

Early Smithian economics in the Spanish empire: J. H. Vieytes and colonial policy*

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This article deals with the economic development of the Spanish colonies, as present in the thought of Juan Hipólito Vieytes (1762–1815), entrepreneur and journalist, a hero of the May 1810 Revolution in Buenos Aires and one of the early economists in the River Plate area. Vieytes was dismissed by Robert Sidney Smith in his influential article on *The Wealth of Nations* in the Spanish world (1957: 122) as a very minor figure in Spanish economic thought. This article attempts to show that although Vieytes was no innovative theoretician nor a scholarly prepared thinker, he was an early and able divulgator of Smithian economics and deserves to be counted among the Spanish and Spanish-American economists of his day.

The limited colonial economies

The industrial question was a major feature in the writings of the economists dealing with colonial problems. As a rule, the established doctrine said that the industrial development in the colonies should be limited to prevent it from competing with the mother country. This idea was just another illustration of the 'colonial pact', the notion that the metropolis had to manage the colony and pay for its defence, while the overseas dominions had to cope with the imperial restrictions and be subordinated with regard to taxes, agriculture, trade and manufactures. The Enlightenment did away with one of the elements of the colonial pact: the local monopoly, whereby some companies or ports were privileged with regard to others in the mother country. The exclusion of foreigners, however, did not change, and neither did the idea of the forced complementarity between colony and metropolis (Rodríguez Braun 1989: chap. 2).

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The Spanish economists of the eighteenth century supported the industrial liberty overseas, but in so far as it did not hamper Spain's manufactures. This idea was held by people like Ulloa, Campomanes and Ward, who wrote in his *Proyecto Económico*:

The arts that should be permitted in America are, first, those that Spain does not have and will not have in the foreseeable future. Second, those whose raw materials can be found in good quality and low price in America, but do not exist in Spain. And third, those arts and manufactures the consumption of the products of which is so large that Spain can never supply it.

(Ward 1779: 265)

In 1762 Campomanes wrote his *Reflexiones sobre el comercio español a Indias*, only recently discovered and published by Vicent Llobart. Campomanes also favoured the industrial progress of the colonies, albeit with limitations: 'All the fruits and manufactures that are characteristic of the mother country should never be allowed in the colonies' (Campomanes 1988: 354).

In this period of slow removal of some mercantilist doctrines, there grew an important agreement regarding the colonial question: the compatibility of the prosperity of both the empire's seat and the overseas settlements. The *ilustrados* (the enlightened ones) would favour the stimulation of the colonial economies, and its industries, although this idea would clash over and over again with the aim of protecting Spain's industry. This later mercantilist contradiction was a replica of an older one, when the Castille governments excluded all foreigners and some Spaniards from the American export trade, but at the same time limited the exportation, fearing the scantiness of the local supply, and the consequent price increase. In so doing they inadvertently fostered the manufactures in the colonies to some degree, and particularly smuggling. Lacking an industry sufficiently developed and facing a scarce and expensive flow of Spanish commodities, the colonies had recourse to contraband, a most flourishing trade in Spanish America, pushed forward by the fact that foreign commodities were cheaper than the Spanish ones and of a higher quality than the ones produced locally.

A restriction to industrial development in the colonies had little to do with regulations: it was the factor endowment, particularly the over-abundance of land and the scarcity of labour and capital. This is why Adam Smith thought that the industrial prohibitions in the colonies were not effective:

Unjust, however, as such prohibitions may be, they have not hitherto been very hurtful to the colonies. Land is still so cheap, and, consequently, labour so dear among them, that they can import from the mother country, almost all the more refined or more advanced manufactures cheaper than they could make them for themselves.

(Adam Smith, 1976, II: 582)¹

The doctrine of the mutual prosperity of mother country and colonies was upheld by Smith and by all who supported like him a new colonialism, that suppressed the mercantilist regulations but preserved the colonial bondage. Spaniards of the Enlightenment would argue that the Peninsula and the overseas provinces could grow together, even though the latter had to subordinate to the former. All these elements, from the need of an industrial development to the factor endowment problems and the mutual prosperity, appear in the economic thought of the *ilustrados* beyond the Atlantic Ocean, such as J.H.Vieytes.

Vieytes: life and works

Juan Hipólito Vieytes, tradesman, manufacturer, journalist and Argentine patriot, was born in San Antonio de Areco, near Buenos Aires, on 12 August 1762, from Galician stock. He studied in the Real Colegio de San Carlos, where we find the names of other outstanding protagonists of Argentine independence: Cornelio Saavedra, Juan José Castelli, Mariano Moreno, Manuel Belgrano and Bernardino Rivadavia.

