

Adam Smith in the economic debates during the Liberal Triennium (1820– 1823), the Second Liberal Exile and Hispanic America

Juan Zabalza
First draft (Preprint version)

1.- The political and institutional environment

The first constitutional period in Spain ended in 1814 when absolutism was restored. The old regime's major institutions, such as the Council of Castile, were re-established, and liberals repressed. However, the constitutional flame was not extinguished entirely and throughout the decade, several of the so-called military pronouncements aimed at overthrowing the absolutist regime. Most of them failed, but finally, in the early 1820s, General Riego proclaimed the Constitution of Cádiz (1812), giving rise to a series of uprisings that resulted in the encirclement of the royal palace of Madrid and the acceptance of the Constitution of Cádiz by the king.

The revolution's triumph paved the way to a new constitutional period known as the Liberal Triennium. The Constitution of Cádiz and the liberal Parliament, which was to meet in Madrid, were restored in July 1820. This three-year period saw a frenetic parliamentary activity that carried out many legislative reforms, many of which referred to economic issues that resulted in bitter debates amongst the liberals, split into moderates and radicals, who demanded the abolition of the monarchy and deeper reforms. The economic environment was also quite unstable as a result of the removal of most of the employees in the public administration, the so-called Independence War, the economic consequences of the independence of the Hispanic American territories, the calamitous economic performance of the economy in the early nineteenth century and the financial burden of the growing public debt (Lucas 2017).

At the same time, the king of Spain joined the so-called Holy Alliance that emerged from the Congress of Vienna that eventually decided to invade Spain in April 1823 through the army known as the 100.000 sons of Saint Louis. The absolutist troops encountered hardly any military resistance, and, finally, the absolutist monarchy was restored at the hands of Fernando VII. The result was abolishing the Constitution of Cádiz, dismantling the Parliament and the forced exile of thousands of liberals who emigrated to France, South America and, mainly, to London, where they settled in the Somers Town district (Llorens 1979). All this took place in the context of profound changes in the political setting of the Spanish monarchy. Some of the Hispanic American possessions, coinciding with Spain's Napoleonic invasion, had started to politically separate from the Spanish monarchy, giving way to new republics. Moreover, liberal thought in economic matters also flourished in these republics.

This chapter aims to search for the footprints of Smith's *The Wealth of Nations* (WN) in the parliamentary debates during the Liberal Triennium, on the one hand, and the exile in London and Hispanic America, on the other. The primary sources used in this work are the parliamentary records during the three legislative periods between 1820 and 1823 and the exiles' publications in London and Hispanic America, whether monographs or articles in periodicals.

The exile of Spanish liberals exemplifies the transoceanic nature of the spread of the WN in Spain and Hispanic America. Before the independence of the Hispanic American republics, both sides of the Atlantic Ocean belonged to the same intellectual realm, and economic ideas flowed following similar paths in the entire territories of the Spanish monarchy. After independence, these intellectual links continued to some extent for an extended period. Therefore, a brief epigraph analysing the coming of the WN to Hispanic America is appropriate.

2.- The shadow of Smith's WN in the parliamentary debates of the Liberal Triennium

Historians have pointed out how the Liberal Triennium continued the parliamentary debates in Cádiz that came suddenly to an end in 1814 after the return of absolutism. Therefore, the central economic discussions focused on the reform of Spanish public finance, domestic free trade, custom duties, the property of the land, the abolition of the entailed dominions, the laws of progeneriture— the so-called *mayorazgos* — and the economic relationships with the territories of the Spanish monarchy in Hispanic America and Asia. The analysis of the parliamentary records demonstrates many generic and specific mentions of “economists” and “political economy” in the debates on these topics, which undoubtedly refer to Classical economists and Classical political economy, respectively. Furthermore, there are indications of the use of ideas, frames of reference, suggestions and policies of Classical economists in general and Smith in particular when some members of the Parliament refer to “public happiness,” “individual interest,” “the wealth of the nation” or to the establishment of liberal economic institutions like the guarantee of property rights, individual security and economic and political freedoms. The principles of political economy are the point of reference to debate the different economic and financial issues— not only by well-known economists like Flórez Estrada and Canga Argüelles but also by the members of Parliament who were not connected to the circles of economists but used these principles for backing liberal economic reforms and policies. Furthermore, even those who opposed the liberal reforms also referred to Smith and Classical political economy to support their respective points of view, in some cases by refuting Smith's ideas and reinterpreting them in terms of the Spanish economic and political context.

However, Smith's specific influence was quite visible in the Memorandum presented in 1820 to the Parliament by Canga Argüelles, by then Secretary of State and Minister of Treasury, in charge of public finances. The Memorandum included a detailed plan for rearranging Spanish public finances that combined the principles of Classical political economy on this topic and the particular circumstances of the Spanish public finances, characterised by a growing public deficit, an astronomical public debt and an inefficient tax system. 1 Indeed, the starting point was setting out the principles that the reform of public finances must abide by, inspired by the reform planned in 1813 in the Cádiz Parliament and Smith's maxims of taxation. Many of the elements composing the four “maxims” of taxation in book V of the WN are apparent: the ability to pay principle as the basis of the equality of taxation, which, on the other hand, article VIII of the constitution embodied; the certainty and not arbitrariness of taxes; the principle that taxation ought to take out from the “pockets of the people” as little as possible; and, finally, the critical idea that taxation should not discourage the most productive branches of industry.

