

JORGE ORLANDO MELO. Some Aspects of the Fiscal Policies of the Santander Administration in New Granada (1832-1837). (Under the direction of HAROLD A. BIERCK.)

Fiscal administration and reform became one of the constant preoccupations of the Colombian leaders after the winning of independence. The administration of General Francisco de Paula Santander (1832-1837) followed a fiscal policy marked by moderation. Although the vocal sectors clamored for a change in the tax structure of the country, the government opposed all radical reforms. Instead, the Executive tried to improve the existing taxes and to reduce state expenses. Minor reforms were realized in the administration of the state monopolies--tobacco, aguardiente, salt and minting. The handling of the tariffs on foreign imports, and the discussions about surtaxes on foreign ships revealed the impact of local interests. Two major taxes were abolished: the exportation duties and the sales tax.

Despite the suppression of export duties and the sales tax, fiscal revenues did not decline; rising incomes of the tobacco monopoly and better collection of other taxes made for the difference. On the whole, the executive policies slowed the trend toward the reduction of tax burdens. Except for the increase in tobacco production, the fiscal and economic policies of the Santander administration did not produce any noticeable improvement in the national economy.

SOME ASPECTS OF THE FISCAL POLICIES OF THE SANTANDER  
ADMINISTRATION IN NEW GRANADA (1832-1837)

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by

Jorge Orlando Melo

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Approved by:

Harold A. Riens  
Adviser

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## INTRODUCTION

On October 7, 1832, General Francisco de Paula Santander assumed the presidency of New Granada.<sup>1</sup> Economic, political and social turmoil characterized the decade which immediately followed independence. The 1830's were enthusiastically hailed as the beginning of a new era wherein the fulfillment of peaceful and progressive development of the country could be expected. General Santander seemed to have the support of the overwhelming majority of the country, and his administrative abilities plus his will to serve the nation were accepted by most of his countrymen as outstanding attributes. But the task ahead was not easy. The wars for independence had ravaged the country and seriously disrupted the economy; the political instability and the tensions of the 1820's had not permitted any appreciable recovery of production and trade. The treasury was, after a decade of high expenditures and low incomes, empty and burdened by debts.

Treating with the New Granadan problems during the 1830's, the Santander administration had to take notice of

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<sup>1</sup>From 1819 until 1886 the Republic of Colombia underwent five separate name changes: Republic of Colombia, New Granada, Confederacion Granadina, United States of Colombia and Republic of Colombia. Throughout this paper the terms New Granada, Colombia, Neo Granadan and Colombian are used synonymously, and refer to the territory of present-day Colombia.

the economic situation of the country. The executive had to handle problems arising from the structure of the foreign trade and from the productive activities inside the country. Economic and regional interests were vocal in the defense of specific policies, and differences of opinion between defenders of free trade and protectionists became obvious.

The fiscal system of the nation was subjected to serious scrutiny. Some of the tributes established under the colonial regime, for example, were abolished, while others underwent reform. The government had to delicately steer between the alternatives of maintaining a highly unpopular system of taxation and a reduction in revenue which could force the executive into bankruptcy.

The tariff issue comprised the most important problem confronting the Santander administration's handling of foreign trade. And although of minor importance as a source of revenue, the negotiations with foreign nations in regard to taxes discriminating against foreign ships demanded a large portion of the administration's attention.

The first part of this thesis will present a survey of the economic structure of New Granada in the 1830's, including the geographical and demographic features relevant to the economy. It will include also a discussion of the ideas advanced during those years for the direction of the economic and fiscal policies of the government. The second part will treat, after a general view of the fiscal system,

with the problems of tariff and differential duties on foreign ships. The other major sources of income will be dealt with in the last chapter.

Although the country had a large foreign debt, payment had been suspended since early 1832, and was not reassumed before the Colombian Congress approved, after Santander's terms had ended, a treaty splitting the debt between the three nations previously known as Colombia (Colombia, Ecuador, Venezuela). For these reasons, no discussion is made of the debt problem.

This thesis was written originally in my personal English. William F. Sharp undertook the hard task of translating it to a more understandable usage. To him, as well as to Professor Harold A. Bierck, without whose help this thesis would hardly have been done, gracias.

J. G. M.

## CHAPTER I

### ECONOMIC REALITY AND ECONOMIC IDEAS IN NEW GRANADA DURING THE 1830'S

#### A. Population

Observers of the New Granadan economy always stressed the sparse population of the country. Colombians and foreigners alike viewed the small population as an obstacle to progress. Guillermo Wills, an English entrepreneur active in Colombia in the 1830's, believed the "scant population" impeded the exploitation of the mineral resources and made industrial development improbable.<sup>1</sup> "We should," argued a noted politician, "populate our desert territory, [for] the lack of people in much of the country is . . . the cause of our present [economic] sterility."<sup>2</sup>

Although the population was small, it was increasing at a rapid rate. General censuses were first taken by the colonial authorities in 1778, 1787, and 1798 and by the

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<sup>1</sup>[Guillermo Wills], Observaciones sobre el comercio de la Nueva Granada con un apéndice relativo a Bogotá (Bogotá: Imprenta del Banco de la República, 1952), pp. 9, 39. (Hereinafter cited as Wills, Observaciones.)

<sup>2</sup>Ignacio Gutiérrez Ponca, Vida de Don Ignacio Gutiérrez Vergara y episodios históricos de su tiempo (1806-1877) (Londres, 1900), I, 168. (Hereinafter cited as Gutiérrez, Gutiérrez.)

republican government in 1825 and 1835. In less than sixty years the population more than doubled--an increase essentially due to natural growth as immigration did not play a major role in the demographic transformations of the nation.

TABLE 1<sup>3</sup>

| Year | Population | Index of Population* |
|------|------------|----------------------|
| 1778 | 747,440    | 100                  |
| 1825 | 1,228,259  | 164                  |
| 1835 | 1,685,038  | 225                  |
| 1851 | 2,243,837  | 300                  |

\* Index, 1778 = 100.

The total number of New Granadans, however, was not as important as their distribution. The relationship of this dispersion to the economic resources of the nation was of paramount importance. Using economic, geographic and demographic criteria, New Granada, or Colombia, in the 1830's was divided into four major regions: central Colombia,

<sup>3</sup>Tomas Cibriano de Mosquera, Compendio de geografía general, política, física y especial de los Estados Unidos de Colombia, dedicado al Congreso General de la Nación (Londres: Imprenta Inglesa y Extranjera de H. C. Panzen, 1866), pp. 119-120. (Hereinafter cited as Mosquera, Compendio.) The census reports were not fully reliable and the figures here included should be taken only as approximations. Figures for 1851 have been included as indications of the trends of the population changes. In the following pages, the figures of population come from different secondary sources, which often differ slightly. Therefore some of the totals are not equal to the addition of the separate partial figures.



western Colombia, Antioquia and the Caribbean coast.<sup>4</sup>

Central Colombia or the Faja oriental (eastern strip) contained peoples of the eastern mountain range and its slopes, as well as the inhabitants of the low plains of the upper Magdalena River. It was divided into eight provinces: Bogotá, Tunja, Socorro, Vélez, Pamplona, Mariquita, Neiva and Casanare. The core of this region was the city of Bogotá and its surrounding sabana (plain). Located 8,800 feet above sea level, the sabana included 2,500 square kilometers of flat, fertile soil,<sup>5</sup> and supported in 1832 a population of more than 130,000 inhabitants.<sup>6</sup> The high plateaus north of Bogotá contained a population roughly

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<sup>4</sup>Luis Ospina Vásquez, Industria y Protección en Colombia, 1810-1930 (Medellin: T.S.F., 1955), pp. 2, 22, 25. (Hereinafter cited as Ospina, Industria.); Frank Robinson Safford, "Commerce and Enterprise in Central Colombia, 1821-1870" (Unpublished doctoral dissertation, Columbia University, 1965), p. 9. (Hereinafter cited as Safford, "Commerce.") Ospina used the denomination "eastern strip" (Faja oriental) for the region that Safford named "central Colombia."

<sup>5</sup>Useful geographical descriptions of Colombia are Elisée Réclus, South America, 2 vols., in The Earth and Its Inhabitants, ed. by A. H. Keane, B.A. (New York, 1894), pp. 133-219; Pierre Dénis, Amérique du Sud, vol. XV in Géographie Universelle, ed. by Pierre Vidal de la Blache and L. Gallois (Paris: Librairie Armand Colin, 1927); and Preston James, Latin America (New York: The Odyssey Press, 1950), pp. 73-109.

<sup>6</sup>[John Gillies, M.D.], República de Colombia o noticia de sus límites, extensión, montañas, ríos, producciones, comercio, población, habitantes, educación, leyes, religión e historia. Publicado en la séptima edición de la "Enciclopedia Británica", traducido al castellano y publicado, con varias notas, por el Dr. Lorenzo María Lleras, oficial mayor de la Secretaría de Relaciones del Gobierno de la Nueva Granada (1837) (Bogotá: Imprenta de Lleras, enero de 1896), pp. 122-124. (Hereinafter cited as Gillies, Colombia.)

equivalent to 200,000.<sup>7</sup> Two other principal areas of settlement existed on the western slopes of the eastern range; one located in the direction of Honda and the other toward Flandes (now Girardo.). In 1835 these two areas contained over 90,000 New Granadans.<sup>8</sup> The provinces of Bogotá and Tunja, including the above mentioned regions, totaled 378,377 inhabitants in 1825,<sup>9</sup> and 492,552 in 1835.<sup>10</sup> In 1851 its population reached 651,274.<sup>11</sup> North of the Bogotá and Tunja provinces lay the provinces of Socorro and Vélez. The Suárez and San Gil river valleys attracted settlers in substantial numbers. In 1825 there were 135,098 inhabitants, in 1835, 197,931, and in 1851, 266,506.<sup>12</sup> The province of Pamplona also experienced rapid growth. In the low

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<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Feliciano Montenegro Colón, Geografía general para el uso de la juventud de Venezuela, 4 vols. (Caracas, 1833-1837), III, 422-424. (Hereinafter cited as Montenegro, Geografía.) Provincial boundaries and names often changed. Herein they will be considered as in 1832. See Law of June 25, 1834, Codificación Nacional de todas las leyes de Colombia, desde el año de 1821, hecha conforme a la ley 13 de 1912, por la Sala de Negocios Generales del Consejo de Estado (Bogotá: Imprenta Nacional, 1924- ), I, 306. (Hereinafter cited as Codificación.); Law of April 18, 1826, ibid., II, 299, and Law of November 21, 1831, ibid., IV, 308.

<sup>10</sup> Gillies, Colombia, pp. 122-124.

<sup>11</sup> Harper's Statistical Gazetteer of the World (New York: Harper and Brothers, 1859), p. 1225. (Hereinafter cited as Harper's Gazetteer.)

<sup>12</sup> Mosquera, Compendio, pp. 124-125.

valleys of the Chicamocha River which also flowed to the Magdalena, and in the highlands of Pamplona and the depressions of the Zulia River, lived 66,126 persons in 1825, 97,454 in 1835, and 162,389 in 1851. The total population in these regions grew from 202,207 in 1825 to 404,545 in 1851.<sup>13</sup> It was mostly a white and mestizo population. Tomas Cipriano de Mosquera estimated that twenty-three per cent of the inhabitants were white and sixty-nine per cent mestizo.<sup>14</sup>

The southern end of the central region was formed by the plains of the upper Magdalena Valley. The provinces of Nieva supported a population of 77,452 in 1835, and 103,003 in 1851. The province of Mariquita, during the same span of years, increased from 79,721 inhabitants to 86,894.<sup>15</sup> The population of this section was mostly mestizo, but whites, mulattoes and Indians each constituted about one-sixth of the total.<sup>16</sup>

Western Colombia--the provinces of Pasto, Buenaventura, Popayan and Cauca--included the high plateaus immediately north of Ecuador, the Pacific lowlands from the Ecuadorian border to Darien, and the western range and the

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<sup>13</sup>Montenegro, Geografia, III, 423; Gillies, Colombia, pp. 122-124; Harper's Gazetteer, p. 1225.

<sup>14</sup>Mosquera, Compendio, pp. 124-125.

<sup>15</sup>Gillies, Colombia, pp. 122-124; Harper's Gazetteer, p. 1225.

<sup>16</sup>Mosquera, Compendio, pp. 124-125.

Cauca Valley from Popayan to Supi... The highlands of the province of Pasto were estimated to have 53,589 inhabitants in 1835. The southern part of the Pacific lowlands, 31,324 and the northern part Chocó, 21,194. The Cauca Valley had 97,926 persons, almost evenly divided between the province of Popayán, around the warm valley in the upper course of the river, and the province of Cauca, in the wider basin of the river between Cali and Cartago.<sup>17</sup> In Pasto Indians and mestizos dominated; in Popayán and Cauca whites and mestizos predominated, while the Negro and mulatto population became dominant in the lowlands.<sup>18</sup>

The central cordillera (mountain range) jutted imposingly between the Magdalena and the Cauca rivers, narrowing to form the perpetually snowy peaks of Tolima and Ruiz and then expanding to form a lower and broken string of mountains. This region, together with a narrow basin of the Cauca, was known as Antioquia. In it a fast-growing population established settlements mostly in the Cauca basin, the Medellín valley and the high lands of Rionegro, Marinilla and Sonsón. A provincial census in 1786 determined that the region had 49,464 inhabitants, and in 1828 some 119,814. In 1835, 158,017 Antioqueños were enumerated and in 1851

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<sup>17</sup>Gillies, Colombia, pp. 122-124.

<sup>18</sup>Mosquera, Compendio, pp. 124-125.

the census estimated the population at 243,556.<sup>19</sup> Mosquera believed the mestizo population to amount to forty-six per cent of the total, the mulatto twenty-five per cent, and the whites twenty per cent.<sup>20</sup>

The low plains of the Caribbean coast contrasted markedly with the rest of the country. The sea and the lack of mountains presented a different landscape and imposed a different way of life. Population was concentrated around the port cities: Cartagena, Riohacha, Santa Marta and the Isthmian towns in what is today Panamá. The provinces of the Caribbean coast—Panamá, Veragua, Cartagena, Santa Marta, Mompox and Riohacha—unlike the rest of the nation were experiencing a virtual stagnation with regard to population growth. Cartagena had 143,645 inhabitants according to the 1825 census, but only 151,940 in 1851. Panamá, during these same years, passed from 66,119 to 86,965 inhabitants, and the entire Caribbean region had 350,230 persons in 1825, 364,448 in 1835, and 388,013 in 1851.<sup>21</sup> Mestizos were predominant in the Panamá region, where they amounted, according to Mosquera, to sixty-five per cent of the population; whites were only ten per cent and Negroes and mulattoes over twenty

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<sup>19</sup> Estanislao Gomez Barrientos, Don Mariano Ospina y su época, 2 vols. (Medellín, 1913-1918), I, 122-123. (Hereinafter cited as Gomez, Mariano Ospina.); Gillies, Colombia, pp. 122-124; Harper's Gazetteer, p. 1225.

<sup>20</sup> Mosquera, Compendio, pp. 124-125.

<sup>21</sup> Montenegro, Geografía, III, 422-424; Gillies, Colombia, pp. 122-124; Harper's Gazetteer, p. 1225.

per cent. In Cartagena Negroes and Negro mixtures comprised fifty-four per cent of the population, mestizos were twenty-eight per cent, and whites thirteen per cent.<sup>22</sup>

The previous figures reveal the significant changes that took place in the distribution of the population across the country. Antioquia which had had only about five per cent of the national population in 1778, eight to nine per cent in the late 1820's, had almost ten per cent in 1835. By 1851 the Antioqueno population represented eleven per cent of the nation's total inhabitants. The coastal region on the other hand had declined from more than one fourth of the total Neogranadine population in the 1820's to about twenty-one per cent in 1835 and further fell to only seventeen per cent by 1851. The central Colombian population ratio remained stable throughout these years at around fifty-five per cent, and the western region oscillated between thirteen and fourteen per cent during the first half of the nineteenth century.<sup>23</sup>

The census figures also reveal the basic pattern of the settlement within the republic. The overwhelming majority of the population had settled in the high mountainous zones of the Andes while the hot, low plains and valleys were sparsely populated and were losing their relative

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<sup>22</sup> Mosquera, Compendio, pp. 124-125.

<sup>23</sup> Ospina, Industria, pp. 187-188; Safford, "Commerce," p. 33.

importance. The more dynamic demographic centers, however, were middle altitude basins of Antioquia and Socorro where the population was increasing at a pace not equaled in the rest of the country. The Bogotá-Tunja region, however, and the fast-developing Marinilla-Sonson highlands in Antioquia itself retained predominance for the cold plateaus.

### B. Transportation

Provincialism was a dominant factor in the life of the new republic and it not only affected politics (as can be seen in the long time struggle between the forces of federalism and confederation), but also to a great extent economics. One of the major elements which permitted the provincialism of Colombia's four major regions was their comparative isolation from one another. In fact, the system of roads which connected them was very unsatisfactory and was always a source of complaints. Since early colonial times New Granada had earned the reputation of having ". . . the worst trails in all the Spanish Indies,"<sup>24</sup> and the situation had scarcely improved by the nineteenth century. The problem was aggravated by the fact that the main centers of population and the major city, Bogotá, were located far from the coastal ports thus presenting a severe handicap to foreign trade.

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<sup>24</sup>Robert C. West, Colonial Placer Mining in Colombia (Baton Rouge: Louisiana State University Press, 1952), p. 126. (Hereinafter cited as West, Placer Mining.)

Antioquia was a nose in point as it was connected to the central region by means of only one route that could possibly be called a road. It went from Rionegro to the port of Nare on the Magdalena River. The road was suitable for mules but they frequently perished on the steep cliffs or while crossing the swift rivers. Moreover, it was an extremely time consuming route. Although it handled most of the commercial intercourse of Antioquia, Agustín Codazzi, the famous cartographer, refused even to consider it as a real "commercial" route.

The son of Antioquia, [he commented with certain literary pretense] as compared with the sons of other sections of the Republic, is the one who has traveled most to the European continent ... he is the most committed to commercial speculations ... he struggles the most to increase his fortune. ... He develops his family with the most rapidity, loves decency. ... He is a healthy, strong hard worker, and has intelligence and wealth. Why then does he not have even one commercial mode of communication with the rest of the country...?

And if he traded with Europe, Codazzi added, he had to use ". . . for introducing his wares," such a road ". . . that it costs him in time and freight, more from Nare to Medellin, than from Europe to Nare . . . ." <sup>25</sup> Of course the Nare road

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<sup>25</sup> Agustín Codazzi, Geografía física, y política de las provincias de la Nueva Granada, por la Comisión Corográfica bajo la dirección de ..., 4 vols. (Bogotá: Imprenta del Banco de la República, 1952-1959), IV, 301. (Hereinafter cited as Codazzi, Geografía.) "... el hijo de Antioquia, comparativamente al de las demás secciones de la república, es precisamente aquel que más ha viajado al continente Europeo ... el más dedicado a especulaciones comerciales ... el que más se esmera en aumentar su fortuna, ... el que más prontamente forma nuevas familias, ama la decencia y ... es trabajador, sobrio, fuerte, robusto, posee ... inteligencia



was not the only method of communication to and from Antioquia. Some torturous trails wound their ways to the Atrato River in Chocó, passing over the western mountain range, while others went north, following the Cauca River, to Mompos. But these rugged trails were such that only the shipment of gold could support the freight costs.<sup>26</sup> Of greater significance was the route going south which permitted some traffic with Cartago, Cali and Popayán. From Popayán to Cartago the Cauca River was navigable in small canoes and the road followed an easy plain. Unfortunately, south of Cartago, the river entered a narrow, steep-walled canyon and the road had to leave the river bank and go over a 9,000 foot mountain returning to the river again many miles downstream.<sup>27</sup>

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y riqueza. Y por qué, pues, no tiene una sola vía comercial para comunicarse con el resto de la República?" "... para introducir sus mercancías, que le cuestan de flete y tiempo más de Nare a Medellín, que de Europa a Nare."

<sup>26</sup>Carl Ulrich von Hauswolff, "Memorial resumido sobre las relaciones comerciales de las provincias interiores y auríferas de Nueva Granada, como el Chocó, Antioquia, Popayán, etc., para dar, por medio de un ejemplo especial y seguro, una idea general aplicable al comercio de Suramérica y de Mexico, y sus relaciones con la industria y el comercio directo de Europa, y en particular de Suecia," in Anuario Colombiano de Historia Social y de la Cultura, vol. I, no. 2 (Bogotá, 1964), 325. (Hereinafter cited as Hauswolff, "Memorial.")

<sup>27</sup>West, Placer Mining, p. 128.

Antioquia was an extreme case, and it was known as the most isolated region of the country.<sup>28</sup> But similar difficulties were encountered in the transportation media to any of the main regions. The western section communicated with the upper Magdalena Valley, and therefore with Bogotá and the Caribbean coast in two ways. One trail went from Popayán to La Plata on the other side of the central mountain range. It could be used by pack mules, but it took from seven to eight days to complete the journey. The road had been improved and logs placed across it for better footing, but it was still very steep and as the soil in many places consisted of a red clay, it was very slippery. On some of the rivers no bridges existed and the mules had to swim. Even where there were bridges they could rarely support the weight of a loaded mule.<sup>29</sup> The second route linked Cartago and Ibagué and could be used only during the dry season which varied in duration from year to year but seldom exceeded six months. This trail did not permit the extensive use of pack mules so carqueros (porters or bearers) were used to carry passengers and freight. Naturally no bulky or heavy goods could use this supply route. The cargueros

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<sup>28</sup> Codazzi, Geografía, IV, 286; Carl August Gosselman, Informe sobre los Estados Sudamericanos en los años de 1837 y 1838 (Estocolmo, 1962), p. 134. (Hereinafter cited as Gosselman, Informe.)

<sup>29</sup> Montenegro, Geografía, III, 501-502.

covered the trail's seventy miles in six or seven days.<sup>30</sup>

Because of the terrain mules needed nearly twice as long to complete the trip and were generally avoided because of their high rate of attrition and not unfrequent fatal accidents.<sup>31</sup>

Because of these problems an alternative route developed during the colonial period for linking the Popayán region with the Caribbean coast. Instead of traveling to the Atlantic via the Magdalena River, the merchants of Popayán journeyed down the Cauca River to Supia where they crossed the western mountain range and arrived at the Atrato River which they then followed to the Caribbean. By 1830 this route was frequently used, and provided a greater independence for the western region, as it relied less on the Bogotá and Honda merchants.<sup>32</sup>

Central Colombia, at least, had a fairly direct route to the coast--the Magdalena River. The Magdalena became the main artery of Neogranadian transportation. Merchandise from the port cities of Cartagena and Sabanilla was transported up the Magdalena in bongos (a heavy dugout canoe), propelled by boatmen who used long poles to push the craft. During the dry season the trip from Sabanilla to Honda,

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<sup>30</sup> Ibid., III, 463.

