iberia, but shipbuilding expenses were covered by merchants through the avería tax (García-Baquero González 1992). In light of English and Dutch commercial companies operating in Asia and America, traditional scholarship portrayed a negative view of the Spanish transatlantic system that preceded the “free trade” policies of the second half of the eighteenth century, because of its monopolistic nature. However, recent studies are offering a different interpretation. New research is emphasising that the number of participants in the Spanish transatlantic trade was larger than any definition of monopoly might denote. Many more merchants than the strictly allowed to trade, which is to say the members of the merchant guild, actually participated in trade (Cachero Vinuesa
Furthermore, Baskes (2013) has recently argued that the fleet system proved to be a rational and effective structure at lowering the riskiness stemming from the unpredictability of supply, the danger of market saturation, and military threats.

Alongside the number of participants in transatlantic trade, new research is also looking into the formation of business partnerships (compañías de comercio) among hombres de negocios (businessmen) as part of their strategies of operating in transoceanic circuits. Apart from merchant families who rose by making profitable businesses, ennobling their lineage and buying rural properties, people from different social sectors, especially relatives of emigrants living in America, seamen, and petty sellers, also invested in transatlantic trade (Vila Vilar 1991). How could these non-necessarily rich people invest in such a risky enterprise? The way these businessmen from America and Iberia found to lower riskiness in long-distance trade was the deployment of monitoring strategies to control investments. They resorted to the agency of sailors and traders travelling across the ocean to collect debts and information, which enforced the control and knowledge of the state of markets (Cachero Vinuesa 2010).

The main import product in Spain from America was silver from the mines of Zacatecas in New Spain and Potosí in the Viceroyalty of Peru, which served to articulate international trade within Europe and between Europe and Asia, and to finance the political structure and wars of the Habsburg Crown. Other products such as hides, cochineal dye, indigo, cacao, chocolate, sugar, and tobacco also arrived in the port of Seville from America. In exchange, merchants from Seville—and merchants from other European cities who used Sevillian merchants as front men—exported textiles, wheat, and wine to America (Lorenzo Sanz 1986). During the sixteenth century, growth of transatlantic trade was spectacular. Between 1503 and 1610 the number of ships and tons crossing the Atlantic went up by a factor of 5. Furthermore, according to official data of the House of Trade, silver imports in Seville did not stop growing until ca. 1610 (Oliva Melgar 2005; Hamilton 1934). From the 1610s onwards, official data show a drop in all trade indicators. For many decades, the interpretation of that declining pattern in transatlantic trade has been debated among scholars. In contrast to those who interpreted the fall during most of the seventeenth century in terms of crisis (Chaunu 1956, 1136–1296; García-Baquero González 1994, 115–135), today most historians agree that the fall in trade, as observed in the level of tax collection, was not a crisis of trade, but a crisis of the Spanish monopoly on the Carrera de Indias. English and Dutch growingly and illegally traded in the Spanish routes and Seville itself, and, for obvious reasons, these exchanges were not recorded in the tax accounts (Oliva Melgar 2005).

Differently from the Portuguese Carreira da Índia and the Spanish Carrera de Indias, trade with Brazil was conducted freely by private merchants from the onset, with connections extending to several port cities in the home country (Lisbon, Porto, and Viana). However, the system excluded the participation of foreign merchants since 1605, when the crown explicitly extended already existing restrictive laws to commercial relations with Brazil. Against the backdrop of the global struggle against the Dutch, the situation changed. Coinciding with the chartered trading Company of Brazil (Companhia Geral do Comércio do Brasil, 1649–1663), which received the monopoly over the commerce with Brazil including the supply of African slaves from Western Africa, a compulsory convoy system was put in place for the trade
flows with the three main Brazilian ports—Bahia, Pernambuco, and Rio de Janeiro. Given that the organisation of the fleets was organised in Lisbon, the capital became the staple port for trade with Brazil and indeed for the whole Portuguese colonial trade, considering that it was already playing this role for the Cape route since the early sixteenth century. The Company of Brazil went out of operation in 1663, but these restrictions, together with the exclusion of foreigners, remained in place and were a central feature of the Portuguese colonial trade until 1810.

