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Sales Tax Reform, State Revenues, and Commerce
in Eighteenth Century Mexico”

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Marcella M. Little*

**From Tax Farmers to Royal Bureaucrats:
Sales Tax Reform, State Revenues, and
Commerce in Eighteenth Century Mexico**

Beginning in 1754 Spanish reformers in New Spain instituted a major reform. They replaced sales tax (*alcabala*) farms with a rational tax collection system, based in theory on the close monitoring of commerce combined with consistent collection practices placed in the hands of professional bureaucrats. This effort was intended to meet reformist goals of increasing crown revenues, reviving the Spanish economy, and reasserting the power of the Spanish state over the empire, substantially lost in the time of the Hapsburgs. As part of this general overhaul of the relationship between the colonies and the mother country, the reformers' attempt to reassert royal control over tax collection threatened established networks of power and influence tied to the pre-existing tax farms, and unleashed economic and political struggles among those trying to gain or retain economic and political advantages. The reform of sales tax collection in New Spain particularly highlights struggles for control of trade among various groups of merchants in Cádiz, Mexico City, Veracruz, and the provincial centers of New Spain. At the same time, the maneuvers of all these groups influenced sales tax policy, collection practices, and revenues.

In 1575 the Spanish government imposed the sales tax in New Spain on the merchant or other seller involved in all sales of raw materials, consumer goods, chattels, and real and personal property. While in theory the tax was charged on every transaction, in reality it was usually charged as goods entered the jurisdiction of larger cities and towns, or by annual contract (*igualada* or *relación jurada*) in more rural and remote districts. Though the crown intended the tax to touch all commercial activity, certain types of people and goods were exempted. Personal exemptions applied primarily to Indians and the clergy but disappeared when these groups entered into the mainstream commercial economy. The Indians' exemption applied only to their dealings in Indian-produced goods, while the clergy and religious institutions remained exempt as long as they did not engage in trade for profit. Exempted goods fell into two broad categories: subsistence goods and luxury items. The first group included maize and other grains sold in markets and to the public granary, bread, and more generally all subsistence goods sold at retail to the poor and homeless. The second category included saddle horses, books, paintings, hunting birds, dowries, inheritances, money, and weapons.¹

Long before its introduction in the Indies the sales tax had played a major role in providing financial support for the crown. It probably originated in Castile in 1342 as a kingdom-wide tax during the campaign to re-take Algeçiras from the Moors. First established as a temporary war-time measure, it had become a permanent part of crown revenue by the time of Ferdinand and Isabella, supplying at least 80 percent of regular state revenue during their reign.² By the sixteenth century observers argued that the tax

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¹*Recopilación de leyes de los reinos de las Indias* (Madrid, 1943), Lib. 8, tit. 13, leyes 19-23.

²Some scholars date the introduction of the *alcabala* to the reign of Alfonso of Castile in 1269. Salvador de Moxo, *La alcabala, sus orígenes, concepto y naturaleza* (Madrid, 1963), and Ronald Escobedo Mansilla, "La alcabala en el Perú bajo los Austrias", *Anuario de estudios americanos*, 33 (1976), pp. 257-271, both accept the 1342 date, as do Fabián de Fonseca and Carlos de Urrutia,



directly obstructed the movement of goods within Spain and indirectly hindered their manufacture and sale. For example, in 1563 the merchants of Cádiz complained that taxes on commerce in the three years since 1560 had ruined their trade. During the eighteenth century Adam Smith, father of the philosophy of free trade, attributed England's prosperity to the lack of tax barriers on internal trade. He even condemned the alcabala specifically:

Through the greater part of a country in which a tax of this kind is established, nothing can be produced for distant sale. It is to the Alcavala, accordingly that Ustariz imputes the ruin of the manufactures of Spain. He might also have imputed to it likewise the declension of agriculture, it being imposed not only upon manufactures, but upon the rude produce of the land.³

In spite of reservations such as these Philip II, pressed by ever increasing demands on his treasury, extended the tax to the Indies in the last years of the sixteenth century. Acknowledging the fragile state of the colonial economy, and perhaps recognizing the potential harm caused by this type of taxation, the king imposed a two percent tax in the Indies, low compared with the standard ten percent paid in Spain.

