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The Politics of Protection: Interpreting Commercial Policy in Late Bourbon and Early National Mexico

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The breadth, depth, and persistence of political instability in independent Mexico have long been the object of historians' attention. "Mexico," writes one, "experimented with monarchy, moderate constitutional republic, radical populist regime, conservative government, and liberal government; each in turn failed to produce stability."¹ From 1824 through 1853, Mexico experienced the "institutionalized disorder" of "manifold pronunciamientos . . . endless cabinet changes, and several lurches to the political left or right."² Repeatedly invaded, blockaded, partitioned, and plunged into civil war between 1835 and 1867, Mexico was for most of its early history more a geographical expression than a political one. "The present state of anarchy [has] lasted for a quarter of a century," editorialized *The Economist* in 1861. "There is no power in Mexico. . . . It is not a nation. It is not a state. It is not a government at all."³ This was not an isolated opinion.

Endless turmoil—the absence of an effective, legitimate, and enduring center of power—gives rise to no end of explanations. Lucas Alamán (1792–1853)—historian, statesman, political economist, and above all no liberal—blamed skepticism, the Enlightenment, and the collapse of the Spanish Empire for Mexico's difficulties. The fall of the Bourbon monarchy in 1808 revealed deep divisions whose legacy Mexico had never quite overcome. Catholicism and colonialism were the elements that had bound the nation, but they did so no longer.⁴ In a different vein, Thomas Jefferson spoke for republicans who found Spanish America's "regal Catholicism" abhorrent. By 1817 Jefferson was predicting a future of Bonapartes, if not Bonapartism, for the insurgent colonies.⁵ And, indeed, by the Mexican War (if not before), most observers in the United States thought that Mexico was hopelessly corrupt, ill-governed, and deficient in republican civic consciousness: a priest-ridden nation to which progress came slowly, if at all.⁶

Economic explanations of Mexican instability focus on the trade cycle. In the long run, the volume and value of trade linked public finance to the tariff. The ebb and flow of trade made recurrent revenue crises inevitable, and shortfalls were "militarized" by the large share of the military in national spending. As Anthony Butler, the American chargé d'affaires in Mexico in 1830, put it, "The praetorian bands of Mexico, like those of ancient Rome, must have money and indulgences, and those who promise fairest secure their aid, until one promise fails or a better one is made."⁷

Yet the story was rather more complex. Mexico now confronted something other than a world of recurring, but essentially predictable, trade cycles. For the independence of Mexico coincided with a profound change in the dimensions and pattern of international trade.⁸ By the 1830s, the volume and value of this trade were expanding rapidly, and the terms of trade—the relative prices of exports and imports—were in a state of flux as well.⁹

Moreover, nations such as Mexico and Peru were more than passive bystanders in the international arena. Each reacted to the changing circumstances of international trade in ways that reflected their own domestic political interests and economic endowments. In this context, the shaping of commercial policy—the making of the tariff—was a critical and widespread concern of early national political economy in Spanish America. There were perfectly logical reasons for this pervasive concern. Only trade restrictions in some form could "moderate" the disruptive effects of the new trade in wage goods, such as inexpensive cottons. Trade adjustment in early national Spanish America was a prolonged, painful, and costly process. As patterns of comparative advantage shifted, protection offered relief, if not salvation, to producers whose very existence was threatened. In independent Mexico, then, political economy was essentially the political economy of the tariff. The economics of the tariff was the economics that really mattered. Hence the focus of this essay.¹⁰

History and Theory

The story begins with the commercial history of the Spanish Empire under the Hapsburgs and the Bourbons. In broad outline, the tale is well known.¹¹ Here we need only repeat that trade between the Indies and Spain was in theory governed by a detailed and closely regulated regime. For fiscal and military reasons, formal access to the trade was restricted to licensed groups of merchants in Mexico City, Lima, Seville, and, later, Cádiz. Of course, the reality was far different. English, French, Dutch, and

Portuguese smugglers had made significant inroads into legal trade by the late seventeenth century, and crises, such as the War of Spanish Succession (1700–1713), were marked by pervasive contraband.¹²

Nevertheless, it was not until the eighteenth century that formal, systematic changes in the trading system were undertaken. Until the 1780s, consumer demand in the Indies (with the exception of small, peripheral economies such as Chile, Venezuela, and to a lesser degree Peru) was far from integrated into the international economy. Historically, Spanish fleets carried textiles that cost far too much to be consumed by any but a small segment of the colonial elite. In Mexico perhaps one in six people could afford imported textiles at the end of the eighteenth century, and some contemporaries judged the market even smaller.¹³

Yet by the middle of the eighteenth century, significant changes in this well-established regime were clearly visible. Because of the growth of mining, Mexico's capacity to import expanded, and its demand for imports increased. Contraband grew to perhaps half of all international trade, and the colony's older artisan textile industry was placed at risk.¹⁴

In other words, the extension of "free trade" to Mexico after 1789 revealed the nature of its comparative advantage. With the advent of this looser system, the famous if misnamed *comercio libre*, Mexico received larger quantities of European (and English) textiles than before. As the supply of shipping to the Indies grew, the cost of transportation fell (abetted by technological improvements), and cheaper goods, such as English cottons, could be imported. The new system may not have been revolutionary, but the traditional import-export merchants, who hated competition, protested vigorously.¹⁵ By the 1810s some of them alleged that the old woolen manufactories of Querétaro, Mexico City, and Guadalajara—holdovers from an age when the colony of necessity produced much of its own textiles—faced a cost disadvantage of as much as 50 percent in dealing with imported British cottons. The artisan communities of Mexico City, where thousands went unemployed, and those in Puebla, Querétaro, Oaxaca, and San Miguel demanded protection from imports. These complaints continued well into the 1820s and 1830s.¹⁶

