

A look at Chile´s position in Spain´s macroeconomy as seen through her seventeenth-century maritime circuits

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Resumen

Este trabajo examina la participación de Chile en la gran macroeconomía del imperio español mediante el análisis de sus circuitos marítimos. Se identifican y exploran cuatro circuitos marítimos distintos, barco explorador, real situado, corrida de abastecimiento de Valdivia y mercante, dentro de su contexto histórico del siglo XVII. Por último, descubrimos cómo los problemas administrativos y los desastres naturales dentro de estos circuitos condujeron no sólo a las pérdidas financieras de los productores agrícolas de Chile, sino también a la extensión y expansión de la guerra de indios de Arauco.

Palabras clave: Chile colonial, historia marítima, marina, guerra de indios de Arauco, macrohistoria.

Abstract

This paper looks at Chile´s participation in the large macroeconomy of the Spanish empire by analyzing her maritime circuits. Four distinct maritime circuits, scout ship, real situado, Valdivia supply run, and merchant are identified and explored within their seventeenth-century historical context. Lastly, we discover how administrative issues and natural disasters within these circuits led not only to financial losses by Chile´s agricultural producers, but also the extension and expansion of the Arauco Indian war.

Key words: Colonial Chile, Maritime History, Navy, Arauco Indian War, Macrohistory.

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Introduction

Chile was one of Spain's most isolated and far-flung American colonies. Its discovery by Diego de Almagro in 1536 and subsequent conquest by Pedro de Valdivia in 1540, were a mere afterthought to the immensely successful conquest of Peru. Chile's isolation in part was due to its arid deserts that separated it from the Peruvian centers of Lima, Cuzco and Potosi. Communication and commerce between Chile and Peru quickly became subject to another set of variables, the sea and the availability of merchant ships. Chile's inclusion in the macro or world economy, controlled in part by the expansive Spanish empire, depended solely on the disposition of a small group of merchants who controlled commerce along the Pacific coast.

While early Spanish explorers in Chile found precious metals, their quantity and availability made mining difficult. During the 16th century Chile exported gold, however, that ended with the closing of most of Chile's mines at the end of the century, due to the lack of ore and an Indian uprising in Southern Chile. The lack of a viable product to export eliminated Chile from Peru's commercial network. Nevertheless, the Spanish King's subsequent edict that formed a standing army in Chile, financed with a yearly Real Situado taken from mining taxes from Potosi, gave Chilean producers a new opportunity to stay connected with the macro or world economy that was the Spanish Empire.

In this paper we will look at Chile's participation in this world economy by analyzing the existence and function of maritime circuits or trade routes. Until recently their importance within Chile's colonial history has been reduced to a minimum, where historians tend to see Chile as an isolated independent unit capable of making its own decisions and not a player in a macro or world economy. We will show how the economy and society of Chile during the 17th century depended on the timely arrival of merchant ships whose captains were operating within a defined set of externally controlled parameters, that formed part of a larger or macro economy.

The existence of colonial shipping lanes and port procedures have been studied for the Atlantic and Caribbean spheres, where historians have expanded upon the ideas that Fernand Braudel (1976) used while studying the Mediterranean Sea (Lenardo & Pretel, 2015; Jumar, 2018; Coffman et al. 2015). Specific commercial routes such as the Manila Galeon, *Carrera de*

las Indias and the African slave trade have also been studied within their own sets of parameters (Rosenblitt, 2022; Bonilalian, 2012, 2019, 2022; Klooster, 2016; Carmagnani, 2018). Navies, merchant and military, were a key component in the economic and political success of the Spanish colonial system, where constant direct communication between the Spanish court and her network of viceroys and governors was essential. Taxes, judicial appeals, formal requests, letters, secular and religious assignments amongst other things all had to pass through the Spanish court before being dispatched to its final destination onboard a ship. Merchant convoys and naval expeditions were annual expenditures, which were accompanied by the ever-present risks of attack by other European navies or privateers (Bradley, 1979, 1989; Clayton, 1974, 1975). Formal mercantile routes were formed between Spain and the Caribbean and Manila and Mexico just to name a few (Bonilalian, 2012, 2019, 2022; Lenardo & Pretel, 2015; Coffman et al. 2015; Rosenblitt, 2022). In other words, we concur with the idea that the Spanish empire revolved around the sea (Canales and Del Rey, 2011; Castro Rodriguez, 2024).

In the case of Chile, the initial contact by the Spanish conquistadores was by land through the arid Atacama Desert, however they were supported and resupplied by ships sailing along the Pacific coast. Once permanent settlements were built all formal communication with Spanish authorities in Peru was by sea. Messages, supplies and military reinforcements all came by boat with the only exception the occasion overland route from Buenos Aires through Mendoza. During the 16th and 17th centuries the Chilean coastline was mapped, and safe anchorages were converted into makeshift ports. Fishing and commercial communities soon appeared, which were formally included within the jurisdictions of the newly founded cities.