Tax Farms

For over 150 years sales taxes in New Spain--in Mexico City, Veracruz, and the provinces--were collected by private tax farmers, groups of local merchants and local government officials. Since they all had a stake in colonial commerce, they used their control over tax collection to allocate the burden of taxation in Mexico to their own advantage. In obtaining and fulfilling their contracts these tax collectors bought both commercial freedom for themselves within their districts and guarantees of minimal state interference. Under a kind of tribute or contractual system the actual amount of tax collected bore little relationship to real or anticipated commercial activity. Instead, it reflected the balance between the government's need for increased revenues--evidenced so dramatically in the rate increases of the 1630s, when the tax jumped rapidly from two to four, and then to six percent--and its need to buy political peace, emergency support, and cooperation in the colonies. Under this system one body, the powerful merchant guild (*consulado*) of Mexico City, dominated commerce and sales tax collection in all of New Spain, not only in the Mexico City sales tax contracts, but also through its domination of provincial tax farmers and local government officials dependent on goods supplied by the *consulado* merchants.

In the capital for most of the seventeenth century the city council and merchant guild competed for the right to collect the alcabala. The *cabildo* won early favor, between 1602 and 1676, gaining four of the first five contracts, but proved an unreliable source of income, and often defaulted. Over this period it became increasingly clear that only the *consulado* had the financial wherewithal to meet the contracted sums. Worried that the amounts collected by the guild did not accurately reflect commercial activity, toward the end of the century the Viceroy ordered the termination of the agreement with the city and the imposition of government collectors. When collections actually declined from over 270,000 pesos to just over 230,000 pesos annually, the government re-opened bidding to private contractors beginning in 1694.

Historia general de la real hacienda, 2 vols. (Mexico City, 1849), vol. 2, p. 5, and Juan de Solórzano Pereira, *Politica indiana* (Madrid, 1736-39), p. 462; Moxo (p. 13) attributes the 1269 date to Jaime Vicens Vives and others. For the importance of the alcabala to Ferdinand and Isabella, see Edward Ames and Richard T. Rapp, "The Birth and Death of Taxes", *The Journal of Economic History*, 37 (1977), pp. 161-178.

³Robert S. Smith, "Sales Tax in New Spain, 1575-1770", *Hispanic American Historical Review*, 28 (1948), p. 2; Adam Smith, *The Wealth of Nations* (New York, 1937), p. 861. Sentiments of the Cádiz merchants may be found in Fernand Braudel, *The Mediterranean and the Mediterranean World in the Age of Phillip II*, 2 vols., trans. by Sian Reynolds (New York, 1973), vol. 2, p. 534.



Over the sixty years 1694-1754 the consulado contracted four fifteen-year agreements, the first signed at 260,000 pesos annually and the remaining three at 280,000 pesos. In each case the consulado provided substantial guarantees and gifts to the crown to secure the contract. Private individuals submitted rival bids for at least two contracts, in both cases for amounts substantially higher than the consulado's bid. While the government undoubtedly used these to extract a higher price from the consulado, it seemed unwilling to give up its ties to the guild. For example, in 1707 the government actually signed a contract with Spanish merchant José de Zozoya for 325,000 pesos per year, and got an immediate treasury deposit of 200 doubloons and a further promise of 10,000 pesos within four months for the construction of the royal palace in Mexico City. The consulado lodged an immediate protest, bid 280,000 pesos, and offered a 50,000-peso gift. In accepting the merchants' bid the Viceroy cited the security of their credit and their longstanding service to the crown. Zozoya received a refund of his doubloons. During bidding for the contract to begin in 1739 the guild overcame a rival bid by Veracruz merchant Juan Bautista Belaunzarán for a reputed 840,000 pesos. A successful lobbying effort by the guild's representative in Madrid helped persuade the King to turn down the higher offer,⁴ and the consulado accompanied its bid with a 40,000-peso donation.