Along with the Memorandum, Canga Argüelles analyses the administrative structure of the tax collection. He explicitly refers to Smith's maxim of tax efficiency that aimed at reducing costs by developing officers' skills and simplifying as much as possible the method of collecting taxes. Generally speaking, the plan relied on direct taxation and rejected indirect taxes as the latter endangered the sources of wealth. On this criterion, he discarded, as Smith did, consumption excises as they were "destroyers of industry."⁴ Also, like Smith, Canga Argüelles rejected any state monopoly, like the so-called *estanco* of tobacco, which, according to him, does not fit with the "principles of political economy." However, the overriding need for revenues led him to adopt a middle way, inspired by Necker: the government should maintain the tobacco monopoly but, at the same time, should bring prices and taxes on tobacco down.⁵ A parliamentary committee examined Canga Argüelles's plan and released its opinion, which made many nuances to Canga's proposal by reducing direct contributions and increasing the indirect collection of taxes (Lucas 2017).

By January 1822, the government's lack of popularity and other problems, like worsening economic figures, led to the appointment of a new administration. In the third parliamentary period, Sierra-Pembrey replaced Canga Argüelles as State Secretary of Public Finances. Sierra-Pembrey presented a report in the Parliament analysing the causes of the failure of the reform of public finances and suggesting some modifications to Canga Argüelles's plan. During the debate, some members of the Parliament opposed the rearrangement of the public finances. They indicated that the logic of the domestic economy should apply to public finances. That is, expenses should adapt to the capacity of collecting taxes. Sierra-Pembrey answered them by arguing that the principles of political economy had nothing to do with the principles of the domestic economy. Thus, the government must finance essential public expenses, like national defence, justice, public works, and the institutions favouring commerce like "the education of people of all ages." He faithfully followed Smith on these issues.⁷ Furthermore, the government should determine public expenses and plan contributions to finance them.⁸ This point of view was not unique, and some members of the Parliament pointed out some of the functions that Smith attributed to the government. Nevertheless, as Canga Argüelles mentioned in the same debate, most Parliament members generally accepted the budget equilibrium. Both memorandums by Canga-Argüelles and Sierra-Pembrey gave way to a series of lively debates during which Classical political economy and Smith backed different views. For example, the member of the Parliament, the Count of Toreno, when supporting general direct contribution and rejecting the so-called *alcabalas* that taxed every kind of commerce, affirmed that the committee had consulted the works of the leading economists, among which he mentions Smith.¹⁰ Even those members of Parliament opposing the reforms and their "principles," like Sebastián de Ochoa, also draw on the "economists" for arguing that they did not establish who was going to pay taxes. Canga Argüelles's plan faced many difficulties, and in 1822, the growing deficit made unfeasible the reform proposed in his Memorandum. Still, its principles would inspire the first liberal reform of public finances enacted finally in 1845. The inherited public debt and the continuous deficit that the Spanish public finances experienced due to the inefficient taxation system led to a debate about public credit (Toboso 1996, p. 402). As Minister of Finance, Canga Argüelles drafted a new Memorandum to determine the causes behind the failure in the trust in Spanish "credit" and the high level of public debt. The Memorandum remarked on the need to pay the principal and the debt's service to preserve the "credit" and promote economic development (Canga Argüelles 1820, 2). To demonstrate this, Canga Argüelles relies on chapter III in book V of the WN, which

was inspired by his historical account of the Spanish public debt and the financial policies of the successive Spanish governments that impoverished families and discredited the treasury as a consequence of the reiterative delinquencies of the service of the debt. On the other hand, to show that the growing magnitude of the public debt threatened the “credit” of the Spanish treasury and, therefore, the possibility of future borrowings, Canga Argüelles quotes an excerpt in the WN (Canga Argüelles 1820 , p. 42). When national debts have once been accumulated to a certain degree, there is a scarce, I believe, a single instance of their having been fairly and completely paid. The liberation of the public revenue, if ever brought about at all, has always been brought about by a bankruptcy: sometimes by an avowed one, but always by a real one, though frequently by a pretended payment. (WN V, III, 929)Canga Argüelles quoted from Garnier’s French version of the WN. He uses Garnier’s comments to demand a correct administration for guaranteeing the service of the debt and, therefore, the “credit” of the Spanish treasury (Canga Argüelles 1820, 42).

The debates that followed the presentation of the Memorandum to the Parliament showed two points of view. Those like Canga Argüelles and Count of Toreno supported Smith’s opinion about the need to meet the service of debt, the entire public debt, and others who firmly rejected the Smithian perspective. Furthermore, the supporters of the Smithian approach connected the public credit to confiscate the land in the hands of the Church. For them, guaranteeing the service of the debt by winning back the trust of foreign and national lenders prevailed over any other issue, which explains the fierce opposition of those who opposed Canga- Smith’s view (Toboso 1996, 411).

The third parliamentarian discussion in which Smith’s shadow is quite visible focused on the rearrangement of custom duties. Canga Argüelles introduced the debate in an epigraph in the above- mentioned Memorandum on the Spanish public finances. In addition, he quoted excerpts in the WN to support his view on custom duties that favoured moderate duties for foreign goods and rejected prohibitions: By removing all prohibitions, and by subjecting all foreign manufactures to such moderate taxes, as it was found from experience afforded upon each article the highest revenue to the public, our own workmen might still have a considerable advantage in the home market, and many articles, some of which at present afford no revenue to the government, and others a very inconsiderable one, might afford a very great one. On this principle, Canga Argüelles planned the rearrangement of Spanish custom duties by combining the interest of the Spanish public finances and the demands of individuals limiting custom duties and guaranteeing the free circulation of commodities, which eventually would result in a higher collection of taxes. The relationship between commercial policy and collection of taxes, as posed by Smith-Canga, was the reference point for the debate that followed the reading of the Memorandum in the Parliament and the report prepared the Committee of Finance and Trade in the light of the tariff’s proposal made by the Junta Especial de Aranceles— the Special Tariff Board. The proponent of custom duties prohibition, Guillermo Oliver, who read the committee’s report, opposed Smith-Canga’s view by arguing that the primary goal of tariffs is to “support the permanent wealth of the nation” and not the collection of taxes itself. Therefore, the government must protect domestic productions and promote the domestic market, including the colonial possessions. 15 Behind Oliver and other Catalan members of the Parliament, like Valle, underlies “an infant industry” theory that opposes free trade and backs prohibitionism for promoting industrialisation and a “genuine economic freedom”. This view was standard in the circles that promoted custom duties prohibition in Catalonia, and they argued so by relying on the “principles of