This investigation will put Chile's maritime history into its 17th century colonial context, within the macro maritime history of the Spanish Empire. First, we will describe and analyze available colonial primary sources that allow to ascertain the dimensions, particularities, and inner workings of the Spanish merchant fleet that sailed along the Pacific coast. Second, we will identify and analyze the distinct maritime circuits utilized during the 17th century between Chile and Peru and the importance and concerns related to the proper function of each. This will allow us to expand upon the difficulties associated with the maritime trade during the 17th century by using new historical sources from the Chilean National Archive to analyze how these circuits were disrupted by military events related to Chile's longstanding Arauco Indian war. And lastly how these disruptions led to unintended shipping disasters that shaped

Chilean history and in particular the Arauco Indian War itself, which further exposed Chile's economic and social dependence on the Peruvian maritime fleet.

1. Colonial Shipping Records

One of the reasons that we are focusing on the 17th century, is that previous investigations by Peter Bradley (1979, 1989), Lawrence Clayton (1974, 1975), Marcello Carmagnani (1963, 1973), Armando de Ramon (1982), Robert Smith (1949), and Margarita Suarez (1995, 2001) have shown the potential of further analysis in spite of the fragmented and precarious nature of the available historical records. Chile's long history of earthquakes and tsunamis makes finding 17th century records very difficult, since many of the colonial repositories were damaged or destroyed prior to the creation of the National Archive in the 19th century (Stewart, 2019). Previous investigations have primarily focused on external archives in Peru and Spain, while our investigation is centered on, but not exclusive to, the under-utilized Chilean National Archive (Villalobos, 1990). Our analysis of this archive has resulted in the discovery of hundreds of new records pertaining to the 17th century seafaring traffic that allow us to reconstruct maritime circuits and the individual histories of specific boats and their crews that previous investigations had not attempted due to their fragmented nature.

The information recovered from the Chilean National Archive can be placed into the following general categories: account books from the *Real Hacienda* (Contaduría Mayor Primera Serie), military supply records (Contaduría Mayor Segunda Serie), documentation related to specific voyages (Capitanía General), civil and criminal court cases involving specific voyages or merchants (Real Audiencia), individual cargo records (Notarios), and Jesuit supply records (Jesuitas de Chile). Each category provides a specific view of a voyage or series of voyages that when pieced together allow us to recognize patterns which reveal the inner workings of the individual circuits.

2. Colonial maritime circuits

The vast majority of all Spanish maritime traffic was controlled and regulated by local government officials. Administrative costs associated with import-export taxes and shipping fees depended directly on the purpose or maritime circuit ascribed to the specific voyage. Some movements, like the sailing of the Armada del Sur from Callao to Panama City with that year's silver bullion, went like clockwork, while others required specific situations or

conditions before they could be undertaken (Stein & Stein, 2000; Marichal, 2006). Recognizing these patterns from a Chilean perspective allows us to situate her commercial needs and capabilities within those of the greater Spanish Empire. Thus, the correct placement of an individual ship within its assigned circuit allows us to fully understand the rules and regulations under which it sailed.

In general, all sanctioned voyages can be placed within one of four international maritime circuits that operated during the 17th century. However, a single ship sailing to Chile could participate in more than one circuit before finally returning to Peru.

2.1 Peruvian Scout Ships

The first circuit corresponds to the scout ships that the Peruvian Viceroy sent on a yearly basis to check for the presence of European ships at Chile's remote islands. They made periodic stops at the Juan Fernandez, Mocha, Santa Maria and Chiloe islands and would immediately report their findings to military officials in the ports of Valparaiso, Concepción and Callao.

Upon leaving Callao, it would sail directly to the Juan Fernandez Islands then to the port of Valparaiso where the captain would report any findings to the local authorities before sailing South to the Santa Maria and Mocha islands¹. From there they would continue South entering the bay at Valdivia before circling the main island of Chiloe. The return voyage was meant to follow immediately thereafter, without any additional stops along the way.

The scout ship's operating contract did not allow for the shipping of commercial products and instructed local authorities not to delay in any way the ship's speedy return voyage. However, in 1657, the royal accountant Joseph Zorrilla de la Gandara revealed the presence of widespread abuse of scout ship privileges². He indicated that most of the ships not only failed to return immediately to Peru after finishing their assigned route but would also spend several months at Chilean ports loading cargo, human or material, that he was unable to inspect or tax due to the Viceroy's indications, all while charging the Viceroy a monthly rental fee.