Just as in Mexico City during the tenure of the consulado, major collection methods used in the provinces relinquished government functions to special interests. In some cities merchants with ties to the Mexican consulado often won private contracts, while in others consortia of local merchants, or of merchants and miners, held semi-public leases known as *encabezamientos*. Finally, local magistrates collected the alcabala in several districts, particularly those with large Indian populations. Many controlled trade in their districts while they themselves remained dependent on the Mexico City monopolists for supplies and credit.

The choice between private contractors and local citizens usually involved a trade-off between the maximum share of revenue for the crown and the need to keep political peace. This conflict is shown clearly in events in Puebla and Veracruz in the mid-eighteenth century. In both cities groups of local merchants complained of abuses by private tax collectors and asked that they be given the farm in the name of the citizens and merchants of the city. In Puebla in 1747 the resident merchants claimed that collector Jacinto Martínez de Aguirre, a citizen of Mexico City, forced the city's Indian traders to prove ownership of the goods they brought to sell in the city, and that he charged on inheritances, and on cotton brought in for the city's textile industry. Even though the Viceroy warned against giving the contract to the citizens, saying that "the people of that city do not have the necessary and suitable judgement to manage this tax", Martínez de Aguirre lost tax collection privileges in Puebla. The Viceroy's fear proved well founded when the city asked for relief during the ninth year of the fifteen-year contract.⁵

In Veracruz citizens overcame competition from a private merchant even though he submitted a higher bid. In this case, in 1751 Juan Bautista Belaunzarán, a local merchant who had bid on the Mexico City contract in 1739, proffered a bid of 62,600 pesos for nine years. The city promptly topped this by 3,130 pesos, which Belaunzarán matched with the added incentive of a 400-peso donation to the crown. The crown attorney argued in favor of the private bid despite the petition of 111 citizens of Veracruz to have it denied. Discounting this opposition, the *fiscal* claimed that a few wealthier merchants were using the others to assure local control over the tax, with the object of minimizing their own liability. He went on to state that giving the tax contract to the city would be

⁴Smith, "Sales Tax", p. 13.

⁵Revillagigedo a Enseñada, 15 de abril de 1747, and Informe del virrey, 9 de noviembre de 1757, Archivo General de Indias, Seville (hereafter, AGI), México, leg. 773; Consejo de Indias, 6 de noviembre de 1758, AGI, México, leg. 2092; Condiciones particulares conque a mas de las grales se remató estos asientos de las de Puebla y sus agregados, 1743, AGI, México, leg. 1959.

generally harmful to the treasury, cut down on bidding, and keep total revenue artificially low. Nonetheless the crown decide in favor of the citizens' group.⁶

A general agreement prevailed during the early period of alcabala collection in New Spain that public officials should collect the tax. The crown favored this system, and local officials consented in order "to free the town from the avaricious grasp of private tax gatherers",⁷ but when rate increases brought pressure for higher contract prices, cabildos began to default or refuse to undertake the job of collection. At this point demands for tax increases bore no relationship to the general state of the economy. On the whole, therefore, municipalities preferred to keep the tax in the hands of public officials, or at least local merchants, in the hope that collection practices would respond to local conditions. During the eighteenth century crown officials voiced a preference for private collectors, claiming that they promised higher returns. Political considerations often prevented these higher bids from resulting in actual tax farm contracts.

Until the mid-eighteenth century a special relationship evolved between the consulado in Mexico City and the alcabala tax farm. In Mexico City itself the guild assumed direct responsibility for the tax during almost half of the period before 1750, and played a major role during the cabildo farms as well. It also had a hand in provincial tax collections, although the details here remain elusive. In many cases provincial tax collectors remitted bills of exchange drawn upon the capital's large merchant houses,⁸ which probably indicates that provincial sales tax contracts provided them with a source of capital and means of control over internal commerce. Several regional leaseholders lived in Mexico City, among them José de Arizmendi, an active Mexico City merchant with commercial outlets in Sierra de Pinos who also collected the sales tax in that mining district.⁹ The frequent mention of lags in payments from the guild to the treasury, perhaps indicating difficulties in making collections, seems to rule out an overt desire for profit as the guild's major motive, and most likely the consulado reaped few profits before the economic upswing of the eighteenth century. Control of the tax would at least prevent others from exerting pressure on mercantile activity, however, and control of the collection process could assure a lighter tax burden for guild members. Also, perhaps the consulado was able to use the money collection to its advantage during the interim between collection and deposit in the treasury, relying on these revenues to finance commercial activities.¹⁰ At the very least, then, conversion to royal administration would force the consulado to make adjustments in its means of controlling commerce.