political economy.” Nevertheless, as Lluch (1971– 1972) pointed out, the knowledge of Smith’s WN by the proponents of prohibitionism was not as in-depth as they said in their addresses to the Parliament. However, proponents of moderate protectionism, like the Count of Toreno, who explicitly quoted Smith on agricultural protectionism, argued that the most advanced countries, particularly England, did not reduce tariffs. Therefore, all of them rejected applying the theory supported by Classical economists to the Spanish economy. 17 However, all this happened before enacting the Reciprocity of Duties Act in 1823, designed by William Huskisson, opening the road to free trade in Great Britain. On the other hand, the proponents of free trade, like Romero-Alpuente or Freire, insisted on Smith’s link of free trade and tax collection in the way Canga Argüelles had done in the Memorandum or by connecting free trade to prosperity. 18 Flórez Estrada, who opposed any protectionist policies, did not abandon the strategy of economic development based on the priority of the agriculture sector within a context of free trade and the international division of labour, mentioned above. Proponents of free trade like Vadillo, Moreno- Guerra and Flórez Estrada also linked high tariffs, growing goods smuggling and falling incomes for the Spanish treasury in a way that recalls what Smith argued in book V in the WN. Summing up, the Classical political economy, the principles of political economy and the economists were a continuous intellectual source during the debate on Spanish customs duties. Given Canga’s quotation of Smith, there is no doubt that they also refer to the Scottish economist.

Another area in which Classical economists’ presence is self-evident is the suppression of the entailed domains of clergy and the so-called *mayorazgos* or law of primogeniture. This issue was particularly interesting in Spain and, therefore, was widely debated in the Parliament. Liberal economists employed arguments and ideas easily identifiable in Classical economists to underpin their view that abolishing these domains could make Spanish agriculture thrive. Something similar applies to *mayorazgos* and the relationships with the colonial territories in Hispanic America in their various dimensions. However, although we may notice similar views to Smith in the WN, the deputies who supported this perspective relied mainly on the Spanish members of the Enlightenment like Campomanes or Jovellanos, whom Classical economists had softly influenced. Regarding monetary matters, however, the debates were anachronistic, as the problems of Spain were quite different from those of the rest of Europe (Prieto and De Haro 2012, 142, 144– 46).

3.- Smith in the works of Spanish exiles in Britain and Hispanic America *The shadow of Smith in the writings of Spanish exiles in London*

Many of the Spanish exiles settled in London were able to earn a living in using their intellectual activity. They worked for publishers based in London and channelled their commitment to liberal ideas through a series of periodicals that dealt with a wide range of issues, like arts, technical advances, literature, politics, poetry, history, and sometimes political economy. *Ocios de los españoles emigrados* (1824– 1825) published some articles about the history of political economy in Spain and the state of Spanish public finances. Still, the mentions of Classical political economy are too generic. *El emigrado observador* (1828– 1829) follows this pattern. In practice, it was a platform for preparing the return to absolutist Spain of Canga Argüelles, the former Secretary of the Treasury Department in the Liberal Triennium (Simal 2012). Canga Argüelles, indeed, included some articles on economics throughout the pages of this journal. However, most refer to specific aspects of English public finances or generic mentions of contract enforcement.

Still, no particular mention of Smith is found, although his shadow is visible in some of Canga Argüelles's comments. 21 However, *Museo de Ciencias y Artes* (1824– 1826), edited by the German publisher Ackermann and run by Mora, paid more attention to political economy. In general, the journal conveys the agenda of Classical economists: strong support for private business, uncompromising advocacy of free trade and a limitation of state intervention. On countless occasions, Mora refers generically to “the economists,” and it is apparent that he refers to Classical economists when he does so. The periodical shows some of Smith's was about trade and public finances. 22 Still, they are primarily conveyed through Say, who was quite influential in Spain during these years and whose works were repeatedly translated into Spanish from 1804 onwards (Menudo and O’Kean 2019). However, Smith's shadow was evident in a series of monographs published by Spanish exiles in Britain by Fl ó rez Estrada and Canga Arg ü elles. They, as mentioned, had played a significant role in the parliamentary debates of the Liberal Triennium.

