

## Part I

# The impossibility of the dual economy

---

## 1 ➤ Introduction: the economic genesis of social institutions

We begin our inquiry into the economic history of Mexican agriculture during the century after the Spanish conquest by posing the question which will be central to our inquiry throughout: how is the organization of agricultural production and distribution determined? Whether there is meat in the kitchen is never determined in the kitchen. It depends on the household and on the total economy. Similarly, the most important events and most fundamental institutions in the history of Mexican agriculture cannot simply be explained as the result of the exercise of conscious intent by particular individuals either within or outside Mexican agriculture. We will see that the economic organization and social institutions of agriculture in Mexico have, throughout its history, grown out of the developmental needs and capacities of an economic system of which Mexican agriculture formed only a part. This system was mercantile capitalism, a system which soon after the Spanish conquest of Mexico was to embrace the entire world.

Christopher Columbus, the discoverer of America, had declared: 'The best thing in the world is gold. . . It can even send souls to heaven.' Cortés, the conqueror of Mexico, added: 'The Spaniards are troubled with a disease of the heart for which gold is the specific remedy.' The Franciscan friars confirmed:

## 2 The impossibility of the dual economy

‘There is no place for religion without silver.’ Neither the conquerors nor the colonizers came to Mexico in search of food. They came in search of gold and silver and of the Indian labour needed to extract this wealth. To the colonists the Mexican land and its fruits were no more than the necessary inputs to sustain this productive process. The production of precious metals required food, shelter and clothing for the workers and the colonists, as well as tools and materials for the extraction and transport of the metals. Thus, after the Spanish conquest, the utility and profitability of Mexican agriculture resulted in its becoming a by-product of the colonial economy and its development, just as the colonial economy itself was a by-product of – and contributed to – the world-wide expansion and development of the mercantile capitalist system.

Sergio Bagú has characterized this system and Latin America’s place in it thus:

By multiplying mercantile capital and stimulating international trade, the commercial revolution, which had begun in the fifteenth century, linked the fate of one nation or another, intensifying economic interdependence. The type of economy which the Iberian metropolis organized was of a definite colonial nature, oriented to the Central and West European markets. The same purpose motivated the Portuguese–Spanish producers in the new continent. Colonial capitalism, rather than feudalism, was the type of economic structure which appeared in America in the period we are studying. . . Iberian America was born to integrate the cycle of incipient capitalism, not to prolong the languishing feudal cycle. . . If there is a well-defined and unquestionable feature of the colonial economy, it is production for the market. From the first to the last days of the colonial regime, this characteristic conditions all productive enterprise. . . This is how the trends which then predominated in European international markets formed the principal elements shaping the colonial economic structure. It might be added that this phenomenon is characteristic of all colonial economies whose subordination of foreign markets has been, and still is, the principal cause of deformation and lethargy. (Bagú 1949: 39, 68, 117, 260)

The place of Mexico or New Spain in the mercantile capitalist system has been analysed by Eduardo Arcila Farías:

The Spanish empire had two centres in America through which it maintained its cohesion and its unity. These two centres were Mexico and Peru. . . The economic influence of New Spain extended over a large part of Spanish territory in America and created a close dependence that tied to it a great number of these provinces, who looked towards New Spain as the real

Cambridge University Press

978-0-521-08568-7 - Mexican Agriculture 1521-1630: Transformation of the Mode of Production

Andre Gunder Frank

Excerpt

[More information](#)*Introduction*

3

metropolis. In this way, one might say that a large number of the Spanish dominions in America were dominions more of Mexico than of Spain, if we consider the direct relations and economic ties between them . . . It is possible, then, to speak of a Mexican colonial empire in America.

(Arcila Farías 1950: 19)

This empire comprised the entire circum-Caribbean region of North and South America and the islands in between.

Mexico itself has been aptly characterized by Eric Wolf:

The Indian before the conquest had been a cultivator, a seed-planter. The conquering Spaniard became a mining entrepreneur, a producer of commercial crops, a rancher, a merchant. The strategic economic relationship of the pre-Conquest period united Indian peasant and Indian lord, tribute-producer and tribute-consumer. The goal of the Indian noble was to consume wealth commensurate with his social position. The Spanish colonist, however, labored for different ends. He wanted to convert wealth and labor into salable goods – into gold and silver, hides and wool, wheat and sugar cane. . . The motor of this capitalism was mining. (Wolf 1959: 176)