Tax Reform

The decision to reassert royal control over sales tax collection came first in Mexico City. Revenues had remained steady in the capital since the beginning of the eighteenth century, while total alcabala revenues for the viceroyalty had increased dramatically, from 370,000 pesos at the beginning of the century to over 500,000 pesos in 1740. Therefore, as negotiations opened in 1750 for the alcabala contract in the capital, the government asserted its decision to terminate the contracts and in 1754 established a royal bureaucracy.¹¹

⁶Ciudad, vecindario y comercio de Veracruz, 1752; and Revillagigedo a Enseñada, 18 de diciembre de 1752, AGI, México, leg. 2092; La ciudad, vecindario y comercio de Veracruz y don Juan Bautista Belaunzarán sobre quedarse ambas partes con el arrendamiento de las alcabalas de la propia ciudad, 1751, AGI, México, leg. 773.

⁷Peter J. Bakewell, *Silver Mining and Society in Colonial Mexico: Zacatecas, 1546-1700* (Cambridge, 1971), p. 103.

⁸David A. Brading, *Miners and Merchants in Bourbon Mexico, 1763-1810* (Cambridge, 1971), p. 51.

⁹Páez a Gálvez, 7 de junio de 1775, AGI, México, leg. 2354; Brading, *Miners and Merchants*, p. 98.

¹⁰C. Norman Guice, "The Consulado of New Spain, 1595-1795" (Ph. D. dissertation, University of California, Berkeley, 1952), p. 105; Enrique Florescano and Isabel Gil Sánchez, "La época de las reformas borbónicas y el crecimiento económico, 1750-1808", *Historia general de México*, 2 vols. (Mexico City, 1976) vol. 2, p. 199. Florescano and Gil state that the guild merchants "financed a large part of internal commerce via the purchase or rental of the alcabalas and customs".

¹¹Collections for 1754 through 1758 are drawn from Estado general de productos, gastos y liquidación a favor de SM del ramo de reales alcabalas, unión de armas y armada de barlovento de esta ciudad y sus agregados, AGI, México, leg. 2092.



With this move the Viceroy was enabled to appoint professional bureaucrats with direct loyalties to Spain. He also attempted to reduce customary exemptions and exclusions by authorizing a set of rules to clarify and tighten collection practices and regulate all commercial travel through an elaborate system of passes and return receipts. By the 1760s reformers became increasingly aware that their efforts to monitor and tax commerce throughout New Spain would fail as long as provincial taxes remained in the hands of tax farmers. Political considerations, including some small-scale tax revolts in 1766 and 1767, caused an initial delay, but by 1776 all sales taxes in New Spain, except in the most remote jurisdictions, were placed in the hands of royal bureaucrats. Without doubt the new administration in Mexico City succeeded in its primary task of increasing tax revenues. In 1754, the city's net alcabala returns of over 700,000 pesos nearly doubled the consulado contract intake of almost 370,000 pesos for 1753, and for the first five years inclusive collections averaged over 600,000 pesos annually. The arrival of fleets with goods from Europe was the most significant variable influencing totals: revenues peaked the year following and gradually declined until the next fleet's arrival. Reflecting its large wealthy Spanish population and position at the center of New Spain's commercial network, the city accounted for over 50 percent of alcabala income to the royal treasury between 1754 and 1776.¹² The provinces saw similar dramatic increases. Overall income nearly doubled from 1776 to 1778, from 950,000 to 1,750,000 pesos. Increased revenues flowed from nearly all treasury districts of New Spain, only the troubled mining district of Bolaños showing an immediate decline. Income from the southern part of New Spain, from Puebla and Antequera, increased 50 percent in the first year. In the booming north the conversion resulted in substantial gains for the crown as revenue increased two-and-one-half times in Guanajuato and Durango, more than tripled in Pachuca and Guadalajara, and more than quadrupled in Sombrerete and Zacatecas. Such dramatic results appeared to vindicate those who had long been arguing in favor of royal collectors, and the new administrators lost little time in reporting their successes to the crown.¹³ These high levels were sustained over the first few years even in the face of the outbreak of war in 1780, in part because of a temporary two percent increase in the tax rate in that year.