During his exile in London, Canga Argüelles published two works on public finances: *Elementos de Hacienda Pública* (1825) and *Diccionario de Hacienda* (1826– 1827) in five volumes. His contribution to public finances has been largely ignored or considered as merely descriptive. However, in recent times, historiography has retrieved Canga's stature and has noted how his works positively contributed to spreading the science of public finances in Spain and Hispanic America (Com í n 2000b, 413- 16; L ó pez 2005). At the very beginning of the *Elements*, Canga Argüelles advanced that it is not enough to study Smith abstractly, Say, Ricardo and Storch, but rather to apply the principles of this modern science to the political business, to the liberal arrangement of trade, to the distribution of contributions, and o the usefulness of loans (Canga Argüelles 1825, 1). The use made by Canga Argüelles of the WN, indeed, fits with these principles. In his *Diccionario*, Smith is a theoretical authority in three entries. In “Comercio Balanza” (Trade Balance), chapter I in book IV of Smith's WN helps to dismantle the mercantilist argument of gold accumulation. However, it is true that Canga Arg ü elles also resorts to Spanish economic history to demonstrate that the mercantilist doctrine of the trade balance is false (Canga Argüelles 1826– 1827, I, 263; WN, IV, I, 429– 51). An excerpt from Book II, chapter 5, Of the different employments of capital in the WN backs the need to promote domestic trade. In this chapter, Smith tries to demonstrate how the capital employed in the domestic market “make twelve operations, or be sent out and returned twelve times, before a capital employed in the foreign trade of consumption has made one,” and therefore “twenty times more encouragement and support to the industry of the country” (Canga Argüelles 1826– 1827, II, 146; WN, II, V, 368– 69). Finally, the famous excerpt from the WN in which Smith describes the operation of a pin factory is introduced under the heading “División del trabajo”(Division of Labour) to illustrate the increasing productivity of dividing the labour within a unit of production (Canga Argü ells 1826– 1827, II, 375; WN, I, I, 14– 15). However, although Canga Argüelles lived in London, he consulted and quoted from the French edition of the WN by Garnier, which was the edition that he probably managed to acquire many years before migrating to England (Canga Argüelles 1826– 1827, II, 211).

However, in his *Elementos*, Canga Argüelles resorts to Smith's authority for a rather practical purpose. This aimed at supporting the economic reforms and policies of the liberal agenda that he had attempted in 1812 and 1820 in the Spanish Parliament. Canga Argüelles quotes excerpts in chapter II of book II of the WN (*Of the Discouragement of Agriculture in the ancient State of Europe after the fall of the Roman*

Empire) for analysing the so-called *mayorazgos*, its origins and its negative consequences— “obstacles”— over the industry (Canga Argüelles 1825 , 59; WN, III, II, 384). Canga Argüelles also uses the WN to argue in favour of the “free circulation of grains” since it is “not only a remedy against famine but a preservative against hunger.” According to him, providing agricultural products to the people required promoting individual interest and eliminating any burden to agriculture (Canga Argüelles 1825 , 62; WN, IV,V, b, 526– 28). In general, the WN is used to demand falling custom duties. The observations that he included in the entry “Inglaterra. Relaciones comerciales de esta potencia con España”— England. Commercial Relationships with Spain— in *Diccionario*, for example, consists of a series of remarks that he had planned to submit to the Spanish government before the signature of the Treaty of Amiens. Among other considerations, Canga Argüelles sought to influence the government to reduce customs duties by using some episodes in book IV of the WN in which Smith explains the benefits derived from the reduction of customs duties (Canga Argüelles 1826– 1827 , III, 413; WN, IV, VI, 545). Furthermore, Canga Argüelles advocates creating a global market by relying on the same book in the WN. Accordingly, trade treaties that privilege a single nation are, in his view, detrimental to all countries, including the country most favoured by such privilege (Canga Argüelles 1825, 66; 1826– 1827, V, 187– 88; WN, IV, VI, 545– 46). Canga Argüelles also used Smith as an intellectual source in *Elementos* regarding minor aspects of public finance, for example, when he tackles financing the burdens of the magistrate. Canga Argüelles finds in book V of the WN the remedy when he suggests that “litigants pay fees to the administration of justice, the amount of which distributes among the judges after sentencing based on the days and hours they have worked.” However, he is cautious in applying the suggestions he finds in the WN and considers that Spanish magistrates, unfamiliar with receiving their salaries based on productivity, would reject such an idea as do the “roughest classes of the people.” Such an opinion is understandable within a broader context of a general critique of the judicial system of the Ancien Régime (Canga Argüelles 1825 , 99; WN, V, I, b, 719). Finally, Canga, as Smith did, warns about the problems associated with a high level of public debt, which may lead to the suspending of debt servicing (Canga Argüelles 1825, p. 182; WN, V, III, 929).

Flórez Estrada was, as seen, one of the most active liberals of the radical wing in the Parliament of the Liberal Triennium. Consequently, when the liberal troops finally surrendered, he moved to London, where he remained until 1830. Unfortunately, there is no complete account of his London activities and his contacts with British economists. However, his involvement must have been intense. He published *Reflections on the present mercantile distress* (1826), the *Curso de Economía Política* (1828) and numerous contributions, although not strictly on political economy, to the journals edited by the Spanish exiles. *Curso de Economía Política* (1828), which Flórez Estrada entirely prepared during his British exile between 1826 and 1828, had seven editions up to 1852 and was the most significant theoretical contribution in Spain during all the nineteenth century (Almenar 1980, 1). Flórez Estrada himself declares his purpose of disseminating the political economy’s progress in recent years in the Hispanic sphere. From our perspective, *Curso* is mottled with countless quotations and excerpts taken from the WN directly or indirectly through other works like McCulloch’s *Principles of Political Economy* (1825), which demonstrates how Flórez Estrada was familiar with British economic literature at the time. Flórez Estrada attributed to Smith theoretical advances in labour division, competition, economic freedom, commercial policy and taxation, which, according to him, belong to a timeless and everlasting doctrinal heritage. However, he also points out how some of Smith’s contributions to political economy are wrong and

overtaken by the breakthrough findings of many economists like Sismondi, Lueder, Storch, Destutt de Tracy, James Mill, McCulloch and Ricardo (Flórez Estrada 1828 , p. 48; Almenar 1980 , lxvi). As a result, Flórez Estrada proceeds to a systematic rebuttal of a wide range of topics in the WN by contrasting Smith's ideas to the most up-to-date contributions to the science of political economy at the time. Therefore, Flórez reinterpreted the Smithian doctrine as a starting point for a more advanced and consistent theory developed by the second generation of Classical economists.

