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Organizadores:

Fernando Ramos (Universidad Pablo de Olavide de Sevilla)
Bartolomé Yun (Instituto Europeo Universitario de Florencia)

The political economy of the Spanish Imperial rule, revisited

Regina Grafe (Northwestern University)
Department of History
Teléfono: 847-491-7412
E-mail: grafe@northwestern.edu

Alejandra Irigoin (College of New Jersey)
History Department
Assistant Professor
Phone: 609-771-2796
E-mail: irigoin@tcnj.edu

Abstract

Searching for the factors determining long-term economic growth, the various branches of Neo Institutional Economics have used the comparative colonial history of the Americas to identify, and test, the performance of growth-conducive institutions. Thus, the Anglo Saxon constitutional tradition and, particularly the North American institutional set-up emerge as superior and allegedly explain the divergent trajectory of the different former European colonies. Elsewhere, we have challenged the theoretical premises and the historical evidence of this body of scholarship, which portrays Imperial Spain as an absolutist, predatory and extractive ruler.

This paper follows further in the exploration and revision of the political economy of the Spanish empire in the New World. The first section lays out the negotiated nature of the Spanish colonial rule and its redistributive character, regionally and across economic sectors. It highlights the self-financing nature of the Spanish empire and its territorial expansion. Through the analysis of data on the colonial expenditure the second section traces the size, distribution and destination of the public spending. To date (and to our knowledge) there has not been a similar systematic study of the colonial expenditure as all available characterizations of the colonial state' performance have solely considered the revenues side. The third section elaborates on the sectorial and regional effects of the imperial spending policies within the colonial economy, in which redistribution of revenues and resources was key. The picture that emerges differs quite markedly from the established idea of Spanish American colonial economy. Wage rates in recipient regions indicate a substantial availability of liquid assets, which correspond with observed rates of growth and expansion of trade.