<sup>31</sup> John C. Pickett to Thomas P. Moore, Bogotá, February 15, 1832, in United States National Archives, Department of State Records, Dispatches from United States Ministers to Colombia 1820-1906, vol. VII (Microfilm). (Hereinafter cited as Dispatches.)

<sup>32</sup> Wills, Observaciones, p. 72.

where the road to Bogotá began, took from thirty-five to forty days, but the advent of the rainy season made the current much stronger and usually added sixteen to twenty days to the travel time.<sup>33</sup> The financial cost of transporting the supplies was considerable. In the 1820's the freight rate up river per carga (about 250 pounds) was from \$9 to \$16 (pesos), and this rate rose after 1830.<sup>34</sup> During the 1820's, Juan Bernardo Elbers, a German-born entrepreneur, tried to develop steam navigation on the Magdalena; but technical mistakes and political complications consigned the project to failure and in the 1830's no steamer was in service.<sup>35</sup>

The link between Bogotá and Honda was completed by a road which was one of the best in the country. The road was suitable for mules which made the trip of one hundred miles in five or six days. The road was, however, very steep and the clay ground made it exceedingly slippery except where stairs of stone had been placed. In one sixty mile span the ascents and descents of the route amounted to 15,000 feet.<sup>36</sup> The topography, therefore, presented a definite limit on

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<sup>33</sup> Montenegro, Geografía, III, 480.

<sup>34</sup> Safford, "Commerce," p. 12.

<sup>35</sup> Robert Louis Gilmore and John Parker Harrison, "Juan Bernardo Elbers and the introduction of steam navigation in the Magdalena River," Hispanic American Historical Review, XXVIII (August, 1948), 354-357.

<sup>36</sup> Safford, "Commerce," p. 12.

the weight of the products that could be carried to Bogotá. Anibal Galindo, who wrote in the 1870's, affirmed that the heaviest load ever transported to Bogotá had been a five horsepower steam boiler, and it had commanded a freight charge of \$840.<sup>37</sup> In the 1850's, Isaac F. Holton, a North American scientist traveling in Colombia, observed five sugar boilers in the bodegas (warehouses) in Honda awaiting shipment to Cuni, halfway up the road to Bogotá. The boilers, Holton believed, would never be moved, for to transport them to their destination would be a task similar to Hannibal's crossing of the Alps with elephants--possible, but highly improbable.<sup>38</sup>

Similar hardships existed on many of the trails of lesser importance. All the intercourse between Girón, Socorro and Bogotá depended upon a cabuya (inclined rope) over the Chicamocha canyon--a highly insecure and frightening transportation medium.<sup>39</sup> The Carare road, which attempted to open direct communications between the Socorro region and the Magdalena River, thus avoiding the long, indirect route to Bogotá, was opened and reopened many times during the colonial period only to be closed again and again by

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<sup>37</sup> Anibal Galindo, Estudios Económicos y Fiscales (Bogotá: Imprenta a cargo de H. Andrade, 1880), p. 103.

<sup>38</sup> Isaac F. Holton, New Granada: Twenty Months in the Andes (New York: Harper and Brothers, 1857), p. 121. (Hereinafter cited as Holton, New Granada.)

<sup>39</sup> Safford, "Commerce," p. 31.

the thick, rapid-growing foliage which surrounded it.<sup>40</sup>

Topography was primarily responsible for the inadequate communication system within Colombia; but, as Frank Robinson Safford pointed out, politicians and entrepreneurs added psychological barriers to the geographical ones, as they often overestimated the difficulties of road construction.<sup>41</sup> And one of the heritages of the colonial period about which the founding fathers did not complain, but that was perhaps as oppressive as the economic monopolies and other deprecated institutions, were the peculiar difficulties of the road system. As Holton realized, trails in New Granada always ran straight up and down the mountains. Europeans, he believed, would dig straight through them and his own compatriots would build around them.<sup>42</sup> Codazzi confirmed this opinion: ". . . it seems," he wrote, "that our ancestors did not know any other method of building roads than to ascend to the highest part of the mountain and then descend to the deepest . . . and again ascend and descend without interruption, seeking always for the straightest route over the ranges instead of avoiding them . . .

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<sup>40</sup>Ospina, Industria, p. 33.

<sup>41</sup>Safford, "Commerce," pp. 90-91.

<sup>42</sup>Holton, New Granada, p. 93.

[and] following the slopes . . . ."43 Because of the steep inclinations resulting from this type of initial construction, no matter how the roadbeds were later improved, in most cases they were still unsuitable for carts or carriages. In fact, many of the improvements consisted in construction and paving of stairs which made the wheel useless. The mule, therefore, played a major role in transportation and probably reinforced the conformity with the existing situation. "As a mule can travel any road almost, that a man can," wrote John Pickett in his rather stilted style, "the natives do not perceive the utility of any improvements . . . ."44

#### C. Production and Trade

The sabana of Bogotá, with its larger population and the advantages it received from containing the nation's capital, was the economic center of New Granada. All the regions of central Colombia carried on important commerce with it, and even Antioquia and Popayán had considerable intercourse with Bogotá. The cold climate of the sabana imposed at least a minimal amount of regional trade. Situated at an elevation where ". . . nothing will grow but

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43 "... parece que nuestros antecesores no conocieron otro método para abrir caminos, que subir a la parte mas elevada de un cerro para bajar despues a lo mas profundo ... y luego volver a subir y bajar sin interrupcion, buscando siempre las quiebras mas grandes de la serranía en lugar de evitarlas ... faldeandolas ...," Codazzi, Geografía, IV, 296.

44 John C. Pickett to Thomas P. Moore, Bogotá, February 15, 1832, in Dispatches, VII.

wheat, barley, grass and a few roots . . . ,"<sup>45</sup> the satisfaction of the simplest necessities required the interchange of goods with the warmer regions. Food staples such as wheat, barley, potatoes, green vegetables and some corn were cultivated on the sabana and had been grown in the highlands of Cundinamarca and Boyacá for many years; but other items could not be grown at such altitudes.<sup>46</sup> Products such as sugar, tobacco, cacao, rice, and most fruits, could be obtained in the sabana region only through a process of exchange with other areas. Thus a system of trade developed as the Bogotá merchants sent wheat, flour, potatoes, fat beef, salt, clothes, linen and imported wares to places like La Mesa or Facatativa in exchange for temperate or tropical items. La Mesa, located in a warm plateau on the southwestern slope of the Bogotá plain, produced sugar and molasses and provided a satisfactory market place for the exchange of products sold by the cold-climate bogotanos and the people of the hot Magdalena Valley. From Nieva came lean beef and cacao, and from the Mariquita plains arrived tobacco, rice and cattle. Products from Honda and its hinterland, which included temperate valleys, came to Facatativa where they were purchased by the Bogotá merchants who made weekly sojourns to provision their stores.<sup>47</sup>

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<sup>45</sup>Holton, New Granada, p. 129.

<sup>46</sup>Montenegro, Geografía, III, 545.

<sup>47</sup>Safford, "Commerce," pp. 105-106.



Molasses and sugar, produced in Guaduas, Villota, La Mesa and other neighboring areas, represented a large part of this inter-regional trade. Since the colonial period sugar and molasses, along with corn, provided the raw material for the basic alcoholic beverage of the mestizo and Indian population of the highlands, chicha.<sup>48</sup> Sugar was also the primary ingredient for aquardiente, a liquor that produced an important revenue for the state. Codazzi related that the daily occupation of the people of the western slopes was reduced ". . . to provide beverages for the dwellers of the Bogotá plains."<sup>49</sup>

Wheat production had long been the basic agricultural pursuit of the highlands and provided the principal marketable product. Corn and potatoes were probably more extensively cultivated but in terms of regional trade they were of secondary importance. Wheat and flour had been sent as far as the Caribbean coast, although the highland grains never supplied the total needs of the coast. By 1830 this trade had disappeared. Bad crops in the sabana, induced by an attack of wheat rust, made flour expensive even in Bogotá. In addition freight costs and the inability to keep open the Carare road almost prohibited the shipment of flour to the Caribbean region.<sup>50</sup> Therefore, the coastal population was

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<sup>48</sup> Ospina, Industria, p. 72.

<sup>49</sup> Codazzi, Geografía, IV, 456.

<sup>50</sup> Wills, Observaciones, pp. 10-11; Ospina, Industria, p. 21.

forced to buy flour at a price which had been artificially raised for protection purposes or switch to plantain, corn or yuca flours.<sup>51</sup> The high flour tariffs, which protected the interests of the Bogotá and Tunja landowners, became one of the main issues of diplomatic negotiation with the United States during the 1830's. Ironically, the factors of transportation, tariffs and dietary substitution (corn or yuca for wheat) led the coast to rely less and less on the highland wheat; and, when, as in 1834, the wheat crop was once again plentiful, there was a lack of markets which caused lower prices and financial losses for the sabana growers.<sup>52</sup>

Woolen and cotton textiles and clothes were another major product of the highland population's activity. It was a manual industry which extended throughout the Bogotá-Tunja provinces, where sheep grazed the paramos (bleak, high plains). In the Vélez-Socorro-Pamplona provinces, where cotton is grown, the settlements produced mostly cotton textiles. The blue linen from Vélez, the coarse cotton textiles of Socorro and the woolen cloths of Tunja found their way to distant markets. By the 1830's, however, the

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<sup>51</sup> John C. Pickett to Thomas P. Moore, Bogotá, January 19, 1832, and July 2, 1833, in Dispatches, VII.

<sup>52</sup> José Manuel Restrepo, Diario Político y Militar. Memoria sobre los sucesos importantes de la época para servir a la Historia de la Revolución de la Nueva Granada, a partir de 1819 (Bogotá: Imprenta Nacional, 1954), II, 303-304. (Hereinafter cited as Restrepo, Diario.)

industry was in obvious danger as the entrance of English textiles presented formidable competition.<sup>53</sup> The growing sophistication of New Granadan tastes, observers pointed out, snobbishly directed that everyone be wrapped in English products.<sup>54</sup> The local textiles, however, continued to find a market among the lower income people in Antioquia and Cauca. Guillermo Wills recorded that the antioqueños annually sent \$200,000 in gold to Bogotá to be invested almost entirely in Socorro fabrics, and a major portion of the \$300,000 spent yearly by the caucanos in Bogotá had the same use.<sup>55</sup> An indirect proof of the importance of this trade was the fact that Socorro became the country's second largest city. The town's priest, in a letter to the king in 1802, described this phenomenon when, undoubtedly with a great deal of exaggeration, he stated:

Socorro is one of the cities of the realm, which . . . does not cede advantages to anyone else, other than to its mother, the capital, Santa Fé. The climate has a beneficial effect and the town is large, well populated, wise and industrious. With the manufacturing of cottons, linens and dyes, it presents itself as the most abundant place in New Granada other than the Emporium.<sup>56</sup>

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<sup>53</sup>Wills, Observaciones, pp. 43-44.

<sup>54</sup>John C. Pickett to Thomas P. Moore, Bogotá, February 15, 1832, in Dispatches, VII.

<sup>55</sup>Wills, Observaciones, pp. 71-72.

<sup>56</sup>Inform of José Tomás Ximenes Ardila, "El Socorro es una de las poblaciones del Reyno, que ... no cede ventajas a nadie mas, que a su Madre la Capital Sta Fé: es numerosa, poblada, sabia e undustriosa quanto la fuerza del Clima la enseña: con las manufacturas o fabricas de su Magd.

And the census of 1851 did not leave any doubt, for it listed Socorro as having 15,013 inhabitants, while Cartagena, the country's leading port, had only 9,896. Five other towns in the Socorro region--Piadecuesta, Sangil, Vélez, Puente Nacional and Bucaramanga--were also larger than Cartagena.<sup>57</sup>

During the 1830's a group of Neogranadines tried to launch a more advanced type of industry than the manual weaving of wool and cotton. With the cooperation of foreign entrepreneurs, several landowners of the Bogotá region began and provided the capital for an ironworks, a cotton mill and factories for the production of glass, paper, hats, porcelain and combs.<sup>58</sup>

Although the highland people were interested in manufacturing and agriculture, the situation was somewhat different in Antioquia. Carl Ulrich von Hauswolff, a Swedish prospector, expressed the consensus among observers stating that in Antioquia ". . . every one is a miner or merchant, or both . . . ."<sup>59</sup> The provincial governor

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por los algodones, lino y tintas de que se ostenta la mas abundante, fuera del Emporio . . ." in "Aspectos de la situacion social del Nuevo Reino de Granada a comienzos del siglo XIX," Anuario Colombiano de Historia Social y de la Cultura, I (2) (Bogota, 1964), 541.

<sup>57</sup> Holton, New Granada, p. 515.

<sup>58</sup> Safford, "Commerce," pp. 159-173.

<sup>59</sup> Hauswolff, "Memorial," p. 329.

confirmed this opinion in a report to the provincial legislature. "Mining and trade," he said, "are the dominant professions of the antioqueños."<sup>60</sup> Indeed, Antioquia produced more than half of New Granada's gold; the rest was extracted mainly from Choco and Cauca. Cauca and Choco had been the country's leading producers but these two regions were seriously affected by the wars for independence and the Negro slave manumission movements of the nineteenth century.<sup>61</sup> These two events did not influence the Antioqueno mining nearly as much: first, because the amount of actual fighting in Antioquia was much less; and second, because toward the end of the colonial period Antioquia ceased to be as dependent on slave labor. José Manuel Restrepo estimated that in 1808 only one sixth of the Antioqueno gold was extracted by slaves.<sup>62</sup> Most of the mining was undertaken by independent workers who panned the many streams where the gold was found. Placer mining was far more common than lode

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<sup>60</sup> "La minería y el comercio son las profesiones dominantes de los antioqueños," cited in Gómez, Mariano Ospina, p. 113.

<sup>61</sup> Vicente Restrepo, Estudio sobre las Minas de Oro y Plata en Colombia (Bogotá: Banco de la Republica, 1952), pp. 200, 211. (Hereinafter cited as Restrepo, Estudio.) Many slaves got their freedom by joining the patriot armies; after 1821 the proceeds of some taxes were used to free slaves. See Harold A. Bierck, "The Struggle for Abolition in Gran Colombia," Hispanic American Historical Review, XXIII (August, 1953), 365-386.

<sup>62</sup> José Manuel Restrepo, "Ensayo sobre la Geografía, Producciones, industria y población de la provincia de Antioquia en el Nuevo Reino de Granada," Semanario del Nuevo Reino de Granada, 3 vols. (Bogotá, 1942), I, 257. (Hereinafter cited as Restrepo, "Ensayo.")

mining as most of the gold was in alluvial deposits. Some lode mining existed, however, in Buzitica, Santa Rosa and Amori, and during the 1330's English and Swedish entrepreneurs attempted to improve the techniques for exploiting these mines. With this in mind, they introduced hydraulic drills and subterranean tunnels.<sup>63</sup> Gold dust was so common in Antioquia (and coins so scarce) that it was used as the main method of payment. Local merchants collected most of the gold by providing the small, poor miners with the food-stuffs and implements they needed in exchange for the dust. Some of the major mines, however, were the property of important merchants.<sup>64</sup>

Antioquia also produced several important agricultural items and raised quite a few cattle. Most of the agriculture and cattle interests were controlled by small landholders. Production was, therefore, almost always for local consumption or for the provisioning of the mining centers. Small plots were very common as the land was distributed among a number of people. These small landholders were very dependent upon the merchants for the acquisition of agricultural implements, salt, clothes and other basic necessities. As a result the agriculturists remained relatively poor and no important fortunes seem to have developed

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<sup>63</sup> Restrepo, Estudio, p. 52; Gómez, Mariano Ospina, pp. 162-163.

<sup>64</sup> Gómez, Mariano Ospina, pp. 158-159; Vicente Restrepo, Estudio, pp. 51, 56.

from cultivating the soil.<sup>65</sup> The merchant groups were ascendant in Antioquia and one of the main reasons for the lack of power of the farmers was the transportation problem which made the exportation of anything besides gold unprofitable.<sup>66</sup> Thus, although most of the population doubtlessly worked in agricultural pursuits, gold was the main source of wealth and formed the hub of the Antioqueno economic activity.

The possession and exportation of gold gave Antioquia an advantage over other interior regions, especially Central Colombia, which did not have gold or any other main product and could export only limited amounts of agricultural products. José Manuel Restrepo considered the country to be in a stagnant situation, but viewed Antioquia as the exception because the province had a sure product to exchange for foreign and domestic goods.<sup>67</sup> This was not, however, altogether true. Antioqueno gold was sent to Bogotá in exchange for Socorro textiles and to a lesser degree also for the agricultural products of the highlands. Besides, even the gold destined for the payment of imported products had to be minted in Bogotá or Popayán, the country's two official

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<sup>65</sup> Restrepo, "Ensayo," I, 271; James J. Parsons, La Colonización Antioqueña en el Occidente Colombiano (Bogotá: Imprenta del Banco de la República, 1950), p. 115. (Hereinafter cited as Parsons, Colonización.)

<sup>66</sup> Hauswolff, "Memoria," p. 323.

<sup>67</sup> Restrepo, Diario, II, 275, 314.

mints, as the exportation of gold dust or bars was prohibited. Thus, the almost forced intercourse between Antioquia and Bogotá, and the profits the Bogotá merchants gained in the resulting transactions, as well as the taxes and commissions on minting and transporting the gold, provided Bogotá and the other cloth producing centers with a substantial part of the funds needed to purchase foreign goods.<sup>68</sup>

Gold similarly dominated the economies of the far western provinces. The lowlands of Choco, Buenaventura and Barbacoas were essentially mining centers. These areas had been very severely affected by the wars of independence and by the emancipation of slaves. Popayán, the region's major city, had lived and still lived from the products of the lowland mining. Many of the lowland mine owners had their permanent residences in Popayán. These mine owners had relied very heavily on slave labor to work their properties, and over a period of time the major mines had come to be owned by small coterie of families--principally the Arboledas, Mosqueras, Arroyos and Hurtados.<sup>69</sup> These families also owned large tracts of land and were actively engaged in many commercial pursuits. As one student has noted, "members of

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<sup>68</sup>Wills, Observaciones, pp. 70-72.

<sup>69</sup>West, Placer Mining, p. 123; William F. Sharp, "The Negro in Colombia, 1528-1850" (Unpublished Master's Thesis, University of North Carolina, 1966), p. 25. (Hereinafter cited as Sharp, "The Negro.")



these 'golden dynasties' intermarried and, in time, dominated the entire economic life of Popayán."<sup>70</sup>

Sugar cane thrived in the fertile basin of the Cauca between Cali and Cartago and the production of molasses, a principal ingredient for making aguardiente, had been very important since the 1760's.<sup>71</sup> The main activity of the region, however, was the extensive grazing of cattle, and meat for the mining areas of Choco and Antioquia was the major export. A large amount of the land in this area was also owned by people residing in Popayán.<sup>72</sup> Absenteeism, of course, was not apt to promote intensive exploitation of the land. But even the local owners did not appear to have been very active. One example of this lack of concern was the hacienda La Paila which Isaac Holton described in 1851. Although the hacienda covered more than five-hundred square miles and had a large number of tenants, it scarcely produced anything for the market.<sup>73</sup> This was, in Raymond Crist's opinion, a general characteristic of the area.<sup>74</sup>

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<sup>70</sup>Sharp, "The Negro," pp. 25-26.

<sup>71</sup>Raymond F. Crist, The Cauca Valley, Colombia: Land Tenure and Land Use (Gainesville, University of Florida Press, 1952), p. 19. (Hereinafter cited as Crist, Cauca.)

<sup>72</sup>Ibid., pp. 21-22.

<sup>73</sup>Holton, New Granada, pp. 418-419.

<sup>74</sup>Crist, Cauca, p. 33.

In the Caribbean region the main centers of habitation were the ports. Cartagena, Santa Marta and Riohacha were the largest, but a considerable part of the country's exportations were made from the ports of Sabanilla, near the mouths of the Magdalena, and Zapote, near Cartagena.<sup>75</sup> The population of the coastal cities, which was of course engaged mainly in foreign and domestic trade, expanded into the neighboring plains following the coast and the banks of the Magdalena and Sinu rivers.<sup>76</sup> Some of the population in these plains engaged in a subsistence agriculture based on root-crops or fished. Cattle ranching was also extensive and large sections of the lush forest which covered the Cartagena-Sinu region were in the process of being cleared.<sup>77</sup> Where the forest continued it was a source of some revenue as dyewoods, balsems, and other woods used in making furniture were exported.<sup>78</sup> Cotton, which had been a popular crop

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<sup>75</sup> John MacGregor, "Commercial Tariffs and Regulations of the Several States of Europe and America, together with the Commercial Treaties between England and Foreign Countries. Parts XVII, XVIII, and XIX; Spanish American Republics" (London: His Majesty's Stationery Office, 1847), in British Sessional Papers, 1847, LXIV, p. 324. (Hereinafter cited as MacGregor, "Commercial Tariffs."); Juan José Nieto, "Geografía Histórica, Estadística y Local de la Provincia de Cartagena," Boletín Historial, IV, 34-36 (Cartagena, abril de 1918), pp. 7, 35. (Hereinafter cited as Nieto, Cartagena.); Montenegro, Geografía, pp. 526-527.

<sup>76</sup> MacGregor, "Commercial Tariffs," p. 3; B. LaRoy Gordon, Human Geography and Ecology in the Sinu Country in Colombia (Berkeley and Los Angeles: University of California Press, 1957), p. 69. (Hereinafter cited as Gordon, Sinu.)

<sup>77</sup> Nieto, "Geografía," p. 7; Gordon, Sinu, pp. 60, 69.