In the century after 1750, in short, the Mexican economy entered a new international environment. The growing productivity of British textile manufacturing and shipping led to a sharp fall in import prices, particularly after the transient inflation of the Napoleonic Wars (1793–1815) had passed. The volume of international trade then expanded dramatically after 1815, and the terms of trade slowly improved.¹⁷

Still, old patterns of production in Mexico died hard, and painful adjustments were necessary. The manufacture of colonial woolens, for example, was nearly as old as the Spanish presence in Mexico and supplied everyday fabrics for a variety of uses. It could not withstand the "new international order" of the nineteenth century. By the late 1810s, the price of imports into Mexico had fallen sharply. By the 1820s, it was reportedly a half or a third of what it had been under the old Hapsburg fleet system.¹⁸

Nevertheless, as David Brading pointed out nearly two decades ago, the impact of *comercio libre* was by no means uniform. As new merchants in Veracruz, for example, competed away the profits of a formerly restricted trade, alternative investments became more attractive. Indeed, Brading ascribes the late colonial mining boom in part to a flow of resources from other sectors of the economy.¹⁹ In this he was undoubtedly correct, as the following example suggests.

Consider the case of textiles. A fall in the international price of textiles implied a rise in the price of Mexican silver in terms of textiles—change in relative prices, in other words.²⁰ A given quantity of Mexican silver could now purchase more cloth. The profitability of mining would rise, and in relation to it the profitability of domestic textile production would fall. If possible, and over time, Mexican investors would shift from manufacturing textiles to mining more silver; if possible, labor would move as well. As a result, the patterns of trade and domestic production would change. Mexico would manufacture fewer textiles and mine more silver in order to import cloth. And in fact this is more or less what happened.²¹

This example suggests the possibilities inherent in a systematic analysis of responses to commercial change in early nineteenth-century Mexico. And indeed, models of trade adjustment provide one avenue of study. They explain the shape and substance of commercial policy in an economy confronted by profound changes in the international arena. But just as important, they illustrate Mexico's ability—or inability—to adapt to changes that coincided with the early years of independence. In so doing, they shed more than a little light on the dynamics of the economic crisis that confronted Mexico after separation from Spain.

A Specific-Factors Model of Trade

Let us examine a simple model of the Mexican economy at the end of the colonial period, a so-called specific-factors or short-run model.²² It assumes that the economy has only two sectors, textiles (T) and mining

(M), and that only capital (K) and labor (L) are employed in producing cloth or silver. The level of capital is specific to each industry. That is, specific machines can be used only for a specific purpose. Looms have no use in mining, nor picks and shovels in weaving. On the other hand, labor is mobile and can move between textiles and mining. Supplies of labor and capital are assumed to be stable and fully employed. Finally, the economy is a small one; its actions have no effect on the world price of silver or cloth. Of course, it is possible to relax or change the assumptions of the model and obtain different results.

But even modeling Mexico as a small economy whose actions cannot affect the price of cloth or silver is not unrealistic. At the peak of the Mexican silver bonanza of the late eighteenth century, the price of silver on the London market fell by less than 4 percent, even as production rose by more than 50 percent.²³ In other words, an elastic demand for specie and bullion worldwide boosted real revenues from silver production in Mexico almost as rapidly as silver could be mined. Small wonder that many Mexicans believed the road to wealth was paved with silver.

This model has several implications. Given its assumptions, Mexican (domestic) prices are given by

$$P_t = P_t^* (1 + z_t)$$

$$P_m = P_m^* (1 + z_m)$$

where P_t and P_m are the domestic prices of textiles (T) and silver (M) respectively; an asterisk denotes foreign prices, which are assumed to be given to the country; and z is the import tax rate levied on any of the commodities. Consequently, even if the country is small and cannot affect world prices, a change in the import tax rate will have a direct effect on the level of domestic prices.

Consider what occurs when the relative price of Mexican silver (M) increases. (This, we recall, is what happened as English industrialization, changes in the supply and productivity of shipping, and modifications in Spanish commercial policy combined to drive down the world price of textiles [T] even as the price of Mexican silver remained stable.) Producing silver rather than textiles becomes more attractive to Mexicans, since the purchasing power of a unit of silver increases. As a result, resources should flow from domestic textile production to silver mining. But, by assumption, capital is fixed in each sector so that labor alone can move. As a result, capital in mining becomes more productive. If payments to labor and

capital reflect their relative productivity, the owners of mining capital will receive a higher return. Indeed, the rental rate of mining capital will increase by a larger margin than any of the prices of final goods (that is, textiles and silver). By the same token, the productivity of capital in domestic textiles would fall, and its owners would receive a lower return.

What happens to labor? As workers move toward mining, their productivity in mining must fall, thus reducing the real wage.²⁴ However, and for similar reasons, the productivity of the remaining textile workers must rise, as does their real wage. Since, by assumption, labor is free to move between sectors, wage rates must ultimately equalize, and labor will migrate until that result is achieved. But it is impossible to say whether or not the overall real wage has risen or fallen. This depends on the basket of goods consumed by labor and, in particular, on the proportion of their income (π) given over to textiles. The real wage will increase only if the percentage increase in the money wage exceeds the increase in $\{\pi P_t + (1 - \pi) P_m\}$.

If we let ∂ denote percentage change, R the rate of payment to owners of capital, and W the wage rate, the results can be summarized in the following simple expression:

$$\partial R_m > \partial P_m > \partial W > \partial P_t > \partial R_t$$

The inequalities would, of course, be reversed if the original (exogenous) increase had been in the relative price of textiles.

