

Bourbon Reforms and State Capacity in the Spanish Empire

Based on BFI Working Paper 2024-36, “*Bourbon Reforms and State Capacity in the Spanish Empire*,” by Giorgio Chiovelli, Universidad de Montevideo; Leopoldo Fergusson, Universidad de los Andes; Luis R. Martínez, University of Chicago; Juan David Torres, Stanford University; and Felipe Valencia Caicedo, University of British Columbia

The Spanish colonial empire in Latin America offers insights into the effects of state formation on economic development and political institutions, with lessons for today. Spain introduced a system in the late 18th century that relied on appointed governors with total authority over an administrative unit, which greatly increased Crown revenue. The reform strengthened state presence and disrupted corruption and exploitation of indigenous communities, but also generated tension with the local elites and plausibly contributed to Latin American independence.

State formation in developing countries is a key factor in determining economic growth and development. Bureaucratic institutions that variously control and otherwise affect economic activity—whether by raising revenue or enforcing laws and regulations—have a large impact not only on the welfare of businesses and households, but also on the success of the state and the likelihood of political rebellion.

Historians and economists have long studied this issue, but their efforts have largely focused on Western European countries. Likewise, less is known about the historical experiences of state-building in other parts of the globe, particularly those under colonial rule in the developing world. This work addresses that gap by studying the fiscal and political impact of one of the most ambitious administrative and territorial reforms implemented in colonial times: the intendency

Figure 1 • Royal Treasuries and the Roll-out of the Intendency System



Note: This map shows the geographical extension of each intendency, using different shades of blue to denote the timing of reform. This timing corresponds to the year of arrival of the first intendant to each post. The part of the viceroyalty of New Granada corresponding to present-day Colombia, where the reform was not implemented, is displayed with diagonal black lines. Yellow circles show the location of royal treasuries.

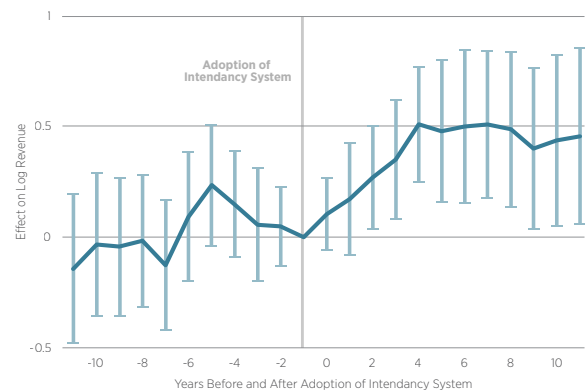
system introduced by the **Spanish Bourbon Dynasty**, or Spanish Crown, in Spain's American colonies during the late 18th century.

Roughly 250 years ago, the Spanish Crown revamped how it governed its vast American colonial empire, which stretched from present-day Mexico to Argentina. The Crown moved from a scheme concentrated in larger cities with a few powerful viceroys, to one employing a larger number of provincial governors. These were carefully selected, well-remunerated, appointed indefinitely and had authority over all areas of government. So profound was this change that some have described it as a "bureaucratic conquest" of America. Importantly, this shift reduced incentives for colonial officers to exploit indigenous communities and, thus, decreased the likelihood of violent rebellions. The story has resonance today for developing countries around the world.

Bureaucratic (re)conquest: An analysis

Colonial possessions were distant, extensive, diverse, and thus posed unique challenges for the ruling powers. The Spanish Crown's first governing bureaucracy centered around four viceroys and twelve high courts that were concentrated in large cities like the capitals of present-day countries. Outside the main cities, administrative authority was the responsibility of local officers appointed by the Crown. Known as **corregidores**, these fixed-term appointees were paid meager salaries, which they compensated through corruption and the exploitation of indigenous communities.

Figure 2 • The Intendancy System and Fiscal Capacity



Note: One of the main goals of the intendancy system was to increase colonial revenue and the reform awarded the intendants extensive powers over fiscal matters. Likewise, the authors' main outcome of interest in evaluating the performance of the reform is the total yearly revenue entering each royal treasury.

This corruption extended to the **Creole** elite (descendants of early Spanish colonizers), who had limited access to high office in the colonial government, but who nonetheless profited from indigenous labor and their dealings with the **corregidores**. This system was highly exploitative of the indigenous communities, who often resorted to spontaneous acts of violence to air their grievances.

In 1782 the Spanish Crown introduced a new corps of intermediate provincial governors called **intendants** who were carefully selected, well-paid, appointed indefinitely, and had authority over all areas of government. Each intendant governed over a new intermediate administrative unit called an intendancy.

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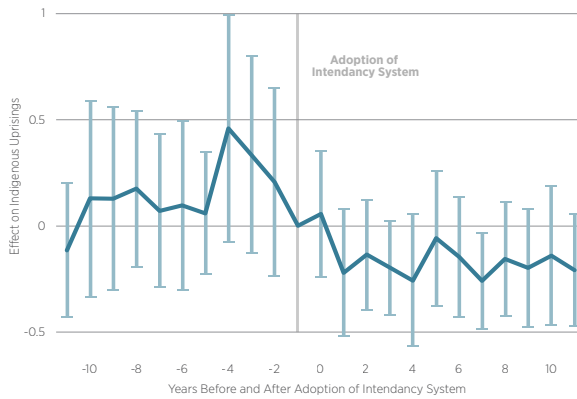
Spanish Bourbon Dynasty: The House of Bourbon, French in origin, was enthroned in Spain upon the death of Charles II, the last Habsburg monarch, in 1700. The Bourbon Dynasty has reigned in Spain for more than three centuries until the present day, except for a period of two Republics, and the Franco dictatorship.

