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XXI.18 On the riches which Spain drew from America

- The Spirit of Law - Book XXI. On laws in the relation they have to commerce, considered in the transformations it has seen in the world -

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If Europe has found such great advantage in the American trade, it would be natural to believe that Spain would have found even more. [1] She drew from the newly discovered world such a prodigious quantity of gold and silver that what we had until then could not be compared with it.

But (and this one would never have suspected) penury caused her to fail almost everywhere. Philip II, who succeeded Charles V, was obliged to declare the famous bankruptcy everyone knows about ; and there has scarcely ever been a prince who has suffered more than he did from the grumbling, the insolence, and the revolt of his always poorly paid troops.

From that time, the Spanish monarchy declined steadily. That was because there was an inner, physical defect in the nature of this wealth which made it futile, and that defect grew by the day.

Gold and silver are fictional or symbolic wealth. These signs are very durable and almost resistant to wear, as befits their nature. The more they multiply, the more they lose their value, because they represent less.

At the time of the conquest of Mexico and Peru, the Spanish abandoned natural wealth to acquire symbolic wealth that depreciates on its own. Gold and silver were very rare in Europe, and Spain, suddenly in possession of a very large quantity of these metals, conceived expectations she had never before had. Yet the wealth found in the conquered countries was not proportional to the wealth of their mines. The Indians hid part of it ; and besides, these peoples, who made use of gold and silver only for the splendor of the temples of the gods and the palaces of the kings, did not seek them with the same avarice as we did ; finally, they did not know how to extract the metals from all the mines, but only from those where the separation is done by fire, not being familiar with the manner of using mercury, and perhaps not with mercury itself.

Yet silver did not fail to double soon in Europe, which appeared from the fact that the price of everything that was purchased was about twice as high.

The Spaniards scoured the mines, excavated the mountains, invented machines to extract the water, break up the ore and separate it ; and as they paid no heed to the lives of the Indians, they made them work mercilessly. Silver soon doubled in Europe, and the profit kept shrinking by half for Spain, which had only the same quantity every year of a metal which had become only half as precious.

In double the time silver doubled again, and the profit again shrank by half.

It shrank by even more than half : here is why.

To extract the gold from the mines, process it as needed, and ship it to Europe, required a given outlay : I will assume it was as 1 to 64. When the silver had once doubled, and consequently was half as dear, the expense was as 2 to 64. Thus the fleets that bore the same quantity of gold to Spain were bearing something which in reality was worth one-half less, and cost one-half more.

If we follow the matter from one doubling to the next, we will find the progression of the cause of of the impotency of the wealth of Spain.

The mines of the Indies have been worked for about two hundred years. I will assume that the quantity of silver

XXI.18 On the riches which Spain drew from America

presently in the commercial world is to the quantity there was before the discovery as 32 is to 1, in other words, that it has doubled five times ; in two hundred years more the same quantity will be, to what there was before the discovery, as 64 is to 1, in other words it will again double. Now at present fifty quintals of gold ore yield four, five or six ounces of gold [2] ; and when it is no more than two, the miner only recovers his costs. In two hundred years, when it will be only four ounces, the miner will again recover only his costs. There will thus be little profit to be made in gold. Same reasoning for silver, except that work in the silver mines is a little more advantageous than in the gold mines.

Were one to discover mines so rich that they yield more profit, the richer they are, the sooner the profit will cease.

The Portuguese have found gold mines in Brazil so rich that the profit of the Spaniards must necessarily drop considerably soon, and their own as well.

I have several times heard people deplore the blindness of François I's council that turned away Christopher Columbus when he made his proposal for the Indies. In truth, we perhaps imprudently did something very wise. Spain acted like the insane king who asked to have everything he touched turn to gold, and had to ask the gods to put an end to his misery.

The companies and the banks which several nations established put the finishing stroke to devaluing gold and silver in their quality as signs : for by means of new fictions they so multiplied the signs of supplies that gold and silver only partially fulfilled that function, and as a result became less precious.

Thus public credit served them in lieu of mines, and further diminished the profit which the Spanish derived from theirs.

It is true that the Dutch, through the commerce which they plied in the East Indies, gave some value to the Spaniards' merchandise : for as they bore silver to barter against Oriental merchandise, they relieved the Spanish in Europe of part of their provisions that were too abundant there.

And this commerce, which seems to concern Spain only indirectly, is advantageous to her as it is to the nations which are carrying it on.

From all we have just said, we can judge the most recent ordinances of the Spanish council that forbid the use of gold and silver for gilding and other superfluities : a decree such as the State of Holland would make if they forbade the consumption of cinnamon.

My reasoning does not apply to all mines : those of Germany and Hungary, which yield little beyond costs, are very useful. They are located in the principal state ; they give work to several thousand men who consume its overproduction of foodstuffs ; they are properly one of the country's manufactories.

The mines of Germany and Hungary promote agriculture, and the work of the Mexican and Peruvian mines destroys it.

The Indies and Spain are two powers under a single master ; but the Indies are the principal one, and Spain is only accessory. It is in vain that politics tries to reinstate the principal one as the accessory : the Indies still draw Spain to themselves.

XXI.18 On the riches which Spain drew from America

Of approximately fifty million in merchandise that goes every year to the Indies, Spain furnished only two and a half million ; the Indies are thus doing a trade of fifty million, and Spain of two and a half million.

A windfall which owes nothing to a nation's industry, to the number of its inhabitants, or to its agriculture, is a bad kind of wealth. The king of Spain, who receives large sums from his customs house in Cadiz, is in this respect just a very rich individual in a very poor state. Everything takes place between foreigners and him, with his subjects getting hardly any share : this commerce is independent of his kingdom's good and ill fortune.

If a few provinces in Castile gave him a sum like that of the customs house in Cadiz, he would be far mightier ; his wealth could only be the effect of the country's wealth : these provinces would drive all the others, and all together they would be in a better position to sustain the respective burdens ; instead of a great treasury, there would be a great people.

[1] This appeared twenty years ago in a little manuscript book of the author's, which was almost entirely merged with this one. [*Considerations sur les richesses de l'Espagne*, OC, t. VIII, p. 595-623.]

[2] See the voyages of Frezier.