The new institutions that grew up were far more an outgrowth of past development and a response to the exigencies of contemporary times than a determinant of future development. José Ots Capdequí writes:

It is not impossible to penetrate into the heart of the real historical significance of the social, economic, and legal institutions incorporated into the so-called Indian law [*derecho indiano*], which refers not to Indians but to the Indies as Spanish America was then called. If one does not keep in mind this historical fact which I have amply dealt with in some of my writings: that the task of the discovery, conquest, and colonization of America was not in the strict sense, in its origins, a state enterprise . . . if we analyse the whole of the *capitulaciones* (grants) that are preserved in the general archives of the Indies of Seville we find clear evidence of the absorbing predominance of private interests, and of private initiative in the organization and the maintenance of the exploratory expedition. It was normal for these expeditions to be financed by great merchants. . . Under the new law that arose in the eastern countries, the strictly Indian [American] rights had a fundamentally contractual character . . . these *capitulaciones*, these contracts, became truly juridical and negotiable instruments; and before the business venture based on them was undertaken, they were subject to exchange, transfer, purchase, and sale, corporate contract. (Ots Capdequí 1946: 8–11)

When the Spanish conquerors arrived, they found an Indian population estimated at 11 to 25 million people living in central Mexico. The estimate of 11 million was published by Cook and Simpson in 1948 and is cited by Borah (1951: 3). The estimate

Cambridge University Press

978-0-521-08568-7 - Mexican Agriculture 1521-1630: Transformation of the Mode of Production

Andre Gunder Frank

Excerpt

[More information](#)

#### 4 The impossibility of the dual economy

of 25 million was published by Borah and Cook (1962: 5). The population of the Valley of Mexico alone has been estimated at 1,500,000 (Gibson 1964: 6). This immense, highly civilized population was the principal resource available to the Spaniards for mining, a resource more important than Mexico's mines and far more important than its land. For as Eric Wolf has said, 'All the claims to utopia – economic, religious, and political – rested ultimately upon the management and control of but one resource: the indigenous population of the colony. The conquerors wanted Indian labor, the crown Indian subjects, the friars Indian souls' (Wolf 1959: 195). The Spaniards, of course, did not come to kill the goose that laid the golden egg. But they did, through exploitation and disease. Little more than a century later only a million to a million and a half Indians were left (Borah 1951: 3 and Borah and Cook 1962: 5). Though Borah and Cook contend that Mexico was condemned to suffer a population disaster even without the conquest, the enormity of the disaster that in fact took place can be attributed to Spanish conquest and colonization (Borah and Cook 1962: 7). Inevitably, this momentous and rapid decline of the Indian population and labour force, in the face of a growing demand for the fruits of its labour by the white population on both sides of the Atlantic, was to play a key part in shaping Mexico's rural institutions, in determining its history in general and its agricultural history in particular.

The Spanish intent, apparently, was to graft their own economy on to the existing indigenous one and merely to skim the cream off the top of the latter for the benefit of the former. Gibson suggests that 'It was not the intention of Spaniards to interfere in the more prosaic aspects of native commodity production... The earliest conception was of a separation of trade' between the Spanish and Indian economies (Gibson 1964: 335, 360). Indeed, referring to the Indian economy, Gibson maintains that 'no immediate or drastic transformation occurred in native markets with the establishment of the Spanish colony' (Gibson 1964: 353–3). And Mendizábal elaborates:

As far as its lowest strata were concerned, neither the forms of economic production nor those of social organization of the vanquished were modified

*Introduction*

5

immediately. The surplus value was simply drained off in favour of the new privileged classes: kings, conquerors, friars, merchants and administrators. Agricultural production, with the exception of the new crops – wheat, olives, grapes etc. – was directed by the Spanish conquerors or colonists but worked by native labour, the industries . . . everything that was economically productive work remained for many years allotted to the Indians with the help, which was of little importance, of a few thousand African Negro slaves.

(Mendizábal 1945–6: iv, 59).