Corregidores: local administrative and judicial officials in the Spanish Empire prior to intendancy; appointed representatives of the royal jurisdiction over a town and its district.

Creole: In Spanish, the word Creole (*criollo*) denotes the American-born descendants of the early Spanish colonizers. More generally, Creole peoples can refer to different ethnic groups around the world, and the term has various meanings, often conflicting or varying from region to region. Creole peoples vary widely in ethnic background and mixture, and many have since developed distinct ethnic identities.

Intendants/Intendancy: Developed in France and applied by Spain to its colonial empire under the Bourbon reforms of the 18th century, intendancies were centralizing administrative systems. Regions were divided into districts, with each administered by an intendant who was appointed by the Crown. With wide-ranging powers that gave them a say in almost all administrative, ecclesiastical and military matters, intendants were conceived as a check on previous local officials who had engaged in corruptive behavior, including exploitation of indigenous communities.

Figure 3 - The Intendancy System and Indigenous Rebellions



Note: The authors use a novel transcontinental dataset to provide quantitative evidence on the impact of the intendancy system on indigenous rebellions. The authors' dataset pools information from multiple regional sources, which is then harmonized to account for differences in coverage and geographic scope. As illustrated in the figure, following the reform, the evidence suggests a decline in indigenous rebellions.

What was the nature of this bureaucratic reform and how did it change the behavior of those charged with executing the Crown's policies? How did these reforms result in a bureaucratic conquest of a distant land? The authors study comparable intendancies, which were motivated by the Crown's desire to raise revenue and strengthen the military. Notably, this new system of colonial management was introduced quickly, within five years, but did not reach the entire Spanish American empire, as the man responsible for leading the change died before his task was complete. For the authors, the availability of granular administrative data allows them to analyze colonial public finances from 85 royal treasuries, and to construct several new datasets, including detailed biographies for each intendant, a transcontinental dataset on indigenous rebellions, a panel on the availability of cartographic information, and a novel measure of pro-independence activity based on a large catalog of correspondence.

The authors' fiscal analysis finds two main mechanisms that explain the benefits of intendancy:

1. Proximity to the people, or presence on the ground, is key.
 - The intendancy system reduced the average distance per treasury to the nearest administrative center by 66%.
 - Relatedly, the Crown gained extensive cartographic knowledge of its empire, which suggests that this improved informational capacity led to increased efficiencies. For example, the authors show

that the increase in Crown revenue was larger near the new intendancy capitals and not driven by the traditional centers of economic activity (e.g., ports, mines).

2. Managers matter.

- Based on a new biographical dataset for the universe of intendants, the authors show that those born in Spain or lacking experience in the colonial government were more effective, which suggests increased alignment with the Crown and higher immunity to local corrupting practices that plagued the previous system.
- Younger intendants were also more effective, plausibly reflecting stronger career concerns.
- At the same time, experience also seems to matter, as the fiscal impact of the intendants is also positively correlated with their job tenure, in line with positive returns to experience.
- Increases in the share of revenue corresponding to the indigenous poll tax and to war contributions paid by the Creole elites suggests that the intendancy system reduced corruption in tax collection and disrupted the economic privileges of the elites.

In sum, these two mechanisms increased Crown revenue by expanding its presence in the territory, which offset the increased expenditures arising from military and administrative expenses, and which also restricted the ability of local elites to exploit indigenous populations.

The authors then turn their analysis to intendancy's reforming effects on the political attitudes and behavior of the Crown's colonial subjects. They find the following:

- The intendancy system decreased the incidence of political rebellion among indigenous peoples.
- The authors find evidence for improved law and order, which likely correlates with fewer rebellions. That is, improved governance through law and order more effective than control and repression.
- Creole elites saw their privileges curtailed by the modernizing effort of the Bourbons,

and their attitudes toward the regime changed. By examining the records from over 700,000 baptisms, the authors show that the intendency system decreased the share of male newborns named after such colonial figures as viceroys or even the King himself. This effect is entirely driven by Creoles, with a negligible impact among individuals with an indigenous surname, suggesting that the intendency system led to growing Creole animosity towards the Crown.

- Motivated by this finding, the authors explore the link between the intendency system and the Creole-led independence movement of the early 19th century, to find that provinces experiencing larger increases in Crown revenue under the intendants exhibited more revolutionary activity during the early independence period (1807-1811). This result suggests that the Spanish Crown's efforts at state modernization plausibly contributed to the demise of its colonial empire.

Summary: This historical analysis of one of the most ambitious efforts at administrative reform in the colonial world, which led to sizable increases in fiscal capacity, informational capacity, and law and order, as well as the importance of consensual state building for long-run development, offers relevant insights into contemporary questions about economic development within a large bureaucracy and the concomitant effects on political stability.

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NO. 2024-36 · MARCH 2024

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ABOUT OUR SCHOLAR



Luis R. Martínez

*Assistant Professor,
Harris School of Public Policy*



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