<sup>78</sup> MacGregor, "Commercial Tariffs," p. 321; Gordon, Sinu, p. 68.

during the colonial period in the Cartagena area was in a state of decline. The poor quality of the fiber produced and the primitive methods of cleaning had almost prohibited the Cartagena crop from the international market although some European buyers still purchased some of the crop at a very low price.<sup>79</sup> Near Santa Marta and Cartagena there were also some plantations which produced surplus corn which was exported to the West Indies.<sup>80</sup>

As Cartagena was New Granada's major port, almost all the currency and precious metals the country exported exited through this city. With the closing of the Dique Canal, which connected Cartagena with the Magdalena River, some of the export-import trade had switched to Santa Marta which had a direct water connection with the Magdalena.<sup>81</sup> Both cities had colonies of foreign merchants who mainly controlled the operations of international trade, although some native New Granadans also engaged in the traffic under the cover of protective national laws.<sup>82</sup> Although many of the trade regulations which favored nationals over foreigners

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<sup>79</sup>Wills, Observaciones, p. 20; Ramon León Sanchez to John Forsyth, Cartagena, May 1, 1840, in United States National Archives, Department of State Records, Dispatches from United States Consuls, Cartagena, Vol. III. (Hereinafter cited as Consular Dispatches.)

<sup>80</sup>MacGregor, "Commercial Tariffs," p. 154.

<sup>81</sup>Ibid., p. 324.

<sup>82</sup>Ibid.

had been repealed by national law,<sup>83</sup> the advantages conferred upon native navigation kept some of the neogranadine in a good position. The most important Cartagena merchant, Manuel Marcelino Nunez, had listed under his name two large schooners which traded with the United States. It is probable, however, that his actual property holdings were nominal as the American charge d'affaires indicated that the real owners of Nunez' vessels were United States merchants who wished to circumvent certain New Granadan duties which were unfavorable to foreigners.<sup>84</sup>

A surprisingly large proportion of the Cartagena trade was carried in vessels flying the New Granadan flag, although as in the above case many of the ships were probably New Granadan in name but not in fact. In 1839, the only year for which complete reports were available, seventy-three per cent of the imports to Cartagena were transported in ships of neogranadine registry and twenty per cent of the vessels carried the British flag. Ninety-four per cent of the importations from Jamaica, which accounted for more than half of the total imports, were carried in local vessels. All of the ships coming from the United States were

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<sup>83</sup>Wills, Observaciones, p. 59, discussed the laws ordering importations to be consigned only to Colombian merchants; such laws were out of force in the 1830's.

<sup>84</sup>Robert McAfee to John Forsyth, Bogota, October 7, 1836, in Dispatches, VIII; Thomas P. Moore to Edward Livingston, Bogota, April 10, 1833, in Dispatches, VII; Gutiérrez, Gutiérrez, p. 168.

neogranadine, and thirty-nine per cent of the direct imports from England came in New Granadan boats. (See Table 2.)

TABLE 2<sup>85</sup>

## VALUE OF IMPORTATIONS TO CARTAGENA IN 1839 (DOLLARS)

| Ship's registry | from<br>Jamaica | from<br>U.S. | from<br>England | Other   | Total     |
|-----------------|-----------------|--------------|-----------------|---------|-----------|
| New Granadan    | 489,750         | 109,960      | 98,998          | 52,021  | 760,733   |
| English         | 26,737          | -            | 149,498         | 32,498  | 209,201   |
| United States   | 3,992           | -            | -               | -       | 3,992     |
| French          | -               | -            | -               | 37,809  | 37,809    |
| Others          | -               | -            | -               | 29,478  | 29,478    |
| Total           | 520,479         | 109,960      | 248,496         | 161,806 | 1,041,213 |

The provinces of the Isthmus of Panama, Panama and Veraguas, were not very closely connected with the rest of the Colombian economy. This fact was legally acknowledged by the Colombian legislature which granted the Isthmus certain privileges not permitted in the rest of the country. For example, gold could be exported from the Isthmus in any form (gold dust and bars included) and many of the prohibitions on importations did not apply in the Isthmus.<sup>86</sup>

<sup>85</sup> Compiled from "Statement of the Amount of Importation, of the Duties Collected, Tonnage Employed, etc., etc., at the Port of Cartagena, New Granada from the 1st January to 31st December 1831," in Ramon León Sanchez to John Forsyth, Cartagena, May 14, 1840, Consular Dispatches, III.

<sup>86</sup> Decree of May 25, 1835, Codificación, V, 463.

The port of Panama, on the Pacific side of the Isthmus, engaged in trade with Lima and Guayaquil to the south, and with Costa Rica to the north. From the latter country hides and coffee were purchased for occasional re-export to Europe.<sup>87</sup> On the Caribbean side of the Isthmus, which was united with Panama City by a mule track and a section of the Chagres River, was the port of Limones. Many of the foreign products destined for Panamanian consumption were unloaded at Limones.<sup>88</sup>

The forests on the Isthmus contained many possible products for exportation; caoutchouc, vanilla, dyewoods, cedar, and ebony.<sup>89</sup> Trade in these items was usually carried out between Indians from Mosquito and San Blas, who gathered woods and other products, and with foreign smugglers.<sup>90</sup> Many New Granadan's believed that the Isthmus had a promising future, especially if an interoceanic transportation system could be opened. The various schemes concerning a Panama road, railroad or canal provided the major sources of debate between the Isthmus and the country's far away capital, Bogotá.

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<sup>87</sup> MacGregor, "Commercial Tariffs," p. 323.

<sup>88</sup> Ibid., p. 133; Montenegro, Geografía, III, 444.

<sup>89</sup> MacGregor, "Commercial Tariffs," pp. 95, 132.

<sup>90</sup> Ibid., p. 97.

### D. Foreign Trade

Gold dominated the international trade of New Granada. During the five year period from 1835 to 1839 the total value of all exportations fluctuated between \$2,153,571 and \$3,070,858 while precious metals and specie made up between \$1,306,038 and \$1,879,684 of the total. The second most important export product, cotton, averaged \$152,255 a year, and only hides, tobacco, dyewoods and coffee had exports amounting to more than \$10,000 a year. These were the official figures and of course they recorded only the legal exportations. Smuggling gold out of the country, however, was common practice, and consideration of this fact makes gold even more important in the foreign trade of the period. Estimates of the value of gold sent out illegally ranged from \$500,000 to more than \$1,000,000 yearly during the 1830's.<sup>91</sup> The figures in Table 3 on the following page show that, besides gold, the main products of exportation were tropical items grown in the lowlands. Cotton was exported from Cartagena and Santa Marta, and most of the hides came from the same region.<sup>92</sup> Tobacco was grown in Ambalema, and its exportation during these years was the result of direct official action. Lesser amounts of tobacco came from Giron in the Chicamocha basin. Coffee, as well as certain

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<sup>91</sup> Restrepo, Diario, III, 49; Wills, Observaciones, pp. 35-36; Gosselman, Informes, pp. 119, 123; Gómez, Mariano Ospina, p. 113.

<sup>92</sup> Wills, Observaciones, pp. 20, 29.

TABLE 3<sup>93</sup>

## EXPORTS OF COLOMBIA (VALUE IN PESOS)

| Year | Coffee | Tobacco | Hides   | Cotton  | Gold and<br>Silver | Specie    | Total <sup>*</sup> |
|------|--------|---------|---------|---------|--------------------|-----------|--------------------|
| 1835 | 18,013 | 18,400  | 73,410  | 113,230 | 30,037             | 1,849,657 | 2,566,208          |
| 1836 | 450    | 191,309 | 91,229  | 199,320 | 10,501             | 1,684,082 | 2,027,544          |
| 1837 | 35,640 | 158,594 | 136,989 | 92,155  | 5,499              | 1,301,539 | 2,562,607          |
| 1838 | 33,550 | 39,631  | 78,073  | 167,423 | 32,244             | 1,510,295 | 2,153,571          |
| 1839 | 54,534 | 25,500  | 117,562 | 189,149 | 5,469              | 1,549,630 | 3,070,958          |

\*Total is for total exports, not the total of the products listed.

<sup>93</sup>Robert C. Beyer, "The Colombian Coffee Industry; Origins and Major Trends, 1740-1940" (Unpublished Doctoral Dissertation, University of Minnesota, 1947), p. 364.



amounts of cacao, came from the valleys bordering Venezuela and were exported through Maracaibo.<sup>94</sup> Thus, the major sources of products for exportation were Antioquia and the western region (gold), the lowlands around Cartagena and some valleys in the northern extremity of the eastern range. The provinces of Bogotá and Tunja, which formed the demographic nucleus of the country and had an important internal trade, did not have export products of importance. This was undoubtedly one of the reasons why the leading landholders of the central region, many of whom were also influential politicians, tended to favor policies which protected the local agriculture and local industries (wheat and textiles) and opposed free trade ideas.

The bulk of the Colombian exportations, if gold is included, went to England. Precise records on the actual destination of exports are not available, but the figures which do exist permit a rough evaluation of the situation. In 1838, for example, when official records stated that \$1,542,539 in gold and specie had been exported, the United States Viceconsul in Cartagena estimated (using local customs records as a base) that \$1,840,000 in bullion and specie had been sent out of the country. Of that total, \$1,600,000 had been sent to Jamaica and England, \$140,000 to the United

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<sup>94</sup> Safford, "Commerce," p. 195; Wills, Observaciones, pp. 26-27.

States, and \$100,000 had been sent to other countries.<sup>95</sup>

Cotton, the second most important export, also went mainly to England, although part of it was going, at least in the 1840's, to France.<sup>96</sup> Tobacco was also exported to England.<sup>97</sup>

A good percentage of the dyewoods were probably exported to the United States, but England was also a good customer.

Hides were sent to both countries in proportions which cannot be determined.<sup>98</sup> One of the facts the figures do reveal is that England clearly received a much larger part of the exports in gold and specie than did the United States.<sup>99</sup>

The extensive New Granadan trade with Jamaica, which operated as an entrepot for English goods, was transacted almost entirely with payments in currency.<sup>100</sup>

<sup>95</sup> Joseph Ayton to John Forsyth, Cartagena, December 31, 1838, in Consular Dispatches, III.

<sup>96</sup> "Tables Showing [sic] the Trade of the United Kingdom with Different Foreign Countries and British Possessions in each of the ten years from 1831 to 1832, Compiled from the Returns," in British Sessional Papers, 1842, XXXIX, 358-361. (Hereinafter quoted as "Tables."); Gillies, Colombia, p. 111; MacGregor, "Commercial Tariffs," p. 321.

<sup>97</sup> Official figures of New Granada for 1835 gave an exportation slightly over 70,000 pounds (Gillies, Colombia, p. 111); British figures report an importation from Colombia of 67,727 pounds, "Tables," p. 360.

<sup>98</sup> "Tables," p. 351; United States Secretary of the Treasury, Annual Reports, Foreign Commerce and Navigation, 1830 to 1840. (Hereinafter cited as "Commerce and Navigation.")

<sup>99</sup> "Tables," pp. 358-361; "Commerce and Navigation."

<sup>100</sup> Hauswolff, "Memorial," p. 324.

Imports also came mainly from England. The only country by country breakdown of these importations is for the year 1844 and this list was compiled by a group of French officers who apparently used Colombian reports. More than three-fourths of New Granada's imports came from England, one-fifth from France, and the rest came from the United States, Curaçao, Venezuela and Peru in almost equal shares.<sup>101</sup> Although it must be admitted that by 1844 some changes in the specific proportions of each country may have occurred, other data suggest that the breakdown for the 1830's was probably similar and the United States minister never tired of complaining about the virtual English monopoly of the import market.<sup>102</sup>

Textiles constituted the bulk of the imports from England, but other products imported included earthenwares, hardwares, and iron products. The latter commodities, however, were almost insignificant in comparison to textiles. A few items for luxury consumption were also of importance and these were mainly alcoholic beverages from France and Italy which were re-exported by England.<sup>103</sup> Almost all the imports from England were actually English-made products. That was not the case with the United States. United

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<sup>101</sup> Cited by MacGregor, "Commercial Tariffs," p. 320.

<sup>102</sup> Thomas P. Moore to Edward Livingston, Bogotá, January 19, 1832; id. to id., Bogotá, May 21, 1832, in Dispatches, VIII.

<sup>103</sup> "Tables," pp. 358-361.

States' imports to New Granada were divided into two almost equal parts: United States' products and re-exports. Among the former, flour, salted foods and drugs were the largest items; among the latter, textiles and wines were the main items.<sup>104</sup>

In the main, New Granadan foreign trade was characterized by a strong imbalance between exports and imports. The latter far outweighed the former and the difference had to be paid in currency—an economic fact which seriously affected the economic situation of the country. The outward flow of currency to pay for imports specified that the products of New Granada's mines soon left the country, and when this was not enough the Colombian merchants were forced to use all available gold and silver coins to fill the gap. Naturally legal coins for internal trade became very scarce.<sup>105</sup> Most gold and silver coins were destined for export and even when they were exchanged for Colombian products (as in the Antioquia to Central Colombia trade) it was only an intermediate step in the coins ultimate destination to foreign countries. A popular verse ably described the scarcity of legal tender:

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<sup>104</sup>"Commerce and Navigation."

<sup>105</sup>José Ignacio de Márquez, Informe del Secretario de Hacienda, 1831, cited in Ospina, Industria, p. 156; Francisco de Paula Santander al Presidente de la Cámara, Bogotá, June 13, 1834, in Francisco de Paula Santander, Cartas y Mensajes del General ..., 10 vols. Ed. by Roberto Cortazar (Bogotá, 1953-1956), IX, 120-121. (Hereinafter cited as Santander, Cartas.)

No hay correo en que no vaya  
 todo el oro al extranjero,  
 por eso ya no hay dinero  
 ni circula una medalla.<sup>106</sup>

With the scarcity of currency internal trade declined and prices fell. From 1830 to 1833 José Manuel Restrepo indicated that prices on cattle had fallen as much as fifty per cent. Agriculture and cattle raising declined in Tunja, Socorro, Pamplona and Bogotá. With the exception of Antioquia, Restrepo wrote, "the misery of the country is complete."<sup>107</sup>

## 5. Economic Ideas

The leading members of the Neo-Granadine society frequently tried to analyze the country's economic situation and offered advice on the policies the government should pursue to promote its advancement. Although they did not form clearly defined groups, there were at least two distinct views about the reasons for the economic problems of New Granada and the solutions that should be put into operation.

The ideas of one of these groups were perhaps expressed most completely by the British born merchant and entrepreneur Guillermo Wills. He had been actively involved in different economic and mercantile activities since the 1820's when he

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<sup>106</sup> Cited in Eduardo Pasada and Gustavo Otero Muñoz, "Bibliografía Bogotana," Boletín de Historia y Antiquedades, XXXVII (Bogotá, 1950), 35.

<sup>107</sup> Restrepo, Diario, II, 275, 310, 314.

arrived in New Granada as a clerk for the London banking house handling the 1824 loan. He had become one of the main sugar producers and had acquired the lease on the aguardiente monopoly for the province of Bogotá. He was also a leading merchant, representative for English bondholders, and an agent for the Colombian Mining Company, the main producer of silver in the 1820's and 1830's. Money permitted him to rise to the highest social rank and in 1836 he married a sister-in-law of President Francisco de Paula Santander.<sup>108</sup> Wills published several pamphlets in which he made proposals, presented claims, and offered a rather complete view of the economy of New Granada. In these pamphlets he showed a clear economic conception that was very close to that of the liberal economists of England. He argued that the fertility of the land, the scarcity of the population, and other natural conditions made New Granada a country in which industry could not yet progress and in which agriculture and mining should be the basic activities. The best method of promoting this was to grant foreign countries wide freedoms of trade. Free trade would permit New Granada to capitalize on its natural advantages and he believed that such a foreign trade would always present a favorable balance for the country. Local manufacturers, he believed, would never be able to compete on the world market. They needed machinery, technical skill, capital, and a situation in which the

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<sup>108</sup>Safford, "Commerce," pp. 56, 195.

population had become so dense that agriculture alone could no longer support it. The industrial revolution in England, caused by the introduction of machinery, placed the manual manufacturers of New Granada in a situation in which they could exist only through heavy protection. If a full prohibition were established on the products which competed with the home industries, some improvement in these industries might occur. But the costs would remain high because ". . . the share of the labor would remain the same," since no intense use of machinery could be expected. The cost of this possible improvement in the home industries would be carried by the miner, the agriculturalist, and the cattle raisers who would be forced to buy manufactured products at very high prices. The protection of local industry, on the whole, produced a waste of resources. Buying from England, on the other hand, represented a savings in labor which could be used more productively in agriculture. Thus, Wills believed that the population sector dedicated to home industries, with the exception of the part engaged in production of goods not yet mechanized in Europe, should be re-oriented toward agricultural production.<sup>109</sup>

With this in mind Wills proposed the reduction of tariffs on foreign trade, the free exportation of precious metals and currency and the promotion of agricultural exportable products. He believed it possible to increase the

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<sup>109</sup>Wills, Observaciones, pp. 43-51, 56, 57.

exportation of cotton, so that it would become, as it had been during the colonial period, a major source of income. Wills was convinced that some of the problems the cotton industry faced, such as the decline in world prices and the low quality of the cotton grown in Colombia, could be at least partially solved. If the cotton industry were taken over by rich individuals and some mechanical innovations introduced, the quality could be improved and the costs of production reduced to the point where local cotton could again compete on the English market.<sup>110</sup> Another crop which he believed had good market possibilities was tobacco as the Colombian crop was particularly favored due to the high quality of the leaves grown in the Ambalema region. Again wealthy people should invest in the cultivation of tobacco, which was now in the hands of poor growers. The government should raise the prices paid to the planters, lease sectors of the monopoly to rich capitalists and permit the exportation of tobacco. With an initial investment of \$400,000, Wills concluded, an exportation crop of \$1,300,000 a year could be obtained.<sup>111</sup> Wills also favored opening the country to foreign immigration, the improvement of communications between Bogotá and the Caribbean by re-establishing steam navigation on the Magdalena, and a whole array of

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<sup>110</sup> Ibid., pp. 20-22.

<sup>111</sup> Ibid., pp. 13-17.



specific measures designed for solving particular problems.<sup>112</sup>

Some of the local politicians and merchants agreed in differing degrees with the liberal position of Wills. This was particularly true of many of the supporters of Santander known as the "exaltados."<sup>113</sup> Vicente Azuero, a very active politician, president of the Constitutional Convention of 1832 and partner of various English and North American entrepreneurs, held views favorable to the promotion of foreign trade, reduction of taxes, and the transfer of the government monopolies to private entrepreneurs.<sup>114</sup> Lorenzo María Lleras and Florentino Gonzalez, according to the United States charge d'affaires Robert McAfee, had similar ideas and helped the North American representative in his efforts to obtain legislation favorable to the United States trade.<sup>115</sup> Another political group known as the

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<sup>112</sup>Ibid., pp. 10, 61, 73.

<sup>113</sup>The politicians that took over after 1831 named themselves "liberales," but they split between "moderados" and "exaltados." Although the differences were still blurred and the affiliations shifting, the moderates tended to favor slow reforms, to side with the church and to be mild with the supporters of Bolívar's dictatorship, many of whom became members of the group. The exalted favored rapid reforms, were adamantly anti-Bolívar and in some extent anticlericals. Santander was ideologically closer to the latter, but more willing to compromise than most of his friends.

<sup>114</sup>Guillermo Hernández de Alba and Fabio Lozano y Lozano, eds., Documentos sobre el Doctor Vicente Azuero (Bogotá: Imprenta Nacional, 1944), pp. 333-342.

<sup>115</sup>Robert McAfee to Edward Livingston, Bogotá, September 13, 1833, in Dispatches, VII.

"moderados" also had some members who defended the ideas of free trade. Lino de Pombo, a member of this group and Minister of Foreign Relations, was always friendly to the free trade suggestions which McAfee presented. As an official minister of the government, however, Pombo was sometimes forced into the position where he seemingly took opposing positions, one in public and another in private. Once, for example, after writing an official letter in which he defended the position of the government, he wrote a private letter to McAfee expressing his personal agreement with the "liberal ideas."<sup>116</sup> Though there were many defenders of these "liberal ideas" in the central region yet the sentiment for the liberalization of free trade, the abolition of monopolies and the reduction of taxes seemed to be much stronger in the coastal regions, in Popayán and in the provinces of Vélez and Socorro.<sup>117</sup>

The strongest defense for the protectionist policies was offered by José Ignacio de Márquez, the Minister of Finance from 1831-1832. Márquez, along with Rufino Cuervo, was the most respected and influential civilian leader in New Granada. He had presided over the Congress of Cúcuta and had temporarily occupied the Presidency of the Constitutional Convention of 1831-1832 where he had been the

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<sup>116</sup> Francisco Soto to Robert McAfee, Bogotá, November 30, 1833, ibid.

<sup>117</sup> Robert McAfee to John Forsyth, Bogotá, December 9, 1836, ibid.; Safford, "Commerce," pp. 65-66.

leader of the moderate group. In 1832 the Congress elected him Vicepresident of New Granada and he was acting president until Santander arrived from the United States.<sup>118</sup> In his report as Minister of Finance in 1832 Márquez placed a large part of the responsibility for the country's economic difficulties on "the unlimited extension that has been given to the foreign trade."<sup>119</sup> He believed that the decline in textile manufacturing, which was unable to compete with the foreign textiles, affected the production of cotton and the raising of sheep for wool. The previously wealthy provinces of Bogotá, Tunja, Socorro and Pamplona, he noted, were now poor and abandoned. Moreover, the expansion of products imported unbalanced the foreign trade system with regard to exports. The country's gold was forced to cover this loss and Márquez lamented the export of all the currency "which had been accumulated when . . . neither free trade nor the taste for luxuries had been introduced."<sup>120</sup> The need for cash to meet the payments for imports had reached such proportions that even silver table services and other precious

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<sup>118</sup> Carlos Cuervo Márquez, Vida del Doctor José Ignacio de Márquez, 2 vols. (Bogotá: Imprenta Nacional, 1917), I, 281-299.

<sup>119</sup> "... la extensión ilimitada que se ha dado al comercio extranjero," cited in José Rivas Groot, Asuntos Económicos y Fiscales (Bogotá: Imprenta del Banco de la República, 1952), p. 99. (Hereinafter cited as Rivas Groot, Asuntos.)

<sup>120</sup> Ibid., "que se había estado acumulando ... cuando faltando el comercio libre y el gusto que ... se ha introducido por el lujo ...." p. 99.

metal objects were being melted down. Of course interest rates became very high and people lending money demanded up to seventy-two per cent interest. Economic activities diminished and the country followed the road to even greater poverty.