Like the Moguls and other conquerors of the peasants on the Indian sub-continent or like the Aztecs and previous conquerors of the peasants in middle America, many conquerors throughout history had endeavoured to skim tribute off the top of the conquered economy, while leaving the economic and social organization of the conquered peoples as undisturbed as possible, so that it might produce a maximum of surplus for both conqueror and conquered alike at minimum cost to the former. Previous conquerors had in many cases not only tried but succeeded (see Marx on India, Lattimore on China, Wolf on Mexico). But as we shall see, in the case of the Spanish conquest of America and of New Spain this policy did not succeed. Only a very few years after the conquest, it proved to be impossible to maintain the separation of the colonial Spanish and Indian economies or to invoke the Spanish conquerors' protection, *noblesse oblige*, of the crown's new Indian subjects. Despite the measures that the Spanish colonizers took to protect their Indian subjects and the Indian economy from disturbance, Indian life and Mexican agriculture were increasingly integrated – ironically through these very measures – into the mercantile capitalist system. The structure and development of this system demanded a type of colonization unlike any that history had previously known. As we shall see, the Spanish desire to preserve the Indian economy as a separate sector was thwarted not so much by commercialization *per se*, as by the commercial integration of the Mexican economy and its agriculture into the expanding world mercantile capitalist system. The participation of the Spanish colonists in this world system generated objective needs, the pursuit of which necessarily drew the entire Indian population and its economy into the system as well. It became increasingly impossible to leave the Indian economy and agri-

## 6 The impossibility of the dual economy

culture undisturbed and merely to scoop off tribute. Capitalist tribute differs from tributes in other modes of production in that its extraction and its use for the development of one part of the system necessarily generates the underdevelopment of another part of the system. The underdeveloped part of the mercantile capitalit system included most of Mexican agriculture.

Enrique Florescano's periodization of the history of Spanish grain legislation is highly significant to an understanding of the impact of Spanish colonization on Mexican agriculture. Florescano divides the Spanish grain legislation passed during the sixteenth century into three periods, each period having particular characteristics of its own. The importance of Spanish legislation, we should argue, was not that it determined historical developments but rather that it ratified or adjusted to an already changed reality. Florescano's periodization based on the changing characteristics of grain legislation serves as a rough basis for understanding critical changes in the reality of colonial grain production and hence for defining the sixteenth-century history of Mexican agriculture as a whole.

The first period, Florescano suggests, runs to 1550 and is characterized by the anarchic fumbling of the Spanish conquerors. The second period runs to 1579 and represents, he suggests, a more systematic effort to regulate grain supplies and prices. The third period, beginning in 1580 and for Florescano ending in 1595 – though in many respects it can be said to run on into the seventeenth century – is the period of the major Spanish effort to organize agricultural supplies to meet Spanish needs (Florescano 1965a: 604). Florescano himself notes elsewhere, as does Gibson, that the major legislation that initiated the second and third periods was definitely prompted by the historical events which closed each of the preceding periods. If we view these periods as successive attempts by the Spanish to respond to the realities of development under mercantile capitalism, the differences between the three periods and the significance of each period are even greater than Florescano implies. The first period, we suggest, represents the Spanish policy of instituting a dual society and a dual economy, as

*Introduction*

7

described above, in which the dominant Spanish sector attempted to skim tribute off the top of the dominated Indian sector. The second period represents Spanish attempts to overcome difficulties that developed during the first period. Between 1550 and 1579, the Spanish sought remedial measures which would in one way or another ensure the continuation of their initial policy of maintaining a dual economy, preserving the Indian economy as a source of wealth for both Indians and Spaniards. The third period then represents the total abandonment by the Spaniards of their vision of a dual economy. In place of their old policy, the Spanish substituted new provisions that were to result in or, more accurately, did in fact accompany the inevitable development of the Mexican economy and its agricultural sector as fully integrated parts of the world mercantile capitalist system.

The examination of the history of Mexican agriculture presented in the following chapters will be based on this overall analytical schema.

## 2 ✦ 1521-1548: the *encomienda*

During the first period after the conquest, that is until about 1548–9, the Spaniards sought to maintain the pre-hispanic organization of economic activity in Mexico. After replacing the Aztec rulers at the top of the pyramid, they appropriated tribute from this economy for themselves. José Miranda notes:

During the first decades of the colony the Spaniards were supplied principally by Indian tribute, either directly – the *encomenderos* [see below] – or indirectly, by purchase or exchange etc. Others were supplied in large part by the Indians through tribute. . . In the beginning, the Indians supplied large quantities of agricultural products – maize, beans, peppers, cocoa, etc. – and animals . . . and all sorts of other goods – lime, wood, chairs, kitchen utensils, blankets, charcoal etc. . . This lasted about a decade. (Miranda 1952: 204)

Besides goods produced in the Indian sector of the economy, of course, the Indians supplied increasingly large quantities of labour to the Spaniards, who invested it and often the goods as well in numerous projects and enterprises of their own.