As Vieytes would complain bitterly years later, the Real Colegio did not include in its curriculum the study of Law, Commerce or 'practical sciences'. Later he came to own and manage a soap factory and other businesses, and completed his studies only as an autodidact. He did not travel abroad, as did his friend Belgrano, probably the best read of his generation, who most likely influenced Vieytes when he returned to Buenos Aires from his studying year in Spain at the close of the eighteenth century. But Vieytes was conversant with Jovellanos, Uztáriz, Zavala, Campillo, Foronda and Ward, and among the foreigners Galiani, Mirabeau, Hume and Smith. His library had 300 volumes, a rather large number for the River Plate, and he quotes European authors in the original. He founded and was the editor of the second² newspaper in Buenos Aires, the *Semanario de Agricultura, Industria y Comercio*, which ran through 218 issues from 1 September 1802 to 11 February 1807. This weekly paper includes most of Vieytes's writings.

A typical *ilustrado* publication, principally devoted to the diffusion of practical knowledge, the *Semanario* joined in the economic policy battles in Buenos Aires, for instance when it criticized in 1803 the corn commercial regime that forbade its exportation, causing an acrimonious reaction in the *Cabildo*, or city council. The Viceroy Del Pino, who had supported the *Semanario's* appearance, defended Vieytes against the *Cabildo*. A few years later Manuel Belgrano issued the next newspaper, the *Correo de Comercio*, that housed some contributions by Vieytes, and Belgrano too got the backing of the new (and last) Viceroy, Cisneros.

This evident collaboration between *ilustrados*, independentists and the government poses a problem that the nationalistic historiography has not been able to solve. Félix Weinberg, Argentine historian and editor of Vieytes's economic writings, published them under the title of *Economic Antecedents of the May Revolution*. Now there is no question that Vieytes, like Belgrano and others, favoured independence from Spain: the revolutionaries of May 1810, when Argentina first loosed its links with the mother country, gathered in fact in Vieytes's house. What can reasonably be doubted is that Vieytes's economic thought had much to do with the need of emancipation.

This does not mean that Vieytes was an economic conservative. On the contrary, he proposed changes to solve the colonies' backwardness, technical and educational improvements, free land to be given to settlers with the prohibition to resell it, in order to prevent concentration, encouragement of local manufactures and, of course, freedom of trade.³ When the liberalizing reforms increased trade in the eighteenth century many American *cabildos* complained energetically: they were more protectionist than the Peninsula authorities. This illuminates the abovementioned paradox of the Spanish highest official in the River Plate, the Viceroy, supporting the local patriot, Vieytes.

Weinberg, who states rather naively that the *Cabildo* controlled prices 'caring for the population', insists that Vieytes is, together with Belgrano, 'the economist who links ideologically the Spanish Enlightenment and the dawning of the local revolutionary conscience' (Vieytes 1956: 127). This is not clear, however. Vieytes approves without hesitation the reforming measures stemming from the *ilustrados* in the Peninsula. His praises to the king and the metropolitan reformers are abundant, and though it can be argued that this attitude was not sincere, there is nothing in Vieytes's economic ideas that concluded that Spain's growth was incompatible with the colony's (1956: 185). The nationalistic approach, therefore, leaves something to be desired, as occurs also with the notion, backed by Robert Sidney Smith (1957: 105) that the independence of the Spanish colonies was fuelled by the *Wealth of Nations* – Adam Smith's views on colonies are a debated issue, but no one can argue that his line of thought drives inevitably towards the emancipation of the colonies (Rodríguez Braun 1989: chap. 3).

Vieytes as an economist was much like Félix de Azara or Pedro Antonio Cerviño or many other *ilustrados* who aimed at reforming the empire for the benefit of all. Vieytes could have signed the *Representación al Rey de los Labradores de Buenos Aires*, in November 1793, due perhaps to Azara's pen, with liberal and physiocratic proposals.⁴ Viceroy Cisneros was the one who opened the Buenos Aires trade with England in November 1809. There was, in short, a marked coincidence between rulers and ruled. But with the

foreign commodities came also the news of a remote mother country invaded by Napoleon and dragged into an institutional breakdown. This result moved the wheels of the revolution much faster than any economic theory.

