

## CONSUMPTION AND CONTROL: THE MEXICO CITY BUSINESS COMMUNITY AND COMMODITY MARKETING IN THE EIGHTEENTH CENTURY

John E. KICZA

Scholars have long recognized that despite the allure of quick and substantial profits offered by investment in mining and commerce, agriculture and ranching in fact rendered the greatest part of New Spain's gross domestic product throughout much of the colonial period. Certainly such was the case in the eighteenth century, when such indicators as tithing records note the rapid increase in agricultural output.<sup>1</sup> However, it has been widely thought that the low unit value of most commodities, the backward and expensive systems of transportation in the colony, and the limited demand for such products by the small part of the society operating in a cash economy, kept these items from constituting a major part of the commerce of New Spain, whether domestic or foreign, and kept profit margins sufficiently low as to make these goods unattractive to the wholesalers who dominated so much of the colony's commerce. Undoubtedly a considerable share of the annual agricultural production of the colony—exactly how much it is impossible to say—was consumed by the producers themselves, used to support the workers on estates, or bartered in small amounts in local marketplaces. Nonetheless, over time, growth in the size of the population within the domestic cash economy and improvements in systems of supply and transportation, both at home and abroad, brought about a situation, at least by the eighteenth century, in which many commodities, though of course not all equally, entered the commercial network of the colony. Once in the network, they would eventually be purchased for cash or exchanged for another commercially valuable product and thus could yield significant profits to merchants. So while production for consumption or for local petty bartering still characterized agriculture in some parts of the Mexican countryside and in many smaller communities, demand for agricultural products in larger cities and

<sup>1</sup> Alexandro de Humboldt, *Ensayo político sobre el Reino de la Nueva España, México*, Editorial Porrúa, 1973, p. 316.

overseas followed an upward curve as the number of people in the cash economy increased in New Spain and Europe.<sup>2</sup>

Throughout the colonial period, one city far more than any other served as the primary domestic market for commodities of all sorts: the capital, Mexico City. It was not just that it was the most heavily populated city, though it was usually two to three times larger than its closest rival.<sup>3</sup> Mexico City contained a very large Spanish population, around 50 000 in the late eighteenth century, with European tastes and the money to satisfy them. As the center of the colonial and ecclesiastical governments, Mexico City offered many well-paying positions to its citizens. But the capital was more; it was also the preeminent commercial center of the colony, its merchants importing and exporting across the Atlantic and Pacific Oceans, supplying numerous provincial shopkeepers, and supporting hundred of retail stores of great variety in the city itself. Though less well known as a manufacturing center than such provincial centers as Puebla and Querétaro, Mexico City in fact supported a number of processing plants for food and raw materials which paid many of their employees in cash and which continually resupplied with commodities from the countryside.<sup>4</sup> As a consequence of these and many other employment possibilities, the Indians, blacks, and mixed bloods of the capital, roughly equal in number to the Spaniards there, were typically very hispanized and functioned within its very substantial cash economy.

During the course of the colonial period, the continuing need to ensure a sufficient supply of staples at prices affordable to the masses impelled city governments to create institutions such as the *abasto*, the *alhóndiga*, and the *pósito* to regulate the trade of basic foods. But the creation of these mechanisms did not transform commodity marketing. Most transactions in these items continued to be between private parties, and the level of prices and of goods produced was still largely determined by supply and demand, or at least by private agreements.<sup>5</sup> The *abasto* simply assigned the contract to provision a city with beef and mutton to a private entrepreneur, who then had to purchase the ani-

<sup>2</sup> Stanley J. & Barbara H. Stein, *The Colonial Heritage of Latin America*, New York, Oxford University Press, 1970, p. 108 & 132; Eric Van Young, *Hacienda and Market in Eighteenth-Century Mexico*, Berkeley, University of California Press, 1981, Chapters 3-5.

<sup>3</sup> For the relative size of Mexican cities in the late colonial period, see: Richard E. Boyer & Keith A. Davies, *Urbanization in 19th Century Latin America: Statistics and Sources*, Los Angeles, UCLA Latin American Center, 1973, p. 31-50.

<sup>4</sup> John E. Kicza, "Business and Society in Late Colonial Mexico City," Ph. D. diss., University of California, Los Angeles, 1979, Chapter XI.