Witnesses testified that the scout ships while at port in Chiloe would take on loads of alerce trees, transported there in locally produced piraguas. The lumber would be sold in Santiago or Callao as masts or roof beams. A second form of illicit cargo can be seen with the *Nuestra*

¹ ANH.RA vol. 2992, pieza 1, foja 11.

² Archivo de la Nación, Perú, AGN PERU, SM_DOC_2,85.

Señora de Alta Gracia which sailed in 1636 from the Chiloe port of Calbuco, with a reported cargo of 1500 alerce poles³. Her captain submitted the ship's travel documentation and passage manifest which revealed the presence of 17 unreported indigenous slaves⁴. Witnesses confirmed that most scout ships were used to carry human cargo, Mapuche Indian slaves and civilian passengers, from Valdivia and Chiloe as well as common commercial products such as sebo, cordobanes and rope from Valparaiso.

Joseph Zorilla de la Gandara's damming report led to immediate changes in the scout ship circuit. First, he published a decree, which prohibited merchants in Valparaiso from selling to or storing goods for scout ships without permission from the Real Hacienda. Second, he introduced a mandatory cargo inspection for scout ships, while lifting the prohibition of carry commercial cargo on return voyages in the instances where no European ship had been spotted. Lastly, he implemented the idea ending the scout ship's contract in Valparaiso or extending it by using scout ships for secondary military cargo runs.

These changes can be seen during the second half of the 17th century, when local officials embraced the idea of loading scout ships in Valparaiso with military supplies meant for the garrisons of Valdivia and Chiloe. They successfully argued that this was needed in order to reduce military costs and insure the prompt arrival of basic food supplies to the garrisons⁵. By the end of the 17th century however, the overall increase in colonial shipping led to the elimination of the scout ships. The inspection of the remote islands of Juan Fernandez was delegated to the fishing communities of Arica, Castro, Coquimbo and Valparaiso that regularly sent ships to fish the rich waters surrounding the island chains.

2.2 The Real Situado

The second maritime circuit is the Real Situado or military resupply ship. Chile's tax base was insufficient to finance an army, so the King ordered the Peruvian Viceroy to send a yearly Real Situado to Chile to pay the soldier's salaries and administrative costs. Each year, a ship was sent from Callao to Concepción with 267 thousand pesos of military supplies. While there was no set standard for what was to be included in the Real Situado, it generally included imported and local cloth, finished clothes, shoes, iron products, military equipment, exotic foods, and a small amount of silver coins (Vargas, 1981; Stewart, 2016). Thus, the final composition of each

³ ANH.RA vol. 1431, pieza 9, foja 267 v.

⁴ ANH.RA vol. 1431, pieza 9, foja 267v.

⁵ ANH.RA vol. 2997, pieza 1, foja 14.

year's Real Situado was different and depended upon the available stock on hand and the prices afforded to the army's supply agent in Lima. Between the years 1606 and 1624 the Real Situado was ferried to Chile on board the galleon San Agustín, which formed part of the Spanish army in Chile⁶. However, in 1624 the San Agustín was scuttled in the bay of Concon during an attack by Dutch privateers⁷.

Subsequently merchant ships were contracted to deliver the Real Situado to the port of Concepción during a specific period of time each year. Any delay in the arrival of the Real Situado increased the possibilities of civil unrest in the forts and the inability of the local merchants to keep supplying the army with flour and meat. Once the Real Situado left Peru it became the Chilean Governor's responsibility. Furthermore, there was no mechanism to replace a Real Situado that was lost or damaged at sea. For example, in 1663 the boat *Nuestra Señora de la Regla y San Antonio de Padua* sailed to Concepción with the *Real Situado*. It consisted of clothes, iron products, munitions and fifteen sealed bags of silver coins containing a total of 37.500 pesos. The ship hit an early winter storm that threw it off course causing to run aground North of Concepción near Mela Point at the mouth of the Itata River. The ship was a complete loss and the army's supply agent and the majority of the ship's crew and passengers drowned. Three survivors were able to make it South to Concepción where they were interrogated by local officials⁸.

During the following weeks, soldiers scoured the beaches for bodies and supplies from the ship, while government investigators questioned the survivors as to the amount and location of the silver coins and metal objects onboard the ship, in order to better orient the recovery divers, hired to retrieve the precious metals. The loss of the Real Situado, froze the Governor's military plans for the year and led to the reduction of available soldiers. In order to pay the local merchant's food contracts the Governor took out a high interest emergency loan from other local merchants that was paid with the next Real Situado.