In light of this analysis, Márquez was for a strict protectionist system. He favored the prohibition of the importation of any manufactured items or agricultural products which could already be obtained from New Granadan producers, the establishment of very high tariffs on luxury goods and moderate tariffs on imports deemed as necessary. This would diminish the customs revenues because of the reduction in trade, but he believed that this diminution of public revenues would be replaced by an increasing activity and wealth inside the country. Márquez' argument had some clear nationalistic overtones as he complained that the freedom offered had placed much of the country's trade and important economic activities in the hands of foreigners.<sup>121</sup>

Márquez was a landowner with large holdings in the province of Tunja. Other landowners who resided in Bogotá, like Governor Rufino Cuervo, supported similar ideas and it was evident, from the tariff decisions of 1833 and 1834 that a large segment of the national congress supported strict protectionism. The group leaning toward protectionism also tried to develop local industries--which was of

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<sup>121</sup> Ibid., p. 104.

course in line with their ideas. Márquez, Cuervo, Pedro Alcántara Herrán, Alejandro Osorio, Juan Antonio Marroquín, Joaquín Acosta and other wealthy proprietors from the Bogotá area were involved in many industrial efforts in the 1830's.<sup>122</sup> With the exception of a few foreigners, who usually had some combination of money, technical skills or familiarity with industry, industrial experiments were limited to highland landowners. The wealthiest national merchants who resided in Bogotá were Antioqueños who were tied with the mining industry and consequently with the import business. They showed no interest in the problematic activities of the improvised industrialists of the capital.<sup>123</sup>

The protectionists were in part defending regional interests, but other factors influenced them as well. They were as a rule more conservative and afraid of the changes supported by the "exaltado" lawyers who favored Santander. Many of the protectionists were not at all bitter in their remembrances of the colonial period as it had been clearly associated with monopolies, restrictions and a paternalistic state. They were also much closer to the church, which, in McAfee's opinion was opposed to contact with foreigners and dominated public thought. McAfee further believed that Márquez had deliberately "... . risen upon the prejudices

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<sup>122</sup>Safford, "Commerce," pp. 65-66 and passim.

<sup>123</sup>Ibid.

of the people against foreigners,"<sup>124</sup> i.e. had made political advantages of flattening such prejudices. The North American charge d'affaires also noted, perhaps somewhat ironically, that the United States' influences were also present in the issue as the rage for protectionism was ". . . in fact the same spirit imported from our country . . . ." <sup>125</sup> Márquez was smitten with the idea of becoming the Henry Clay of South America and Alejandro Vélez, a member of the Council of State who had lived in the United States, affected ". . . to take Mr. John Q. Adams as his model. . . ." <sup>126</sup>

President Santander and Secretary of Finances Francisco Soto in the main adopted a protectionist attitude, but they did so with less conviction than did Márquez. Santander actually believed in the ideals of free competition, the restriction of the activities of the state and other ideas common to the liberals.<sup>127</sup> But he assumed a pragmatic attitude which basically stated that perhaps some day the monopolies, the restrictions and the tariffs could be abolished and ". . . agriculture and trade will prosper quickly without the government having to intervene except with laws

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<sup>124</sup> Robert McAfee to John Forsyth, Bogotá, March 31, 1836, in Dispatches, VIII.

<sup>125</sup> Id. to id., Bogotá.

<sup>126</sup> Robert McAfee to John Forsyth, March 31, 1836, in Dispatches, VIII.

<sup>127</sup> Santander a Francisco Soto, Londres, June 28, 1830, in Santander, Cartas, VIII, 58.

to protect people and property."<sup>128</sup> But given the specific conditions of Colombia many reforms should be postponed to a day in which they would not create alarm or cause damages. In the "state of misery" which the country was in, and given the apparent popular support for protectionism, tariffs in defense of the manufacturers and some agricultural products should be established ". . . even with no further motive than to learn from our experience."<sup>129</sup> Yet, Santander refused to endorse the Márquez plea for complete prohibition of imports and complained about the high level of duties fixed by the Congress in the 1833 tariff law.<sup>130</sup>

In fact, Santander had reasons to follow the arguments of the Bogotá landholders. His government depended in great part on the support of the Bogotá politicians and his handling of relations with the United States clearly demonstrated this. McAfee, full of irritation, complained that the President did not want to act until public opinion showed the way. Santander, McAfee believed, often yielded to the maxim ". . . never do today anything you can postpone until tomorrow. . . ."<sup>131</sup>

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<sup>128</sup>Santander a Vicente Azuero, New York, January 19, 1832, ibid., VIII, 186.

<sup>129</sup>Santander al Congreso, Bogotá, March 1, 1833, ibid., VIII, 253.

<sup>130</sup>Santander to Tomas Herrera, Bogotá, May 9, 1835, ibid., IX, 218.

<sup>131</sup>Robert McAfee to John Forsyth, Bogotá, March 31, 1836, in Dispatches, VIII.

Santander and Soto always showed more interest in fiscal problems than for any other aspects of the economic policies. Santander had long defended the more ". . . drastic economy in public expenditures . . . ." He even suggested, with this in mind, the suppression of the army.<sup>132</sup> He did not want to ". . . burden the people with taxes after so many agitations."<sup>133</sup> Thus, the most obvious course was to reduce expenses and try to get the most out of the present taxes by improving his administration and bettering the collection methods for the present taxes. Soto, an able but unimaginative and parsimonious administrator, was the obvious selection as Secretary of Finances if the Santander approach was to be centered on an efficient and careful management of the present fiscal system rather than in reforms of it or in the implementation of policies directed essentially toward the promotion of economic development.<sup>134</sup>

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<sup>132</sup>Santander a Vicente Azuero, London, June 4, 1831; Paris, September 4, 1831; New York, November 25, 1831, in Santander, Cartas, VIII, 125, 134, and 162.

<sup>133</sup>Id. to id., New York, June 4, 1831, ibid., VIII, 125.

<sup>134</sup>Robert McAfee to John Forwyth, Bogotá, March 31, 1836, in Dispatches, VIII.



## CHAPTER II

### THE FISCAL SYSTEM: GENERAL VIEW AND TAXES ON FOREIGN TRADE

#### A. General Structure of the Fiscal System

The Congress which gathered in San José de Cúcuta in 1821, in order to write a constitution for the newly independent nation of Gran Colombia, undertook an overall revision of the colonial fiscal system. The dominant principles that guided the revision were the simplification of the tax structure and the abolition of many duties considered oppressive or obstructive to a healthy economic development of the country. Consequently, the Congress suppressed the internal custom duties, the Indian tribute, the aguardiente monopoly and the sisa, a tax levied on the sale of some foodstuffs. The law promulgated on October 5, 1821, abolished the alcabala (a sales-tax) on home products, but retained it on the sale of real estate and imported merchandise, although it reduced the rate from five per cent to two and a half per cent ad valorem.

The Congress did, however, maintain some of the colonial taxes including those which had been doctrinally attacked by many of the republican leaders. The tithes,

for example, remained in force, probably because the congressmen feared clerical opposition, and because the assumption of the sustenance of the church by the state would have been an unbearable burden. The colonial monopolies, such as salt, tobacco and coinage, were retained because the government could not afford to dispense with the revenue. Similarly the quinto (fifth--in fact it was three per cent), collected on precious metals, and the duties derived from foreign trade, could not be replaced easily by new sources of income.

In the years that followed successive Gran Colombian congresses endeavored to simplify and reorganize the fiscal structure, eliminating other minor sources of income and reducing taxes on foreign trade. The government made a major effort to establish a tax on income and assets, called the contribución directa, but the attempt was a total failure. Direct contributions called for an administrative ability which the government did not have, and for the wealthier social groups to assume willingly a major share of the country's taxation.<sup>1</sup>

After 1826 the government, facing a critical economic and political situation, reversed the trend of alleviating the tributary burdens. The Indian head tax, the alcabala

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<sup>1</sup>David Bushnell, The Santander Regime in Gran Colombia (Newark: University of Delaware Press, 1954), pp. 76-81. (Hereinafter cited as Bushnell, Santander.)

and the aguardiente monopoly were revived.<sup>2</sup> Following the dissolution of Gran Colombia, the 1831-1832 Constitutional Convention again abolished the Indian head tax.<sup>3</sup> The alcabala remained in force but at the reduced rate of two and a half per cent ad valorem<sup>4</sup>--a decree in 1828 had fixed the rate at four per cent.<sup>5</sup> The aguardiente monopoly continued in some of the provinces, while in others it was operated under a system of permits.<sup>6</sup>

The same Constitutional Convention initiated a major step in the organization of the revenue system by adopting an organic law of the public treasury. The most noteworthy feature of this law was the establishment of a unified treasury which was charged with the direction and final collection of all the public revenues.<sup>7</sup>

When Santander officially inaugurated his administration in October, 1832, the government was still obtaining its revenues from a variety of sources. The most important

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<sup>2</sup>Luis Ospina Vásquez, Industria y Protección en Colombia, 1810-1930 (Medellín: E.S.F., 1955), pp. 89-90. (Hereinafter cited as Ospina, Industria.)

<sup>3</sup>Law of March 6, 1821, Codificación Nacional de todas las leyes de Colombia desde al año de 1821, hecha conforme a la ley 13 de 1912, por la Sala de Negocios Generales del Consejo de Estado (Bogotá: Imprenta Nacional, 1924- ), IV, 344-345.

<sup>4</sup>Law of March 21, 1832, ibid., IV, 355-356.

<sup>5</sup>Decree of December 23, 1828, ibid., III, 476.

<sup>6</sup>Law of May 21, 1834, ibid., V, 294-295.

<sup>7</sup>Law of March 21, 1832, ibid., IV, 363.

founts were the taxes collected on foreign trade and navigation. In 1831-1832, when the total revenues amounted to \$2,327,310 and 6 reales (one real is one-eighth of a peso) customs duties netted \$770,864 and 4 reales--or one-third of the total revenue. The most productive taxes in this group were: the import duties, worth \$497,643.4; the alcabala on foreign goods, worth \$107,499.075; the consulado tax, which yielded \$28,505.6; and the exportation tax which produced \$24,885.1. The four main state monopolies, some of which were either totally or partially farmed out, also represented a large portion of the state income: \$995,880 or over forty-two per cent. Among these monopolies tobacco produced the most income, \$488,770.7. Salt was next in importance with \$265,837.4, then the government mints which yielded \$125,303.4, and finally brandies with \$115,968.1 $\frac{1}{2}$ . The figures for the last three monopolies, however, represented net profits, while the figure for tobacco reported gross sales. The alcabala grossed \$247,788.5, or just above one-tenth of the total fiscal revenue. Among the remaining two dozen sources of revenue only five yielded more than one per cent each of the total revenue: the tithes, the quinto on precious metals, the income from ecclesiastical property, postal revenues and public credit. Credit, of course, was an emergency source of income and the posts represented a service which cost more than it collected. The income on ecclesiastical property stemmed mainly from

church property whose earnings had not been specifically designated and from vacant bishoprics and parishes. Only the tithes and the quinto were real taxes.<sup>8</sup>

As has been demonstrated, most of the taxes were indirect. The taxes on trade (customs and the alcabala) accounted for about forty-three per cent of the income and the operation of the state monopolies rendered another forty-two per cent. The only direct taxes of importance, the tithes and the quinto, contributed less than four per cent of the state's total income.

A large part of the revenue was collected by individuals or groups who received contracts from the government for the collection of specific taxes. These individuals or groups often farmed out collection of the taxes to many other individuals. This pattern of collection was particularly followed with regard to the tithes and the alcabala, and occasionally with other taxes as well. The tobacco revenue and the mint were monopolies in the full sense as only the government could handle them. Aguardiente was a government monopoly in some of the provinces, but the distribution and sale of liquor was usually contracted. In other areas the distillation of brandies was not taxed

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<sup>8</sup> New Granada, Secretary of Finances, "General Statement of the Revenue and Expenditure of the Republic of New Granada, during the Financial Year, commencing on the 1st of July, 1831, and ending on the 30th June, 1832," in British and Foreign State Papers, XX (London: James Ridgway and Sons, 1836), p. 1336. (Hereinafter cited as "Statement of the Revenue.")

once an initial payment for a permit had been made. The salt works were not in a strict sense a monopoly, but the government owned the mines which produced most of the country's salt. These were worked on a system of leases to private contractors. The only taxes collected directly by the state were the customs taxes although the government had appointed officers to oversee some of the stages of collection for the contracted taxes. Because of this contractual system of collection a large amount of private capital was invested in the operation of state revenue systems. Local and foreign entrepreneurs were active in this arrangement, having made actual investments in the tithes, alcabala, or the salt and brandy monopolies. Investments in these monopolies, were, as a rule, very sound investments which brought no unexpected results since the margins of profit were fixed contractually. Governmental contracting of the tithes and the alcabala, however, was a minor business except in the major cities. The income of the tithes or the alcabala in most of the nation's parishes was not enough to pay even the salary of the collector.

The bulk of the government income was dedicated to the payment of military expenses. In the fiscal year of 1831-1832 the government's total expenses amounted to \$2,129,615.1-1/3, and more than fifty per cent (\$1,131,662) appeared as army payments. It is difficult to determine the exact amount the government spent in this same year for the

collection of taxes, but expenditures related to this collection consumed a large part of the remaining income. For example, the management of the tobacco monopoly, customs and postal service cost a total of \$568,899.3-3/4, or more than twenty-six per cent of the government's total expenditures. Other items easily identifiable as pertaining to the collection of taxes accounted for another five per cent of the budget. Thus, at least one third of the revenue was spent on its own collection. As more than one-half of the country's income went directly to the army, only about one-sixth remained, and this went mostly to defer the costs of civilian administration. The payment of civilian officers, foreign service personnel, the Congress and general expenses of the executive and legislative branches amounted to \$248,748.5½, or eleven per cent of the revenue. Obviously little national investment was made in public roads or education, although some small payments were made for the maintenance of hospitals. Any public improvements had to be undertaken and supported by the individual provinces, cantons or parishes.<sup>9</sup>

According to the Constitution of 1832, only the Congress had the right to determine the budget. In 1832 the Leyes de Sueldos y Gastos (laws of salaries and expenses) constituted the budget for that year. On June 4, 1833, the Congress first passed what may be called a unified budget.

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<sup>9</sup>Ibid.

This budget was based on an estimation of future expenses, and probably once the budget was made these "estimated" expenses were made to follow the budget's intended proportions. Congress expected the total costs for the fiscal year of 1833 to be \$2,565,430.4. The army was to receive forty-six per cent of this amount, and twenty-two per cent was assigned for the collection and handling of revenues; the payment of civilian officers was ear-marked at ten per cent. The budget set aside one per cent for education, reserved somewhat more for hospitals, and assigned \$1,500 for the construction of a road in the province of Vélez. The rest of the budget covered the payment of debts, rent on official buildings and other various expenditures. In 1836 the proposed budget totaled \$2,851,165.4 $\frac{1}{2}$ : the army was to receive forty-six per cent; the payment of civilian officers fourteen per cent; and at least thirty per cent should go for the collection and administration of public funds.<sup>10</sup>

The government of Santander assumed a moderate outlook about the fiscal situation and did not attempt to make any major reforms. In his message to Congress in 1833, Santander presented the ideas his administration intended to follow and he noted the impossibility of destroying, all at once, ". . . the evils and defects inherent in our ancient

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<sup>10</sup> Law of June 4, 1833, Codificación, V, 40-68; Law of June 6, 1836, ibid., V, 174-198.



colonial status . . . ."11 The Secretary of Finances, Francisco Soto, indicated to the Congress that ". . . experience taught us that . . . in any matter such as this, it is more urgent that the governments respect the customs . . . ; the executive believes that what is important is not so much to create as to maintain what exists . . . ."12 One reason for this extreme prudence, which did not follow the political ideas of either man, was fear of another fiscal crisis, and the consequences thereof, like the one that had occurred in 1826. Santander remarked in 1835 that the beautiful but unrealistic reduction of taxes which had taken place during the early 1820's had produced the fiscal crisis of 1826, made the people clamor for a return to the Spanish taxes and led them eventually to accept the dictatorship of Bolívar.<sup>13</sup>

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11 "... los males y defectos inherentes a nuestro antiguo estado colonial ...," Francisco de Paula Santander al Presidente de la Cámara del Senado, Bogotá, March 1, 1830, in Francisco de Paula Santander, Cartas y Mensajes del General ..., Edición de Roberto Cortázar, 10 vols. (Bogotá: 1953-1956), VIII, 256. (Hereinafter cited as Santander, Cartas.)

12 "... la experiencia ha acreditado entre nosotros que ... en ninguna materia mas que en la presente es necesario que los gobiernos respeten las costumbres ...; el ejecutivo esta convencido de que no importa tanto crear como conservar lo que existe ...," cited in Gustavo Arboleda, Historia Contemporánea de Colombia (Desde la Disolución de la antigua República de ese nombre hasta el presente), 6 vols. (Bogotá, 1918), I, 176. (Hereinafter cited as Arboleda, Historia.)

13 Santander al Congreso, Bogotá, May 9, 1835, in Santander, Cartas, IX, 217-218.

The energy of the executive power, therefore, concentrated on minor administrative improvements, on efforts to provide honest and efficient management and on the reduction of expenses. This spirit was well portrayed in words of praise which Santander spoke about Soto. The Secretary of Finances was a man who "... struggled victoriously for half a dime . . . ." <sup>14</sup> In 1834, Soto proudly presented Congress with a table of "... deductions that the executive power believes should be cut from the expenses included in the general budget." Some of these important deductions saved the government the grand sum of \$8 and all of them only totaled \$2,576. <sup>15</sup> That the government took seriously the project of reducing expenses appeared also in Santander's angry complaints that Congress approved the budget only in the last days of the legislative session, so that the executive did not have the opportunity of presenting objections to it. <sup>16</sup> It was always possible, however, to cut costs by not filling many of the civil and military positions provided for in the budget. Santander rejoiced every

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<sup>14</sup>"... lucha con fruto por medio real ...," Santander to Manuel García Herreros, Bogotá, Octubre 16, 1832, ibid., VIII, 222.

<sup>15</sup>"... deducciones que el Ejecutivo cree deben hacerse de los gastos que contiene el Presupuesto general ...," cited in José María Rivas Groot, Asuntos Económicos y Fiscales (Bogotá: Imprenta del Banco de la República, 1952.), p. 116.

<sup>16</sup>Santander al Presidente de la Cámara del Senado, March 1, 1836, in Santander, Cartas, IX, 359.

time he made use of this device. He also frequently appointed members of the army to fill civil positions, thereby saving one of the two salaries.<sup>17</sup> Auguste Le Moynes, the French Minister to Bogotá, criticized Santander for neglecting official social duties for reasons of economy and defined the president's attitude as being one of "thorough pettiness."<sup>18</sup> Santander himself expressed that "saving more than reforming" was the main interest of his administration and this guiding principle explains many of the aspects in the president's behavior toward and handling of the particular taxes.<sup>19</sup>

#### B. Customs and Foreign Trade

The largest share of New Granada's public revenue derived from the group of taxes collected on the foreign trade. Gathered in general reports under the name of "customs duties," they included a variety of different duties. Despite the government's efforts for fiscal simplification, customs duties still formed a very confusing and heterogeneous array of levies. In 1832 foreign trade

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<sup>17</sup> Santander al Presidente de la Cámara del Senado, March 1, 1833, and March 28, 1833, ibid., VIII, 253 and 274.

<sup>18</sup> "... parsimonie minutieuse ...," Auguste Le Moynes, Voyages et Sejours dans l'Amérique du Sud: La Nouvelle Grenade, Santiago de Cuba et l'Isthme de Panama, 2 vols. (Paris: A. Quantin Imprimeur, Editeur, 1880), II, 117.

<sup>19</sup> Santander al Presidente de la Cámara del Senado, March 1, 1833, in Santander, Cartas, VIII, 252.

was burdened by various port taxes, such as duties on tonnage, pilots, warehouse storage and anchorage fees. There was also a sales tax known as the alcabala de importación; a special duty called the consulado and of course export and import duties.

The port duties were really of minor interest as sources of revenue. The rate of tonnage was only four reales per ton on foreign vessels and, on Colombian ships, one real for every ton above twenty.<sup>20</sup> The Congress of 1833 raised this duty to twelve reales for foreign ships and eight reales for New Granadan boats,<sup>21</sup> but in 1834 the rate was reduced to eight reales for foreign vessels and four reales on national ships. This rate applied to the first one-hundred tons.<sup>22</sup> The only significant pattern in this tax was the discrimination in favor of the national merchant fleet, whose promotion was an oft-stated goal of the executive and legislative branches during the 1820's and 1830's.

The warehouse duty (derecho de depósito) was charged at the customs house in Panamá on those products destined to be re-exported. Its effect was really negligible as a source of revenue.<sup>23</sup> Other port duties, such as charges for the use of pilots, anchorage and transit were mentioned in the

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<sup>20</sup> Law of September 29, 1821, Codificación, I, 69.

<sup>21</sup> Law of June 13, 1833, ibid., V, 115.

<sup>22</sup> Law of June 5, 1834, ibid., V, 364-365.

<sup>23</sup> Ibid., V, 374.

laws of the period, but the laws never specified the rate by which these duties should be computed. They were probably collected on the basis of the previous Spanish rates.<sup>24</sup>

The consulado duty had been established by a royal order from the king of Spain in 1795 and it constituted one per cent of the value of all products imported at Cartagena. The money collected was destined for the maintenance of the merchant consulado, a merchant guild with judicial rights.<sup>25</sup> In 1824 the consulado in Cartagena was dissolved and regular tribunals assumed its judicial functions.<sup>26</sup> The results of this were not satisfactory, and in 1830 the government decided to recreate the consulados and disband the tribunals. In effect, the law of 1830 simply reinstated the old royal order of 1795 and the consulado tax was once again collected.<sup>27</sup> A new change in policy brought back the trade tribunals in 1832, but the consulado tax was not abolished. As one of the duties of the consulado had been the improvement of land and water (especially river) communications, Congress retained the tax and ordered that the money collected should go to the provincial governments and be used

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<sup>24</sup>Decree of May 8, 1829, ibid., IV, 50; law of June 5, 1834, ibid., V, 165.

<sup>25</sup>See decree of February 3, 1830, ibid., IV, 161.

<sup>26</sup>Law of July 10, 1824, ibid., I, 355.