Nonetheless, the payment of tribute to the Spanish economy soon proved to be quite different from the payment of tribute to the previous Aztec lords. In the first place, the proportion of the economic surplus exacted from the Indians by the Spaniards that returned to the Indian economy in the form of social services and public investments was less than under Aztec rule. The Spaniards invested this surplus either in their own sector of the Mexican economy, or, worse still, they shipped a good part of it to the metropolis across the Atlantic from whence it found its way into the development of Western Europe. The contemporary Spanish friar, Alonso De Zorita, observed:

the Mexican kings and their allies, the Kings of Texcoco and Tacuba, left the natural lords of these provinces in command of all the land they



*1521–1548: the encomienda*

9

conquered and acquired. This was true of the lesser as well as the supreme lords. They also allowed all the commoners to keep their land and property, and permitted them to retain their customs and practises and mode of government. The kings of Mexico, Texcoco, and Tacuba reserved for themselves certain lands which were cultivated for them by all the commoners. On these lands were grown the things that each region yielded. The conquered people did this by way of tribute and an acknowledgement of vassalship. (Zorita 1965: 112)

In the second place, the number of people exempt from the payment of tribute declined as the Spanish tributary net became finer and finer. Zorita called attention to the fact that before the conquest

Those persons who did not hold land from their community or barrio, or preferred not to, rented it from some lord or other private party, or from some other barrio. The mayeques were serfs and paid tribute as such to the lord of the land that they occupied and worked. They had no such obligations to the supreme universal ruler, and paid him no tribute, but in time of war or need they were obliged to serve him in virtue of his universal dominion and the jurisdiction he had over them. (Zorita 1964: 197)

These Indians and others, as Gibson (1964: 200) noted, lost their pre-hispanic exemptions from tribute and were now also deprived of their surplus.

In the third place, the amount of Spanish tribute apparently far exceeded the earlier Aztec tribute. Zorita wrote:

The third question asks the value of the tribute, expressed in gold pesos. This question is difficult to answer. [Before the conquest] each tribute payer gave but little, and that little had a low value for the Indians, but today it is worth a great deal. What I can state with certainty is that one Indian pays more tribute today than did six Indians at that time, and one town pays more in gold pesos today than did six towns of the kind that paid tribute in gold. (Zorita 1965: 189)

In the fourth place, the tributary system quickly and increasingly became commercially integrated into the mercantile capitalist economy as a whole. Not only was the tribute collected by the Spaniards used in large part for commercial investment or sale, but the very collection of tribute – and in part through it the Indians themselves – quickly became commercialized and integrated into the economy as well. As early as 1532, some Indians asked to have the payment of the tribute they owed commuted from goods to money. A contemporary informed

## 10 The impossibility of the dual economy

the king of this and asked him to remove the legal impediment to the payment of tribute in cash: 'Now it seems that in some places the Indians want to keep their maize and cloth for trading, and prefer to pay their tribute in gold, because through their trading they can earn enough to pay their tribute and to meet their subsistence needs' (Miranda 1952: 204). Apparently, in only ten years, inflation had taken hold of the new economy. Like all those who must pay in times of inflation, the Indians perceived the advantage of paying in devalued money instead of increasingly valuable goods. (We shall see that whenever landlords had to pay Indians and others since then, they chose to pay increasingly in money during times of inflation and in goods in times of deflation.) The Indians request was granted, and as long as labour was still in relatively plentiful supply even labour services were sometimes paid in money.

During this period also the Spanish acquisition of Mexican land began. During the conquest and the years immediately following, Cortés, with other military commanders and officials, took the initiative of distributing land amongst themselves and to others. In 1535 the king vested the viceroy with the legal right to give land grants (*mercedes*), with the provision that he could not make any grant to 'church, monastery, hospital or other ecclesiastical institution or person', as the repetition of this injunction in 1542 read (Chevalier 1970: 56–7). At this time, however, the Spanish population was still small and relied on the Indian economy for its agricultural supplies; hence land was of very little or no value to the Spaniards (Chevalier 1970: 55). It was of greater interest to the Indian chiefs and the Indian communities, who were also entitled to receive grants of land and who were in fact given such grants by the vice-regal authority. The real interest of the Spaniards, beyond the aforementioned goods produced by the Indian economy, was in Indian labour for use in the establishment and operation of Spanish enterprise. And the tributary payment of these labour services was, during the first colonial period, organized almost exclusively through the institution of the *encomienda*.