Another example can be seen with the 1684 Real Situado, ferried on the ship San Juan de Dios, included several dozen passengers including Antonio Morales, the new Bishop for the Diocese of Concepción. While the voyage was mostly uneventful, the ship's pilot became ill shortly after departure and rarely left his bunk. A few days out from Concepción, just as the ship had turned eastward, it ran into a storm making the pilot's assistant unable to take

⁶ Archivo General de Indias, CHILE, 41, N.14.

⁷ Archivo General de Indias, PANAMA, 16, R.7, N.81.

⁸ ANH.RA vol. 2512, pieza 1.

correct bearings. On the night of November 27th, 1684, at around 2AM the ship suddenly ran aground of the coast of Pangué nearly a hundred kilometers South of Concepción⁹.

The next morning found the beach strewn with bales of cloth and the bodies of the living and the dead. Local Indians informed the Spanish soldiers at the fort of Tucapel, who arrived later that day and took over the rescue and recovery operations. Together they spent the next week recovering chests and bales from the wreck site and the bodies of those who drowned. Along the last bodies found was that of Antonio Morales the catholic bishop who was laid to rest in the Santo Domingo Convent in Penco¹⁰.

Extra space on the Real Situado ships could be used by the ship's captain or the army's agent to transport personal supplies or commercial products. Before the tax reforms of the 1630's most civilian goods imported on the military transports went undetected, however, in 1638 Santiago Tesillo decided to make an example of the captain of the ship San Bernabe that had transported the Real Situado to the port of Concepción. Upon further inspection it was revealed that the captain had his own personal cargo, which consisted of 100 bottles of wine from Pisco, 250 bricks of salt, 96 bottles of honey, 14 bags of soap and 14 bottles of olives, with an initial Lima value of 1460p3r¹¹.

Upon arriving in Concepción, after the unloading of the Real Situado, the ship had to wait at anchor until military supplies for the port Valparaiso and the royal letter pouch were loaded on board. While the military cargo was loaded immediately after the initial inventory of the Real Situado, the ship's departure was generally delayed until the governor and other military and civilian leaders finished writing letters or reports to be sent to Santiago, Callao or Madrid. During this period, which varied between several days or weeks, local merchants and farmers contracted space on the ship to export products to Valparaiso or Callao. The later was charged with export taxes that had to be paid during the loading process while goods shipped internally generally were duty free. Lastly a number of civilians and soldiers, who had previously obtained a signed permission from the Governor or Maestre de Campo, purchased tickets to travel to Valparaiso or Callao with their entourages. Upon arriving at the port of Valparaiso, the ship's military contract was concluded, allowing the ship to regain its status as a common merchant vessel.

⁹ ANH.CG vol. 873, pieza 2.

¹⁰ ANH.RA vol. 3004, pieza 1, fojas, 265-273.

¹¹ ANH.RA vol. 1806, pieza 3.

2.3 The Valdivia supply run

Before the 1598 Indian uprising caused it to be abandoned, the port of Valdivia was Chile's largest and most active (Guarda, 1993). Its location in a deep bay in southern Chile made it an ideal resupply location for ships entering the South Pacific through the Strait of Magellan or those traveling South to the Chiloe islands (Urbina Carrasco, 2009). After its abandonment in 1602 it became a military objective of several European nations. Between 1614 and 1641 Spanish military officials conducted military campaigns against hostile indigenous groups with the objective of opening a land route to Valdivia, which would allow for its reconstruction (Stewart, 2023).

In 1641 hundreds of Mapuche chiefs participated with the Spanish Governor in the Quillin Parliament which signaled the government's intention to rebuild Valdivia, however, the financial crisis in Madrid made financing the reconstruction impossible at that time (Andrien, 1985; Stewart, 2023). However, in 1643 a Dutch naval expedition landed in Valdivia and unsuccessfully tried to form an alliance with the local indigenous chiefs. The presence of the Dutch fleet was reported to the Spanish Governor in Concepción who ordered the scout ship to return to Callao with the news. Several months later additional scout ships reported that the Valdivia Bay was empty and that local chiefs were unsure if the Dutch would be returning (Concha Monardes, 2014).

The mere possibility of a Dutch military enclave in the South Pacific forced the Peruvian Viceroy into action and in 1645 an armada was sent with an expeditionary force to rebuild and fortify the port of Valdivia (Klooster, 2016; Concha Monardes, 2014). The Viceroy's plan included provisions that for a second Real Situado of 90,000 pesos and that while the enclave would have its own Military Governor, its resupply, locally produced flour, meat and wine, would be handled by the Chilean Governor out of the port of Valparaíso¹². Instructions were given to use the scout ship and the Real Situado ship and allowed for the forced procurement of additional merchant ships as needed.