<sup>27</sup>Decree of February 3, 1830, ibid., IV, 161.

to improve the transportation media.<sup>28</sup> In 1836 the revenue from the consulado tax was transferred from the provincial governments to the central government and continued under the name "duty for roads."<sup>29</sup>

The sales tax on imports (alcabala de importación) was also a remnant of the colonial tax system. It had some value as a source of revenue for in 1831-1832 it was worth about \$100,000, or more than four per cent of the central government's total income.<sup>30</sup> In 1832 the alcabala de importación was fixed at a rate of four per cent of the value of the imported goods, and it was collected every time the goods were resold.<sup>31</sup> In 1834, when other taxes on imports were reduced, the Congress ordered that an extra tax of fifteen per cent on the amounts due be added to the alcabala de importación in hopes of offsetting the diminishing revenues.<sup>32</sup> This was a very confusing method of collection for it really meant a fifteen per cent surcharge on an already existing four per cent tax. In 1835, when the clamor against the alcabala (sales tax, not to be confused with the alcabala de importación) led the Congress to abolish the internal

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<sup>28</sup>Law of May 29, 1833, and Law of May 31, 1833, ibid., V, 17 and 25.

<sup>29</sup>Law of June 3, 1836, ibid., VI, 160-161.

<sup>30</sup>"Statement of the Revenue," p. 1336.

<sup>31</sup>Law of March 21, 1832, Codificación, IV, 355.

<sup>32</sup>Law of July 5, 1835, Art. 22, ibid., V, 371.

sales tax, it decided to raise the across the board rate on the alcabala de importación to seven per cent of the value of goods, but it was to be collected only at the time of the first sale.<sup>33</sup>

Since the climate for reducing taxes dominated the 1830's, it was not strange that one of the main goals had been the abolition of export duties. This duty had been established by the Congress of Cúcuta in 1821 by consolidating several colonial levies.<sup>34</sup> In 1831 President Domingo Caicedo fixed the rates on this export duty. Cacao and hides paid ten per cent ad valorem, indigo and dyewoods five per cent ad valorem and the rest of the products four per cent. Some products, such as cattle, mules, horses and donkeys, had very high export duties. The exportation of these animals was deemed detrimental to the country. The same law forbade the exportation of gold and silver in bars or dust and exempted products like cotton, coffee, quina (cinchona bark) and other foodstuffs which the national government desired to promote.<sup>35</sup>

Petitions pleading for the abolition of exportation duties were frequent. General Juan Nepomuceno Moreno, a large landowner in the Casanare plains and one-time governor of the province, in 1833 asked Congress to eliminate the

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<sup>33</sup> Law of May 14, 1835, ibid., 446-449.

<sup>34</sup> Law of September 29, 1821, ibid., I, 64.

<sup>35</sup> Decree of June 1, 1831, ibid., IV, 269.

export duties on cattle. He held these duties responsible for the "sad situation" of Arauca and Casanare. If they were not derogated, Moreno threatened, Arauca and some other regions would join Venezuela where "the laws are softer and more healthy."<sup>36</sup>

The Congress of 1833 reasoned along similar lines. One of its first acts was to abolish ". . . all duties of exportation or extraction, [on] all the products originating in New Granada . . . ." The Congress hoped that this measure would help to increase the "wealth, prosperity and strength" of the state, ". . . giving jobs to the citizens and multiplying the products, so that the foreign goods needed might be acquired in exchange . . . ."<sup>37</sup>

The important center of all the taxes on foreign trade were of course the import duties. They formed one of the basic sources of state revenue and in addition to their fiscal value, they had considerable influence upon the economy of the country. Tariffs could encourage or discourage

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<sup>36</sup>"... las leyes son mas suaves y saludables ...," Juan Nepomuceno Moreno to Santander, Pore, January 4, 1833, in Francisco de Paula Santander, Archivo Santander, edicion de una Comision de la Academia Nacional de Historia, 24 vols. (Bogotá, 1913-1932), XX, 77. (Hereinafter cited as Santander, Archivo.)

<sup>37</sup>"Quedan libres de todo derecho de exportacion o de extracción, todos los productos originarios de la Nueva Granada, cualquiera que sea el genero de industria a que pertenezcan," "... dando ocupacion a los ciudadanos y multiplicando los productos para adquirir en cambio los extranjeros que son necesarios ...," Law of April 25, 1833, Codificación, V, 8-9. The only exception was precious metals in form other than coin. They were not permitted exportation.



foreign trade and they could offer differing grades of protection to national products. The tariff laws constituted the basis for argument between the free trade advocates and the protectionists. The tariff laws were also relevant to New Granada's foreign relations as the provisions included in the tariff laws formed the main topic of discussion between the representatives of the United States and New Granada.

The administration, therefore, had to pay attention to several factors while constructing policy related to import duties. It had to weigh the needs for income for the public treasury, the desires of some groups for increasing trade, the desires of others to protect local products and the arguments of the foreign representatives. On June 1, 1831, the Congress re-enacted the tariff of 1826.<sup>38</sup> This was a low tariff, and in 1832 the Constitutional Convention decided to bring back the tariff of May 8, 1829, whose schedules were much higher.<sup>39</sup> Santander favored the enactment of a tariff which offered some protection to "our miserable industries and crafts."<sup>40</sup> In 1833 he asked Congress for a tariff which restricted the importation of foreign products likely to damage ". . . some agricultural

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<sup>38</sup>Decree of June 1, 1831, ibid., IV, 268-269.

<sup>39</sup>Law of March 15, 1832, ibid., IV, 350.

<sup>40</sup>Santander to Vicente Azuero, London, June 28, 1830, in Santander, Cartas, VIII, 185.

products and the recent manufactures [new industries] that provide [for] the consumption by the provinces of the interior."<sup>41</sup>

The House favored protection and was willing to go even further than the president. While Santander promoted high duties on foreign textiles, which competed with the products of the oriental region, the House approved a law which prohibited any introduction of foreign textiles.<sup>42</sup> The Senate, however, objected to this complete preclusion and the final law simply placed high tariffs on the textiles concerned and on certain agricultural products.<sup>43</sup> The rates finally decided upon were still higher than Santander desired and he later complained about the tariff, believing it was "exorbitant."<sup>44</sup>

Following precedents, the 1833 tariff law established a rather complex schedule. Some products were completely forbidden importation. Licorice, aguardiente and tobacco were on this list, probably because of their importance to

<sup>41</sup>Santander to the Congress, Bogotá, March 1, 1833, ibid., VIII, 253.

<sup>42</sup>José Manuel Restrepo, Diario Político y Militar: Memoria sobre los sucesos importantes de la época para servir a la historia de la Revolución y de la Nueva Granada, a partir de 1819, 4 vols. (Bogotá: Imprenta Nacional, 1954), III, 279-286. (Hereinafter cited as Restrepo, Diario.)

<sup>43</sup>Law of June 13, 1833, Codificación, V, 115.

<sup>44</sup>Santander to the Congress, Bogotá, May 9, 1835, in Santander, Cartas, IX, 218.

the state's income. Sugar, coffee and cacao were also forbidden, as they had been since colonial times. Other products, whose introduction was held as an indisputable blessing, did not pay any tax. This free list included scientific instruments, cultural objects, tools destined for navigation, mining, agriculture or industry, plants and seeds. Similarly, craftsmen coming to settle in the country would be exempt from paying importation duties on the tools of their trades. Precious metals were in the same category. According to this 1833 tariff law, "specific duties," i.e., a fixed amount per unit, should be paid on some products. The rest paid a duty on their value, but this value was to be determined from a schedule (arancel) which the executive would elaborate. The articles paying duties from this schedule were classified in three categories. The first group paid a duty of fifteen per cent and included processed tin sheets, drugs, clocks, craftsmen's tools and many other items. The third category paid a duty tariff of twenty-five per cent and included ornaments, foods, fruits and perfumes. All other products not otherwise mentioned in the law paid a tariff of twenty per cent and formed the second category.<sup>45</sup>

With the intention of protecting and promoting national shipping, a five per cent ad valorem duty had been paid since 1821 on all products imported in foreign ships,

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<sup>45</sup> Law of June 13, 1833, Codificación, V, 115-123.

although separate treaties with the different foreign nations made this five per cent duty virtually inoperable. In fact, Great Britain had been exempted in 1825, Holland and the United States in 1826 and France in 1832. This exemption, however, applied only in cases where the products imported came directly from the nation in which they were produced. Therefore, ships carrying goods originating in a country different from the flag they were flying (except of course New Granadan ships) were still subjected to the five per cent discriminatory duty.<sup>46</sup>

The 1833 tariff law produced undesirable effects. Santander reported that while the law was in force, customs revenues declined notoriously.<sup>47</sup> Many others agreed in attributing the reduction in foreign trade to the high tariffs the Congress had established. José Hilario López, commander of the Cartagena troops, stated that the high tariff on flour had curtailed trade with the United States. If the law was remedied, he believed, ". . . in six months our harbors will be filled with merchant sails . . . ."<sup>48</sup>

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<sup>46</sup>Texts of the treaties with United States, Central America and Great Britain are in British and Foreign State Papers, XII (1824-25), 782, 802 and 661, respectively. The Convention with France is ibid., XXII (1832-1833), 1146. (Hereinafter cited as State Papers.)

<sup>47</sup>Santander to the Congress, Bogotá, May 9, 1835, in Santander, Cartas, IX, 218.

<sup>48</sup>José Hilario López to Santander, Cartagena, May 22, 1834, in Santander, Archivo, XX, 358.

The tax on flour, which was \$8 on the seven or eight arroba barrel, amounted to nearly 175 per cent of the value of the flour.<sup>49</sup> Other heavily taxed items were biscuits, hams and other foodstuffs. Almost all of these were imported from the United States. The United States minister, Thomas P. Moore, bitterly complained about the tariff which practically excluded the United States from New Granadan trade. In one report to his Secretary of State, Moore attributed the high duty on flour to the efforts of Manuel Marcelino Núñez, the leading merchant of Cartagena. Núñez wanted, in Moore's opinion, to monopolize the flour trade, and he did not mind the duty because he held large amounts of scrip which the New Granadan government had issued and which he (Núñez) had purchased at very low prices. This scrip was legally acceptable at the customs house.<sup>50</sup> Although this may indeed have been true, it is also certain that Núñez wrote later to Santander asking for a reduction in the duties on flour.<sup>51</sup> Besides, only one-eighth of the duty could be paid in scrip so Núñez would still have had to pay seven-eighths in cash.<sup>52</sup>

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<sup>49</sup> Robert McAfee to Lino de Pombo, Bogotá, November 26, 1833, in United States National Archives, Secretary of State Records, Dispatches from United States Ministers to Colombia, 1820-1906, Vol. VIII (microfilm). Hereinafter cited as Dispatches.)

<sup>50</sup> Thomas P. Moore to Edward Livingston, April 10, 1833, ibid., VII.

<sup>51</sup> Manuel Marcelino Núñez to Santander, Cartagena, September 2, 1836, in Santander, Archivo, XX, 292.

<sup>52</sup> Law of June 13, 1833, Codificación, V, 120.

Notwithstanding Moore's argument, the high duties on flour were probably due to the efforts of the sabana land-owners. Márquez, Cuervo and Herrán, it will be remembered, were wealthy and powerful landholders who always favored restrictive tariffs. As the Minister of Foreign Relations Lino de Pombo stated, the "prejudice" concerning wheat in Bogotá was very strong, and any attempt at a substantial reduction in the duty on this commodity was hopeless.<sup>53</sup>

In 1834 Santander asked the Congress to reform the law ". . . for the correction of the defects which have been found in its execution . . . ."<sup>54</sup> Congress complied with this request and on June 5, 1834, the president sanctioned a new tariff. Under the new law, the products subjected to duties according to the schedule were divided into six categories, paying twelve, thirteen, eighteen, twenty-one, twenty-four and twenty-seven per cent. The five per cent extra duty paid on products imported in foreign vessels remained in force. The tariff law of 1834 apparently did not follow a carefully thought out plan, but practically all items were subjected to a lower import tax than in 1833. The tariff on flour was reduced to \$4 a barrel, and most of the textiles were placed in the fifteen per cent category. The latter could hardly be considered a protective wall

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<sup>53</sup> Robert McAfee to Louis McClane, May 2, 1834, in Dispatches, VIII.

<sup>54</sup> Santander to the Congress, March 1, 1834, in Santander, Cartas, IX, 19.

given the fact that prices of English manufactures were much lower than of New Granadan products.<sup>55</sup>

The tariff of 1834 remained in force, with some minor changes, throughout the rest of the Santander administration. During these years the amount of foreign trade increased and the revenues from the customs duties improved. The tariff of 1834 did not fulfill the desires of the protectionists, but the government was certainly satisfied with the increased revenue it helped provide.

#### B. Taxes on Foreign Trade and the United States Treaty Discussions

The tariff laws were directly related to a large part of New Granada's international relations during the Santander administration. This included the treaties New Granada made with foreign nations regulating trade. In 1824 a treaty between the United States and Colombia had been signed (ratified early in 1825) which included the "most favored nation" clause.<sup>56</sup> The commercial aspects of this treaty would lapse in 1837, and discussion about a new treaty became a central issue between New Granada and the United States.

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<sup>55</sup>Law of June 5, 1834, Codificación, V, 364.

<sup>56</sup>The pertinent article said that the United States and Colombia ". . . engage mutually not to grant any particular favor to other Nation in respect of Commerce and Navigation, which shall not immediately become common to the other party, who shall enjoy the same freely, if the concession was freely made, or on allowing the same compensation, if the concession was conditional. . . ." State Papers, XII (1824-1825), 783-784.

Debate concerning this treaty was intimately connected with the problem of the differential tax on merchandise imported in foreign ships. In 1825 Great Britain and Colombia signed a treaty whereby English merchants bringing British or British dominion products to Colombia were to be treated and taxed as if they were imported by Colombian merchants. When the United States asked in 1826 that this privilege be extended to include her merchants Colombia complied, once the United States granted reciprocity. The decree, signed by then Vice-president Santander, stated that

the same duties will be paid on the importation . . . to Colombia of any article of natural production or manufacture from the United States of America . . . whether this importation . . . is made in Colombian ships or in the ships of the said United States . . . .<sup>57</sup>

Under this decree, United States' vessels introducing North American products were exempted from the differential duty of five per cent charged on merchandise imported in foreign vessels. Colombia had carried this idea even further with regard to Central America, for in 1825 a treaty was signed which permitted the Central Americans a full exemption of the five per cent duty regardless of the origin of the products they were introducing.<sup>58</sup> Despite the precedent, the United States ministers did not ask that this expansion of the most favored nation clause be extended to them until

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<sup>57</sup> Decree of January 30, 1826, Codificación, II, 194.

<sup>58</sup> State Papers, XII (1824-1825), 802 ff.



1831. In November of that year, the North American charge d'affaires, Thomas P. Moore, wrote to the Colombian Minister of Foreign Affairs, José Francisco Pereira, arguing that according to the most favored nation clause, the United States ships should be completely exempt from any differential tax since the Central American ships had this privilege.<sup>59</sup> Pereira answered that since the most favored nation clause in the treaty with the United States was conditional, the United States should declare if she would concede reciprocity, i.e., that Colombian ships would not pay differential duties in the United States.<sup>60</sup> Moore did not hesitate in assuring the Colombian Minister that such reciprocity would be arranged,<sup>61</sup> and, as he explained to the United States Secretary of State, Edward Livingston, " . . . so far as we are concerned, [the reciprocity] . . . is perfectly nominal . . . ." Years would pass before Colombia had a fleet engaged in transporting foreign products to the United States.<sup>62</sup>

Having obtained the assurance of reciprocity, Colombian President Domingo Caicedo, on November 21, 1831, issued

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<sup>59</sup> Thomas P. Moore to José Francisco Pereira, Bogotá, November 10, 1831, in State Papers, XXIV (1835-1836), 367.

<sup>60</sup> José Francisco Pereira to Thomas P. Moore, Bogotá, November 14, 1831, ibid., p. 369.

<sup>61</sup> Thomas P. Moore to José Francisco Pereira, Bogotá, November 21, 1831, ibid., p. 370.

<sup>62</sup> Thomas P. Moore to Edward Livingston, Bogotá, November 21, 1831, ibid., p. 371.

a decree extending to the United States the same privilege which had been granted to Central America.<sup>63</sup> This concession opened new commercial possibilities for the United States, and represented, in Moore's opinion, a failure for the British in their endeavors ". . . to exclude every country but their own, from any participation in the commerce of this [Country] . . . ."<sup>64</sup> He calculated that the suppression of the duty would represent a "premium" of more than \$100,000 to the merchants of the United States, and would allow them to compete with foreign traders in the importation of English, European and Indian products.<sup>65</sup>

Attacks on Caicedo's decision, which was termed by José Manuel Restrepo as "thoughtless," were not long in appearing.<sup>66</sup> In defense of the Caicedo measure, Moore published an anonymous tract in which he even asked for further reductions in the tariff schedule. The suppression of the differential duty, he stated, would cost the treasury only \$7,000 or \$8,000 a year, and that increased importation

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<sup>63</sup>Ibid. The text of the decree was not included in Codificación.

<sup>64</sup>Thomas P. Moore to Edward Livingston, Bogotá, January 19, 1832, in Dispatches, VII.

<sup>65</sup>Thomas P. Moore to Edward Livingston, Bogotá, March 31, 1832, ib.d., VII.

<sup>66</sup>José Manuel Restrepo, Diario, II, 260.

would more than compensate the loss.<sup>67</sup>

The Caicedo government had re-enacted the low tariff of 1826 on July 1, 1831, but it did not last for very long. The Constitutional Convention, on March 14, 1832, re-established the May 8, 1829, tariff which had set heavy duties on the type of goods the United States exported.<sup>68</sup> The duty on flour was \$8 a barrel and dried, salted fish, soap, biscuits and ham were so heavily taxed that Moore believed they were actually prohibited importations.<sup>69</sup> The high tariff on flour was particularly odious to the North American Minister and with the help of Soto and Azuero in the Congress the tariff was lowered to \$4 per barrel.<sup>70</sup> Moore believed the new tariff to have been ". . . actually framed by certain British merchants . . .," and he attributed the tariff's approval to the predominance in the Constitutional Convention of a group which wanted advantages for nationals and which had defeated the "liberal" group.<sup>71</sup>

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<sup>67</sup> Thomas P. Moore], Al Público (Bogotá: Impreso por Andres Roderick, Febrero 1832). Included in Thomas P. Moore to Edward Livingston, Bogotá, March 21, 1832, Dispatches, VII.

<sup>68</sup> Law of March 15, 1832, Codificación, IV, 350.

<sup>69</sup> Thomas P. Moore to Alejandro Vélez, Bogotá, Febrero 11, 1833, Dispatches, VII.

<sup>70</sup> Thomas P. Moore to Edward Livingston, Bogotá, March 28, 1832, ibid., VII; Law of March 21, 1832, Codificación, IV, 358.

<sup>71</sup> Thomas P. Moore to Edward Livingston, Bogotá, March 28, 1832, Dispatches, VII.

During this same period, the British minister in Columbia was trying to obtain for England the same concessions which had been granted to the United States in regard to the differential five per cent import duty. Moore believed that the petition of the British minister was only a maneuver to force the New-Granadine government to withdraw the privilege from the United States. England would not receive any serious advantage from obtaining the repeal of the tax as most of England's trade with New Granada involved British products which were already exempted from paying the duty. England paid the five per cent tax on only a very small part of the products she imported. The existence of the duty, on the other hand, gave England a distinct advantage in competition with the United States which was engaged in an extensive carriage trade.<sup>72</sup>

The government, Moore believed, did not want to grant this concession to England. Thus, faced with the petition from England, which Moore himself was of course forced to support, the New Granadan government decided to revoke the concession it had granted to the United States and decreed that beginning on December 17, 1832, United States ships would once again be liable to the differential duty.<sup>73</sup> Caicedo had reversed his position, agreeing that he had

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<sup>72</sup>Ibid.

<sup>73</sup>Decree of May 17, 1832, in Thomas P. Moore to Edward Livingston, May 21, 1832, ibid., VII. (This decree was not included in the Codificación.)

exceeded his constitutional capacities and that the concession had been an unfortunate mistake. The argument used to justify this reversal involved a new and literal interpretation of the original treaty of reciprocity with Central America, and that the United States had not fulfilled its part of the agreement. The president, it was argued, could extend the concession to the United States only if that country gave full reciprocity in return, i.e., gave to Colombia what Central America had given in exchange for their concessions. This, the new interpretation stated, had not been done. The basis for this new position of the Colombian Foreign Ministry was that the treaty with Central America was a full alliance treaty, and that the exemption of all differential duties had been given in exchange for the alliance.<sup>74</sup> In other words, the Colombian government was looking at the mutual concessions accorded in the treaty with Central America as an indivisible package, and based their case on the words of article 21 of the treaty:

The Republic of Colombia and the United Provinces of Central America, desirous of avoiding any interpretation contrary to their intentions, declare that whatever advantage or advantages either party may derive from the preceding stipulations are, and ought to be understood as existing by virtue and in fulfillment of the obligations contracted in the present convention . . . .<sup>75</sup>

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<sup>74</sup> Alejandro Vélez to Thomas P. Moore, Bogotá, March 23, 1833, in Dispatches, VII.

<sup>75</sup> State Papers, XII (1824-1825), 810.

These "obligations" included mutual defense agreements and respect for the territorial integrity of each party. The former obligation was one to which the United States would obviously not agree as its set policy of non-entangling alliances forbade the formation of a mutual defense pact with Colombia.

Moore attempted to delay the date when the duty would be reassessed and he tried to convince the new Minister of Foreign Relations, Alejandro Vélez, of the benefits Colombia would receive from exempting the United States from the duty.<sup>76</sup> The United States' trade, Moore wrote, was wholesome for New Granada since North American merchants were more interested in tropical products than in currency or specie. Repeal of the duty would merely confirm a British monopoly of the trade. Moreover, Moore warned that if this monopoly was allowed to persist, New Granada could not expect to develop their own fleet as the stipulations of the treaty with Great Britain created an insuperable barrier. Why not, he suggested, follow the example of the United States liberals? For ". . . if New Granada pursues the same policy, what will prevent her from advancing in the same career of glory and greatness?"<sup>77</sup>

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<sup>76</sup> Thomas P. Moore to Alejandro Vélez, Bogotá, May 12, 1832, in Dispatches, VII.

<sup>77</sup> Id. to id., Bogotá, April 21, 1832, ibid., VII.