4.- Mora and the spread of Smithian ideas in Hispanic America

Spanish liberals, and in particular those exiled in London, became firmly committed to establishing liberal institutions in the old colonial territories of Hispanic America. Mora, who had published *Catecismo de Economía Política* (1825) in London to be distributed in the Hispanic American market, fits with this pattern. Although some Smithian rhetoric flavours are visible in *Catecismo*, there are no mentions of the WN. However, Smith's influence on Mora would be more apparent in successive works that he would produce in Hispanic America, specifically in the journal *El Mercurio Chileno* (1828– 1829) published in Santiago de Chile (Astigarraga and Zabalza, 2017). After a brief stay in Buenos Aires, Mora moved to Chile as a prestigious intellectual and promoter of educational institutions. Besides contributing to drawing up the republic's first constitution and being a direct counsellor of President Pinto, he published a series of articles in *El Mercurio Chileno*, a periodical financed by the government. In these articles, Mora drew up a plan of economic development for the Republic of Chile backed by a theory of economic growth complemented by a conceptual architecture that embraced three areas: monetary theory, the theory of international trade and public finance. The plan embraced institutional reform and an economic agenda aimed at securing a liberal society in Chile and powering economic growth. In doing so, Mora used central concepts of Classical political economy and Smith's approach to economic growth.

The central role of productivity, savings and capital accumulation in Mora's model shows how indebted he was to Smith's theory of economic growth. Nevertheless, introducing the interest rate as a critical variable suggests that he follows Smith's canonical interpretation by McCulloch (1825). McCulloch's treatise indeed contributed to extending Smith's sway during the 1820s and 1830s. According to Mora— who follows the Smith-McCulloch's model— the second determining factor of economic growth is the international division of labour. Chile, according to Mora, has an absolute advantage in agriculture thanks to the Chilean climate. However, relying on Smith-McCulloch, Mora thought economic development is bound to a series of institutional requirements. In particular, he remarks on the need to develop a bank system for guaranteeing money and capital supplies, a legal environment that favours economic growth, a tax system for financing the public administration of the liberal state and, finally, a policy of free trade. The size of the market limits the latter. By analysing all these requirements in *El Mercurio*, Mora shows an apparent Smithian influence.

The shortage of coins and the financial system's weakness during the 1820s resulted from the subordination of monetary policy to the Spanish monarchy's commercial and economic interests (De Haro, 2013, pp. 203– 27). Mora finds an answer to such a problem in Smith, who suggested the creation of commercial banks “that do not lend metallic money, but a ‘sign’ that represents it and whose real value comes from the trust and confidence enjoyed by the banks that issue money” (Mora 1828b, 155). In this way, these

institutions— by issuing convertible note banks— can feed “the industry, agriculture and trade with capital and credit” (Giacomin 2007 , 181– 89). Accordingly, following a tradition started by Cantillon and followed up by Smith and some other Classical economists, Mora attributes the money supply and the financial institutions to a central role in economic growth. The detailed analysis of the monetary articles in *El Mercurio* demonstrates how Mora attributes to money the function of deposit of value as “mercantilists” did; but also the role of serving as a means of payment so that money plays a central role in the theory of economic growth, as Classical economists such as Smith had pointed out. Thus, in Mora’s view, both money and goods relied on the operation of supply and demand in such a way that “the rate of interest moves up when the consumers, namely the speculators that want liquidity, demand money beyond the money holdings of capitalists” (Mora, 1828b , p. 155). Thus, Mora regards the interest rate as a central component of the production cost that directly impacts the profit rate. Behind these causal relationships is, without doubt, McCulloch’s view on economic growth in which the money supply impacts the level of economic activity (O’Brien 1989, pp. 153– 59).

According to Mora, who follows Smith faithfully, the institutional development of the Republic of Chile also demanded a profound reform of the system of public finances. On the one hand, regarding public spending, Mora shows an apparent Smithian influence when he attributes to the government the tasks of financing the administration of justice, guaranteeing law and order and the national defence, promoting public infrastructures and education, and the legal guardianship of contracts and property rights. Furthermore, all this demands regular incomes for the Treasury through a well-designed tax system (Mora 1828a , 62; WN, V, I, a, 689– 816). The core issue when drawing up the tax system is the distribution of the tax burden that Mora introduced by synthesising Smith’s famous canons (equality, certainty, the convenience of payment and economy of the collection) and Sismondi’s tax prescription from which he derived three principles that the tax system should adhere to: minimising the contact between tax collectors and taxpayers by eliminating the coercion practised by intermediate tax collectors— it owes much to Smith’s view on public finance (O’Brien 1989 , p. 337); supervising “thoughtfully the natural development of productive labour” in such a way that the industries that required stimulus would be under- taxed and the rest over- taxed (Mora 1828a , 56); finally, the tax structure should subordinate to the general principle of *laissez- faire* by minimising taxes on trade and more specifically import duties, which Mora shared with Classical economists (Mora 1828a, 60). On these principles, Mora advocates for direct taxation on “production and capital.”