In simple terms, the results mean that the beneficiaries of the rising relative price of silver (or falling relative price of textiles) are the owners of mining capital. The owners of capital in textiles are the clear losers. The position of the workers is indeterminate and lies somewhere between mining and textiles. As a consequence, it is easy to see that the owners of capital will favor protection (an increase in the rate of the import tax) of the goods in their own industry and will oppose protection of the other. The workers' position on questions of trade protection is necessarily ambiguous, but some tentative observations may be made.

Back to the Past

The historian's road to heaven is paved with evidence. As G. K. Chesterton once remarked, to enter the world of facts is to enter a world of limits. Did Mexicans behave in ways that accord more or less with the

predictions of the model? If not, then why not? And what can we say about agriculture, a sector that has gone unmentioned until now?

We have already mentioned the complaints of the great import-export merchants about the extension of *comercio libre* in 1789. As Brading suggests, the new system altered their investment incentives and channeled more capital into silver mining.²⁵ Yet merchant capital had also migrated into woolen production in Querétaro and Acámbaro.²⁶ By definition, this investment became less attractive, hastening the reallocation that Brading observed. There were also merchants and merchant houses that owned textile manufactories, of which the firm of Vértiz and Oteyza in Mexico City was the most important.²⁷ Nevertheless, there were few other instances of direct ownership. The network of merchants who distributed domestic cloth, financed its production, and supplied raw materials was more important than the ownership of the manufactories themselves. These merchants handled cottons and woolens and could be found in Mexico City, Puebla, Guadalajara, Tlaxcala, San Miguel el Grande, Oaxaca, and indeed throughout the colony.²⁸ Consequently, important segments of the colonial merchant community opposed free trade. Merchants who had gotten rich under the old fleet system hated *comercio libre*. Those who furnished and financed colonial textile production were no more sympathetic. In Guadalajara, for instance, where commercial capital had underwritten cotton production, the merchant guild argued that imports from Manila would ruin local industry.²⁹ On the basis of naked self-interest, only the parvenu merchants of Veracruz, tied to foreign suppliers and schooled in the virtues of expansive demand, generally leaned toward free-trade liberalism.³⁰ And even they regarded "free" trade as *their* exclusive preserve. The participation of Havana merchants in the trade, for instance, was not welcome.³¹

If merchants who supplied, produced, and marketed domestic textiles were opposed to freer trade, the position of urban artisans and industrialists was similar. As far as artisans were concerned, there was a sensible economic rationale for their belief. Many urban artisans owned the looms they used, in effect tying their capital to the textile industry. As a result, it was difficult for them to move to other activities; this made trade protection an attractive, even vital, policy.³²

A vigorous defense of the artisans' position was written in 1811 by Juan López Cancelada, a Spaniard for whom mercantilist principles were less pressing than imperialist xenophobia.³³ He warned his Mexican compatriots against trading with foreigners: "The cloth and serges of Querétaro, Acámbaro, Cholula, Aguascalientes, La Quemada, Potosí and other places

are what men and women wear. . . . I don't know if you could think of a worse fate than taking their money and making them wear foreign fashions. . . . Mexicans *are capable of making anything made anywhere else in the world*" (italics in original).³⁴ The merchant guild of Mexico City went further. Writing in the wake of the Hidalgo rebellion, the merchants sounded an old theme: "If direct trade with foreigners destroys our industry and factories, and reduces thousands of workers in both Americas to poverty, who can deny that this trade will extinguish the fire of patriotism and loyalty that still exists in their hearts?"³⁵ Defenders of restricted trade had long argued that commercial liberalism and Spanish hegemony were mutually exclusive. As it happens, they may have been right.³⁶

Independence from Spain changed the context and possibilities of the debate, but not its substance. Both the Junta Nacional Instituyente (1823) and the Congreso Constituyente (1823–24) witnessed heated clashes over commercial policy. In both, spokesmen for artisan and industrial interests demanded outright prohibition of certain cottons or substantially increased levels of protection. And in both forums, their opponents argued that protection distorted incentives and risked alienating Great Britain, which had yet to formally recognize independent Mexico. Most important, the latter said, protection taxed the mass of consumers for the benefit of a smaller number of artisan textile producers. Some opponents of protection virtually asserted this: "Our confederation is not composed of manufacturers, but of landowners, farmers, and miners, the true basis of our wealth."³⁷ In other words, everyone understood that commercial policy affected the distribution of wealth. As the tariff commission of 1824 wrote, "The great conflict [we] face has been to reconcile the interests of producers of raw materials and [those] of artisans with the least prejudice to the consumer."³⁸

The statistics available indicate that these pressures did not go unheeded, at least from the standpoint of artisans and industrialists. One very crude way of judging the strength of pressures for protection is by computing the implicit tariff index, or the ratio of "external" taxes (taxes on trade) to the current value of imports. This procedure, of course, does not produce a wholly satisfactory index of protection. As Robert Lipsey observes, "The level of the tariff rate on a commodity influences the weight of the commodity in the index. A sufficiently high tariff could conceivably remove itself from the index by eliminating the import."³⁹ Indeed, the Tariff of 1837 legislated the outright prohibition of most inexpensive cottons. As a result, the statistics that appear in table 1, especially in the 1840s, are conservative measures of the level of protection.

Table 1 Implicit Index of Tariff Protection: Trade Taxes as a Percentage of Current Peso Import Values

Year	Percentage
1821	25
1825	32
1825-26	46
1826-27	47
1827-28	30
1840	36
1841	42
1842	44
1843	55
1844	56
1845	35

Sources and Computation: 1821 assumed as a maximum from the ad valorem rate. Trade tax figures from *Estadísticas históricas de México*, 2:629, cuadro 18.3. Peso imports from 1840 through 1845 estimated as the sum of France, United States, and Great Britain, drawn from Inés Herrera Canales, *El comercio exterior de México* (México, 1977), 82. Trade taxes include relatively small figures for export duties. See Miguel Lerdo de Tejada, *Comercio exterior de México* (1853; México, 1967), Table 43. There are discrepancies between the totals reported by Lerdo de Tejada and by the *Estadísticas históricas*, which draw on data supplied by Matías Romero.