<sup>5</sup> Enrique Florescano, *Precios del maíz y crisis agrícolas en México (1708-1810)*, México, El Colegio de México, 1969, p. 47-48 & 55-57.

mals from other producers (or provide them himself) and market them to slaughterhouses. The contractor hoped to make his profit as an indispensable middleman, but he was in no position to greatly increase or lower the amount of meat supplied to the city or to regulate its price significantly to his own advantage. The *alhóndiga* and *pósito* were designed to guarantee the city sufficient supplies of maize at reasonably low prices during times of shortage, so as to provide a steady flow to the poorer elements of the society who were so dependent on this food and also the least able to absorb any sudden increase in its price. The production of the other vital food crop, wheat, was unaffected, and even in times of shortage maize itself continued to be produced and marketed largely on a free-market basis.

Studies have shown that major producers of maize could keep their harvests from the market for extended periods until shortages forced the price, even at the *alhóndiga*, to higher levels.<sup>6</sup> This ability, in fact, constituted a primary mechanism for assuring the profitability of estate agriculture over the long term. Hence any threat to the continued solvency of these growers which might retard their freedom to market their harvests when they chose constitute a threat to their prosperity. For this reason owners of large estates commonly took measures to maintain a cash reserve or a steady cash flow to avoid having to seek excessive credit lines or loans to support production.<sup>7</sup> On the other hand, merchants who acted as middlemen in commodity trading appreciated that if they could loan money to estate owners, the greatest return might not be the repayment of the principal plus interest, but rather the assured access to the debtor's harvest, often on strict, stipulated terms called for in the loan agreements.<sup>8</sup>

The wholesaler merchants of Mexico City, along with a number of smaller dealers, did not hesitate to involve themselves in commodity trading in the eighteenth century. It was simply another component in their very complex trading network. Diversification of mercantile enterprises was characteristic of the overseas traders of late colonial Mexico City. From all appearances, the economy of the time was not large enough to support commercial specialization of any degree. Dependence on unreliable suppliers both abroad and in the colony and the exist-

<sup>6</sup> Florescano, *Precios del maíz*, 92-93; John M. Tutino, "Creole Mexico: Spanish Elites, Haciendas, and Indian Town, 1750-1810," Ph.D. diss., University of Texas at Austin, 1976, p. 119.

<sup>7</sup> John E. Kicza, "The Great Families of Mexico: Elite Maintenance and Business Practices in Late Colonial Mexico City," *Hispanic American Historical Review*, 62:3 (1982), p. 436-437.

<sup>8</sup> Archivo General de la Nación (hereafter cited as AGN), *Consulado*, leg. 87. exp. 5, f. 16, Dec. 17, 1811 & Leg. 118, exp. 13, Sept. 30, 1817; Archivo de Notarías del Departamento del Distrito Federal (hereafter cited as AN), Juan Manuel Pozo, April 28, 1801 & Jan. 16, 1805.

tence of a haphazard transportation system combined with cutthroat competition to compel the large traders to accept payment in items other than coin and continually to seek out new markets for both finished goods and raw materials.<sup>9</sup> In this economic setting, the wise wholesaler sought as many assured markets and sources of supply as he could generate. Sometimes the two were combined. Then a merchant would pressure one of the customers dependent on the credit he extended—a provincial trader, miner, or estate owner who bought exclusively from him—to allow him to invest directly in his business or, more commonly in the case of agriculture, to receive all of one or more harvests at guaranteed terms that were advantageous to the lender.<sup>10</sup>

The major producers of agricultural commodities, including the large ranching families of the desert North and the sugar growers of the Valley of Cuernavaca, plus many smaller operations, regularly maintained credit lines, marketed their harvests, and bought supplies through Mexico City wholesalers and commodity dealers.<sup>11</sup> From time to time, some of these producers, more commonly the smaller ones, need further credit. As a condition for approval of such requests, merchants commonly insisted on the exclusive right to all or some part of one or more future harvests at a set price that could not be adjusted. Some merchants went even further and actually financed the production of a crop on another person's estate. In this way the merchant invested spare capital in undertakings that promised considerable profit, if he could get a good price for the harvest.