Moore believed that both the government and public opinion were strongly anti-British and he suggested to Livingston that the repeal of the duty concession to the United States had probably been made so that the government could place this concession on a firmer basis.<sup>78</sup> If it were to be included in a treaty in exchange for United States tariff concessions that the British could not match, the government would be very likely to concede it without being forced to grant it to Great Britain. The differential duty could be done away with in exchange for tariff reductions on coffee, cacao, indigo and other products. England could not offer a low tariff on these products because she imported them from her own colonies.<sup>79</sup> The North American charge d'affaires seemed to favor this course, that is to settle the differential duty in a new treaty, instead of arguing again on the most favored nation principle. The articles of the Central American treaty had a dubious meaning, but it appeared that the New Granadan government was going to stick by its picayune interpretation. Besides, if the most favored nation clause was to be applied, it would have to be extended to all nations.<sup>80</sup>

Moore definitely needed instructions on how to proceed but they were a long time in coming as he did not receive

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<sup>78</sup> Thomas P. Moore to Livingston, Bogotá, June 21, 1832; March 21, 1832, ibid., VII.

<sup>79</sup> Id. to id., Bogotá, June 28, 1832, ibid., VII.

<sup>80</sup> Id. to id., Bogotá, May 21, 1832, ibid., VII.

anything from Washington from the time the decree re-established the differential duty (May, 1832) until the end of that year.<sup>81</sup> When Santander assumed the presidency in October, 1832, the affair still rested in a state of uncertainty and Moore feared that the new government would adopt a harder line toward the United States. The North American suspected that Santander was angry with the United States over the affair about a North American ship which had been offered the newly elected president to convey him from the United States to New Granada (the ship was in Pensacola and Santander was in New York. He refused to go to Pensacola and considered it somewhat insulting that he should be expected to do so.) Santander was also disappointed with the re-election of President Andrew Jackson. In any event the new government was demanding many privileges in exchange for repeal of the duty. "This government," Moore wrote, "is fully aware of the advantages that would result to us, from its abolition, and is disposed to exact a corresponding price . . . ."<sup>82</sup>

Moore's bargaining position was not very strong, because in a draft of a treaty, he offered to exchange, for the differential duty and lower taxes on flour, reductions in

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<sup>81</sup> Thomas P. Moore to Alejandro Vélez, Bogotá, February 11, 1833, *ibid.*, VII.

<sup>82</sup> Thomas P. Moore to Edward Livingston, Bogotá, April 10, 1833; Philadelphia, June 11, 1833, *ibid.*, VII.



the United States tariff which were already in force.<sup>83</sup> Naturally the New Granadan government did not feel pressed to award the duty in exchange for a security against a possible future rise in the United States tariff as this was a contingency upon which the New Granadan government could not base its policies and Vélez made this quite plain to Moore.<sup>84</sup> What Vélez wanted, if a treaty was to be signed, were reductions in the United States' tariffs on raw cotton, tobacco and sugar. Moore correctly assumed that this would be very difficult to obtain.<sup>85</sup> Vélez further stated that the United States had implicitly admitted the non-relevancy of the Central American treaty to the most favored nation principle by not asking for its application before 1831. Moore would not admit this argument saying ". . . a failure on his [Adams'] part, to assert the rights of his country, will not induce President Jackson, either to waive those rights or to relax efforts to secure them."<sup>86</sup>

Moore left the country without advancing his aims. A new charge d'affaires, Robert McAfee, arrived in Bogotá in May, 1833. He quickly realized that a large segment of

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<sup>83</sup> Thomas P. Moore to Alejandro Vélez, Bogotá, February 11, 1833, *ibid.*, VII.

<sup>84</sup> Alejandro Vélez to Thomas P. Moore, Bogotá, March 23, 1833, *ibid.*, VII.

<sup>85</sup> Thomas P. Moore to Edward Livingston, Philadelphia, June 11, 1833, *ibid.*, VII.

<sup>86</sup> Thomas P. Moore to Alejandro Vélez, Bogotá, March 26, 1833, *ibid.*, VII.

public opinion opposed foreign trade and that many had  
 ". . . their heads . . . filled with a new American system  
 which is to restore prosperity to this country by shackling  
 foreign trade and creating manufactures without people,  
 mechanics and machinery ...."<sup>87</sup> Although the government  
 was influenced by these ideas McAfee had no difficulty in  
 finding friends among the free trade advocates in the govern-  
 ment.<sup>88</sup>

The New Granadan government, apparently, was trying  
 to delay a decision on the differential duty problem and it  
 did not demonstrate any immediate enthusiasm to discuss a  
 treaty or the problems involving duties.<sup>89</sup> Besides the  
 local obstructions, McAfee was also angry about the lack of  
 directives from his own government in regard to the treaty.  
 He complained that the Secretary of State had, in the last  
 six months of 1833, only sent him letters intended for the  
 consul in Santa Fé, Mexico, instead of Santa Fé, New  
 Granada.<sup>90</sup>

McAfee soon entered the conflict concerning the dif-  
 ferential duty, the most favored nation principle and the

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<sup>87</sup> Robert McAfee to Edward Livingston, Bogotá, August 9, 1833, *ibid.*, VIII.

<sup>88</sup> *Id.* to *id.*, Bogotá, July 17, and September 13, 1833, *ibid.*, VIII.

<sup>89</sup> José Rafael Mosquera (Secretary of Foreign Relations) to Robert McAfee, Bogotá, July 12, 1833, *ibid.*, VIII.

<sup>90</sup> Robert McAfee to Edward Livingston, Bogotá, January 15, 1834, *ibid.*, VIII.

Central American treaty. He disagreed with the Colombian interpretation regarding the Central American treaty, and insisted that the reciprocity required from the United States was only to grant the same privileges which it received, i.e., to exempt Colombian vessels from differential duties. That he said has been done. The argument, which some advanced, that Colombia did not have a fleet and therefore no reciprocity existed, was, in McAfee's opinion, unfair. New Granada was taking advantage of the lack of a fleet, so that ". . . others cannot retaliate . . . ." <sup>91</sup>

In letters to the New Granadan Foreign Secretary Pombo, McAfee made an impassioned defense of free-trade. To try to exclude ". . . flour and bread stuff of the north or the products of their industry," he wrote, ". . . is in effect a declaration of war against the laws of nature and the decrees of heaven . . . ." If the government reduced the tariff on flour, even the people of Bogotá would consume United States bread, giving in exchange hides, oranges, pineapples, cacao, and wood products! He also dismissed the fear New Granadan officials had of losing specie. The extraction of currency, he explained, would and should happen until an equilibrium was reached and money become scarce. If it was scarce already, that was because the Neogranadine people had to pay such high duties on imports. <sup>92</sup> Instead

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<sup>91</sup> Robert McAfee to Lino de Pombo, Bogotá, November 26, 1833, ibid., VIII.

<sup>92</sup> Ibid.

of basing its policies upon "the principles of self interest alone," The New Granadan government should follow a plan of "unselfish liberalism." The North American charge d'affaires declared "may it not be asked if the same policy (which has conducted the United States to their present enviable state of government) will not produce the same effect in New Granada? It certainly will!"<sup>93</sup>

Secretary of Foreign Relations Pombo appeared completely convinced by these arguments. Although he answered officially only that "soon" a treaty will be negotiated, a private letter to McAfee showed that Pombo's enthusiasm for liberal principles equally matched McAfee's. ". . . Your liberal principles and statistical views are exactly as mine. . . . You advocate the interest of your glorious country in connection with those of the whole human race and you expose erroneous maxims of government with the . . . strength of reason and experience." Pombo further informed the North American charge d'affaires that his (McAfee's) letter had been translated for the study and enlightenment of the cabinet and he concluded, ". . . believe me sir you will be triumphant."<sup>94</sup>

Heartened by this encouraging letter from Pombo, McAfee presented early in 1834 a draft for a treaty, but

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<sup>93</sup> Robert McAfee to Lino de Pombo, Bogotá, October 8, 1833, ibid., VIII.

<sup>94</sup> Lino de Pombo to Robert McAfee, Bogotá, November 30, 1833, ibid., VIII.

Pombo insisted in obtaining, in return for the abolition of the differential duty and low flour tariffs, full exemption of or substantial tariff reductions for a long list of New Granadan products.<sup>95</sup> McAfee got some satisfaction from the approval of a new tariff in June, 1834. The new law lowered the tariff on flour (from \$8, established in 1833, to \$4) and on many other United States products. But the discussion about a treaty dragged during the rest of the year because of Pombo's efforts to get low United States tariffs on New Granadan agricultural products. Pombo emphasized that without agreement on this issue there could be no real reciprocity. New Granada and the United States were very unequal, he wrote to McAfee, and ". . . the more equal some agreement might appear to a philanthropic statesman of the United States or the ancient world, the more sensible and damaging would result for us in the practice the effects of their positive inequality." If the United States received five per cent off the price on all imports and low flour tariffs as well, she would surpass the rest of the world's nations in this trade with New Granada. For an obvious advantage like this, something more should be given than the nominal compensation of not requiring New Granadan ships to pay differential duties.<sup>96</sup>

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<sup>95</sup> Robert McAfee to Louis McClane, Bogotá, March 7, 1834, ibid., VIII.

<sup>96</sup> Lino de Pombo to Robert McAfee, Bogotá, January 15, 1835, ibid., VIII.

McAfee answered with a new treaty which, in exchange for the repeal of the differential duties, would give to Colombia the right to bring into the United States' markets coffee, cacao, hides, dyewoods, cochineal, tamarind, tortoise shells, Peruvian bark and indigo at a fifteen per cent duty. McAfee asked, however, that the tariff on flour be reduced to \$3 per barrel.<sup>97</sup> Pombo, reflecting the views of Santander, stressed the improbability of the Colombian Congress approving such a treaty.<sup>98</sup> By this time, the government was cognizant that any treaty satisfactory to the Congress would not satisfy the United States and Santander made a speech which reduced hope for a treaty settlement.<sup>99</sup> McAfee, without instructions from home, momentarily abandoned negotiations and asked the consul in Cartagena to keep a record of the money paid by American merchants. These duties were to be paid under formal protest with the view of an eventual presentation of claims.<sup>100</sup>

On September 9, 1835, Pombo told McAfee that Santander had agreed to repeal the differential tax, but that Congress and other sectors of the government were opposed. Meanwhile

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<sup>97</sup> Robert McAfee to Lino de Pombo, Bogotá, January 29, 1835, ibid., VII.

<sup>98</sup> Lino de Pombo to Robert McAfee, Bogotá, February 6, 1835, ibid., VIII.

<sup>99</sup> Santander to the Congress, Bogotá, March 1, 1835, in Santander, Cartas, IX, 152.

<sup>100</sup> Robert McAfee to J. M. MacPherson, Bogotá, April 3, 1835, Dispatches, VIII.

McAfee had received instructions from the United States to refuse all agreements which were not based on the treaty with Central America (without of course accepting the Colombian interpretation of this treaty as regarded reciprocity).<sup>101</sup> Secretary of State John Forsyth wrote to McAfee in May, 1835, that the mutual concession of the Central American treaty could not be considered as an indissoluble package; commercial concessions were made in exchange for commercial concessions and alliances were made in exchange for alliances the two should not be mixed. It was a strong legal argument and it directly rebutted the Colombian interpretation.<sup>102</sup> The Secretary of State was apparently unhappy with the way McAfee had handled the issue and considered the treaty proposals his minister had made to be in excess of his instructions. McAfee insisted to the Secretary of State, that in fact all he had offered in the treaty had already been conceded by the United States tariff then in force, and that the only effect would be to guarantee the permanence of the tariff schedules.<sup>103</sup>

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<sup>101</sup> Robert McAfee to Lino de Pombo, Bogotá, September 9, 1835, ibid., VIII.

<sup>102</sup> John Forsyth to Robert McAfee, Washington, May 1, 1835, in William Ray Manning, ed., Diplomatic Correspondence of the United States: Inter-American Affairs, 1831-1860, selected and arranged by . . . (Washington: Carnegie Endowment for International Peace, 1932-1939), V, 345.

<sup>103</sup> Robert McAfee to John Forsyth, Bogotá, January 29, 1836, Dispatches, VIII.

The Secretary of State's letter had clearly defined the United States' position. Any future treaty would have to recognize the United States' claim for the application of the most favored nation principle. McAfee, however, realized that the Colombian government would not accept this position and he had suggested to Forsyth that perhaps a milder approach would be more feasible. McAfee proposed that the United States consider an eight year treaty whereby the differential duty would be suppressed by the Colombian government for at least four years in return for the tariff concessions he had previously offered plus a five per cent reduction in the United States' tariff on New Granadan molasses.<sup>104</sup>

McAfee then asked for an official statement from the Colombian government defining their position on the differential duty. Pombo answered that both he and Santander were in favor of exempting the United States from this duty but that if they did so Holland, France and England would demand the same concession. This he stated would be impossible as Congress would never agree.<sup>105</sup>

The executive was expecting a congressional decision on the issue. If Congress either passed a law abolishing the differential duties, or authorized the president to

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<sup>104</sup>Id. to id., Bogotá, September 28, 1835, ibid., VIII.

<sup>105</sup>Id. to id., Bogotá, March 21, 1836, ibid., VIII.



wave them when granted reciprocity, then the main stumbling blocks would disappear from the elaboration of a treaty with the United States.<sup>106</sup> Hence they awaited action from the Congress and simply ignored treaty proposals presented by McAfee early in 1836. (One draft McAfee presented on February 16 did not even receive official acknowledgement of receipt for six months.)<sup>107</sup> The United States had recently signed a treaty with Venezuela which granted lower tariffs on many of the same products which Colombia wished to import to the United States. Not wishing to lose the small market Colombia had in the United States, Pombo felt a sense of urgency in settling the Colombian treaty issue as swiftly as possible. Thus, on February 16 Pombo brought the matter before the cabinet, but Santander held fast in his decision not to do anything until Congress acted.<sup>108</sup>

On the same day that McAfee presented the draft for a treaty to Pombo, the Colombian Foreign Minister informed him that Congress was to convene in two weeks and that General Tomás Cipriano de Mosquera "would be authorized" to introduce a decree for the elimination of discriminatory duties. McAfee received assurances on this matter from

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<sup>106</sup> Ibid.

<sup>107</sup> Id. to id., September 2, 1836, ibid., VIII. The draft suggested a ten years treaty, with no differential tax for six years.

<sup>108</sup> Lino de Pombo to Robert McAfee, Bogotá, July 28, 1836, ibid., VIII.

Mosquera, and one week after Congress convened Mosquera informed the United States Minister that he had not encountered any opposition in Congress concerning the proposal.<sup>109</sup> Mosquera did indeed present the plan to the Senate, but discussion had scarcely begun when the House of Representatives issued a bombshell which was to engage the attention of all sections of the government. The House had voted down the recent agreement which had been concluded with Venezuela regarding a division of the foreign debt. Rebuffed, the cabinet resigned on March 23 and in the political heat which was generated the Mosquera proposal died a quiet death apparently without any regret on the part of the government.<sup>110</sup>

On July 8, McAfee reminded Pombo of the draft he had presented for a treaty on February 16.<sup>111</sup> Pombo stated that he could see no hope in congressional action at the present time and that the government could do nothing unless the measure ". . . were supported at least by the opinion of the industrial groups and the merchants of the country . . . ." The executive had instructed the provincial governors to conduct a public opinion poll among the industrialists and

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<sup>109</sup> Robert McAfee to John Forsyth, Bogotá, March 12, 1836, ibid., VIII. Obviously Mosquera was either completely insensitive to the mood of the Congress or deliberately misinformed McAfee.

<sup>110</sup> Id. to id., Bogotá, June 3, 1836, ibid., VIII.

<sup>111</sup> Robert McAfee to Lino de Pombo, Bogotá, July 8, 1836, ibid., VIII.

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agriculturists in their areas on the question of whether or not the differential duties should be abolished anytime reciprocity was offered. As an emergency measure, Pombo proposed to extend the existing treaty for a short time as it would lapse on May, 1837.<sup>112</sup> But McAfee hoped that something positive would result from the public opinion poll so he preferred to wait. In fact, the United States State Department had suggested that McAfee attempt to obtain the support of the provinces but he had previously seen little reason for such a project as he believed that Bogotá was always able to control any decision.<sup>113</sup>

In October results of the poll began to reach Bogotá and the first answers were discouraging. Even Cartagena reported that opinion did not favor any reduction of the tax. McAfee received information that Manuel Marcelino Núñez had influenced this decision.<sup>114</sup> By December, however, other answers had been received and Socorro and Vélez, ". . . two of the most enlightened provinces . . ." reported in favor. Similar answers were probable from Panamá and Popayan. Moreover, public opinion in general was becoming more favorable toward the United States. An incident had

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<sup>112</sup>Lino de Pombo to Robert McAfee, Bogotá, July 28, 1836, ibid., VIII.

<sup>113</sup>Robert McAfee to John Forsyth, Bogotá, September 2, 1836, ibid., VIII.

<sup>114</sup>Id. to id., Bogotá, October 7, 1836, ibid., VIII.

occurred in Panama between the local authorities and the vice-consul of Great Britain and many were looking at the United States ". . . as the shield which is to interpose."<sup>115</sup>

Regardless of the recent events, the Santander administration again placed the issue in the hands of Congress. No further action was taken until March, 1837, when an Antioqueno merchant Miguel Saturnino Uribe introduced in the Congress the same proposal that Mosquera had presented the previous year. This, McAfee regarded, was the last hope, but Congress again refused to pass the plan. After the project had been killed in the Senate thirty-one votes to thirty, McAfee wrote that ". . . this question is now at rest, at least for several years . . . ." <sup>116</sup> On May 27 the United States-New Granadan treaty expired. McAfee, having failed in his main objective, the adoption of a new treaty, left the country three weeks later. <sup>117</sup> Thus, the differential duties remained as a basic part of the foreign trade system of taxes.

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<sup>115</sup> Id. to id., Bogotá, December 9, 1836, ibid., VIII.

<sup>116</sup> Id. to id., Bogotá, June 12, 1837, ibid., VIII.

<sup>117</sup> Id. to id., Philadelphia, August 15, 1837, ibid., VIII.

## CHAPTER III:

### THE FISCAL SYSTEM: INTERNAL TAXES

#### A. Taxes on Precious Metals and on Coinage

New Granada, during the colonial period, produced more gold than any other New World area. Colonial taxes on precious metals (quinto) had been an important source of revenue for the Spanish crown; and in New Granada, during the early years of republican regime, this tax on precious metals survived and constituted a major source of governmental revenue. The New Granadan decree which ordered the continuance of the quinto did not stipulate the exact rate of the tax, and therefore the colonial regulations remained in force. Thus, gold retained a duty of three per cent figured on weight, and silver should have retained a duty of one and a half per cent. This was in accord with the last Royal Decree.<sup>1</sup>

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<sup>1</sup>Law of October 1, 1821, Codificación Nacional de todas las leyes de Colombia desde el año de 1821, hecha conforme a la ley 13 de 1812 por la Sala de Negocios Generales del Consejo de Estado (Bogotá: Imprenta Nacional, 1924- ), I, 86. (Hereinafter cited as Codificación.) See also Decree of February 6, 1822, ibid., VII, 57, and Humberto F. Burzio, Diccionario de la Moneda Hispano-americana, 3 vols. (Santiago de Chile: Fondo Histórico y Bibliográfico José Toribio Medina, 1956-1958), II, 289.

Apparently, however, confusion dominated the rate of the quinto on silver, and higher rates were in fact in operation, since a law of 1834 "reduced" the tax on silver to three per cent.<sup>2</sup> Anyway, the quinto on silver provided scarcely any revenue since New Granada produced little silver. It was almost impossible to operate a silver mine for profit. For example, the Colombian Mining Company, an English corporation begun in 1825, had invested by 1832 over \$1,000,000 but extracted only \$30,000 worth of silver.<sup>3</sup> On the other hand, gold was the country's most important product. During most years of the 1830's more than \$2,000,000 was mined annually.<sup>4</sup> This gold was liable to the quinto and to a smelting duty of four reales on each one-hundred castellanos.<sup>5</sup> The smelting duty was worth about one-fifth of one per cent.<sup>6</sup> The quinto and smelting duties yielded

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<sup>2</sup>Law of April 9, 1834, Codificación, V, 162.

<sup>3</sup>[Guillermo Wills], Observaciones sobre el comercio de la Nueva Granada con un apéndice relativo al de Bogotá (Bogotá: Imprenta del Banco de la República, 1954), pp. 39-40. (Hereinafter cited as Wills, Observaciones.)

<sup>4</sup>Vicente Restrepo, Estudios sobre las Minas de Oro y Plata de Colombia (Bogotá: Imprenta del Banco de la República, 1952), p. 199. (Hereinafter cited as Restrepo, Estudios.)

<sup>5</sup>Law of April 5, 1825, Codificación, II, 62.

<sup>6</sup>The value of the castellano in Restrepo, Estudios, p. 17.

333,222 in 1830-1831, and 324,618 in 1831-1832.<sup>7</sup> In 1834-1835 the revenue from the duties rose to \$64,194, which indicated that more than \$2,000,000 in gold was taxed.<sup>8</sup> Although the data on income from the quinto for other years is not available, statistics on gold coined by the government suggest even higher production in subsequent years.<sup>9</sup>

Revenue from the quinto and smelting duties of course depended upon the amount of gold produced by the country mines. But it was also undoubtedly very sensitive to the level of smuggling. The relatively low tax yield in the years 1830 to 1832 might be attributed to extensive smuggling. Legally, all gold had to be smelted in official smelting houses, and then shipped to the mints to be coined.<sup>10</sup>

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<sup>7</sup> "General Statement of the Revenue and Expenditure of the Republic of New Granada, during the Financial Year commencing on the 1st of July, 1831, and ending on the 30th June, 1832," in British and Foreign State Papers, XIX (1831-1832) (London: John Ridgway and Sons, 1836), 1351; similar statement of the year 1831-1832, ibid., XX (1832-1833), 1336. (Hereinafter cited as "General Statement . . .," in State Papers.)

<sup>8</sup> Eduardo Acevedo Latorre, Colaboradores de Santander en la organización de la República (Bogotá: Editorial Cromos, 1944), p. 226. (Hereinafter cited as Acevedo, Colaboradores.)

<sup>9</sup> José Manuel Restrepo, Memoria sobre la Amonedación de oro y plata en la Nueva Granada, desde el 12 de Julio de 1759 hasta el 31 de Agosto de 1819 (Bogotá: Imprenta del Banco de la República, 1952), p. 40. (Hereinafter cited as Restrepo, Amonedación.)