In addition to these increased revenues the continued smooth flow of trade belied consulado warnings of impending commercial disaster. More ominous from the crown's perspective, however, were hints that resistance to the new system was showing up in increased contraband and fraud which sometimes reached into the aduana itself. Signs emerged that the relatively easy gains of the first few years of royal administration, many of which derived from the fact that taxes were finally levied on the major portion of commercial activity, would not be sustained without a struggle. To meet this situation, during the 1780s royal administrators introduced measures designed both to consolidate gains for the royal treasury, and to promote economic growth which in turn would increase revenues. In 1786 the crown introduced the intendency system to strengthen governmental authority at the regional and local level, and three years later the Spanish version of free trade (*comercio libre*) was officially extended to New Spain. Both innovations demonstrated the crown's desire to rationalize the imperial system and to undermine the powerful merchant guild and other vested interests in the colonies. While challenging the authority of the recently established sales tax bureaucracy, the intendancies had little direct impact on the overall amount of taxes collected. They posed a more direct threat, however, to the commercial system that supplied the tax revenue. For example, efforts by the government to eliminate or at least control the forced sale of goods by local government officials (*reparto de efectos*) threatened a vital link in the

¹²This total represents the ratio between Mexico City total collections and sales tax income into the matrix treasury in Mexico City between 1754 and 1776.

¹³Operación de lo debido cobrar...1778, Páez a Gálvez, 27 de julio de 1777; and Páez a Gálvez, 27 de agosto de 1778, AGI, México, leg. 2091.

commercial chain that would also hurt the consulado merchants in Mexico City.¹⁴ While their ability to control credit may have saved them in the long run, the capital's merchants saw both the end of the reparto and more efficient tax collection as direct threats to their customary control over New Spain's commercial system.

During the same decade the introduction of free trade into New Spain (officially in 1789, but unofficially as early as 1778) called into question the future status of the Mexican consulado and accentuated divisions within New Spain's merchant community. In general opposition to the system centered in Mexico City, while merchants in Veracruz and provincial centers such as Guadalajara expected from the new system an opportunity to compete more effectively with the capital's consulado merchants.¹⁵ Prior to 1778 merchants in other areas of New Spain provided no threat to the traders of the capital, but these same provincial merchants applauded the end of the fleet system in anticipation of greater independence and larger profits.¹⁶ The impact of free trade on the subsequent fortunes of Mexican merchants is controversial, particularly its effects on the hegemony of the Mexico City monopolists. On one side are those seeing a major blow to the merchants' ability to control commerce. These observers note the emergence of new commercial patterns, routes, and participants, and conclude that the city's merchants had lost their monopoly privileges, since with the loss of official support for their position their ability to control commerce had crumbled. Investments by established merchants in other activities such as mining and agriculture are interpreted by these observers as signs of commercial defeat and retrenchment. From this perspective, during the 1780s Veracruz replaced Mexico City as New Spain's commercial entrepôt, and its merchants came to dominate the commercial network. The emergence of large numbers of new merchants is seen as further evidence of the eclipse of the traders in the capital.¹⁷ Others have argued that while the reforms certainly terminated official recognition of monopoly and partially opened international trade to a wider group of merchants, the dramatic increase in the overall volume of trade and the Mexico City merchants' favorable position in the crucial credit network enabled merchants there to retain their dominance over the commerce of New Spain.¹⁸ From this perspective investments in mining and especially land became part of the merchants' overall strategy to control credit. In either case, the consulado saw the developments of the 1780s as a direct threat, accurately perceiving that the changes facilitated emergence of rivals both in Veracruz and the provinces. At the very least free trade with Spain and other Spanish colonies established the basis for a serious

¹⁴Brading, *Miners and Merchants*, p. 64; Alejandra Moreno Toscano and Enrique Florescano, "El sector externo y la organización espacial y regional de México (1521-1910)", in *Contemporary Mexico*, ed. James W. Wilkie, Michael C. Meyer, and Edna Monzón de Wilkie (Berkeley, 1976), pp. 273-305.