The revolution was finally lethal for Vieytes. He served in several posts in his native country after the May 1810 Revolution, but in the local turmoil he always chose the wrong side. His last mistake was backing Carlos María de Alvear, appointed Supreme Director in January 1815; he fell in the following April. Vieytes was persecuted and banished, though the sentence was suspended due to his poor health. He died in San Fernando, near Buenos Aires, on 5 October, 1815 (Ezquerria 1979). Months later, on 9 July 1816, the birth of Argentina as an independent country was officially proclaimed.

Vieytes and colonial economic policy

The *Semanario* had no theoretical pretenses. It informed about the port movements in Buenos Aires and Montevideo, always of interest for traders and a kind of news that lies at the origin of most economic newspapers (Parsons 1990). And the published articles touched on data and projects regarding forestry, houses, corrals, sowing techniques, crop rotation, manure, ploughs, new crops, butter-making, raw materials for tannery, chemical products, meteorology, viper antidotes, the uses of ice and even the art of swimming.

As in all the other *ilustrado* publications, mixed up with all this variety of subjects lay the economic thought. Vieytes unsurprisingly rejects the idea that metals are of high value and compares them unfavourably with agriculture (Vieytes 1956: 145, 157). It was the new doctrine then. In 1796 his compatriot Manuel Belgrano had suggested the promotion of all agriculture, industry and commerce, but 'agriculture is the true aim of mankind and all wealth not originated in the soil is uncertain'. Later, in 1805, the Peruvian Miguel de Lastarria said: 'the utility is not in the caves but on the surface' and attacked the 'terrible obsession of working mines instead of the more convenient agriculture and commerce' (Rodríguez Braun 1992: 103–4). Vieytes thought that agriculture was 'the nerve of the State' but not 'the pining and languishing agriculture in which a small fraction of our scanty population does little more than amuse themselves' (Vieytes 1956: 276–7).

The chances for economic progress would open, says Vieytes, when the institutional reforms take into account both the resource endowment of the colony and the desire of every man to better his condition. Education – 'the

only inexhaustible spring of wealth' – plays a key role. While exports are profitable for the population, so are imports, because they stir up ambitions, acting as 'the bait of profit, that no man would be so lazy as to disregard'.

A typical feature of the colonies was shared by the Argentine provinces: abundance of cheap land. This pushed costs downwards, while the scarcity of labour and the high wages pushed them upwards – drawing from the *Relación Histórica del Viage a la América Meridional*, first published in Madrid in 1748 by Jorge Juan and Antonio de Ulloa, Smith refers to the price of labour in the River Plate (Smith 1976: I, 164). For Vieytes the solution was the 'popular industry': not factories but small domestic workshops aiming at subsistence and low-scale trade. If Chile was a competitive economy, he says, it was because there the farmers bought their garments in the workshops near where they lived, but the ones in Buenos Aires had to buy theirs from remote places.

In contrast with the Campomanes of the *industria popular*, which Vicent Llombart calls 'anti-capitalist agrarist', it must be stressed that according to Vieytes the popular manufacture underpriced the foreign one. If looms could be organized in houses, employing female, child and old labour, and the immediate raw material of the sheep, the produce of this industry could never fear foreign competition. Moreover, the domestic workshops with low costs would have a surplus production, which could be exported, thus preventing the lowering of local prices. On the other hand, an eventual scarcity would not increase prices notably, because the free entrance would attract more suppliers and prices would adjust gradually (Vieytes 1956: 181–2).

The Smithian influence can be traced clearly in all this, as well as when Vieytes highlights the importance of the interior trade above the foreign one, defining the latter as comprising 'what is superfluous in our produce', the crucial role of keeping product prices low, and the consideration of labour and property security as the foundations of economic development: 'A nation is not powerful because of the space it occupies in the globe, but because of its labour and industry'. Vieytes mentions the much-quoted example of Holland, a rich country but 'perhaps the least endowed by nature'. When attempting to explain why the colonies of the River Plate are poor he points out that the institutional framework had hindered the people's comprehension of their own interests. Vieytes supports free trade on economic and also political grounds, because it brings peace – the liberal creed *par excellence*. He uses a celebrated metaphor speaking about the Indians and how they should be treated peacefully, and be bound by the 'soft chains of commerce' (1956: 162, 173–4, 183, 189, 265).⁵

A characteristically Smithian point is the compatibility between economic activities of all kinds and the danger stemming from the artificial fostering

of one branch at the expense of the others. Vиейtes echoes the doctrine of other liberals in the Spanish world, such as Jovellanos, who underlined the need to suppress the *estorbos* (hindrances) to growth, limiting the role of the state in the fostering of the economy to: 'freedom, lights, assistances'. Vиейtes's argument is worth quoting at length:

Since industry and trade were freed from the heavy burdens that unreasonably oppressed them with decrees and regulations there is no people who have refused to undergo the most violent exertions in order to improve its well-being and its constitution through the free exercise of these two branches so necessary for the perpetuation of the opulence and aggrandizement of empires. Our Spain was aware since most ancient times of the truth of this infalible maxim, although its application stumbled frequently against the reefs of the ignorance in those days of the economic-political science. And so, for the encouragement of manufactures and commerce, the most noble and necessary art was vexed: it was mistakenly believed that workshops and trade could be enlarged without the essential assistance of the farmer. But in the present day things have entirely changed, due to the knowledge that has been dispersed by the meditation and study of that sublime science, that has prevented the postponement of agriculture's rights, and through its encouragement, the other two precious strings of nations' prosperity have been extraordinarily widened.

(Vиейtes 1956: 245–6)

Vиейtes's economics brings forward other instances of dexterity, as in his explanation of how the protective duties are payed finally by exporters and not by importers, and in his analysis of the labour market. The 'lack of equilibrium' between landowners and journeymen gives way to high wages in the market competition, that in labor as in everything else 'is the only thing that acts constantly levelling the real price of all commodities' (1956: 175, 304).

In the Argentine *pampas*, the oversupply of land, with its low price and high fertility, causes that all workers arriving there 'although they can be just journeymen, they will become landowners soon' – that is, exactly the same problem that would attract the attention and proposals of Edward Gibbon Wakefield and the colonial reformers two decades later. Vиейtes concludes that agriculture would continue to lead the economic activity if capital and inhabitants did not grow considerably: the large number of landowners would keep high the demand for wage-earners, and wages would consequently be dear.

Vиейtes could have jumped from here to the conclusion that the high labour costs were hindering the competitiveness of the River Plate viceroyship. Not so. He argued that if agriculture would have been a spontaneous production, without the need of 'anticipated knowledge', then labour would be the cause of its value. But agricultural production depended mainly on the manner in which the labour was applied, which could create a copious or a meager supply. This application was for Vиейtes 'the most invincible barrier that prevents the exportation of our most precious products, in which

wages are only a slight burden', and by increasing the cost of agricultural goods condemned them 'not to leave the soil that produced them'. What was needed, then, was an increase in physical and human capital productivity, that could result in the lowering of prices but not of real wages. It was the lack of productivity and skills that explained, according to Vieytes, what turned out to be the great theme of the Argentine economy many decades later: the paradox of 'poverty in the land of plenty' (1956: 307, 337).

Moreover, even though the journeyman's wage could be onerous for his eventual hirer, Vieytes argues that it was not so for the labourer himself, because the cheapness of his food was more than compensated by the dearth of his clothes, 'the expensive price of which absorbs almost the whole of his labour's produce'. If he could afford to buy clothes, then his savings would be nil: this stimulated him to become a landowner, thus shrinking the wage-earners supply. Vieytes forecast is that

Wages will increase until the land tillage exhausts all capitals, or until the price of labour arrives to a level with the difficulty of acquiring cheap land. Only if manufactures can be introduced in our lands, in such a way as to employ the heretofore sterile hands of women, the elderly and children, to produce rude garments for the consumption of the local population, taking advantage of the much abundant raw materials, only then the price of labour would come to an equilibrium with the needs it has to satisfy, and would consequently cease to increase.

(Vieytes 1956: 308–9)

Robert Sidney Smith (1957: 122) says that Vieytes did little more than reproduce the Smithian ideas of Samuel Crumpe's 1793 essay on the means of providing employment for the people, liberally extracted in the *Semanario* between February and July 1805. There are two reasons why Vieytes should have assigned such an ample space to a now completely forgotten figure in the history of economic thought. It should be borne in mind that Vieytes was no high-brow professor but a popularizer and a journalist. Seen in this light, Vieytes's move makes a lot of sense.

Samuel Crumpe (1766–96) was an Irish physician who graduated in Edinburgh and according to the *Dictionary of National Biography* gained 'no small celebrity' with his *An Essay on the best Means of providing Employment for the People*. The book was awarded a prize medal by the Royal Irish Academy, in which its author was admitted as a member. A second edition was published in 1795 and translated into French and German. It was, then, journalistically very reasonable to give notice of this work and not, for instance, of the *Wealth of Nations*, already available in Spanish since 1794. The history of journalism – not to speak of science – is full of 'novelties' that lapsed into oblivion shortly after being publicized; one should not stress this as a claim to be laid on Vieytes's door.