The Valdivia supply run became an additional maritime circuit whose implementation severely strained the economic and administrative capabilities of the Valparaíso port officials. Each year the procurement officer in Santiago would contract the purchase of flour and meat for the

¹² ANH.RA vol. 2727, pieza 5.

Valdivia garrison, where each seller-producer would transport the product to the port of Valparaíso where it would be stored in a warehouse until being shipped to Valdivia.

The ideal situation for the Viceroy would have included the creation of an *asiento* or full contract where an individual merchant would purchase and transport all of the supplies for a previously agreed upon price. However, limited availability of ships in Valparaíso and the severe financial strain that most merchants felt in the 17th century made this option unavailable until the decade of 1660¹³.

Port officials were left in charge of acquiring adequate transportation for the supplies and passengers going to Valdivia. The Viceroy's instructions empowered them to impound, by force if needed, available ships to use on the Valdivia supply run, which usually occurred every four months and required a much larger number of ships than the *Real Situado* in Concepción. The term "available" became the center of several court cases where government officials stated that any ship at anchor was available, while many ship's owners or captains reduced the term to ships in pristine condition whose return voyage to Peru had yet to be approved¹⁴.

The government's definition made it difficult for ordinary merchant ships to avoid being acquisitioned into numerous supply runs during a prolonged period of time. Voyages back to Peru for needed repairs were postponed and severe food shortages in Valdivia led to trips made under duress due to adverse weather conditions and pre-existing damage to the participating ships. Between the years 1645 and 1651 several supply ships were damaged while on route to Valdivia¹⁵. The inherent dangers of the Valdivia supply run became all too apparent in 1652 when the frigate *San Joseph* was forced to make an additional late fall supply run to Valdivia when news that the enclave was running short on meat and flour reached Santiago. Ignoring the protests of the ship's owner and captain, the ship was dispatched and in late May was almost at its destiny when a severe early winter storm blew it nearly 100 kilometers off course, sending it crashing into a rocky shoreline at the mouth of a small unnamed river. The storm beached the ship in the territory of a hostile Indian group known as the *Cuncos* and far from the nearest Spanish military installation¹⁶.

Later reports revealed that *Cunco* warriors from a nearby village helped the survivors to shore. However, when it became clear that they would not relinquish ownership of the ship's cargo,

¹³ ANH.RA vol. 2162, pieza 1.

¹⁴ ANH.RA vol. 2505, pieza 7.

¹⁵ ANH.RA vol. 1432, pieza 5.

¹⁶ ANH.RA vol. 3230, pieza 27.

at that moment strewn along the beach, the Cunco chiefs ordered the deaths of the Spanish survivors and the removal of all visible signs of the wreck. Spanish rescue boats from Valdivia arrived several months later because the only other merchant ship that had been at Valdivia at the time of the storm, the San Francisco del Milagro, had broken its anchor chain and had been smashed to pieces on the rocks in front of the port¹⁷.

Thus, in one storm two essential merchant ships were sunk while participating in the Valdivia supply run. Additional ships and an emergency overland expedition had to brave the full brunt of the Valdivian winter to resupply the garrison, who by that time were near starvation. The loss of the crew of the San Joseph caused an uproar in the Spanish population. The Governor Antonio Acuña de Cabrera tried to harness this resentment by sending the majority of the army South to the Cunco's territory to collectively punish the chiefs for their actions. However, poor military planning and deceit by a portion of their Indian allies led to massive losses in the Spanish army on the banks of the river Bueno in 1654 and again in 1655 (Stewart, 2016). The defeat at the second battle of Rio Bueno precipitated a major Indian uprising that culminated with the destruction and abandonment of almost all of the Spanish military installations and hundreds of ranches and farms between the Biobio and Maule rivers. Irate citizens in Concepción expelled the Spanish Governor and pleaded with the Peruvian Viceroy for reinforcements and reparations.

While the creation of the *assiento* of Valdivia resolved many of the logistical difficulties surrounding the Valdivia supply run by allowing for a more orderly transportation system, the inherent dangers posed by the region's extreme volatile weather patterns remained constant. For example, in 1688 the ship *Nuestra Señora de la Granada* ran into rough weather far out to sea, just as it were turning eastward toward Valdivia. The high seas caused the ship to breakup, forcing the crew into their small lifeboat. Nearly a week later they made land in Cunco territory near Rio Bueno, upon which they sailed back out to sea until turning East again at the level of Valdivia¹⁸.

Another key component of the Valdivia supply run was the ability to take on cargo for the return voyage. Similar to the scout ships in Chiloe, the region's only export products were Alerce trees and indigenous slaves. Mapuche women and children from hostile communities, caught during raids, were legally sold into slavery. Furthermore, the Quillin peace accords

¹⁷ANH.RA vol. 3230, pieza 27. Véase también Bascuñán et al. 2003.