¹⁵Brian Hamnett, "Mercantile Rivalry and Peninsular Division: The Consulados of New Spain and the Impact of the Bourbon Reforms, 1789-1824", *Ibero-Amerikanisches Archiv*, 2 (1976), pp. 273-305.

¹⁶Florescano and Gil, "Reformas borbónicas", p. 259.

¹⁷Many authors provide this interpretation. See, among others, Peggy K. Liss, *Atlantic Empires: the Network of Trade and Revolution, 1713-1826* (Baltimore, 1983), p. 134; Javier Ortiz de la Tabla Ducasse, *Comercio exterior de Vera Cruz, 1778-1821. Crisis de dependencia* (Seville, 1978), p. 16 (who also argues [p. 14] that new merchants often found themselves in trouble because they lacked sufficient funds and access to credit); Florescano and Gil, "Reformas borbónicas", p. 224; Enrique Florescano and Fernando Castillo, eds., *Controversia sobre la libertad de comercio en Nueva España, 1776-1812* (Mexico City, 1975), p. 20; Enrique Semo, *Historia mexicana: Economía y lucha de clases* (Mexico City, 1978), pp. 167-169; and Tulio Halperin Donghi, *Historia contemporánea de América Latina* (Madrid, 1970), p. 21. Viceroy Revillagigedo appeared to support this position when he stated that old merchants had turned to agriculture or mining, leaving the path open for new merchants with less money but more savvy; see "Carta reservada del segundo Conde de Revillagigedo", *Boletín del Archivo General de la Nación*, 1 (1930), p. 194; and Revillagigedo, *Instrucción reservada al Marqués de Branciforte* (Mexico City, 1966), p. 200.

¹⁸This position comes out most strongly in the work of John Kicza; see his *Colonial Entrepreneurs: Families and Business in Bourbon Mexico City* (Albuquerque, 1983), p. 63; and "Merchants and Business Practices in Colonial Spanish America", comments presented at the Tulane Symposium on Unity and Diversity in Colonial Spanish America, 1983, p. 9. The consulado's contention that new merchants were prone to bankruptcy lends some support here; see "Informe de consulado", in Florescano and Castillo, *Libertad de comercio*, p. 73.

rivalry that erupted into an “economic struggle that was still going on when the Napoleonic wars disrupted the Spanish Empire”.¹⁹

*Revenues*²⁰

As noted above, alcabala revenues climbed dramatically after the arrival of royal tax gatherers. During the 1780s, however, the gains seemed less spectacular starting at the center of the commercial system, Mexico City. Revenues in the capital increased during the early 1780s, with totals approaching 900,000 pesos in 1784 and 1785, but in 1786, when an agricultural crisis swept the viceroyalty, revenues dropped over 200,000 pesos and failed to recover. Furthermore, revenues from taxes on European imports, the linchpin of consulado dominance, declined at an average annual rate of over four percent between 1786 and the end of the century. At the same time Veracruz apparently flourished. Under free trade the number of stores and warehouses doubled or even tripled. The population increased to 20,000 by the end of the century, with an additional 15,000 people seasonally floating through the city. An increasing number of vessels called at the city through the 1780s and early 1790s. After the reform of tax collection in the port in 1786, and through the early years of free trade, sales tax revenues increased dramatically in the Veracruz treasury district, at an average annual rate of over 20 percent between 1760 and 1785. In fact, during this period Veracruz accounted for over one-half of total provincial revenues from sales taxes, but after 1786 revenues there declined almost four percent annually, even faster than in the capital.