At no time in the mid to late 1820s did the ratio of external taxes to the current value of imports fall to anything approaching its low level in 1821, and by the early 1840s, it was nearly twice as high. In its movements, the statistic confirms what historians now know. After an early flirtation with low tariffs, Mexican politicians opted for significantly higher levels of protection. We have thus far suggested why there was significant protectionist pressure, but we have not explained why there was significant tariff *protection*. To make sense of what happened, we need to return to the model, to consider the role of agriculture, and to assess the relative strength of groups that could benefit from commercial liberalization.

From the standpoint of the model, miners were most favored by low taxes on trade. But there were not that many miners or mine owners. Brading gives a rough estimate of "three thousand odd mines found in New Spain by the last decades of the colonial period."⁴⁰ Even considering the

complex connections among suppliers, financiers, investors, merchants, silver bankers, and mine owners, it is hard to imagine that more than 150,000 persons (3,000 mines \times 50 per mine) had a direct claim on mining profits, and that figure may be exaggerated in view of the tendency toward concentration in ownership and supply. Moreover, the abortive revolution that shook the colony in the 1810s wrecked parts of the industry, especially in the Bajío. Silver coined at the Mexico City mint fell from a yearly average of 21.5 million pesos (1800–1809) to 8.9 million (1810–19), while the price of silver on the London market during the 1810s jumped 10 percent.⁴¹ Clearly shaken by the conflict, the cadre of silver miners that had constituted one of the backbones of Bourbon society existed in diminished form in the 1820s and exercised less influence. Its only clear objective was, perhaps, to maintain the unrestricted export of specie and bullion, a position justified by the Hume specie-flow mechanism of trade adjustment.⁴²

Phantom Farmers

It is useful to look at the situation in agriculture in concrete historical terms. After all, there were some who saw Mexico as the potential granary for a Spanish Caribbean basin whose specialization in sugar, tobacco, and coffee was rapidly emerging. The famous secretary of the consulado of Veracruz, José María Quirós, said just this in 1808: "In times of peace, the island of Cuba can be completely supplied with necessary foodstuffs by this Kingdom [Mexico] and by the other Spanish colonies. Its ports should be closed to foreigners."⁴³ Yet in 1793 Revillagigedo the Younger, New Spain's brilliant viceroy, had predicted that "wheat flour from this kingdom, the most important branch of the export trade, will never be able to compete with that from the United States."⁴⁴ In this case, an argument to authority settles nothing. Both men knew the colony well, although Quirós was not above stretching the truth to bring Veracruz a little business or investment.

In fact, the historical evidence favors Revillagigedo. Even conservative calculations suggest that it would have been necessary to divert at least the entire supply of Mexico City's wheat flour to feed the city of Havana alone, and this by estimating Havana's needs most modestly. Mexico could not possibly have served as a granary for Cuba, let alone the entire Caribbean, whatever its own production may have been.⁴⁵ Yet this same evidence implies that there was a potentially large Caribbean market for agricultural exports in the early nineteenth century. Why were Mexicans unable to tap it?

In the late 1770s, wheat flour exports through Veracruz averaged roughly 20,000 *tercios* per year, or some 18,000 North American barrels. The merchant guild of Veracruz estimated in 1809 that public and private shipments of flour to Havana regularly reached 30,000 *tercios*, or 26,700 barrels. But Mexican shipments were trivial in comparison with North American ones. Even small Mexican exports varied inversely with North American shipments, as the negative correlation (-.45) between the two series in table 2 suggests. As North Americans sent more, the market for Mexican flour shrank. Mexico simply could not compete with the breadbasket of the middle states.

To illustrate this further, let us examine one analysis of the situation in 1808 by the Cuban political economist Francisco de Arango.⁴⁶ According to Arango, the purchase price in Puebla of 100 *tercios* (17,500 pounds or 89 barrels) of flour was 700 pesos. To ship the flour to the Gulf Coast of Mexico a substantial 400 pesos. Once in Veracruz, the cargo was liable for three separate municipal taxes, as well as for dockage and brokerage fees. Combined, these added another 126 pesos to the 1,100 already spent on purchase and transportation. It cost another 200 pesos to ship the flour,

Table 2 Mexican Wheat Flour Exports to Spanish America Versus U.S. Wheat Flour Exports to the Spanish West Indies, 1802-12

Year	United States (Barrels)	Mexico (Tercios) Converted to U.S. Barrels
1802	70,238	20,343
1803	36,314	17,351
1804	93,071	23,470
1805	131,026	2,642
1806	113,178	2,375
1807	166,170	4,960
1808	44,778	18,755
1809	143,857	23,784
1810	138,892	14,269
1811	124,735	8,634
1812	119,440	1,387

Sources: Mexican exports are drawn from Lerdo de Tejada, *Comercio exterior*, throughout and converted to U.S. barrels by multiplying by .89; U.S. exports from Linda K. Salvucci, "Development and Decline: The Port of Philadelphia and Spanish Imperial Markets, 1783-1823" (Ph.D. diss., Princeton University, 1985), p. 136.

presumably uninsured, from Veracruz to Havana. At this last destination, there were three more local levies plus brokerage and commission fees, as well as charges for delivery to the warehouse. In sum, the outlay after leaving Veracruz fixed another 384 pesos to the total. The overall figure for Mexican flour delivered to Havana thus came to 1,610 pesos, or about 16 pesos per *tercio*.