¹⁸ ANH.RA vol. 2506, pieza 1.

allowed trade between the Spanish and indigenous population for the first time in years. Since indigenous slavery was only legal as a form of punishment against hostile groups, a new method was needed in order to continue the practice with the now allied communities. Therefore, Spanish military officials or their Indian allies started purchasing "*a la usanza indígena*" indigenous women and children from the local chiefs (Stewart, 2017). The practice of selling marriage age girls or widows and orphans was common practice within the indigenous communities so the Spanish participation was not surprising. However, the resale or exportation of the purchased women and children to Santiago or Lima caused consternation within the indigenous population and became the decisive factor in the 1655 Indian uprising (Stewart, 2016).

During the second half of the 17th century the long-awaited privatization of the supply run permitted the port of Valdivia to become a regional economic hub. Small privately owned ships transported lumber, usually from Alerce trees from Chiloe or Maullin to Valdivia for re-transport to Valparaiso or Callao on the military supply ships. The military agent for Valdivia was contracted to provide flour, meat, animal fat, shoes, and rope for the soldier's basic needs, which was sent on three or four ships spaced evenly throughout the year. Upon finishing their military supply duties, agents and ships captains were free to participate in the complex commercial circuit.

2.4 Merchant ships

While nearly every ship that traveled to Chile was able to participate in some point in the merchant circuit, a small but increasing number of ships were able to dedicate themselves almost exclusively to it. During the XVII century there was a continual increase in the number of merchant ships that visited Chilean ports. During the first half of the century the number of merchant ships not associated with the Real Situado, or scout ships was reduced by local officials in a failed attempt to eliminate fluctuations in the price of sebo and cordobanes in the Peruvian market (De Ramón & Larrain, 1982). Another factor in the movement of unassociated merchant ships was the power that the Real Audiencia had to force the ship's captains to modify their shipping plans in order to carry military supplies to the ports Valdivia and Chiloe. These additional voyages led to long delays in the return voyages to Peru and inability to plan future voyages.

During the second half of the 17th century the number of private merchant ships visiting Chilean ports slowly increased. In order to increase their profits and commerce they started

to make stops during the return voyage at Chile's lesser ports which included la Ligua, Coquimbo and the Peruvian port of Arica (De Ramón & Larrain, 1982). In 1687 a large earthquake damaged the agriculture region surrounding the city of Lima. This led to a drastic shortage of wheat and the immediate commercialization of Chilean wheat in Lima (Ramos, 1966; Sepúlveda, 1956; David, 1993). The number of ships arriving in Chilean ports quickly doubled as wheat became Chile's leading export product. In the last decade of the 17th century Chilean merchants faced numerous court cases over the exportation of wheat since the military quartermasters and city procurement officers were unable to fulfill their contracts since many of the local wheat producers had secretly sold their harvests to the Peruvian merchants instead of the Chilean authorities, as contractually obligated (Carmagnani 1963; Stewart, 2016).

The commercial situation of merchant ships was different than those associated with the Real Situado. While their cargos were similar, the ownership of the products imported on the merchant ships were divided between local producers and Peruvian merchants. Thus, the financial impact of loss of a merchant ship was divided between both groups. The same can be said for the outward voyage where the Peruvian merchants used about half of the available space while the other half was used by local merchants to cancel debts in Lima with locally produced merchandise or with local manufacturers hoping for higher profits in the Lima market. Thus, the loss of the ship on the outward voyage would have adverse consequences, especially in the case of merchandise being sent to Lima to pay previous debts.

This can be clearly seen in 1647 with the loss of the merchant ship San Nicolas off the coast of Arica. Internal letters within the Real Audiencia reveal that in an attempt to increase profits and avoid tight shipping controls that it had become common practice for merchant ships to offload their ballast stones in Valparaiso and load in their place unregistered bags of sebo¹⁹. Heavy seas tended to shift the sebo below the main hold, making the ship unbalanced and apt to tip over. Several accidents occurred in the bay of Valparaiso; however, it was the sinking of the San Nicolas and the loss of her cargo, valued at over 100,000 pesos that finally shined a light on the practice, which was still in place several years later in 1657²⁰.

The merchant ship's southward trip included several days traveling in a southwest direction before following the favorable currents South, which meant that on the southward voyage the

¹⁹ ANH.RA vol. 2988, pieza 1, foja 49.