<sup>10</sup> José Manuel Restrepo, Diario Político y Militar: Memoria sobre los sucesos importantes de la época para servir a la Historia de la Revolución y de la Nueva Granada, a partir de 1819, 4 vols. (Bogotá: Imprenta Nacional, 1954), III, 49. (Hereinafter cited as Restrepo, Diario.)

Only coined metal could be exported.<sup>11</sup> When gold was exported without having been presented to the official smelting houses, the payment of the quinto and smelting duties was avoided. The historian José Manuel Restrepo, who directed the mint in Bogotá, calculated that during the fiscal year 1834-1835 illegal gold exportations had exceeded \$700,000. Restrepo reached this conclusion by comparing export and import figures and assumed that the difference in the two sums corresponded to the amount of gold smuggled.<sup>12</sup> And Juan de Dios Aranzazu, Secretary of the Treasury after 1837, believed that the figure obtained by Restrepo's method was an underestimation, since it did not include clandestine importations.<sup>13</sup> If one applies Restrepo's method to the next few years, it may be presumed that the gold smuggled out of the country amounted to more than \$1,300,000 during the fiscal year 1835-1836, declined to \$150,000 in 1836-1837 and rose to over \$1,000,000 in 1837-1838.<sup>14</sup> Restrepo's calculations were very unrefined since they relied both upon official figures (whose validity is suspect) and upon the premise that the deficit in the balance of trade repre-

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<sup>11</sup> Decree of May 2, 1832, Codificación, VII, 574.

<sup>12</sup> Decree of December 23, 1828, ibid., III, 468.

<sup>13</sup> Cited in Luis Eduardo Nieto Arteta, Economía y Cultura en la Historia de Colombia: Homologías Colombo-Argentinas (Bogotá y Medellín: Ediciones Siglo XX, 1941), p. 155. (Hereinafter cited as Nieto Arteta, Economía.)

<sup>14</sup> Ibid., p. 351.



sented the amount of gold smuggled that precise year (credit buying and delayed payments would affect the yearly totals).<sup>15</sup>

Besides the quinto and the smelting duties the government also obtained revenues from the operation of official mints. Guillermo Wills estimated that the total tax on coinage was nine per cent. This probably included the "duty on coinage" often mentioned but not specified in the legal codifications. Smugglers, then, saved more than twelve per cent in taxes when they illegally exported their gold. They also saved, Wills noted, transportation costs, the profits to the merchants in the towns (Bogotá and Popayán) where the mints were located and to which the miners consigned the gold, and the estimated interest for the period in which the gold was out of circulation being cast. Smugglers, Wills concluded, received nineteen per cent more for gold by sending gold dust to Jamaica than did honest miners who complied with all the regulations and paid all the taxes.<sup>16</sup>

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<sup>15</sup>[John Gillies, M.D.], República de Colombia o noticia de sus límites, extensión, montañas, ríos, producciones, comercio, población, habitantes, educación, leyes, religión e historia. Publicado de la séptima edición de la "Enciclopedia Británica", traducido al castellano y publicado, con varias notas, por el Dr. Lorenzo María Lleras, oficial mayor de la Secretaría de Relaciones del Gobierno de la Nueva Granada (1837) (Bogotá: Imprenta de Lleras, enero de 1896), p. 111.

<sup>16</sup>Wills, Observaciones, p. 37.

The government used many methods to try to eliminate the fraudulent exportation of gold. One device was the regulation of the transportation of gold within the country. A decree of 1832 stated that gold had to be smelted in the same province in which it was mined, and permitted smelted gold to cross provincial boundaries only when the destination was one of the official mints.<sup>17</sup> In 1835, Santander permitted the transportation of gold dust from provinces where it could not be smelted, but continued the prohibition against shipping gold bars to the coastal provinces, "... where there is no mint, and the said transfer is known to be made with the intantion of deception . . . ."<sup>18</sup>

Another solution to the smuggling problem was to reduce the incentives. A decree of June 1, 1831, abolished a three per cent exportation tax on coined gold.<sup>19</sup> Going even further, Guillermo Wills proposed a total removal of the mint taxes, and advocated the exportation of gold bars.<sup>20</sup> Vicente Azuero proposed the same idea in 1835, but he suggested that in order to compensate for some of the losses of the public treasury, the exporters should pay a "duty

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<sup>17</sup> Decree of May 2, 1832, Codificación, VII, 574.

<sup>18</sup> "... donde no hay casas de amonedación, y cuya conducción o remoción se conoce que se hace con el propósito de defraudar ...," Decree of January 25, 1835, ibid., VII, 703.

<sup>19</sup> Decree of June 1, 1831, ibid., IV, 269.

<sup>20</sup> Wills, Observaciones, p. 37.

equal to double the taxes of the quinto, smelting and coinage."<sup>21</sup> Neither of these proposals was approved, however, and the regulation that all gold exported should be coined remained in force. In 1836 Congress made silver a temporary exception to this rule, mainly because of the technical limitations of the Bogotá mint, which could not properly handle the ore mined by the English company. This authorization permitted only the exportation of "concentrated silver ore," and assessed a seven per cent tax on the estimated value of the silver.<sup>22</sup> Despite the governmental efforts gold smuggling continued to be a serious problem. In 1837, in his final report, Soto wrote, ". . . it cannot be said that the measures adopted have extinguished the smuggling . . . ."<sup>23</sup>

The problem of smuggling was difficult, but the matter of currency was more so. Gold was not involved--since the value of the internal trade was not high, gold coins were used only in the foreign trade, and therefore the problem of currency referred to silver coins. Coinage laws

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<sup>21</sup>Guillermo Hernández de Alba y Fabio Lozano y Lozano, eds., Documentos sobre el Doctor Vicente Azuero (Bogotá: Imprenta Nacional, 1944), p. 338. (Hereinafter cited as Hernández de Alba, Azuero.)

<sup>22</sup>Decree of June 1, 1836, Codificación, VI, 158; "Report of the Secretary of State for Finance [Soto] to the Constitutional Congress of New Granada," in British and Foreign State Papers, XXVI (1837-1838), 181. (Hereinafter cited as "Report of the Secretary for Finance," in State Papers.)

<sup>23</sup>Ibid., p. 1197.

directed the mints to cast the gold according to the previous Spanish regulations: i.e., they should have a fineness of .875 (21 carats), and from each mark of gold \$136 should be coined.<sup>24</sup> Thus, the national gold pesos, called colombianos de oro in the law of October, 1821, and granadinos de oro in the law of April, 1836, were equal in value to the Spanish gold coins. Until 1831, the mints paid \$128 and 32 maravedis per mark, but the law of December 17, 1831, fixed the price at \$132 and 32 maravedis.<sup>25</sup> This 1831 law still gave the mints a \$4 minting profit per mark, which accounted for a large part of the total minting profits. In 1834-1835 the profits of the mints after expenses were deducted, amounted to \$117,622.<sup>26</sup> Since no more than 13,200 marks were coined the benefit accrued from the difference in the price offered for gold per mark and the actual value of the gold coined per mark (four pesos) had to be above \$52,000.<sup>27</sup>

Gold coins were handled more as merchandise than money. They were weighed, examined and valued according to the amount of gold they contained, without regard for their

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<sup>24</sup> Law of October 1, 1821, Codificación, I, 86; law of March 14, 1826, ibid., II, 222-223; law of April 20, 1836, ibid., VI.

<sup>25</sup> Law of December 17, 1831, ibid., IV, 318.

<sup>26</sup> Acevedo, Colaboradores, p. 236.

<sup>27</sup> Restrepo, Diario, III, 49.

face value. Thus, although they were supposedly equal to the old Spanish peso fuerte, when exchanged in Jamaica in the early 1830's they were accepted only after a three per cent discount. Wills explained that, although the law stipulated a fineness of .875, the Bogotá mint was coining at .870 and the Popayán mint, because of "a mistake in the minting" was at .847.<sup>28</sup>

The October, 1821, law also set the standards for the minting of silver coins and determined that all of them should be coined according to Spanish law (.902 and 2/3 or equal to ten dineros and twenty grains) but two years later the government permitted the minting of silver in low denominations at a fineness of .666 and 2/3 (eight dineros).<sup>29</sup> A decree of March 14, 1826 ordered the collection of all coins known as macuquina (see below), which should be re-coined in specie of lower denominations with the fineness of .666-2/3, but all silver coins above one quarter peso should be .902-2/3.<sup>30</sup>

The macuquina was a silver coin minted during the colonial period which had neither a regular shape nor milled edges, so that it was very easy to counterfeit and debase. Moreover, for the payment of fractional quantities the coin

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<sup>28</sup>Wills, Observaciones, p. 37.

<sup>29</sup>Restrepo, Amonedación, p. 23.

<sup>30</sup>Decree of March 14, 1826, Codificación, II, 222.

was split or cut.<sup>31</sup> The ease with which it could be counterfeited and the undeterminable value of the pieces made the macuquina highly undesirable. The decision to retire it from circulation was a logical step. But the government lacked the capital for the operation, despite the fact that the mints could pay the cost of the change with the difference between the value of the macuquina the mint accepted and the coins in which the macuquina was going to be re-coined. This difference derived from the high fineness of the macuquina (over .908) and the low fineness of the replacement (.666-2/3).<sup>32</sup> The lack of capital forced the re-coinage of the macuquina to advance very slowly, and on November 6, 1828, legal circulation of it was re-established.<sup>33</sup> There had been, of course, no coin of the realm to take its place.

By 1832 New Granadans accepted three different types of silver coins: (1) all coins above one quarter of a peso should have a fineness of .902-2/3. For several reasons no Colombian coins of this type existed (this was for a variety of reasons, including low silver production and need for coins of lower denomination), so only colonial coins fitted

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<sup>31</sup> Restrepo, Amonedación, pp. 24-26; Guillermo Torres García, Historia de la Moneda en Colombia (Bogotá: Imprenta del Banco de la República, 1945), p. 31.

<sup>32</sup> Restrepo, Amonedación, p. 26.

<sup>33</sup> Decree of November 6, 1828, Codificación, III,

this category; (2) coins worth one real or less—were minted at a fineness of .666-2/3; (3) the macuquina.<sup>34</sup>

It was not until 1834 that the mints began to coin silver pesos according to the regulations set up in 1821. But up to 1837 only \$170,000 had been cast. These were cast with silver mined by the Colombian Mining Company but they were not circulated since this English company held that the separation of the gold from the silver in the ore was imperfect. It was argued that the coins had a high content of gold and therefore were worth more than their face value. The coins were sent to England to be smelted again.<sup>35</sup>

Coins of low denominations were very important for internal transactions and during the 1830's there was always a great need for such coins. A lot of macuquina circulated but many refused to accept it because of extensive counterfeiting. Coins minted legally since 1826 also became undesirable, because of the low fineness and also because coinage was very imperfect, thereby encouraging imitations.<sup>36</sup>

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<sup>34</sup>"Circular del Secretario de Finanzas [Soto]," Bogotá, September 18, 1834, "in Registro oficial de hacienda publicado de conformidad con el decreto del presidente de la república expedido el día 31 de diciembre de 1844. Comprende todos los decretos y ordenes generales sobre negocios de hacienda, que están vigentes hoy 1º de enero de 1845 (Bogotá: Imprenta de Cualla, 1845), p. 22.

<sup>35</sup>Restrepo, Amonedación, p. 47.

<sup>36</sup>Restrepo, Diario, II, 300, 304.

At the same time a large number of different foreign coins of various weights and fineness were constantly entering New Granadan markets. Some of them were spurious, imitating the casts used in New Granada. Others were legal foreign coins which were allowed to circulate at values determined by the Colombian government. All of this created a very confused coinage system.<sup>37</sup>

The government was placed in a difficult position. The issuance of coins of greater face than real value, as was done after 1826, proved to have negative effects, since these coins were either not accepted or easily duplicated. But if these low denomination coins were minted at a higher fineness, they were likely to be exported, given the structure of the foreign trade. As Santander explained, it had not been possible "... to reconcile the convenience of having silver currency minted at the required fineness [.902-2/3] with the necessity of having a coin which will not enhance its exportation abroad . . . ." <sup>38</sup>

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<sup>37</sup>"Circular del Secretario de Finanzas [Sot.]," Bogotá, January 7, February 6, July 8, October 14, 1835, in Registro oficial de la Nueva Granada, año de 1835 (Bogotá: Imprenta de Culla, 1835), pp. 2, 8, 18, 62 and 81.

<sup>38</sup>"... conciliar la conveniencia de que toda la moneda de plata sea de ley con la necesidad de tener una moneda que no excite la extracción para el extranjero ...," Santander to the Congress, March 1, 1834, in Francisco de Paula Santander, Cartas y Mensajes del General ..., 10 vols. Edición de Roberto Cortazar (Bogotá, 1953-1956), IX, 19. (Hereinafter cited as Santander, Cartas.)



Many individuals demanded that the government stop minting coins under the 1826 laws and follow instead the pre-1810 specifications, as the Congress of Cúcuta required. José Rafael Mosquera, after complaining that "... considering the counterfeit coins in circulation we cannot do business with each other any more . . . , " asked for the issuing of coins only of high fineness. Otherwise, he insisted, coins would again be falsified.<sup>39</sup> In the same spirit, in 1834, the Congress passed a plan ordering the recalling of all coins minted since 1826 with the fineness of .666-2/3. President Santander, however, objected to the bill and refused to sign it. According to the Mint records, coins worth \$643,765 had been issued at .666-2/3. If recast at .902-2/3 the government would lose, Santander calculated, \$260,078. The bill authorized the executive to contract a loan for \$200,000 for the replacement of coins. Santander, however, pointed out that New Granada did not have credit and could not borrow from anyone. The president was also concerned with the effects of withdrawing from circulation that amount of money, even temporarily. As he wrote, the shortage of silver currency was such that the Treasurer had to give as security hundreds of ounces of gold dust to

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<sup>39</sup>"... con las monedas falsas que se han introducido, ya no nos entendemos ...," José Rafael Mosquera a Francisco de Paula Santander, Popayán, March 18, 1834, in Francisco de Paula Santander, Archivo Santander. Edición de una comisión de la Academia de Historia, 24 vols. (Bogotá, 1913-1932), XX, 309-310.

obtain silver coins in order to meet the daily expenditures of the government.<sup>40</sup>

In April, 1836, the Congress issued the law "unifying the monetary system."<sup>41</sup> The executive interpreted this law to mean that all silver had to be coined at .902-2/3, and that none would remain for minting low denomination coins. The law, however, as printed in the Codificación Nacional offers no basis for Santander's strange construction. Unfortunately, the arbitrary interpretation of Santander forced the mints to cease casting coins of small value and the lack of currency for internal transactions became more serious.<sup>42</sup>

Thus, the Santander regime contributed little toward a solution for the currency problem. It failed to halt the smuggling and it failed to provide enough hard cash for internal consumption.

#### B. Salt Mines

New Granada salt mines had provided a source of revenue for over three centuries. Some of these mines were individually owned, and the proprietors could therefore exploit them as they saw fit. The state owned two types of

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<sup>40</sup> Santander al Congreso, Bogotá, June 13, 1834, in Santander, Cartas, IX, 118-119.

<sup>41</sup> Law of April 20, 1836, Codificación, VI, 50.

<sup>42</sup> Santander al Congreso, Bogotá, March 1, 1837, in Santander, Cartas, IX, 37; "Report of the Secretary for Finance," p. 1196.

salt mines. One was exploited with the use of machinery. Under an 1826 law the government had to lease these to individual entrepreneurs. The other type of state-owned salt mines were not mechanized. Anyone was permitted to extract salt from them, paying only a fee of four reales for each ten arrobas.<sup>43</sup> The mechanized-leased mines were very profitable for the state. They included the salt mines of Zipaquirá, Enemoción and Tausa (really the same mine having three separate tunnels), leased to one company, and the salt mines of Chita, rented to another. Most of the revenue came from the salt mines of Zipaquirá. In 1831-1832 total income from the salt works amounted to \$265,837, of which more than \$200,000 came from Zipaquirá.<sup>44</sup>

The salt works of Zipaquirá in 1827 had been leased to a company which assumed the extraction, refining and marketing in return for the payment of a fixed fee of \$19,000 a month to the government. One of the stipulations in the contract created a serious problem for the government. The state was obliged to buy, at two-thirds the current market price, all the salt which remained unsold when the lease terminated. By the time this date approached, the ingenious contractors had stockpiled more than 600,000 arrobas of salt. This was enough to supply the market, and

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<sup>43</sup>Law of April 24, 1826, in Codificación, II, 315-318.

<sup>44</sup>"General Statement (1831-32)," in State Papers, XIX, 1354; Restrepo, Diario, II, 336.

thus ruin the salt monopoly, for several years.<sup>45</sup> Because of this, a dispute arose between the government and the company. A solution was agreed upon when both parties consented to a new contract, signed on May 21, 1834. The contractors received a ten year extension on their lease, which permitted them to continue mining salt, but the marketing of the salt would be directly administered by the government. The government could set the limit on the amount of salt to be mined, and it agreed to buy this salt at a fixed price. The company could not sell to anyone but the government, but they no longer had to pay rent to the government for the lease. Thus, government revenue from the salt works of Zipaquirá would no longer come from rent but from the profits obtained in marketing the salt. The government agreed to purchase the 600,000 arrobas of salt the company had stockpiled, but only at a price far below the actual market value.<sup>46</sup> Now that the government had assumed the responsibility for actually marketing salt, it began to seek methods of preserving or extending the existing consumption. Foreign salt had always been allowed entry at a relatively low tariff and was popular mainly in the western and coastal provinces, where transportation made highland salt expensive. Santander sought a rise in the duties on foreign salts and Congress complied on May 28, 1836, increasing the

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<sup>45</sup> Ibid.

<sup>46</sup> Decree of May 30, 1834, Codificación, V, 329-335.

tariff on foreign salt by one hundred per cent.<sup>47</sup>

As a result of the difficulties encountered with the lease system, stipulated by the 1826 law, Congress issued a new law in April, 1836, which authorized the Executive to assume direct administration of the salt mines not privately owned.<sup>48</sup> Congress passed this law after the contracts concerning the Zipaquirá mines had already been extended and so the Santander administration did not have the opportunity to directly manage the extraction of salt in these mines.<sup>49</sup> And although the new contract for the Chita mines had not yet been signed it had undoubtedly already been agreed upon by the time the new law was passed. Thus, it followed the same lines as the new Zipaquirá contract.<sup>50</sup>

The new contracts and the increased duties on foreign salt eliminated some of the problems facing the government and its desire for increased salt revenues. But other obstacles still existed. The government now controlled the marketing of the country's two major salt mines, Zipaquirá and Chita, by purchasing Zipaquirá and Chita salt for two and a half reales per arroba and selling it for six and a half reales.<sup>51</sup> Thus, the government made a large profit on

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<sup>47</sup>Decree of May 26, 1836, ibid., VI, 132.

<sup>48</sup>Law of April 22, 1836, ibid., VI, 52.

<sup>49</sup>"Report of the Secretary for Finance," in State Papers, XXVI, 1180.

<sup>50</sup>Decree of May 26, 1836, Codificación, VI, 109-112.

<sup>51</sup>Decree of May 30, 1834, ibid., V, 331.

the salt it marketed. But Soto noted that salt coming from privately owned mines as well as that extracted from the state owned, freely worked, non-mechanized mines competed on the open market.<sup>52</sup> To rectify this situation and to protect the state monopoly from competition Soto proposed: (1) expropriation, with due indemnification, of all mines belonging to individuals; (2) increase the fees paid on salt extracted on government owned mines not under lease; and (3) reduce the fee paid per arroba to the contractors of Zipaquirá and Chita and proportionately reduce the selling price to the public. Soto wanted the contractors to bear the total price reduction arguing that they were as menaced as the government by the increased competition.<sup>53</sup> The Congress of 1837 did not act on these proposals and the organization of the salt revenues was bequeathed unchanged to the José Ignacio de Márquez administration.

### C. The Tobacco Monopoly

The tobacco monopoly, like the salt monopoly, began during the colonial period. Despite frequent pleas for the abolition of the tobacco monopoly the Colombian Congress was not willing to risk the loss of such a substantial amount of revenue. Thus, the Constitutional Convention of 1831-1832 decreed the preservation of the tobacco monopoly

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<sup>52</sup>"Report of the Secretary for Finance," in State Papers, XXVI, 1191.

<sup>53</sup>Ibid., XXVI, 1192-1193.

on March 31, 1832. However, this law gave to the Executive the right to choose between two different systems of operation. The executive could directly administer the production and marketing of tobacco, or could lease it to private individuals.<sup>54</sup>

José Ignacio de Márquez, acting president until the arrival of Santander, chose the first alternative, holding the method of leases ". . . damaging to the public and to the governmental income . . . ." <sup>55</sup> Santander continued this policy fearing any change would result in fiscal losses. In his message to the Congress of 1833 Santander defended the retention of the tobacco monopoly under direct governmental administration thusly: ". . . any experiment attempted without precise information, which would change the present system, would be so dangerous that it could become impossible to meet the ordinary expenses of the government . . . ." <sup>56</sup>

In June of the same year Congress approved a law organizing in detail the tobacco monopoly. The administrative structure was not very complicated. Tobacco could be planted in five regions: Mariquita, Pamplona, Popayán, Casanare and Veraguas. In each place a special commissioner

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<sup>54</sup> Law of March 31, 1832, Codificación, IV, 411.

<sup>55</sup> Decree of June 19, 1832, ibid., VII, 591-593.

<sup>56</sup> Santander to the Congress, Bogotá, March 1, 1833, in Santander, Certas, VIII, 254.

would control tobacco cultivated by private growers. Purchasing agencies (factorías) were to gather all the tobacco produced and ship same to distribution agencies (administraciones) in each province. The distribution agency then sent the tobacco to the estancos (regional stores) in each canton, and the estancos, sent it to the estanguillos in each parish, where final sale to the consumer took place.<sup>57</sup> Thus, although the administration of the production and sale of tobacco was clearly defined, it was also clearly bureaucratic.