By contrast, 100 barrels of Philadelphia flour cost at most 650 pesos and weighed 2,100 pounds more than 100 *tercios*, so that *tercio*-barrel comparisons are somewhat biased against the North American measure. Once purchased, the Philadelphia flour was subject to 62 pesos in costs for cooperage, commissions, and insurance at 2.5 percent. To transport the American cargo to Havana cost 200 pesos, or exactly the same as to carry flour from Veracruz to the Cuban port. Upon arriving in Havana, the Philadelphia barrels paid municipal taxes, as well as brokerage, commission, and delivery fees; these came to about 15 pesos more than those paid by Mexican grain. Still, total expenditure on flour from Philadelphia amounted to 1,121 pesos, or 11 pesos per barrel. A barrel of Philadelphia flour delivered to Havana thus cost 5 pesos less than a Mexican *tercio*, even though it weighed 21 pounds more and was generally regarded as far superior in quality to the Mexican product.

If we look at these figures from a different perspective, the significance of transportation costs emerges. Assume, for the moment, that Mexican and Pennsylvania flour were available at equal cost, and that neither was subject to any charge other than transportation. In that case, the difference in cost between a Mexican and a Philadelphian shipment was 450 pesos $[(700 + 400 + 200) - (650 + 250)]$, or somewhat more than the cost (400 pesos) of transporting flour from Puebla to Veracruz. Under conditions of competitive free trade, then, these figures indicate that Mexican flour could not compete with flour from Pennsylvania even if the cost of transportation were subsidized by the Spanish crown or extracted involuntarily from Cuban planters. Of course, by taxing the Mexican flour both in Veracruz and in Havana, Spanish policymakers only made a difficult situation impossible. Mexico had no comparative advantage in agriculture.

There are some interesting implications. Had Spain not lost Mexico in 1821, Mexico could have sold agricultural surpluses to Cuba and Puerto Rico. But the Cubans would have paid more for less, since colonial priorities inevitably take precedence over allocative efficiency. The island would have grown more slowly, since Cuban growth during the first sugar boom was tied to staples, such as wheat flour from the United States. Trade, as always, facilitated specialization. In such a world, Mexicans would have

had more agricultural employment, and Cuban planters would have possessed fewer slaves. For once, it is hard to make an issue of efficiency. An empire in which Cuban sugar planters played second fiddle to Mexican *labradores* requires imagination enough.

However provocative this analysis may be, it can do no more than suggest why there was no agricultural export interest in Mexico. It cannot explain why farmers and landowners who faced deteriorating internal terms of trade because of protection did not protest much. Colonial interest groups were never reticent in their opposition to new taxes and other such "novelties." Why should they have been so in this case?

There are a few possible explanations. David Brading noted the ostensible weakness of the landed classes in his analysis of Mexico's late colonial elite: "Ownership of a great estate brought more prestige than legal status. In general, the Mexican *hacendado* lacked the privileges, the fiscal exemptions and the command of political office that was associated with gentry status in Europe."⁴⁷ Or consider Guy Thomson's characterization of farmers in the Puebla district: "Landowners remained a shadowy and unassertive political force in the thirty years following Independence, in contrast to the more articulate merchants, artisans and manufacturers who devised Puebla's protectionist political economy [and] organized the protectionist lobby."⁴⁸ The formation of commercial policy in early national Mexico clearly supports these observations.

Mexico's class structure mattered as well. In the early nineteenth century, an agrarian "bourgeoisie" that lived exclusively on land rents existed only in embryo.⁴⁹ To be sure, there were small farmers—the *labradores* of Atlixco, for example—who specialized in growing cereals for the domestic market. For most large landowners, however, land was just another investment. Examples of merchant-landlords or industrialist-landlords (owners of *obrajes* who were *hacendados* as well) abound. To judge their attitudes toward commercial policy by separate economic criteria is akin to asking which part of their portfolios did the thinking. Moreover, historians know that the great estates changed hands frequently. An entrenched landowning class could scarcely have maintained itself. This, too, arrested the formation of a stable, coherent, and politically powerful landed elite.

Moreover, Mexico's landowners were a disparate lot, with diffuse interests and incentives. Maize farmers, sheep and cattle ranchers, and tobacco planters were a heterogeneous group. They differed in commercial orientation, capitalization, and sensitivity to novel patterns (and price levels) in foreign trade. Even if their aggregate losses from commercial

policies were large, the landowners could be mobilized only with great difficulty. It took a major threat, such as the *consolidación de vales reales* in 1804, to weld together a powerful agrarian coalition. And then, survival rather than mere discomfort was at issue.⁵⁰

Desperate Diseases, Desperate Remedies

For various reasons, neither miners nor landowners formed parts of a viable coalition of free traders. Yet protection was scarcely the product of default. Even Mexican textile entrepreneurs experienced persistent instability in their ranks.⁵¹ Nevertheless, the demands of these entrepreneurs and their allies were coherent enough to shape a protectionist policy. Why?

In part, the channels of influence through which entrepreneurs and merchant capitalists could operate were well defined, well known, and well used. Industrialists could modify policy under the aegis of the Banco de Avío (1830–42) or, beginning in 1843, the Dirección de la Industria Nacional. In these years, textile manufacturers enjoyed considerable support. Perhaps the comment of the merchant Pedro Ansoategui says it best: “There are at present [1841] many enterprises and projected factories for making yarn in various parts of the republic and associated with these can be found persons of consequence for their wealth and connections.”⁵² Wealth, connections, and access to power always help in making policy. So, too, does the use of special pleading, and in the case of textile manufacturers and workers, the pleading was special indeed.