²⁰ ANH.RA vol. 2505, pieza 7.

ship would not stop at any of the intermediary ports or even see the Chilean coastline. Upon reaching the latitude of Valparaíso or Concepción the ship would turn East until locating recognized landmarks that allowed it to reach its final destination. Military supply vessels sailed directly to Concepción, while merchant ships rarely sailed farther South than Valparaíso. Upon arriving at their port of choice, the ship's cargo logs were checked and import taxes applied. A registry of the amount of tax collected was recorded in that year's treasury book. Some scribes recorded each merchant's paid taxes separately while others only included the full amount paid by the ship's captain. The same can be said about the descriptions of the cargo, which vary from detailed lists with product names and prices to a general vague description and total amount paid.

The prices included in the Real Hacienda tax logs, respond to Peruvian wholesale values. Upon arriving in Chile an additional 30-50% was added to cover shipping costs. While merchants were able to increase their prices as part of doing business, military leaders were constantly accused of price gouging by their opponents who wanted to receive payment from the Real Situado with Lima and not Concepción prices. During the next several months the ship's Capitan or the individual merchant's agents would secure a viable cargo for the ship's return voyage. Depending on the size and internal distribution of the ship, the agents would purchase, *"en verde"*, sebo, cordobanes, timber, and wheat for the return voyage. Food supplies would also be included for the crew and passengers, but generally was not included in the cargo manifest. Sometimes side trips to Coquimbo were taken to trade for copper or gold to include in their outbound cargo.

The return voyage for all northbound ships officially started in the port of Valparaíso with the formal registry of a signed permission from the Governor and receipts of all export taxes. Furthermore, individual passengers also had to have a signed permission that included their associated families and servants. The permissions stated the name of the boat they intended to travel on and the port in which they would embark. Previous to arriving at Valparaíso, military ships took on loads of wood, slaves, and agricultural products in Chiloe, Valdivia and Concepción, however the formal permission to sail to Peru came through the Governor and the Real Hacienda and included a formal layover in Valparaíso. Ships sailing from Concepción were required to pay their exportation taxes there, before sailing to Valparaíso.

However, receiving permission to sail from the Governor did not guarantee being allowed to leave port of Valparaíso. Military and civilian authorities constantly delayed the departure of merchant ships under a variety of pretexts that ranged from the need for an additional supply

ship for Chiloe, Concepción, or Valdivia, the need to include a specific report or passenger, the possibility of bad weather, potential sightings of a European vessel, or just about any other possible excuse. Records show that these delays forced many ships to winter in Valparaiso because rough weather and contrary winds made winter travel prohibitive. Furthermore, witness testimony from civil and criminal court cases allows us to see that avoiding unwanted delays required specific commercial relationships with port authorities.

Once the ship left Valparaiso it would travel North following favorable currents along the coast making periodic stops in La Ligua, Coquimbo and Arica. At each stop the ship's Captain or the individual commercial agents would sell part of their cargo for silver or copper ore to sell in Callao. While it was understood that the value of the newly acquired products was included within the already canceled export taxes, some port officials in Arica and Callao took offense when a substantial portion of the ship's cargo came from secondary commercial transactions. In some cases, this led to years of litigation over whose responsibility it was to pay the additional export taxes levied in Arica or Lima.

3. Discussion-Conclusions

Understanding the unique conditions that Spanish merchants and sailors faced in Chile during the 17th century allows us to pinpoint specific instances or circumstances that led to drastic or dire consequences. The sinking of the San Joseph directly led to the 1655 Indian uprising while the loss of the San Juan de Dios meant that the diocese of Concepción continued without a bishop for another decade. However, more subtle or repetitive efforts had an overall greater effect on the Arauco Indian war and the stagnation of the colonial economy and its participation within the macro imperial or Spanish economy.

While there are many individual factors that led to the artificial extension of the Arauco Indian war and the general economic suffering of the civilian population we have identified three as predominant during the period investigated at this time.

3.1 Mapuche slave trade

As we mentioned above the Mapuche slave trade became a key component in the Scout Ship and Valdivia maritime circuits (Stewart, 2014, Urbina Carrasco, 2017). Mapuche slaves as passengers or as direct property of the ship's captain or crew allowed for the monetarization of what might have otherwise been an empty return voyage. However, while Spanish authorities were determined not to pay the full costs of any contracted military voyage, the

shipping of Mapuche slaves was not permitted due to legal disputes over the legality of the slaves involved and the payment of the Royal fifth, a tax placed on exported African slaves.

In order to evade paying the export tax, many slaves were recorded as servants or encomienda Indians in efforts to disguise their true purpose. In some instances, the quantity of Mapuche slaves that were brought on board in Valdivia, especially during the period 1647-1655, led their captains to sail directly to Callao illegally bypassing the ports of Concepción and Valparaíso.