The top of the administrative pyramid (Dirección General de la Renta del Tabaco) was located in Bogotá, determined the type and quantity of tobacco to be grown in each region, the price to be paid to the planters and the sale price to consumers. It also had direct control and authority over all the employees of the tobacco monopoly. Only the officers in charge of cultivation and purchasing and those in the office of general administration received fixed salaries. The officials of the distribution agencies and estancos were appointed and received their salaries from a percentage of their sales. The estanquilleros were appointed by the estanqueros receiving a remuneration agreed upon by the two parties. Thus the monopoly combined rigid central planning over the production and distribution of the tobacco, but established incentives for increased sales by making the

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<sup>57</sup> Law of June 4, 1833, Codificación, V, 69-76.



salaries of the employees in charge of sales depend upon the value of tobacco they sold.<sup>58</sup>

The government was interested in increasing the tobacco revenue and in 1833 Santander urged the extension of cultivation.<sup>59</sup> The administration used some of the revenue derived from the tithes to advance money to individual planters. Many planters used this money to expand operations and were so successful that it soon created a new problem. By the end of 1834 the tobacco warehouse in the province of Pamplona contained more than 56,125 arrobas of tobacco--a stock that was more than double the yearly consumption of the provinces of Pamplona, Socorro, Tunja and Bogotá.<sup>60</sup> The directors of the tobacco monopoly desiring to avoid a production above the market possibilities, ordered an immediate reduction in the next year's crop.<sup>61</sup>

The better planning and centralization under the June, 1833, law enabled the monopoly to provide regular supplies to the estancias and total tobacco sales increased. Moreover, the national leaf was able to displace Virginia tobacco, which in 1832 was present ". . . even in the provinces of the Magdalena River . . ." where most of the New

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<sup>58</sup> Ibid.

<sup>59</sup> Santander to the Congress, Bogotá, March 1, 1833, in Santander, Cartas, VIII, 254.

<sup>60</sup> Restrepo, Diario, III, 336.

<sup>61</sup> Santander to the Congress, Bogotá, March 1, 1836, in Santander, Cartas, IX, 349; Restrepo, Diario, III, 336.

Granadan tobacco was grown. The ineffective organization of the tobacco monopoly at that time (1832) had not been able to calculate advance consumption so that frequently no New Granadan tobacco was available to supply many of the estancias.<sup>62</sup> Congress had therefore authorized the monopoly to import tobacco when it did not have enough for local sales. In 1836, satisfied with the new organization, Congress prohibited completely the importation of tobacco.<sup>63</sup>

Although the tobacco monopoly had been streamlined the internal consumption was fixed and the possibilities for further increasing revenues depended upon developing a foreign market for the national leaf. The government had allowed Guillermo Wills to send small quantities of New Granadan tobacco to London in 1833 and the sample sold for \$487—a price which permitted optimism for future sale.<sup>64</sup> Congress immediately passed several measures oriented to promote the exportation of tobacco. In July, 1834, it allowed some regions in Casanare to grow tobacco destined exclusively for foreign markets and exempted the plantations engaged in this enterprise from the payment of the tithes.<sup>65</sup> The law of 1833 had allowed the tobacco monopoly to sell for

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<sup>62</sup>"Report of the Secretary for Finances," in State Papers, XXVI, 1198.

<sup>63</sup>Law of June 1, 1836, Codificación, VI, 154.

<sup>64</sup>"Report of the Secretary for Finances," in State Papers, XXVI, 1199.

<sup>65</sup>Decree of June 3, 1834, Codificación, V, 362.

hard cash surpluses for exportation.<sup>66</sup> On June 9, 1835, a new law authorized the monopoly to extend credit for up to eighteen months to persons buying tobacco for exportation and removed many of the petty bureaucratic requirements.<sup>67</sup> One day earlier Congress had ordered that the sale of 25,000 arrobas of tobacco be paid in scripts of the internal debt. This regulation permitted the government to dispose of surplus tobacco and at the same time reduced the public debt.<sup>68</sup> Besides the measure offered a bright commercial opportunity to the possessors of government scripts, since the script would be accepted at face value, when only a few months before this script could be purchased at ten per cent of its face value.<sup>69</sup>

The results of the policy of encouraging the exportation of tobacco were good. By March, 1836, more than \$300,000 worth of tobacco had been purchased with script,<sup>70</sup> and the customs records showed an exportation of \$191,309 worth of tobacco in the year 1835-1836.<sup>71</sup> This was an excep-

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<sup>66</sup> Law of June 4, 1833, ibid., V, 71-72.

<sup>67</sup> Law of June 9, 1834, ibid., 513-515.

<sup>68</sup> Decree of June 8, 1834, ibid., V, 511.

<sup>69</sup> Restrepo, Diario, III, 16.

<sup>70</sup> Santander to the Congress, Bogotá, March 1, 1836, in Santander, Cartas, IX, 350.

<sup>71</sup> Carl August Gosselman, Informes sobre los Estados Americanos en los años de 1837 y 1838. Edición de Magnus Moerner y traducción de Ernesto Dethorey (Estocolmo: Biblioteca e Instituto Iberoamericanos de la escuela de ciencias económicas, 1962), p. 123.

tionally good year and during the next decade the exportation of tobacco followed an erratic course. The impulse to export tobacco began by Santander eventually bore fruit, however, as tobacco became, for a while, Colombia's main export.<sup>72</sup>

The opening of foreign markets for tobacco reinforced the clamor for abolition of the tobacco monopoly. By 1834 proponents for freedom of cultivation of tobacco had gained approval from the House of Representatives of a law ending the monopoly.<sup>73</sup> But the executive strongly opposed the idea and the Senate defeated the proposal. Santander, although admitting that monopolies were always objectionable, believed that the government could not do without the income provided by the tobacco monopoly.<sup>74</sup>

The Santander administration experienced almost complete success in the handling of the tobacco monopoly: it was reorganized; income increased (see Table 4); and its future looked better due to the search for foreign markets. Its very successes, however, were leading it to extinction.<sup>75</sup>

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<sup>72</sup>Tobacco surpassed gold, according to the official statistics, by 1856-1857, and declined again after 1870-1871. See Nisto Arteta, Economía, pp. 283, 378.

<sup>73</sup>Restrepo, Diario, III, 325.

<sup>74</sup>Santander to the Congress, Bogotá, March 1, 1836, in Santander, Cartas, IX, 349.

<sup>75</sup>The monopoly was abolished in 1848. Nisto Arteta, Economía, p. 278.

TABLE 4<sup>76</sup>TOTAL SALES AND PROFITS OF THE TOBACCO MONOPOLY  
(Value in Pesos)

| Year            | Total Sales | Profits |
|-----------------|-------------|---------|
| 1831-1832       | 488,700     | 181,310 |
| 1832-1833       | 547,985     | 206,650 |
| 1834 (9 months) | 434,630     | 173,451 |
| 1834-1835       | 615,493     | 242,839 |
| 1835-1836       | 713,615     | 292,602 |

## D. The Aguardiente Revenue

The Congress of Cúcuta, the arch-enemy of all monopolies, proclaimed the free distillation of liquors.<sup>77</sup> But the decision was reversed, as in many other cases, when the government found itself short of revenues. In 1828 the liquor monopoly was re-established in the provinces of Boyacá, Cundinamarca, Magdalena, Istmo (Panamá), and Cauca. The monopoly in these provinces was to be sold for periods of from two to five years and the government determined the price of sale. In other provinces anyone was permitted to distill aguardiente and the government collected revenue on the liquor by taxing permits to the individual distillers.<sup>78</sup> The monopoly system was more productive for the government

<sup>76</sup>"Report of the Secretary for Finances," in State Papers, XXVI, 1199.

<sup>77</sup>Law of October 6, 1821, Codificación, I, 94.

<sup>78</sup>Law of March 14, 1828, ibid., III, 360.

revenue than was the permit system and in 1833 the executive asked Congress to extend the monopoly to some of the provinces where the permit system was in operation. Congress complied, and on May 21, 1834 authorized the executive to establish monopolies, and farm them out, in the provinces of Antioquia, Cauca and Magdalena.<sup>79</sup>

Opposition to the liquor monopoly was not lacking, and a number of citizens in Bogotá asked the government to abolish the estanco. Vicente Azuero stated that it was ". . . essential to relieve the people of the innumerable vexations . . . which this monopoly causes them . . . ." <sup>80</sup> Congress was sympathetic and sought a solution. The delegates discussed a project which would leave the cantons and provinces free to decide whether they wished the monopoly or a system of permits. Santander objected to this idea, reminding the Congress that the former produced much more revenue than the latter.<sup>81</sup> Although Santander obviously favored the monopoly system for liquor, it was not possible to extend the monopoly to all provinces. The case of the aguardiente monopoly was a clear example of an issue where the fiscal considerations of the executive overruled

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<sup>79</sup>Law of May 21, 1834, ibid., V, 294.

<sup>80</sup>"... es esencial redimir al pueblo de las innumerables vejaciones que ... le ocasiona este estanco ...," in Hernández de Alba, ed., Azuero, p. 341.

<sup>81</sup>Santander to the Congress, May 9, 1835, in Santander, Cartas, X, 353-355.

personal preferences.

### E. The Tithes

The diazmo or tithe on agricultural production was one of the few direct taxes in existence in New Granada. It was an ecclesiastical tax, but beginning in the colonial period the government shared in the revenue it produced. This idea carried into the republican period and the collection and distribution of the tithe followed the Spanish precepts.

The republican government issued frequent legislation regulating different aspects of the tax, and certain trends became obvious. For example, in the 1820's it was common to exempt agricultural products the government wished to encourage from the tithe.<sup>82</sup> In 1832 the government exempted from tithes, for a period of ten years, anyone who would immigrate to Casanare and plant cacao, indigo, coffee or sugar.<sup>83</sup> In 1834, Congress extended this law to all new cacao, sugar, coffee and indigo plantations, stating, "... the best way to promote the progress of agriculture is to free the natural fruits of the territory of the state from burdensome taxes . . . ."<sup>84</sup>

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<sup>82</sup> Law of May 19, 1824, Codificación, I, 295; Decree of December 23, 1838, ibid., III, 480.

<sup>83</sup> Decree of March 16, 1832, ibid., IV, 351-352.

<sup>84</sup> "... el mejor medio de fomentar el progreso de la agricultura es libertar los frutos naturales del territorio del Estado de impuestos gravosos ...." Law of May 5, 1834, ibid., V, 175.

It is difficult to ascertain the exact amount of the tithe collected since the rate of the tax was probably established through custom or old Spanish regulations. If the Spanish rates were followed, the tithe should have been ten per cent on some agricultural products and five per cent on others.<sup>85</sup> The Secretary of Finances, however, estimated in 1837 that the tithes were worth at least thirty per cent of a product's value "according to approximate calculations" --but he did not explain how these calculations were made.<sup>86</sup> As the collection of this tax was also farmed out, the total amount received by the national treasury was less than the sum paid by the agriculturalists. Mosquera estimated that the individuals who collected the tax made a profit of at least twenty-five per cent.<sup>87</sup> The church, of course, was supposed to receive the tithe, but after some minor deductions, the government took three-ninths. In 1831-1832 this three-ninths amounted to \$67,356,<sup>88</sup> rose to \$77,252 in

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<sup>85</sup> Enciclopedia Universal Ilustrada Europeo-Americana (Barcelona: Hijos de J. Espasa, n.d.), XVIII, 1057, voice "diazmo."

<sup>86</sup> "Report of the Secretary for Finances," in State Papers, XXVI, 1201.

<sup>87</sup> Tomás Cipriano de Mosquera, Compendio de geografía general, política, física y especial de los Estados Unidos de Colombia, dedicado al Congreso General de la Nación (Londres; Imprenta Inglesa y Extranjera de H. C. Panzen, 1866), p.

<sup>88</sup> "General Statament (1831-1832)," in State Papers, XIX, 1354.



1834-1835,<sup>89</sup> and declined, according to Soto, the following year.<sup>90</sup>

Tithes constituted one of the most objectionable taxes to the New Granadan leaders. It had a strong clerical flavor, and burdened agriculture which was looked upon as the road to prosperity. But the fear of ecclesiastical opposition and the ever present need for revenue prevented elimination of the tithes. In 1835 Santander was willing to reduce the tithe to twenty per cent and presented a project toward this end to Congress.<sup>91</sup> Nothing was done, however, and the tithe continued as before. In time the amount collected tended to decline. Exemptions granted to certain products, declining interest in the auction of the tithe for collection, a drop in prices on agricultural products and perhaps, as Soto believed, the loss of ". . . the divine of ecclesiastical character which it had usurped for so long a time . . ." were some of the causes for the decline.<sup>92</sup>

#### F. The Alcabala

The alcabala was a tax charged on the sales of most goods and real estate at a rate of two and one-half per cent

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<sup>89</sup> Acevedo, Colaboradores, p. 236.

<sup>90</sup> "Report of the Secretary for Finances," in State Papers, XXVI, 1201.

<sup>91</sup> Santander to the Congress, Bogotá, March 1, 1835, in Santander, Cartas, IX, 161.

<sup>92</sup> "Report of the Secretary for Finances," in State Papers, XXVI, 1201.

of the values of the goods. The prices according to which it was liquidated were fixed periodically by local authorities.<sup>93</sup> The alcabala was the most unpopular of all the levies. Vicente Azuero called it "that odious tax."<sup>94</sup> Lino de Pombo spoke of the "damned alcabala."<sup>95</sup> José Manuel Restrepo pointed out that it was a "hated tax,"<sup>96</sup> and Santander agreed that ". . . to fail to recognize that the abolition of the alcabala is a popular act, for the time being, is to deny the light of mid-day sun . . . ."<sup>97</sup>

Santander was willing to grant special exemptions from the alcabala<sup>98</sup> and asked for a reduction of it in Casanare.<sup>99</sup> But the executive strongly opposed the idea of abolishing it entirely. In 1833, Soto, after recognizing that the word alcabala excited the patriotism of some provinces and reminded the people of ". . . the perfidy of the government that formerly ruled this Spanish colony . . . ,"

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<sup>93</sup> Law of March 21, 1832, Codificación, IV, 355-356.

<sup>94</sup> Lino de Pombo a Rufino Cuervo, Bogotá, July 16, 1835, in Luis Augusto Cuervo, ed., Epistolario del Doctor Cuervo, 3 vols. (Bogotá: Imprenta Nacional, 1918), I, 317. (Hereinafter cited as Cuervo, Epistolario.)

<sup>95</sup> Hernández de Alba, Azuero, p. 337.

<sup>96</sup> Restrepo, Diario, III, 21.

<sup>97</sup> Santander al Congreso, Bogotá, May 9, 1835, in Santander, Cartas, IX, 213.

<sup>98</sup> Decrees of June 17, 1833, and April 14, 1834, Codificación, V, 126, 167.

<sup>99</sup> Santander to the Congress, Bogotá, May 29, 1834, in Santander, Cartas, IX, 110.

said that the product of the tax formed "... so considerable an amount under the present circumstances, that the suppression of such income would be termed insanity  
 . . . ."<sup>100</sup>

But the Congress decided to abolish it. Vicente Azuero introduced a bill in 1835 which was intended to "... relieve the people . . . of the contributions that overburden their industry . . . ." He did not think it necessary to elaborate on "... all the vexation and evils that the alcabala causes, able by itself to extirpate all stimulus to speculation . . . ." The bill decreed the total abolition of the alcabala on national products and on real estate. To compensate for the loss of revenues that the reform would bring, Azuero proposed an increase of the alcabala on foreign merchandise.<sup>101</sup>

Santander disagreed with the project. He reminded the Congress that the alcabala yielded more than \$250,000 a year, and expressed fear that its abolition would "... produce a deficit that would embarrass the administration

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<sup>100</sup>"... la perfidia del gobierno que rigió en otra época esta colonia española ...."; "... un producto tan respetable en las circunstancias presentes, que púdiere calificarse de falta de cordura la desaparición de la renta ...," cited in Jorge Echeverry Herrera, "La Segunda Administración de Santander," Economía Colombiana, XV (November, 1957), 247-248.

<sup>101</sup>"... aliviar al pueblo. ... de aquellas contribuciones mas gravosas a su industria ..."; "... todas las vejaciones y males que causa ... la alcabala, bastante él solo [sic] para extirpar todo estímulo a la especulación ...," in Hernández de Alba, Azuero, p. 336.

. . . ." He described the dangers that might face the republic if the alcabala was repealed as follows:

The employees will not receive their salaries . . . , only a part of them. . . . The army corps will not be assisted on time. . . . The creditors . . . will proclaim to heaven against a government which asks them for the payment of the taxes but does not cancel what it owes them. . . . It is not a temerity to prophesy that, if we again place the country in such an unfortunate situation, we will experience the same fate that happened to [Gran] Colombia . . . .<sup>102</sup>

But Congress was strongly determined and Santander knew it. He sent the bill back to the Legislatura, recommending some small modifications, and saying that he would sign the law because the decision of the Congress seemed irrevocable.<sup>103</sup>

The law was finally passed on May 14, 1834, and was received "with public acclaim."<sup>104</sup> Lino de Pombo, Secretary of the Interior and Foreign Relations, praised the decision heartily and stated that the "blessed" abolition had not brought a decline in the fiscal revenues, notwith-

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<sup>102</sup>"No serán pagados los empleados de su respectivo sueldo. . . sino que solo recibirán una parte de ellos. . . . Los cuerpos de la armada dejarán de ser asistidos con puntualidad. . . . Los acreedores levantarán sus manos al cielo contra un gobierno que les cobra las contribuciones que causan y no les satisface lo que les debe. . . . No es una temeridad profetizar que, colocado el país en una situación tan desventajosa, habrá de repetirse lo que sucedió en Colombia . . . ." Santander al Congreso, May 9, 1835, in Santander, Cartas, IX, 217.

<sup>103</sup>Ibid.

<sup>104</sup>Restrepo, Diario, III, 21.

standing the "sinister prophecies" which had been made.<sup>105</sup>

In fact, the fiscal year ended with a small deficit, and Santander charged the suppression of the alcabala as a partial cause of it.<sup>106</sup> But the following year ended in the black and the fiscal system seemed to have been able to renounce a yearly revenue of about \$250,000, without suffering any major tragedy.

<sup>105</sup>"las siniestras profecias," Lino de Pombo a Rufino Cuervo, Bogotá, July 18, 1835, in Cuervo, Epistolario, I, 318.

<sup>106</sup>Santander al Congreso, Bogotá, March 1, 1836, in Santander, Cartas, IX, 347.

## CHAPTER IV

### BY WAY OF CONCLUSION

In 1832 the tributary system of New Granada consisted mainly of taxes and monopolies established during the Spanish regime. Almost all the income came from indirect taxes and the operation of government monopolies: direct taxes were of minor importance. But although no taxes existed on property or personal income, the people considered the fiscal system oppressive. Indirect taxes burdened the trade and the monopolies placed some of the more profitable enterprises of the period outside the realm of private activity and charged the consumers artificially high prices.

Public opinion was practically unanimous in demanding that the government change the tributary system. Many asked the administration to suppress the monopolies of tobacco and aguardiente and to eliminate export duties and the alcabala. Others desired also freedom to export precious metals in dust and bars, which would reduce drastically the operations and the profits of the mints, and some sought to diminish the tithes. New Granadans concurred in the ideal image of the fiscal system: it should depend mainly on import taxes, while neither the agriculturalists nor the merchants should be burdened by any levy.

The Santander administration shared such goals, as Santander and Secretary of Finances Soto often demonstrated through public statements. But they did not think that the exact moment for such utopian times had arrived. The state had large obligations which could not be discarded overnight. The army consumed over half the budget, and a reduction of its expenses was not likely. Small savings were possible by improving the collection of the taxes and by simplifying the administrative structure. Congress helped by issuing new laws reorganizing the tobacco and the aguardiente monopolies, the operation of the salt works and the tithe collection, while the executive tried to reduce administrative expenses. But no major savings resulted, and Santander and Soto were therefore opposed to reductions in the state's sources of revenue. The executive concluded that since the nation's expenses could not be substantially curtailed, the reduction in taxes would spell fiscal bankruptcy and present serious risks of political convulsions. The administration adopted, therefore, a conservative fiscal policy for fiscal reasons, but not for ideological considerations.

The only taxes whose suppression was wholeheartedly endorsed by the executive were the exportation duties. This was done in 1833, when the government expected high returns from other taxes. Besides, the export duties produced little revenue and the administrations foresaw few problems resulting from the abolition of these duties. But after

mid-1833 it became apparent that the income from the various tributes, mainly the custom duties, was less than had been expected. Henceforth, Santander and Soto adamantly opposed any further cutting of taxes. Notwithstanding the objections of the executive, however, Congress implemented another major reform: the suppression of the alcabala.

In the management of the import duties, Santander and Soto followed the public opinion of Central Colombia, which was interested in the protection of highland agricultural products and home manufactures. But the administration endorsed only a limited protection and managed to obtain in 1834 a tariff which appeared to temporarily satisfy both the protectionists and the defenders of free trade. This concern for public opinion and political support was also one of the major reasons for the attitude adopted in regard to the differential duties. The administration, having troubles with a Congress in which the followers of Márquez had a large voice, did not want to risk an open rebuff by giving away, without very tangible advantages in exchange, the last trace of a policy which protected the national merchant fleet.

Despite the repeal of the exportation duties and the alcabala, the income of the state remained more or less stable from 1832 to 1837, and the administration was able to balance satisfactorily its budgets and keep payments to the army and administration needs up to date--although this was



largely due to the fact that no payment was made on the foreign debt during these years. A constant fiscal revenue represented doubtless a decline in the tax burden of the country, as population grew and some economic activities increased their output such as cattleraising in the coastal regions, gold in Antioquia, tobacco in Socorro, Pamplona and Ambalema.

The effects of the fiscal policies on the economy cannot be determined with precision. The exportation of agricultural items increased during the five years of the Santander administration. One of the reasons of this was certainly the exemption of tithes on the basic export products and the abrogation of exportation duties. On the other hand, despite the expressed policies of the government, the decline of the home manufactures did not stop, nor is there any reason to believe that the cultivation of wheat and other highland products rose. The government was also unable to cope with the monetary problems, and the scarcity of coins continued to have bad effects on the economy of the country. Among the particular policies, the most consequential long range activity of the Santander administration concerned the expansion of tobacco production and the search for external markets for the leaf.

In the main, the policies of the Santander administration were neither experimental, far-sighted nor distinguished. They generally related to humdrum improvements

in the day by day routine of the management of public finances. It may well be that the most important general consequence of the narrowly-fiscal approach to economic policies adopted by the Santander administration was the deceleration of the trend toward the elimination of monopolies and internal taxes. By doing so, the executive perhaps delayed the breakup of the central government, which occurred less than two decades later, but it also obstructed the development of an export economy.

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