The interconnectedness between both empires becomes evident when we zoom in on the role played by individuals and their networks in acquiring and transferring resources across borders. For one, during the Union of the Crowns, many of the approximately 2,000 Portuguese established in Madrid were active in the *Carrera de las Indias*, probably accounting for about a fifth of its total business volume (Boyajian 1993, 43–44). Within the different component parts of the Iberian empires, merchants’ interests, identities, and juridical barriers determined the relationship between Spaniards and Portuguese and although their relation in Asia oscillated between collaboration and conflict, permeability across frontiers of the two empires grew during the sixteenth and seventeenth centuries (Herzog 2014, 141–155; Centenero de Arce and Terrasa Lozano 2008, 289–302; Subrahmanyam 2007, 1359–1385). In the New World, Portuguese migration streams to Spanish America—such as Cuzco and Lima—bolstered the economic fusion of the two Iberian Americas, a fact that is mirrored in the popularity of the *peruleiros*, merchants of Portuguese origins with business dealings in southern Peru. Considering that they sought silver, their role was vital for sustaining economic transactions in Portuguese America. From the late sixteenth century onwards, a thriving contraband linking Buenos Aires and Rio de Janeiro involved slaves and sugar, bartered for considerable quantities of silver, provides evidence for the economic complementarities between the Rio de la Plata basin and South-eastern Brazil (Alencastro 2000; Canabrava 1984). Furthermore, trade between America and China across the Manila Galleon route was as much a Spanish as a Portuguese enterprise, even though trade between the Portuguese port of Macao and the Spanish entrepôt of Manila was supposedly forbidden. Some of the most prominent Portuguese merchant families of the late sixteenth and seventeenth centuries shaped commercial networks which went from Portugal to America across Melaka and Macao. In fact, some of the Portuguese who financed commercial exchanges of Chinese silk for American silver between New Spain and the Philippines across the Pacific Ocean were members of the same families—Gomes Solis, Fernandes Ximenes, Fernandes do Brasil e Tinoco, Frias de Salazar—who lived in Asian ports and in such American cities as Mexico City (Boyajian 1993, 64–85). In doing so, Portuguese trading families became truly globalising agents across the Iberian empires during the sixteenth and seventeenth centuries.

Silver bullion played an inescapable role in the rise of Iberian empires during the sixteenth and seventeenth centuries. Since the patio process of silver extraction was invented in the mid-sixteenth century, American mines became the main producers of silver, followed by Japanese silver mines, in the world. Motivation for silver production in the sixteenth century is inextricably connected with China’s voracious demand for silver, in the aftermath of the disintegration of its paper-money system (Von Glahn 1996, 48–70). International trade became driven by a 100%
price premium for silver within China, which led most merchants of the world to ship substantial quantities of silver to China, in exchange for Chinese goods. Despite some changes comprising the crisis of the Ming dynasty and the fall of Chinese silver value in the 1640s, this pattern continued until well into the eighteenth century (Flynn and Giráldez 2002, 391–427; Flynn 2015).

Thanks to silver, Portuguese and Spaniards became the pioneers in the development of the world system trade by connecting American trade with European and Asian commercial routes. For one, Spanish America was the world’s main producer of silver in the sixteenth and seventeenth centuries. Furthermore, both Spanish and Portuguese were actively involved in shipping American silver to China, either through the Manila Galleon or the Cape route. In addition, for a few decades the Portuguese served as middlemen for the export of Japanese silver to China, by way of the “great ship of Amacao”, until they were replaced by the Dutch in the 1630s (Boxer 1959, 7). English and Dutch commercial companies and traders displaced Iberians in Asia and the Caribbean as the main European traders during the seventeenth century. However, the English and Dutch entrance into world trade was paved by sixteenth-century Spanish and Portuguese commercial expansion. Indeed, aspects like the Iberian sailing expertise, their opening-up of new commercial routes, their institutional responses to new economic challenges, and American silver production as well, formed the background for the English and Dutch empire-building and trade boom from the mid-seventeenth century onwards (De Vries 2003).

EMPIRES AND DOMESTIC ECONOMIES

It is common to present the Iberian colonial ventures as missed opportunities—or, at least this is an oft-cited judgement which is rooted in nineteenth-century imperialism and based upon mercantilist policies that regulated intercontinental trade in the seventeenth century. It is taken as given that colonies should supply raw materials to the mother country and, in turn, serve as protected markets for the mother country’s manufactured goods. Yet the Iberian empires of the sixteenth century were not conceived of in this way, nor do they entirely fit within this model. Throughout most of the sixteenth century, overseas demand for European products in the Portuguese empire remained very weak. On the one hand, the colonial population was very small and grew only slowly in Brazil, whereas any effort to inculcate amongst the native Indians a taste for European habits of consumption depended upon a process of acculturisation that proved very slow and complex. On the other hand, trade with Asia was conditioned by the fact that Asians wanted very little of what Europeans had to offer, due to their highly developed industrial centres. The Spanish empire faced similar conditions. Until at least the middle of the sixteenth century, it is difficult to think of a powerful pole of demand for European industrial products in the new worlds (Yun-Casalilla 2018). For a number of reasons, the Spanish did not systematically try to substitute original American industries. The Amerindian population was decimated, with catastrophic consequences, while emigration from Castile was relatively slow, so that by 1580 there were around 115,000 Spanish in America. Because of their habits of consumption, these groups formed the potential demand for peninsular manufactures. But, despite being significant in other senses, this market was not the panacea which it has often been taken to be.
Furthermore, for the Iberian monarchies the overseas trade mattered mainly because of its fiscal role. Indeed, central governments were more concerned in increasing revenues from custom duties or monopoly rights over certain colonial goods, than in developing markets into which domestic products could be exported. This was also the reason for the interest in mining and why the shipments of precious metals—first gold, later silver—fed the fundamental part of the imperial system (Hamilton 1934). These were empires based upon a rationale, perhaps flawed in the eyes of today’s economists and protectionist politicians, but consistent in the context in which they acted.