While sales tax revenues faltered in Mexico City and Veracruz, officials pointed to the economic dynamism of the provinces. Almost everywhere sales tax revenues had increased dramatically immediately after the imposition of royal collectors in 1778, but this trend did not last through the 1780s. Most significantly, in many regions tax revenues began a steady decline after 1786, most notably in coastal Tabasco, where contraband was clearly a factor, and also in New Spain’s mining districts. In fact, in Guanajuato sales tax revenue declined at an average rate of nearly nine percent annually between 1786 and 1816 after increasing at nearly the same pace between 1760 and 1785. Zimapán saw less dramatic declines, but along with Bolaños continued to produce smaller revenues from the alcabala. In other mining areas only new silver strikes prevented a similar pattern from emerging.²¹ For its part the government probably did not worry so much about the decline of sales taxes in mining areas, because it had previously granted massive tax exemptions to these regions in an effort to stimulate silver production. Even in other provinces where returns continued to increase, however, the *rate* of increase slowed. For example, while revenue in Guadalajara rose at an annual rate of over five percent between 1760 and 1804, the increase was greater in the early years of this period, reaching over fifteen percent per year from 1760 to 1786 but tapering off to nothing afterwards. Similarly, in Valladolid de Michoacán the greatest increases came before 1786. Only in Oaxaca and Acapulco did sales tax receipts accelerate after the early 1780s.

¹⁹James Lang, *Conquest and Commerce: Spain and England in the Americas* (New York, 1975), p. 80. See also Humberto Tandón, *El comercio de Nueva España y la controversia sobre la libertad de comercio, 1796-1821* (Mexico City, 1976), p. 19; Alexander von Humboldt, *Ensayo político sobre el reino de la Nueva España*, 4 vols. (Mexico City, 1941), vol. 4, p. 97; Luis Muro, “Revillagigedo y el comercio libre--1791-1792”, *Exposiciones de México. Homenaje a don Daniel Cosío Villegas* (Mexico City, 1971), p. 314.

²⁰The following discussion of quantitative trends is based primarily on the account books of the various regional treasuries in New Spain and from the annual books of the Mexico City customs house, all currently located in the Archivo General de Indias in Seville. To identify and verify trends in regional tax collections I used ordinary least-squares regression, through the use of a SAS computer program. I only identified trends in cases with *t*-scores of at least .01, indicating a 99 percent probability that a trend exists. I calculated average annual growth rates for those regions and periods with statistically significant trend lines using the method and formula described by Roderick Floud in *An Introduction to Quantitative Methods for Historians* (Princeton, 1973), pp. 90-93. This method uses the regression line to calculate the growth rate, providing the equivalent of a compound interest rate based on the values for all available years.

²¹Páez a Flores, 14 de junio de 1788, AGI, México, leg. 2351.

Thus while overall sales tax revenues increased, the slowing rate of growth must have disturbed the tax collectors and reflected real problems in the regional economies. Historian of Guadalajara Eric Van Young notes that “the amount of taxable goods moving through rural markets, as reflected by the levels in alcabala (sales) taxes in the late eighteenth century, simply does not increase in proportion to rural population growth”.²²

Thus the 1780s—decade of administrative reform, free trade, and agricultural crisis—also brought dramatic changes in sales tax revenues. At the center of New Spain’s commercial system, in Mexico City and its potential rival Veracruz, collections on imports actually began to decline. This must have greatly worried tax officials subject to ever-increasing demands from a hard pressed royal treasury. Revenues also sagged in the provinces, but here the incorporation of remote northern regions into the tax system helped keep revenues up and exemptions for the mines, seen as an essential component of economic recovery, helped mitigate the tax officials’ worries.