While Mexico City was daily supplied with all the basic foodstuffs, wholesaler dealers found only meat and sugar sufficiently lucrative to merit their attention. The prices of most other foods were low; transportation costs for these low-value, high-bulk commodities were high; and many small producers transported their own harvests to the city. Thus no high profit margin was assured nor was there any way to corner the urban market or otherwise to drive the prices of these items up to artificially high levels. Trafficking in less attractive commodities therefore was left to small operators or to actual producers.

The annual value of sugar sent to Mexico City in the early 1790's approached one million pesos. Ward Barrett reasonably estimates that

<sup>9</sup> Kicza, "Business and Society," p. 72-73.

<sup>10</sup> See footnote 8.

<sup>11</sup> Charles H. Harris III, *A Mexican Family Empire*, Austin, University of Texas Press, 1975, p. 100, 106, & 108-109, describes the character of commercial arrangements between the Sánchez Navarro family and several Mexico City merchant houses. Ward Barrett, "Morelos and Its Sugar Industry in the Late Eighteenth Century" in Ida Altman & James Lockhart, eds., *Provinces of Early Mexico*, Los Angeles, UCLA Latin American Center, 1976, p. 161-162 & 167, discusses dealings between Mexico City merchants and sugar plantation owners.

this totalled only about one percent of the annual value of agricultural production in New Spain.<sup>12</sup> But what is crucial here is not the percentage share of total annual production but rather the percentage share of those commodities actually sold in the marketplace, especially those of high unit value.

Comestibles and alcoholic beverages were not the only commodities brought into the city for sale. Surrounded by numerous processing and manufacturing plants, Mexico City received a continual stream of raw materials for their supply. The most common items were cotton and wool intended for the cloth *obrajes*. Here again merchants attempted to interpose themselves in this branch of trade by securing exclusive contracts to provision specific factories. Such agreements assured the manufacturer a reliable source of materials and offered the merchant possible high profits if, through dealing with a number of different producers, he was able to lower the initial purchase price, having already been guaranteed a constant selling price by the plant owner.<sup>13</sup>

Even those lesser merchants of Mexico City who dealt in provincial commerce regularly accepted payment in kind rather than in coin. They were simply in no position to demand payment in specie. Rather they took payments in commodities and attempted to market them in and around greater Mexico City. Once again, high transportation costs militated against sale of these goods, often low-value bulk items, anywhere very distant from the Valley of Mexico. The greatest risk assumed by these small traders seems to have been in the quality of the products received in payment. They often turned to the *Consulado* for legal relief, arguing that they had been paid in inferior or deteriorating goods.<sup>14</sup>

Occasionally a merchant attempted to exploit price differences for a product between two regions and shipped comestibles from one locality to another without ever bringing them near Mexico City. But these transactions were rare, and no merchant attempted to build his career around them. By and large, the sale of comestibles and low-cost domestically produced items was left to itinerant traders, who sought to market them in rural villages, sometimes with a notable lack of success.<sup>15</sup>

Yet other merchants participated on a field of commerce which did not directly involve the city. They regularly sent out agents, often relatives, supplied with cash, bills of exchange, and lines of credit to trade

<sup>12</sup> Barrett, "Morelos and Its Sugar Industry," p. 162.

<sup>13</sup> AGN, *Consulado*, leg. 41, exp. 5, f. 7, April 11, 1804 & leg. 186, exp. 4, f. 3, Feb. 10, 1804.

<sup>14</sup> AGN, *Consulado*, leg. 127, exp. 15, f. 18, March 6, 1790 & leg. 73, exp. 3, f. 1, Jan. 31, 1805.

<sup>15</sup> AGN, *Consulado*, leg. 42, exp. 6, f. 1, April 3, 1802.

livestock between different regions. Those active in this branch of commerce were not the great wholesalers but rather those middle-level retailers who owned a store in the capital and perhaps one or two more in the provinces.<sup>16</sup> The animals were never brought to the city, and their numbers were far too large to have been acquired to stock the estates of individual merchants. Seemingly, provincial merchants, attuned as they were to the shortages of supplies and animals in various parts of the country and to the differences in prices from one region to another, made use of this specialized knowledge to supplement their regular provisioning of provincial stores with this additional trade in animals.

Mexico City did contain a small number of merchants who specialized in the sugar trade. Called *azucareros*, their presence is noted in the 1753 and 1811 censuses of the city. From all appearances, they marketed sugar only locally or at best just within central Mexico. There is no evidence that they handled international transactions. In fact, every sale of sugar overseas encountered in the documentation was conducted by international wholesalers who regularly traded in even greater volume in such items as silks, manufactured goods, and silver.