Mora’s rhetoric on free trade relies on a simple but effective international trade theory that connects economic growth to free trade based on Smith-McCulloch’s absolute advantage theory. In this vein, Mora attributes the origins of international trade to the diverse structure of “absolute” costs in various countries, resulting in different productivity of some goods with lower prices (Mora 1828d , p. 249). As mentioned above, Chile’s natural environment and property structure were well suited for agricultural development, as Mora enthusiastically pointed out. On the other hand, according to him, the nascent industry could not lead the republic’s economic growth. Relying on Smith’s theory of the four stages, 24 he points out that Chile should be developed based on agriculture and free trade. On these theoretical grounds, he planned an economic agenda that primarily pleads for removing import duties, particularly on industrial goods. The latter merely “enrich” the treasury, results in lower levels of international trade (exports

and imports), and eventually erodes “domestic consumption [...] and public welfare” (Mora 1829 , 761). In this vein, he also remarks, following Smith, that high import duties encourage smuggling resulting in falling duties collection (Mora 1828b , 205- 207; WN, V, II, k, 897– 933). This approach sets the debate on import duties in the broader sphere of economic development theory as Mora sizes up their influence on the profit rate and, ultimately, economic growth.

5.- Smith in Hispanic America: a general overview

Mora was, without doubt, a significant player in the diffusion of Smith in Hispanic America. His stay in Santiago de Chile and articles in *El Mercurio Chileno* are the best-known of his journey in South America. Nevertheless, he was also active by promoting liberalism in general and political economy in Argentina, Peru and possibly Bolivia. Even the pamphlet *De la libertad de comercio* (1843) that he drafted in the early 1840s, in which he proved to be a radical supporter of free trade, was first published in Mexico. But almost nothing is known about his role in spreading Classical political economy in these countries except for promoting some periodicals in Buenos Aires (Amunátegui 1888).

Therefore, it is worth saying some words about the impact of the WN in Hispanic America, beyond the contribution of Spanish liberals, which had been analysed synthetically by R.S. Smith almost seven decades ago (1957). The influence of Smith in Hispanic America preceded the independence of the new republics. It was part of a more general and comprehensive spread of the political economy of the late Spanish Enlightenment and early Liberalism in the territories of the Spanish monarchy. Prominent intellectuals and reformers like Belgrano, Villava, Arango and Parreño, among others, transferred ideas from the metropolis to the colonial territories of the kingdom.

On the other hand, Smith spread all over Hispanic America through different and multiple channels. He was read, in some cases, directly from the English versions. Still, Smith 's ideas also jumped the Atlantic Ocean through the Spanish translation of the WN by Alonso, the Spanish translation of the Condorcet Compendium and the influence of Jovellanos and other representatives of the late Spanish Enlightenment (Hurtado 2019). On the other hand, in the subsequent decades, liberal Spanish economists also committed to spreading Classical political economy in Hispanic America, like the above-mentioned Mora or Flórez Estrada, who declared to have drafted *Curso de Economía Política* to spread Classical political economy to Hispanic America (Flórez Estrada 1828). There is an agreement that liberalism in general and Smithian ideas came to Hispanic America, notably in the context of the political independence from the Spanish monarchy (Mendes-Cunha and Suprinyak 2017). The cultivated young generation of the former territories of the Spanish kingdom became interested in Smith as a supporter of economic and political reforms like the monetary system, the fiscal and trade policies or the promotion of economic development.

However, in many cases, they believed in the motivations of “self- interest” for fueling economic growth, which they considered incompatible with the colonial dependency on Spain (Smith, 1957a, p. 1246). 25 It is also generally accepted that, similarly to Spain, Smith’s ideas spread directly from the WN and through Say and Bastiat’s works. Generally speaking, these ideas adapted to the cultural, religious and economic context of the newly created republics.

In one way or another, Smith was handled by merchants, politicians, reformers and intellectuals in most of the new republics. Argentina indeed experienced one of the most intense Smithian influences. As soon as 1797, there were indications that Argentinian merchants had encountered Condorcet's *Compendium* in the Spanish version by Martínez Irujo in the context of the debates about free trade in Buenos Aires (Perpere 2020). Much better known is the impact of Smith once the independence revolution broke out. Shortly before, Vieytes, a hero of the May 1810 Revolution, founded the periodical *Semanario de Agricultura, Industria y Comercio* (1802– 1807), where he supported profound economic reforms and specific projects. The articles show the influence of many Smithian ideas adapted to the particular contexts of Argentina (Rodríguez- Braun 1997, 448– 54). Vieytes, who was also influenced by the Italian “Civil Economy” approach of Genovesi, became strongly attracted to Smith's idea of “self-interest”, and his writings in *Semanario* continuously referred to the links between it and economic development (Perpere 2014, 2021). Belgrano, one of the republic's founding fathers, was educated at the University of Salamanca in the late eighteenth century, under Professor Salas (Astigarraga, 2011a). In Salamanca, Belgrano knew many intellectual sources of the late Spanish Enlightenment, possibly Condorcet's *Compendium* in Martínez-Irujo's translation. Once he returned to Argentina, he published in the periodical *Correo del Comercio* (1810– 1811) a summary of chapter I in book IV of the WN. Furthermore, many Smithian concepts mixed with ideas of the “mercantile system” are apparent in its pages (Smith 1957a, 1247). The long shadow of Smith's influence extended throughout the nineteenth century among supporters of liberalism like Mariano Moreno, Antonio Nariño or Juan Bautista Alberdi, who based his plan of modernisation of Hispanic America on “free trade with the entire civilised world” (Subercaseaux 2016, pp. 12–14). Beyond Mora's articles, there are indications that Smith was well-known in liberal circles in Chile. For example, Manuel de Salas, Juan Egaña and Camilo Henríquez, the group of liberals who founded in 1813 the Instituto Nacional— the National Institute— in Santiago of Chile, recommended the works by Genovesi, Say and Smith to follow the course on political economy organised by the Instituto (Smith 1957a, 1248). On the other hand, the economic debates in Chile, particularly those that referred to the foundation of a central bank and free trade that extended during a long period (1790– 1870), paved the way for introducing foreign ideas that adapted to the economic and institutional environment of Chile. Although the “neo- Mercantilism” approach coming from Spain prevailed in many ways, liberal ideas gradually gained ground. For example, Camilo Henríquez, a convinced “neo- mercantilist” in the early nineteenth century, became increasingly open to liberal ideas. He contributed, indeed, to spreading the ideas of French and British liberal thinkers like Smith (Edwards 2018, 374). During the first half of the nineteenth century, there was a specific knowledge of Smith in Chile. Still, a pragmatic and practical approach prevailed when applying his reform proposals and his economic policies. José Antonio Rodríguez Aldea, Diego José Benavente and Pedro Félix Vicuña are canonical examples of such a view. Although they managed Smithian ideas, they supported economic policies that contrasted with Smith's. Things changed dramatically when the French liberal economist Courcelle-Seneuil came to Chile (Edwards 2018, pp. 372– 78).