The influence of urban artisans, laborers, and their employers is easy to comprehend. As an organized—or even disorganized—political force, these groups were powerful. During the late eighteenth century, Spanish officials were obsessed with avoiding urban violence of any sort and took steps to prevent it, including the requisition of vital food supplies.⁵³ This concern translated into a distinctly ambivalent attitude toward industrialization. The creation of an urbanized factory labor force with its concentration of potentially seditious and unruly individuals was not especially desirable.⁵⁴ Such fears were seemingly vindicated in 1810 by the bloody Hidalgo rebellion, a movement allegedly nourished by the adherence of textile workers from the city of Querétaro.⁵⁵ The disruptive potential of the urban underclass was again emphasized in late 1828 by the sack of the Parián in Mexico City.⁵⁶ As a result, the specter of unemployed artisans and urban textile workers was worrisome to governments of all stripes. In the principal cities of the country—Mexico City, Puebla, Querétaro,

Oaxaca, Guadalajara, and Valladolid—textile workers were found in significant numbers. To throw them out of work was to invite disaster in an already tense political environment. Weak regimes bent on self-preservation could not afford to have large concentrations of urban artisans and workers put out of work by foreign competition. Support for protection thus was based on painful experience as well as on political expediency. Desperate diseases call for desperate remedies.

Conclusions: Beyond the Bourbon Reconquest

Applying insights from the simple model of trade adjustment to the history of early national Mexico suggests several conclusions. Perhaps most important, divisions over commercial policy *per se* contributed little to political instability in the first decades of Mexican independence. This is not as counterintuitive as it might seem. There could be no real conflict over a matter about which, in practical terms, there was no real disagreement. Of course, there was a theoretical and ideologically sophisticated free-trade interest in Mexico. But it represented cosmopolitan and eclectic thinkers familiar with Adam Smith and David Ricardo rather than any concrete socioeconomic interest group. The debate spilled much ink, but it could not have spilled much blood. We may eliminate commercial policy as a source of political contention. Mexico's protectionist consensus was based on utter realism. Protection was viewed as a matter of political or material survival by many, and there was little organized opposition to it.

As things stood at the turn of the nineteenth century, Mexico could not compete with the United States in the growing agricultural markets of the Spanish Caribbean. Costs of transportation prevented it. Absent imperial subsidies, there could be no Cuban or Puerto Rican market for Mexican wheat flour. There were no Mexican estate owners bent on preserving free trade, for few could have seen any prospect of substantial export.

Mutatis mutandis, there were no miners who said or cared much about commercial liberalism. This had nothing to do with incentives or self-interest. The industry was badly damaged during the 1810s, and it took until the 1840s before the mines were again capable of generating the same kind of growth that had occurred between 1760 and 1800. As a result, the economic contraction that Mexico faced in the early nineteenth century was a painful one. In the short run, at least, growth required the export of silver, but that possibility was largely foreclosed. Labor from the declining colonial textile industry could not find employment in any growing export

sector. Plagued by persistent underemployment, agriculture could never compete with silver as a source of exports. Lucas Alamán, a statesman of considerable brilliance, knew what he was doing in advocating both the rehabilitation of mining and the creation of a mechanized textile industry.

At the same time, allegiance to established ways of doing things on the one hand and the changing international economic regime on the other created powerful constituencies. The old colonial woolen industry and an artisan cotton industry of more recent vintage depended on merchants for finance and distribution. Such merchants could not look favorably on free trade in English cottons, nor could the import-export merchants of Mexico City, who had been raised on the rents of the fleet system. Aside from Quirós and the Veracruz merchant guild, there were few who supported free trade. If merchants did not preach the gospel of expanding demand, then who would?

The real losers in the process of trade adjustment that began under the Bourbons were naturally opposed to it. Owners of obrajes and their spokesmen sensibly resisted freer trade in textiles. Artisans in the major cities who had their accumulated capital at risk were similarly opposed. Their stance is no mystery. And by the same token, the very strength of the urban artisan class—its concentrated numbers—made insecure regimes loath to provoke it. Experience and an obsessive concern with urban violence made protection politically expedient, for tariffs protected the income of people and resources wedded to the industry. The political benefits of supporting this group were manifest, and the economic costs, diffused. The political costs of opposing protection, on the other hand, must have been all too obvious to precarious governments.

Our final point concerns the necessary restructuring of the Mexican economy after 1750. For a generation, historians have recognized the agricultural adjustment required by Indian depopulation over the course of the sixteenth century. Obscured, perhaps, by terms such as *depression* and *crisis*, this change has been rebaptized as a “primitive emancipation” by John Lynch and accorded a positive interpretation in terms of investment in agriculture and industry, creole political hegemony, and more. Yet the Bourbon Reforms themselves served to accelerate an equally profound economic adjustment. They represented considerably more than a bureaucratic “reconquest”: they actually speeded the integration of the Mexican economy into a growing international market for raw materials and cheaper wage goods. Indeed, their lowering of transportation and transaction costs in international trade was tantamount to reducing effective levels of protection. Of all the “novelties” of which the

Bourbons were accused, this may well have been the most novel, and, to date, the least appreciated.⁵⁷

In this sense, later protectionist policies of the early republican and *santanista* regimes were counterrevolutionary. They sought to undo what the Bourbon reforms had wrought. As the first president to don the tricolor sash, Santa Anna undertook more than a Mexican emulation of the July Monarchy in France. The champion of stringent tariff protection and prohibitions was now the nation's advocate as well. Nationalism and protection were thereby united in Mexican political culture. In the final analysis, the victor at Tampico was truly the scourge of the Bourbons.