Some storekeepers of the capital did attempt to specialize in the sale of one commodity or another, but, with the exception of the sugar traders, all such small-scale enterprises, lacking any other source of income, drifted toward the same lamentable fate: bankruptcy. Whether concentrating on the commerce of a comestible such as wheat or a raw material such as cotton, no local dealer was capable of controlling the pricing and demand patterns of the capital, and with a grim inevitability, economic collapse occurred sooner or later when the price level for the item, for whatever reason (and they were numerous) fell below that which the mercant had anticipated.<sup>17</sup>

But merchants of Mexico City, great and small, were not the only businessmen interested in the supply of commodities to the city. The demand for flour, meat, and raw materials was so great that many owners of plants and slaughterhouses involved themselves directly in the acquisition of commodities. In 1793, Mexico City contained fifty-eight bread bakers. The owners and managers preferred to deal with estate owners personally and thereby avoid the additional charges of grain merchants. So much capital was required for the purchase of flour that these men and women often had to borrow money at interest to stay in business. In some of these instances, the lenders, typically private individuals rather than institutions, demanded to become for-

<sup>16</sup> AGN, *Consulado*, leg. 157, exp. 9, f. 1, Feb. 1806; leg. 191, exp. 5, f. 1, Nov. 18, 1796; & leg. 214, exp. 1, f. 3, Jan. 19, 1799.

<sup>17</sup> AGN, *Consulado*, leg. 53, exp. 5, ff. 1-4, May 4, 1808 & leg. 34, exp. 1, f. 11, Aug. 19, 1817.

mal partners of the bakery owners for a stated period of time, usually for a third or a half of the profits.<sup>18</sup> In such cases the lenders, by becoming investors, relinquished any interest charges. More commonly, though, the loans were simply accepted at interest. As these loans were sometimes compiled over a number of years, their combined total could make up the greater part of the book value of a business. Consequently, some owners had to continue taking out new loans to refinance old ones.<sup>19</sup>

Actual grain purchases were frequently made on credit, as were so many transactions in this society. However, the bakery owner was not always required to pay interest on the outstanding balance owed to the estate owner. Such favorable terms may have been expected from state owners who wanted secure markets for their harvests year after year. The actual economic conditions could favor either party. Sometimes bakery owners would agree to pay in installments over some months; other times estate owners were able to insist on advance payment. Two grain purchases made by the baker José María de Benavente in 1805 illustrate the great difference in terms that was possible. In the first transaction he purchased over 700 *cargas* of wheat from the estate of a regidor of Mexico City at the price of 9 pesos 4 reales per *carga*, paying 2 000 pesos immediately, another 2 000 in a month, and the remainder after two months. In the other transaction, he bought 1 000 *cargas* of wheat from an estate owner of Mexico City at the price of 8 pesos 2 1/2 reales per *carga*. The seller agreed to deliver 200 *cargas* a month over the next five months, but Benavente was required to pay 4 000 pesos in advance and would pay the remainder when the final shipment was received.<sup>20</sup>

Other bakers had standing agreements with certain mills near the capital. Purchases would be charged against the buyer's running account, which would be settled periodically. Such arrangements were very beneficial to bakery owners, who themselves were dependent on credit sales to their customers.<sup>21</sup>

Finally, some bakery owners, certainly only the most successful, made loans directly to estate owners with the stipulation that repayment be made in grain delivered to their premises.<sup>22</sup> But up-and-coming estate owners themselves sought to acquire processing plants so that they

<sup>18</sup> AN, Manuel de Puertas, March 12, 1789; Tomás Hidalgo de los Reyes, Aug. 29, 1797.

<sup>19</sup> AN, José María de Torija, March 10, 1787 & Jan. 30, 1788; Joaquín Barrientos, Oct. 8, 1790; Hidalgo de los Reyes, Oct. 30, 1804; Francisco de la Torre, July 14, 1814.

<sup>20</sup> AN, De la Torre, March 28, 1805 & July 3, 1805.

<sup>21</sup> AN, Pozo, June 12, 1793.