The institutional development that followed the independence of the Republic of Peru from the Spanish monarchy is the realm in which we find one of the most significant influences of Smithian thought. As in Chile, the monetary disturbances and the crisis of liquidity inherited from the colonial period worsened by the Independence War paved the way for reforming the monetary and financial systems. From our perspective, the monetary system finally adopted the Banco Auxiliar de papel moneda — the Auxiliary

bank of fiduciary money— specifically created for issuing money, it took as a reference *Ensayo económico sobre el sistema de la moneda papel y sobre el crédito público* (1796) by Alonso, the first translator of an almost complete version of the WN into Spanish. *Ensayo* was reprinted in Lima in 1822 and was the first economic essay published in Peru after independence (Alonso Ortiz, 1822). An anonymous author enlarged the Peruvian version by adding a second part entitled *Adiciones al Ensayo sobre el Papel- Moneda escrito por D. Jos é Alonso Ortiz impreso en Madrid en 1796*. Schwartz and Fernández (1978) have demonstrated how *Ensayo* relied on Smith's monetary ideas and approach to fiduciary money, which thoroughly influenced Alonso. Despite the Peruvian enlargement of *Ensayo*, a series of analytical nuances regarding the original edition, the Smithian influence remained as it was in the first part of *Ensayo* (De Haro 2013). Thus, many Peruvian civil servants, policy-makers, and even San Martín himself, the founding father of the Republic of Peru, used the *Ensayo* and Smith ideas. Alonso Ortiz's translation of the WN circulated in the Viceroyalty of New Granada from 1794, and some enlightened creole like Pedro Fermín Vargas proved to be influenced by Smith (Cárdenas 2020). In the Republic of Colombia's early period, liberalism was pervasive and became the doctrinal support of the institutional building of the state (Jaramillo 2001).

Together with Bentham, Quesnay, Ricardo, Say or James Mill, Smith was profusely read by intellectuals, politicians and businessmen to organise the postcolonial economy (Chaparro and Gallardo 2015, 232, 242). Similarly to other republics in Hispanic America, they were more interested in the practical issues of economic policy than in economic theory. Such a fact applies to the reception of the WN. For example, Salvador Camacho, who widely quoted Smith in his writings, supported the ability to pay tax principle and Smith's maxims of taxation. On the other hand, the politician Miguel Samper, who committed to changing the tax system inherited from the colonial period, demonstrated a deep knowledge of Smith and particularly Said's ideas (Chaparro and Gallardo 232, 238– 42, 247– 49). Indeed, as in Spain, Say's works indirectly spread the WN in the new republic. The first chair of political economy established in Colombia in 1820, Say's works were prescribed as a handbook (Hurtado, 2017).

Regarding the other territories that had composed the Viceroyalties of New Grenade, New Spain and Cuba during the colonial period, R.S. Smith (1957a, 1251– 53) affirms that there are clear indications that Smith was relatively known and used in educational and political spheres. The Mexican experience exemplifies all this. The classical monograph by Silva Herzog showed that after the republic's independence, a relatively numerous group of Mexicans paid particular attention to political economy (Silva Herzog, 1967). Further research confirms the considerable impact of Classical political economy and Smith. R.S. Smith points out how the member of the Mexican Parliament Manuel Ortiz de la Torre, whom he considered the first Mexican economist, opposed monopolies, prohibitions and custom duties by “interpreting correctly the doctrines of French and English economists among which is Smith (Smith 1959, 510– 13).

In some cases, however, Silva Herzog proved to be too optimistic about Smith's influence. For example, recent research casts doubts on the impact of Smith on the conservative politician Lucas Alamán (Calderón 1985). The classical works by Hale (1972) and Reyes Heróles (2002) note, respectively, the influence of Bentham, Constant, Filangeri, Say, and Smith in the early parliamentary debates on politicians like Mora, Zavala, Antuñano or Valentín Gómez- Farías, and, on the other hand, the Spanish intellectual sources in the formative years of liberal thought in Mexico during the fi rst

half of the nineteenth century. A later generation of politicians who took on responsibilities in the successive republican governments, like Miguel Lerdo de Tejada, a supporter of free trade and promoter of the land confiscation laws in the 1850s, Ignacio Ramírez and Francisco Zarco had to a greater or lesser extent some contacts with Smith's writings (Blázquez 2002; Ibarra, 2012).