The result was that, even if until 1570–1580 levels of emigration were notable, especially in the Spanish case, this was not, however, sufficient to generate a strong overseas demand for Iberian manufactures. Moreover, the influx of American silver coincided with a rise of demand in the peninsula, which contributed, together with urbanisation and demographic pressure, to a revolution in prices—an inflationary process—without precedent. International merchant networks were greatly strengthened: the Portuguese Jewish networks, which were increasingly influential in Brazil, Asia, and the north of Europe (Boyajian 1993; Studnicki-Gizbert 2007), and the networks of Castilian, German, Flemish, and Genoese traders, who formed a genuine “international republic of money”, upon which the financing of the international policies of the monarchy also depended. From this point two processes, seldom directly linked, took place from 1560–1580 onwards. The first originated in the American mining boom, which fed a rising tide of silver into the global economy and encouraged the development of the American plantation economy, which in turn brought about a greater demand for European products and an intensification and diversification of Atlantic commerce (Phillips 1990). The second major process consisted in the intensification and diversification of the Euro-Asian trade facilitated by the inflows of American silver. Both processes united to the extent that they coincided with the Union of the Crowns (1580), even if this was just one episode among many and did not constitute the only driving force of the process (Yun-Casalilla 2018).

Overall, the impact of the transoceanic trade flows on the Iberian domestic economies is a topic on which little consensus has existed among scholars. According to many, the colonial system produced mainly negative effects on the home economy, while others have been toning down this perception by underlying some of its positive impacts in the domestic economic sectors. Framing the discussion within a comparative economic history of empires, recent estimates have shown that the input of resources and goods from the overseas possessions impacted positively on the domestic economies of the Iberian peninsula in that they contributed to keeping real wages at a higher level and to promoting urbanisation (Costa, Palma and Reis 2015; Palma 2016). However, the benefits from empire differed significantly across time and space. In the sixteenth century, at the height of the Asian imperial trade, the contribution to Portugal’s domestic economy was very small, which might be surprising given contemporary descriptions of the riches accruing from the Carreira da Índia. Spain reaped even smaller benefits from the empire in the same period, despite the inflows of silver, because the value of per capita trade with its colonies was lower. Both Portugal and Spain’s real wage then increased slightly in the seventeenth century, but the returns from empire still produced larger effects in Portugal as opposed
to its neighbouring kingdom where they were moderate (Costa, Palma and Reis 2015; Palma 2016). Larger in Portugal or moderate in Spain, the positive impact of colonial trade was ultimately not enough to counteract the economic divergence with the core economies of England and the Dutch Republic which probably opened in late seventeenth century, for reasons that are to be sought in the domestic economic structures (Chapter 9).

CONCLUSION

The imperial economies of Spain and Portugal laid the foundations for the worldwide economic performance of both monarchies during the early modern era. Spain and Portugal began their imperial enterprise approximately at the same time and were shaped by similar factors. Not surprisingly, Spain and Portugal’s imperial economies shared some similarities, while also showcasing contrasting features as a result of different responses to diverse local conditions.

For one, part of the institutional framework which regulated the Spanish and Portuguese worldwide trade was similar and the crown played a crucial role in defining monopolistic enterprises. However, monopoly here must not be understood from a modern perspective. Both the Spanish Carrera de Indias and the Portuguese Carreira da Índia shared similar features. The two commercial routes entailed a tight control of the crown by way of staple ports and a convoy system, while merchants conducted private trade operations in non-monopolised goods. The same could be said about the Manila Galleon (Galeón de Manila), even though in this case the concentration of trade in fewer hands was greater than in the Carrera de Indias and the Carreira da Índia. The Iberian imperial economies were, thus, probably less a monopoly than the trading companies of the Dutch and the English. Furthermore, Spanish and Portuguese merchants conducted operations and transferred resources across the boundaries of their respective overseas territories, notably Spanish America, Brazil, India, Macao, and Manila, providing ample evidence of the interconnectedness between both empires.

As for the dissimilarities, they had more to do with production than with the trade of Asian and American goods. The Portuguese imperial economic system was dual. On the one hand, Portuguese Asia with its string of factory-fortresses and merchant communities depended on pre-established intra-Asian trade flows and on tax collection. With its main Asian entrepôt—Manila—Spain could hardly have ever developed a similar system. On the other, Brazil rapidly built its colonial economy on plantations and engenhos, in which slave labour became the basis of sugar production, leading to the inclusion of trading stations of West and Central Africa in the Portuguese Atlantic system. In Spanish America, on the contrary, the production and export of bullion and the expansion of agricultural production and a proto-industry of manufactures were predominant, especially during the sixteenth and part of the seventeenth centuries. In spite of the expansion and relative strength of the Iberian overseas enterprise, from the seventeenth century onwards the Dutch Republic and England shot up as main European trading powers and, in due course, their domestic economies would grow at a faster pace than the Iberian peninsula. Nevertheless, Spain and Portugal were successful in keeping vast territories across the world under the same political structure and, thanks to wide-reaching merchant
networks, draw returns from them, which ultimately produced positive effects in their domestic economies. This is the reason why the Iberian colonial ventures were not missed opportunities. On the contrary, they marked the path to the opening up of a new historical period.

NOTE

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