Notes

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1. Jan Bazant, *A Concise History of Mexico from Hidalgo to Cárdenas, 1805-1940* (New York, 1977), 61.
2. David Brading, *The Origins of Mexican Nationalism* (Cambridge, Eng., 1985), 68.
3. *The Economist* (London), 19 October 1861.
4. Lucas Alamán, *Historia de México desde los primeros movimientos que prepararon su independencia en el año 1808 hasta la época presente*, 5 vols. (México, 1850-52; rpt., 1985), 5:918-31.
5. Anthony Pagden, *Spanish Imperialism and the Political Imagination* (New Haven, 1990), 140.
6. Robert Johannsen, *To the Halls of the Montezumas: The Mexican War in the American Imagination* (New York, 1985), 293-96. The Constitution of 1824 also elicited unfavorable comment in the United States because of its failure to disestablish the Catholic Church.
7. Anthony Butler to the Secretary of State, Mexico City, 5 January 1830, in Carlos Bosch García, ed., *Documentos de la relación de México con los Estados Unidos*, 4 vols. (México, 1983-85), 2:180.
8. Donald F. Stevens, "Economic Fluctuations and Political Instability in Early Republican Mexico," *Journal of Interdisciplinary History*, 4 (1986): 645-65.
9. Arthur Leewis, "The Rate of Growth of World Trade, 1830-1973," in Sven Grassman and Erik Lundberg, eds., *The World Economic Order: Past and Prospects* (New York, 1981), 12.
10. For example, see Paul Gootenberg, *Between Silver and Guano: Commercial Policy and the State in Postindependence Peru* (Princeton, 1989); or more generally, Joseph L. Love and Nils Jacobsen, eds., *Guiding the Invisible Hand: Economic Liberalism and the State in Latin American History* (New York, 1988). Ronald Rogowski, *Commerce and Coalitions: How Trade Affects Domestic Political Align-*

ments (Princeton, 1989), came too late to be incorporated into this paper but offers a related approach to the political economy of changing trade regimes, namely the two-good, two-factor Stolper-Samuelson model. The model we employ, a specific factors model, is simply a variant of the Stolper-Samuelson approach.

11. See John Lynch, *Spain under the Habsburgs*, 2 vols. (New York, 1981), 1:155-75, 2:174-211, for the earlier period. Antonio García-Baquero, *Cádiz y el Atlántico (1717-1778)* 2 vols. (Seville, 1976), provides a good sketch of Bourbon policy.

12. Carlos Daniel Malamud Rikles, *Cádiz y Saint Malo en el comercio colonial peruano (1698-1725)* (Cádiz, 1986).

13. Luis Chávez Orozco, *La libertad del comercio en la Nueva España en la segunda década del siglo XIX* (México, 1943), 103; Javier Ortiz de la Tabla, *Memorias políticas del consulado de Veracruz, 1796-1822* (Sevilla, 1985), 221.

14. Richard J. Salvucci, *Textiles and Capitalism in Mexico: An Economic History of the Obrajés, 1539-1840* (Princeton, 1987), 135-69. For contraband, see A. M. Bernal, "Libre comercio (1778): Un primer ensayo de modelo general," in Antonio Miguel Bernal, ed., *El comercio libre entre España y América Latina, 1765-1824* (Madrid, 1987), 21.

15. Bernal, "Libre comercio (1778)," 20-21. One point on the economics of contraband: Carlos Malamud terms contraband "direct trade," implying that the term can be substituted for fair trade. But although contraband evaded trade taxes, its cost to the consumer necessarily reflected the risk of seizure. That premium disappeared when trade was legalized. Even if comercio libre did no more than rechannel hitherto smuggled goods, it necessarily provided a greater stimulus to growth by removing the smuggling premium. Thus "direct" trade and "legal" trade are not economically interchangeable.

16. Chávez Orozco, *La libertad del comercio*, 147, 152, 178; Salvucci, *Textiles and Capitalism*, 160, 163. Others have discerned sharply falling prices for imported goods (especially cloth) in Chile, Arequipa, Potosí, and Charcas as well. See the essays by Kendall Brown (183-84), José Larraín (123), and Enrique Tandeter and Nathan Wachtel (202-12) in Lyman L. Johnson and Enrique Tandeter, eds., *Essays on the Price History of Eighteenth-Century Latin America* (Albuquerque, 1990).

17. Simon Kuznets, *Modern Economic Growth: Rate, Structure, and Spread* (New Haven, 1966), 305.

18. Luis Chávez Orozco, *El comercio exterior y el artesano mexicano* (México, 1965), 150.

19. David Brading, *Miners and Merchants in Bourbon Mexico, 1763-1810* (Cambridge, Eng., 1971), 114-15, 152.

20. As we indicate below, the price of silver on the London market scarcely varied at all between 1760 and 1800.

21. Salvucci, *Textiles and Capitalism*, 135-69.

22. A basic discussion of this model appears in Richard E. Caves and Ronald W. Jones, *World Trade and Payments: An Introduction* (New York, 1985), 95-101.

23. Our calculation is based on decade averages between 1760 and 1800. See U.S. Congress, Senate, *Report from the Secretary of the Treasury . . . Respecting the Relative Value of Gold and Silver*, 21st Cong., 1st sess., 4 May 1830, 93, Table EE.

For silver output, see *Estadísticas históricas de México*, 2 vols. (México, 1985), 2:437—subperiods 1761–80 and 1781–1800.

24. Readers may recall the troubles at the Real del Monte mine over Regla's less than coincidental attempt to reduce the mining wage. See Brading, *Miners and Merchants*, 148.

25. *Ibid.*, 152.