The spread of Smith in Hispanic America was not limited to the old territories of the Spanish monarchy but also extended to Brazil. Bento da Silva's 1811–1812 translation of the WN into Portuguese circulated there, although it remained virtually unknown outside Brazil (Reeder and Cardoso, 2002). In this country, the spread of the WN was apparent in questions like free trade or slavery (Coutinho 2017). Similarly to the Spanish monarchy's old territories, the WN recipients in Brazil adapted Smithian ideas to the backward environment of an agricultural and colonial economy (Almeida 2018). In general, Hispanic Americans used the WN in several ways: for educational purposes, for backing the proposals of the liberal economic reforms and, in some cases, rhetorically. In this respect, there is an undoubted will to adapt Smithian ideas to the backward economies and institutional environments of the newly created republics, which in many cases means contradicting the approaches of economic reforms suggested by the Scottish economist.

Finally, the intellectual link to the former metropolis due to a significant circulation of economic ideas between the two sides of the Atlantic Ocean intermediated in Smith's spread in Hispanic America, even, logically, after the foundation of the new republics. Therefore, to some extent, the fate of the WN walked parallel paths in Spain and the former colonial territories. In this context, to have a complete account of the reception of the WN in peninsular Spain, the reception of the WN in the late Enlightenment and early Liberalism looks imperative.

6.- Final remarks

The analysis of the parliamentary records during the Liberal Triennium demonstrate that the works of Classical economists, in general, and Smith, in particular, were known by a wide range of members of the Spanish Parliament. They were well-known economists and proponents of Classical political economy in Spain like Flórez Estrada or Canga Argüelles, but also for others who had nothing to do with political economy. Even opponents of Classical economists' ideas and policies demonstrate a relative knowledge of WN's main ideas. Smith's quotations are relatively profuse but significant enough as the WN backed crucial reforms in the Spanish Parliament. Smith, indeed, is evident in public finances, public debt and the different aspects of commercial policy. Indirectly, we may find a greater influence on the suppression of clerical domains and *mayorazgos*, public debt, colonies and all the issues related to economic freedoms. However, the WN's theoretical issues are not present in the parliamentary debates. There are no references to Smith's theory of value and distribution, although there is an indirect reference to the theory of economic growth. Books IV and V in the WN are the most quoted and referenced parts of Smith's work.

Regarding the exile of Spanish liberals, Spanish economists handled Smith in different ways. First of all, he was used to criticise the “mercantile system,” back competition, or promote labour division. Spanish economists also assumed public finance and taxation principles to reform public finances in Spain and Hispanic America. By far it is Canga Argüelles who most often relies on Smith for supporting specific aspects of the reform of

the Spanish public finances. However, Smith is a starting point to illustrate the advances of economic science in the Classical period. In this sense, Smith's late reception by authors in exile, such as Flórez Estrada himself or Mora, is intermediated through the Scottish economist John Ramsay McCulloch and considers the advances experienced by political economy in the meantime. Finally, a correct and complete understanding of the coming of the WN to Hispanic America requires considering the previous reception of Smith's work in peninsular Spain.

Bibliography

Andrés Pérez, Rodrigo, "Los inicios de la enseñanza del Derecho Constitucional en el Chile decimonónico: El Liceo de Chile y el Colegio de Santiago (1828-1831)", *Anuario de Estudios Americanos* 68 (2011), 141-162;

Brewer, Anthony, *Adam Smith's Stages of History*. Bristol: Department of Economics (University of Bristol), 2008, D.P. 08/601).

De Haro, Dionisio, "Papel para un Perú independiente: el pensamiento económico español y la creación del *Banco Auxiliar de Papel Moneda*", *Revista Complutense de Historia de América* 39 (2013): 203-227.

Folchi, Mauricio, "La insustentabilidad de la industria del cobre en Chile: los hornos y los bosques durante el siglo XIX", *Revista Mapocho* 49 (2001): 153-157).

Giacomin, Alberto. "Paper-Money: a Reassessment of Adam Smith's Views", *Money and Markets: A Doctrinal Approach*, eds. Alberto Giacomin y Maria Cristina Marcuzzo (London-NY, Routledge, 2007), 181-189

MacCulloch, John Ramsay, *The Principles of Political Economy, with a sketch of the rise and progress of the science* (Edinburgh-London: Adam and Charles Black-Longman, Brown, Green and Longmans, 1825).

Mora, José Joaquín "Aplicación de algunas verdades de esta ciencia a la situación de Chile", *El Mercurio Chileno* (1829): 725-735.

- Aduanas. Art.1^o, *El Mercurio Chileno* (1828): 199-200.
- "De los bancos de descuento y circulación", *El Mercurio Chileno* (1828): 155.
- Mora 1929 "Comercio. Juicio de esta obra. Art. 1^o", *El Mercurio Chileno* (1829): 678-681.
- "El comercio en el siglo XIX&C. Juicio de esta obra. Art.2^o", *El Mercurio Chileno* (1829): 761.

O'Brien, D.P., *Los economistas clásicos* (Madrid: Alianza, 1989):

Sagredo, Rafael, 1823-1831. El desafío de la administración y organización de la Hacienda Pública". *Historia* 30, 1997: 287-312

Smith, Adam, *Investigación sobre la naturaleza y causas de la riqueza de las naciones* (1776), (Barcelona: Oikos-Tau, 1988), 897-933. On custom duties in Chile during the 1820s, see Sagredo, “Pragmatismo proteccionista”.