Of course we still have to grapple with the problem of what these sales tax revenue figures really mean for the commercial system. What do they really measure? Several legal and illegal factors weakened government control and drained away tax revenue. While untaxed goods entered the stream of illegal trade most dramatically through coastal contraband, merchants used other methods as well, including clandestine entry, falsification of statements at aduanas, and bribery of customs house officials. In Mexico City and other commercially central areas the temptation to engage in illegal trade probably derived from a desire to escape heavy tax burdens that caused prices of legal goods to rise beyond the means of many potential consumers. High prices caused by a combination of high shipping costs, high taxes, and monopoly profits plagued the viceroyalty²³ and were seen as a real problem by Spanish reformers. One of these, Tomás Ortiz de Landazuri, said: “...of all taxes, there is no other more onerous and contrary to the felicity and life of commerce than the alcabala”.²⁴ The consulado also singled out the alcabala: “...everyone knows that whenever alcabala collections go up, those that must pay it are more ready to commit fraud and clandestine trade”.²⁵ In addition to this tax evasion, exemptions on the “non-commercial” dealings of Indians and the clergy, and those on basic foodstuffs like maize, also indicate that the tax revenues undervalue total commercial activity. Also, because of the elimination of the resale tax in 1756 most of the small-scale commerce that took place within the bounds of a single jurisdiction legally escaped taxation. Thus theoretically nearly all non-local commercial activity paid the alcabala, but it is quite likely that both the clergy and the Indians used their exemptions to bring in goods for trade, a commerce virtually unmeasurable but which probably did not increase over time. These transactions, in fact, probably became increasingly subject to taxation because of the reformers’ hostility toward corporate privilege and exclusion. By contrast, several factors spurred ever-increasing contraband traffic in the waning years of the century, including perpetual war in Europe that blocked supply routes from Spain, British blockades in the Caribbean, the mounting burden of taxation, and the opening of commercial access provided by limited free trade, neutral shipping, and increased contact with contraband-ridden Havana.²⁶

²²Eric Van Young, *Hacienda and Market in Eighteenth-Century Mexico: The Rural Economy of the Guadalajara Region, 1675-1820* (Berkeley, 1981), p. 268.

²³Florescano and Gil, “Reformas borbónicas”, p. 260.

²⁴The attitudes towards contraband of the important reformers Campomanes and Campillo may be found in Stephen K. Ainsworth, “Commerce and Reform in the Spanish Empire During the Eighteenth Century” (Ph. D. dissertation, Duke University, 1975), pp. 118, 134. Landazuri’s statement may be found in Informe de Landazuri, 16 de octubre de 1767, AGI, México, leg. 1249.

²⁵Informe del consulado, 1753, AGI, México, leg. 2502.

²⁶Liss attributes to Revillagigedo the notion that free trade contributed to increased contraband; *Atlantic Empires*, p. 153. John Lynch, “British Policy and Spanish America, 1783-1808”, *Journal of Latin American Studies*, 1 (1967), p. 7, claims that while Great Britain profited from comercio libre the “lucrative and closely guarded Mexican trade largely eluded British penetration”.



Because of these exclusions, then, actual sales tax revenues collected during this period provide a direct measure only of the reformers' efforts to increase crown income from internal Mexican commerce. In addition, they provide a tentative general index of regional commercial activity, thus helping to illuminate mercantile ebbs and flows at both the center and edges of the commercial system. A maze of exemptions and rate changes, uncertainty over late colonial price trends for manufactured goods, and the difficulty of measuring fraud and contraband complicate evaluation of tax revenues as a direct measure of commercial activity, but study of sales tax revenue totals nevertheless provides an invaluable tool for analyzing regional commercial dynamism. In their efforts to rationalize sales tax collection and make it more efficient the reformers achieved spectacular short-term results. The crown's attempt to use alcabala reform in its assault on the corporate privileges of the consulado merchants succeeded in part, but the very act of imposing these reforms undermined the commercial system that rested on that control. The early revenue gains faded while the Mexico City merchants felt increasingly threatened, both by the government's attack and by the emergence of rivals in Veracruz and elsewhere. By the early nineteenth century the virtually insatiable demands of the crown on sales tax income severely undermined the efforts of the early reformers.

For trade between Veracruz and Jamaica see Ortiz de la Tabla, *Comercio... Vera Cruz*, p. 332, and for links with Havana see Tandrón, *Libertad de comercio*, p. 40. Some historians assert that contraband went up in wartime; See Javier Cuenca Esteban, "Comercio y hacienda en la caída del imperio español, 1778-1826", *La economía española al final del antiguo régimen*, 3 vols., ed. Josep Fontana Lázaro (Madrid, 1982), vol. 3, p. 424, and Semo, *Historia mexicana*, pp. 191-192. Most scholars quote Humboldt's estimate that 25 percent of imports entered New Spain illegally during the eighteenth century.