In 1674 the Jesuit historian Diego de Rosales wrote a treatise framing the consequences of the practice of enslaving Mapuche women and children as a recognized military tactic. The idea of enslaving the enemies of the crown was not new and was present in the historical record from the 16th century onward, however, the King's 1608 degree legalizing the enslavement of women and children from hostile communities brought the practice to the forefront of Chile's military strategy (Hanisch Espinola, 1981; Diaz Blanco, 2011). The situation only worsened after the 1647 peace accords where the practice of purchasing Mapuche women and children "*a la usanza indígena*" from local chiefs was implemented as a way to drastically increase the number of available Indian slaves.

Not only did these practices artificially extend the Arauco Indian War, by becoming the main purpose of each military endeavor, but the efforts of the ship's captains to hide their potentially illicit participation meant that many ships that could have taken on viable commercial cargos in Concepción or Valparaíso did not. This reduction in available ships led to stagnation of the Chilean export economy and financial losses for most of Chile's rural producers.

3.2 The Real Situado

While many historians have studied the military payment system known as the Real Situado and its effect on the Chilean society less has been said about its effect on the Peruvian merchant class. Margarita Suarez analyzed this topic in her investigations about the early colonial banking system. What is clear is that during the 17th century there was a constant struggle between the Spanish governor in Chile and the Spanish Viceroy in Peru over which select group of merchants would benefit financially from the yearly distribution of the Real Situado.

In the end the Viceroy was always able to maintain the upper hand. Each year the military's supply agent in Lima was met with the fact that the Royal Treasury would not release the Real Situado in the form of coins to be used to make purchases in the local market as ordered by the King. Instead, the agent was given a list of previous deductions that included interest payments accrued from the previous Real Situado and purchases already made by the Viceroy on Chile's behalf. These purchases included military equipment and salaries for new recruits on their way to Chile and the salary of some Chilean government officials and religious orders.

The military supply agent was then informed of the remaining balance and forced to negotiate the purchase of supplies with local merchants, who themselves would collect payment from the Royal Treasury. Buying on credit put the military agent at a serious disadvantage by allowing the local merchants to first charge interest on the purchases and second by limiting what products could or could not be purchased. This led to the sale of old or low-quality products that the merchants had been unable to sell to the local civilian population at prices, when the final interest was included, that were far higher than normal.

The Real Situado rarely reached 80% of its initial amount after the deduction of the administrative costs in Lima. In Concepción, the prizes of the remaining products were marked up in order to artificially increase their value. While, including the shipping costs into the final price was a normal commercial practice, the army's heavy debt forced officials to raise prices beyond this normal procedure. Local merchants who loaned money to the military were the first to collect payment and were followed by the cancellation of past and future purchases of wheat, flour and meat for the soldiers. This was followed by the payment of the remaining salary of key government and military officials. What was left over was used to first make repairs to military installations and lastly to pay a portion of the soldiers' outstanding salaries. The army's inability to pay the salary its soldiers expanded their participation in the Mapuche slave trade and the purchase of hundreds of officers' commissions by common soldiers' intent of achieving a resemblance of nobility upon retiring to civilian life.

3.3 The port of Valparaiso

After the 1598 Indian uprising eliminated the port of Valdivia, the port of Valparaiso became the main commercial center for Chile. All of the merchant ships passed through Valparaiso before heading back to Callao and the vast majority of Chile's exports were stored in several dilapidated warehouses that stretched along the beach front. The government's decision not to replace the galleon San Agustín, scuttled in 1624 during an attack by Dutch pirates, led to

a constant need to use commercial vessels for military supply runs. Local government officials considered the military's needs superior to any commercial ones and forced dozens of captains to postpone or cancel commercial voyages in order to make a supply run to Valdivia or Chiloé, many times without monetary compensation. To make matters worse, individual merchants paid to have their products loaded onto a merchant vessel only to have pay again to unload a few days later with no one responding for damaged or lost merchandise.

Merchant vessels that could have easily made several voyages a year were forced to winter in Valparaíso leaving the crews to find work elsewhere. At one point the wait for a return voyage was reported to be a nearly two years, due entirely to the consistent need of military supply ships and the government's desire not to pay commercial rates for this purpose. Chile's participation in the Peruvian regional market would have been greatly increased during the 17th century if this central issue had been resolved on a timelier manner.

While identifying the financial losses suffered by merchants due to the mismanagement of the Arauco Indian war is impossible to quantify, so too is the importance of the Real Situado on the Chilean economy. While it only represented a portion of the country's overall yearly imports, it was essential for the region of Concepción. The same can be said for the military conflict itself, where the destruction of Spanish ranches and farms hurt the local economy but paled in size to the economic value of the thousands of Mapuche slaves that were exported from Valdivia and sold as farm hands in Concepción and Santiago. Thus, understanding Chile's maritime circuits is an essential part of understanding her complex colonial history.

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