<sup>22</sup> AN, Torija, Dec. 20, 1781; Barrientos, Aug. 1, 1799.

might achieve vertical integration of their enterprises.<sup>23</sup> We have already seen that great landed families invested heavily in mills near the capital. Other smaller producers of grain attempted similar but less ambitious undertakings by acquiring bakeries.

While the mutton and beef supply for the capital was normally handled through the *abasto* and the animals actually dressed in slaughterhouses that were often owned by convents and charitable institutions which leased them out to private individuals, the marketing and preparation of hogs was fashioned much like business of bakeries. The hog slaughterhouses were valued about the same as bakeries and were often owned by similar individuals.<sup>24</sup> The proprietors had the same difficulties in assembling enough capital to assure themselves a steady supply of animals. Like bakers, they often had to borrow large amounts of money at interest or enter into company agreements with capitalists.<sup>25</sup> Bankruptcy was not uncommon. Slaughterhouse owners typically negotiated with estate owners or with their business agents in the capital. They seemingly did not have the alternative of obtaining hogs from their own properties. There is no evidence that any slaughterhouse owner even acquired an estate of his own.

The commodity producers who were most successful in controlling the marketing of their product were the families owning *pulque* estates in the arid country northeast of the capital. The number of producers in the business was limited by the amount of suitable land, high transportation costs, and the restriction on the number of *pulquerías* allowed in the city. Major producers characteristically bought one or more of these retail outlets, or entered into exclusive agreements with their owners.<sup>26</sup> Every possible step was taken to avoid having to sell the intoxicant on a free-market basis, which would raise the possibility of losing access to the consumer or of being forced by this cutthroat economy to sell at prices too low to earn a profit.

A great variety of commodities, along with other items, were sold in petty amounts to individual customers in the many grocery stores of the capital. These were termed *pulperías*, *cacahuaterías*, or *tiendas mestizas* depending on what items they retailed. Heavily dependent on the extension of credit both to their customers and from their suppliers, the

<sup>23</sup> For the case of a successful lawyer and estate owner who bought a bakery as a key component of his emerging economic diversification, see: AN, Félix Fernando Zamorano y Barrera, June 17, 1803.

<sup>24</sup> Kicza, "Business and Society", p. 453-456.

<sup>25</sup> AN, José Antonio Burillo, May 10, 1796; Pozo, May 7, 1800; Hidalgo de los Reyes, Nov. 11, 1811.

<sup>26</sup> John E. Kicza, "The Pulque Trade of Late Colonial Mexico City", *The Americas*, 37:2 (1980), p. 208-210.



owners of these stores typically acquired their goods from one or several wholesalers with whom they maintained long-term business arrangements.<sup>27</sup> They were in no way capable of playing an independent, competitive role in the acquisition of commodities for the consumers of the capital.

Mexico City itself constituted a major market for cotton, wool, and hides. Its cloth factories and tanneries are not as dominant as those of such cities as Puebla and Querétaro in the late colonial period, but they were numerous and constituted a dynamic element of the urban economy. Some *obrajes* were supplied with raw materials through exclusive contracts with merchants. Yet others dealt with a number of suppliers, usually the marketing agents of major growers.

Making use of their access to capital, their ability to extend credit, and their knowledge of trade patterns, Mexico City merchants also established themselves as the suppliers of raw materials to artisans of the capital. Prominent wholesalers provided silver and precious stones to jewelry-makers and iron to blacksmith shops.<sup>28</sup> They even controlled the curing of hides and the supply of leather to artisans. Martín Ángel de Michaus would marry two of his daughters into titled families and become one of the colony's major shippers. He made his initial fortune buying hides from ranchers, even from some of the largest stockraisers, and then selling them on credit at interest to the city's tanners, who in turn would pay him after they had retailed the leather to artisans.<sup>29</sup> In an effort to eliminate the share of profits that went to suppliers such as Michaus, the most successful tanners sought to acquire or to lease estates of their own. Others tried to bypass these middlemen by entering into agreements with stockmen in the provinces.<sup>30</sup> But the dependable supplies and vital credit that merchants offered generally undercut the efforts of all but a few tanners to become independent of them.

The final aspect of commodity trading which was totally controlled by Mexico City wholesalers in the eighteenth century was actual exportation of these products, a recent development in this period. By the second half of the eighteenth century, sugar and hides had joined cochineal as commodities which were regularly shipped overseas by Mexico City dealers. In no way did the annual value of this trade rival that of silver, but the potential profits were sufficient to attract a number

<sup>27</sup> Kicza, "Business and Society," p. 159-170.