26. Salvucci, *Textiles and Capitalism*, 89, 91–93.

27. Cristiana Borchardt de Moreno, *Los mercaderes y el capitalismo en México (1759–1778)* (México, 1984), 158–59.

28. Brian Hamnett, *Politics and Trade in Southern Mexico, 1750–1821* (Cambridge, Eng., 1971), 118–19; Salvucci, *Textiles and Capitalism*, 59–60; Guy Thomson, "The Cotton Industry in Puebla During the Eighteenth and Early Nineteenth Centuries," in Nils Jacobsen and Hans-Jürgen Puhle, eds., *The Economies of Mexico and Peru During the Late Colonial Period, 1760–1810* (Berlin, 1986), 179–80.

29. Chávez Orozco, *La libertad del comercio*, 146.

30. Hamnett, *Politics and Trade*, 154–55.

31. Javier Ortiz de la Tabla, *Memorias políticas y económicas del consulado de Veracruz, 1796–1822* (Sevilla, 1985), 205–26.

32. Salvucci, *Textiles and Capitalism*, chap. 1.

33. Michael P. Costeloe, *Response to Revolution: Imperial Spain and the Spanish American Revolutions, 1810–1840* (New York, 1986), 24, 33–34, 57–58, 130–31.

34. Enrique Florescano and Fernando Castillo, *Controversia sobre la libertad de comercio en Nueva España, 1776–1818*, 2 vols. (México, 1975), 2:101–2, 109.

35. Chávez Orozco, *La libertad del comercio*, 153.

36. Costeloe, *Response to Revolution*, 130–31; Humberto Tandrón, *El comercio de Nueva España y la controversia sobre la libertad de comercio, 1796–1821* (México, 1976), 35–41.

37. *Actas constitucionales mexicanas*, 10 vols. (México, 1980), 7:255–75, 9:543–65.

38. Chávez Orozco, *El comercio exterior*, 156.

39. Robert E. Lipsey, *Price and Quantity Trends in the Foreign Trade of the United States* (Princeton, NJ, 1963), 5.

40. Brading, *Miners and Merchants*, 132.

41. Our calculations. For coinage, see Alamán, *Historia de México*, 1:4. For silver prices, see U.S. Congress, Senate, *Relative Value of Gold and Silver*, table EE.

42. México, Congreso Constituyente, Comisiones de sistema de hacienda y minería, *Dictamen presentado al soberano congreso general constituyente . . . sobre que no se aumenten los derechos de extracción del oro y la plata* (México, 1823), 5, 9–10. In essence, the specie-flow mechanism "ensures" that trade deficits will be self-limiting. The drain of specie needed to finance an excess of imports brings down the domestic price level and in so doing promotes exports.

43. Ortiz de la Tabla, *Memorias políticas*, 175.

44. Florescano and Castillo, *Controversia sobre la libertad de comercio*, 2:40.

45. Juan Carlos Garavaglia and Juan Carlos Grosso, "La región de Puebla-Tlaxcala y la economía novohispana (1670–1821)," *Historia mexicana*, 35 (1986):

549-99; Clara Elena Suárez Arguello, *La política cerealera en la economía novohispana: El caso de trigo* (México, 1985), 58-70.

46. For a discussion of North American competition in the Spanish Caribbean, see Linda K. Salvucci, "Development and Decline: The Port of Philadelphia and Spanish Imperial Markets, 1783-1823" (Ph.D. diss., Princeton University, 1985), 74-79. Arango's analysis appears in "Expediente instruido por el Consulado de la Habana sobre los medios que convenga proponer para sacar la agricultura y comercio de esta isla del apuro en que se hallan" (Havana: Oficina del Gobierno y Capitanía General, 1808), nos. 7-8, Archivo General de Indias, Santo Domingo, leg. 1157. See also Alamán, *Historia de México*, 1:109-10.

47. David Brading, "Government and Elite in Late Colonial Mexico," *Hispanic American Historical Review*, 53 (1973): 389-414.

48. Guy P. C. Thomson, *Puebla de los Angeles: Industry and Society in a Mexican City, 1700-1850* (Boulder, CO, 1989), 55.

49. Enrique Semo, *Siete ensayos sobre la hacienda mexicana, 1780-1880* (México, 1977), 13.

50. See the useful collection of protests against the consolidación in Masae Sugawara H., *La deuda pública de España y la economía novohispana, 1804-1809* (México, 1976).

51. Salvucci, *Textiles and Capitalism*, chap. 3.

52. David Walker, *Business, Kinship and Politics: The Martínez del Río Family in Mexico, 1823-1867* (Austin, TX, 1986), 151.

53. Gabriel Haslip Viera, "Crime and the Administration of Justice in Colonial Mexico City, 1696-1810" (Ph.D. diss., Columbia University, 1980), 75-104, 265-78; Gloria Artis Espriu, *Regatonas y maquileros: El mercado de trigo en la ciudad de México (siglo XVIII)* (México, 1986), 67-68.

54. Susan Deans-Smith, "The Gentle and Easy Tax: The Bourbons and the Royal Tobacco Monopoly of New Spain, 1765-1821," (Ph.D. diss., University of Cambridge, 1984), 292-303.

55. Torcuato di Tella, "The Dangerous Classes of Early Nineteenth-Century Mexico," *Journal of Latin American Studies*, 5 (1973): 79-105.

56. Michael P. Costeloe, *La primera república federal de México (1824-1835)* (México, 1975), 214-15; Harold Sims, *Descolonización en México: El conflicto entre mexicanos y españoles (1821-1831)* (México, 1982), 74-89.

57. The nature and consequences of the Bourbon reforms are questioned in Linda K. Salvucci, "'Costumbres viejas, hombres nuevos': José de Gálvez y la burocracia fiscal novohispana, 1754-1800," *Historia mexicana*, 33 (1983): 224-64.