On the other hand, Crumpe's book discusses issues that were of interest

for Vиейtes and does so drawing heavily from the *Wealth of Nations*, ‘an invaluable fund of political knowledge’ (Crumpe 1793: 20). Regarding economic policy, Crumpe favours a ‘liberal and generous system’ of free trade, security of property and light taxes, that would promote agricultural interests first – ‘the principal and most secure source of employment’ – and then naturally manufactures, that should not be ‘premature . . . the forced and hot-bed productions of monopoly’, though temporary protection could be granted to an ‘infant and struggling’ manufacture ‘with extreme caution’ (Crumpe 1793: 132–3, 137–8, 296, 316). Although nothing of this was original from Crumpe, the book is well argued and obviously connected with the spirit of the times, to which Vиейtes was also devoted. Moreover, it should be pointed out that Vиейtes expressed Smithian ideas in the *Semanario* years before the publication there of Crumpe’s essay.

In sum, the economic arguments in Vиейtes’s writings were Smithian in his critique of mercantilism, his defence of agriculture and of a competitive industry, his emphasis on free trade and the security of property (Cornblit and Spector 1994: 42–3). He was not a deep thinker but a competent economist, at a level with other *ilustrados* in Spain and Spanish America.

Conclusion

Robert Sidney Smith’s dismissive opinion of Vиейtes as an economist should be revised. Vиейtes was surely inferior to Manuel Belgrano, his friend and fellow-revolutionary, but then Belgrano was a very much better-trained and educated economist. Vиейtes, on the other hand, was an entrepreneur and a journalist and only self-taught in political economy: against this background his economic writings display a much abler economic reasoning than what Robert Sidney Smith led his readers to expect.

Juan Hipólito Vиейtes was a skilful follower and popularizer of Smithian economics, only a decade after the death of the founder of classical economics, and at one of the remotest corners of the Spanish empire. He favoured the economic and particularly industrial development of the colonies, not through protectionist lines but through a better allocation of the settlement’s resources. He also followed Adam Smith in arguing that the resource endowment established the truth of the economic development natural order that forbade questioning the priority of agriculture – such a thing, concluded Vиейtes, would be equivalent ‘to take Nature off its hinges’ (1956: 343).

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Notes

- * This article is a revised version of a paper presented at the Fifth Congress of the Spanish Economic History Association, San Sebastián, October 1993. I would like to thank the participants for their comments. Suggestions and bibliographical assistance from Victoriano Martín Martín, Luis Perdices Blas and María Blanco in Madrid, and Juan Carlos Cachanovsky, Oscar Cornblit and Eva Balbina Fernández de Pegazzano in Buenos Aires are also gratefully acknowledged. The article benefited as well from the criticisms and remarks of two anonymous referees.
- 1 Smith admitted, however, that these restrictions, imposed 'by the groundless jealousy of the merchants and manufacturers of the mother country', could become 'really oppressive and insupportable' in a more advanced stage of development.
 - 2 The first was the ephemeral *Telégrafo Mercantil* (1801–2).
 - 3 Although Weinberg tries to dress Vieytes with socialist clothes, it must be reminded that the free land was located beyond the borders, in unpeopled or aborigine territories. Vieytes's idea is the frontier enlargement (he is enthusiastic on the possibilities of the land transport to the neighbour Chile), whereby private property – 'that deity to which men gladly sacrifice their sweat' – could foster the activity of many individuals who did not wish to become wage-earners (Vieytes 1956: 269).
 - 4 Both Azara and Cerviño wrote in the *Semanario*. The Galician Pedro Antonio Cerviño (1757–1816), who wrote many articles under pseudonym and had an active participation in the newspaper, was a remarkable military engineer who, according to the Argentine historian of economic thought, Manuel Fernández López (1980), anticipated von Thünen's analysis in 1801.
 - 5 He stands in defence of Spain's colonial administration, finding that it has been unjustly accused of ill-treating the Indians (Vieytes 1956: 313–15).

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Abstract

Juan Hipólito Vieytes (1762–1815) was a hero of the May 1810 Revolution in Buenos Aires and one of the early economists in the River Plate area. Although Robert Sidney Smith dismissed Vieytes as a very minor figure in Spanish economic thought, this article attempts to show that Vieytes, an entrepreneur and journalist and only self-taught in political economy, was an early and able follower and divulgator of Smithian economics. He advocated free trade and liberal economic reforms, pointing at the competitiveness of the domestic workshops or ‘popular industry’ in a country with scanty population and extensive and cheap land.

Keywords

classical economic policy, Adam Smith, colonies, Spain, Spanish America