<sup>28</sup> AN, Torija, April 27, 1787; Pozo, Sept. 19, 1798 & Sept. 4, 1809; Hidalgo de los Reyes, April 22, 1807, June 21, 1808, & April 18, 1810; AGN, *Consulado*, leg. 183, exp. 12, Aug. 23, 1802.

<sup>29</sup> Tutino, "Creole Mexico," p. 154-155.

<sup>30</sup> AN, Burillo, Jan. 14, 1792.

of merchants into the field. In the period from 1796 through 1810, by weight, nine times as much sugar as cochineal was shipped to Spain from Veracruz, but because of the much higher unit value of the latter product, its total worth exceeded that of sugar by a factor of 2.4.<sup>31</sup>

Sugar was shipped to Spain on the merchant's own account and would be received there by his associates. The sale of the commodity would then be used to finance the purchase of finished goods for shipment back to Mexico and to cover the expense of maintaining agents in Spain.<sup>32</sup> Unstable international politics and the weakness of the Spanish navy were primary threats in this era to all aspects of Mexican trade with Europe. In 1804 Sebastián de Heras Soto loaded indigo and sugar aboard a frigate in Veracruz harbor for shipment to Santander, Spain (his hometown), where his creole son, stationed there to learn the ways of international commerce, was to receive the goods. But by the time the ship arrived in Havana in January of 1805, war had broken out between Spain and England. Heras Soto, fearful of sending the ship into the British-controlled Atlantic, sent a letter empowering an agent in Havana to disembark the goods and sell them anywhere (presumably in the Americas) where he could obtain a favorable price.<sup>33</sup>

Commodities were exported from Mexico to other destinations besides Spain. Mexican businessmen of the late eighteenth century were looking to other areas in the Spanish empire as possible markets. To further their interests, manufacturers and merchants did not hesitate to enter into mutually advantageous pacts. In 1789 Domingo de Vargas, a tanner of Mexico City, empowered José Joaquín de Ariscorreta, a powerful wholesaler of the city, to act on his behalf and attempt to sell his hides in Havana.<sup>34</sup>

In conclusion, the past two decades have seen the flourishing of studies about agrarian systems and their operation in colonial Mexico. Despite their many accomplishments, these works, whether they treat individual estates, regions, or the relationship between the city and the countryside, have not devoted much attention to the actual dynamics of commodity marketing. In this paper I have tried to fill this need in a modest way by examining one specific case, that of Mexico City in the Bourbon era, and by conveying a sense of the immensity and complexity of this one field of commerce. It would be insidiously attractive to characterize commodity marketing in this period as a realm totally dom-

<sup>31</sup> Miguel M. Lerdo de Tejada, *Comercio exterior de México desde la Conquista hasta Hoy*, México, Rafael, 1853, Appendix 14.

<sup>32</sup> AN, Pozo, July 15, 1802.

<sup>33</sup> AN, Pozo, Feb. 12, 1805.

<sup>34</sup> AN, Torija, May 25, 1789.

inated by the large estate owners or by the great wholesalers of the capital. In fact, however, the relative power of these two groups waxed and waned as they struggled to gain a larger share of the market and its profits for themselves. The short-term economic climate, the nature of the market for each individual commodity, and the availability of capital and credit to the different actors, all played a role in determining which of the two groups would control the marketing system and thus gain the lion's share of the profits in any one year. Clearly of crucial importance here is the extent to which the producer had become dependent on the credit afforded him by a merchant. Economic downturns and the consequent loss of solvency could drive the estate owner into the hands of the merchant, who would then dictate terms favorable to himself.

And through it all, complicating the situation in most branches of commodity trading, were the efforts of smaller dealers and processors to rid themselves of their own dependence on powerful suppliers, whether the actual producers or the wholesalers, in order to carve out an economic autonomy that would give them greater security and higher returns. Overall then, commodity marketing in late colonial Mexico City was marked by its number of avenues and types of transactions and by a volatility caused by constantly changing prices, sources of supply, and rampant competition and undercutting of position by supplier and purchaser alike, as all struggled for a greater share of this trade.