

The strategy of Philip II against the Cortes in the 1575 crisis and the domestic credit market freeze

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Abstract

The regularity of the payments stops by Philip II, in 1557, 1560, 1575, 1597, indicates that they were features of a working system. This paper focuses on the main crisis that began in 1573 and led to payment stop on contracts (*asientos*) with Genoese bankers between 1575 and 1577 and shows that the fiscal system rested on three features. First, the *asientos* were backed by the domestic bonds, *juros*, and could be refinanced by *juros*. The service of a large fraction of the *juros* was controlled by the cities. Their contribution which had to be voted in the *Cortes*, imposed a *de facto* ceiling on the domestic debt and therefore on the capability to refinance the *asientos*. Second, the government was fragmented: the cities could resist an increase of their contribution and oppose some new taxes. Third, *asientos* were largely financed by internal commercial credit between fairs. In 1575, Philip II stopped payments on the *asientos* that were signed with Genoese bankers in order to pressure the cities to agree to an increase of their contribution and to lift the ceiling on the domestic debt. In doing so, he triggered a credit market freeze in Castile that stopped the commercial fairs and damaged trade. Eventually the cities relented and accepted the doubling of their contribution and the payment stop on the *asientos* was removed immediately after. The game has some of the elements of the recent showdown between the US legislative and executive branches.

Keywords: debt funding, sovereign loan defaults, financial crises, commercial credit markets, war of attrition.

JEL codes: N23, N43, H63, F34.

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INTRODUCTION

Philip II, the head of the widest empire until his time, stopped payments on loans with foreign bankers four times, in 1557, 1560, 1575 and 1596. The regularity of these crises indicates that they were features of a working system³. We are the first to highlight and analyze the three critical features in that system.

At that time of complex imperial endeavors, expensive military innovations and developing capital markets, the public debt reached a level that was unprecedented in history. The main part of the debt was long term in redeemable perpetuals, the *juros*, which were funded (with earmarked taxes for their service) and had a tradition of centuries. Short-term debt contracts, of about one to four years, *asientos*, were used to adjust short-term imbalances between revenues and expenditures and because the bulk of expenditures was for military ventures abroad, often an essential part of these contracts was the transfer of funds between parts of the empire. Under Charles V, whose center of gravity was in Germany, the contracts were signed with the Fugger. Under Philip II, who inherited the western part of the territories of Charles V, the “moneyed men” were the Genoese bankers.

In a good management of the debt (public or private), the short-term debt should be used for the adjustments between short-term shocks in expenditures and revenues. When short-term deficit accumulate, they become a permanent shock on the budget, which should lead to an increase of the public debt. That was a feature of the fiscal policy under Philip II. Accumulations of *asientos* were refinanced through new *juros*.

This refinancing was possible only if some revenues were available for the funding of the *juros*. This is where the first critical feature of the system comes into play. A large part, and the safest, of the *juros* were managed by the cities of Castile. Each city would collect tax revenues and the service of the *juros* issued on that city would take the first claim on these revenues. The bondholders thus exerted a control on collection of the taxes that serviced the bond. That system had originated in 12th century Italian city-states and had been in the Netherlands⁴ under Charles V. Such a borrowing by the

³Thompson, I.A.A. (1994). “Castile: Polity, Fiscality, and Fiscal Crisis...”

⁴ Pezzolo, L. (2005), “Bonds and Government Debt...”, Fritschy, W., ‘T Hart, M. and Horlings, E. (2012), “Long-term trends...”, Tracy, J. D. (1985), “A Financial Revolution...”.

sovereign through cities enhanced the credibility of the debt and therefore lowered the borrowing cost⁵.

The second critical feature was state decentralization. Most governments in the Old Regime had limited power to raise taxes. This issue of government fragmentation is central in the analysis of the evolution of the states, as recently emphasized by Dincecco (2009) and Grafe (2011).⁶ The realm of Philip II was not the autocracy that is sometimes imagined. The cities had a long tradition of self-management, going back to the *fueros* (charters) at the beginning of the *Reconquista*. Assemblies such as the *Cortes* of Aragon in 1188 were the first in history to include representatives from cities, separate from those of the Church and the nobility.

In the second half of the 16th century, 18 cities of Castile (including their surrounding regions) were represented in the *Cortes* of Castile. The main function of the *Cortes*, since their medieval origin, was to agree on revenues. They had no say on expenditures, which were military and part of foreign policy, and had to be summoned by the king but they could resist tax increases. In early 1570s, the cities successfully opposed the introduction of new taxes. After the payment stop of 1575, the *Cortes* resisted for more than two years despite the negative impact on trade that will be documented here. The fiscal policy of Castile under Philip II cannot be evaluated as that of a modern central state and its evaluation along the criterion of an IMF inquiry, as in Drelichman and Voth (2010, p. 829), is not historically relevant⁷.

The third critical feature is the source of funds for the *asientos*. The Genoese bankers had a home base that was ideally placed on the “Spanish Road”⁸. But they were much more than “foreign bankers”. They played an essential role as the period’s “moneyed men” – that is, a group which Dickson (1967) would describe as indispensable for the development of the capital market in England, 150 years later. Genoese bankers were

⁵ It was also used in other countries: in France, the *Rentes sur l'Hôtel de Ville de Paris* were created in 1522. See Schnapper (1957), "Les Rentes...". For the withholding of the interest and principal from the taxes due in the Estates of Brittany, see Rébillon (1932), "Les Etats..."

⁶ Dincecco (2009), "Fiscal Centralization...", Grafe (2011), "Distant Tyranny,..." chapter one.

⁷ Previous studies that pitch Philip II as the head of a centralized government against foreign bankers include Lovett, "The Castilian Bankruptcy of 1575," *The Historical Journal* 23, no. 4 (1980)., Lovett, "The General Settlement of 1577: An Aspect of Spanish Finance in the Early Modern Period," *The Historical Journal* 25, no. 1 (1980), Conklin, "The Theory of Sovereign Debt and Spain under Philip II," *Journal of Political Economy* 106, no. 3 (1998).

⁸ Parker, *The Army of Flanders and the Spanish Road: 1567-1659* (London: Cambridge University Press, 1972).

involved in the internal credit market of Castile and in its financial government. As good bankers, they would not lend on their own funds, but on the deposits of others. They were active in Castile by performing financial intermediation for the supply of funds for their contracts with the king. The *asientos* were in large part not foreign debt, but domestic debt managed by bankers with a home base in Genoa. The three payments stops by Philip II with the bankers cannot be viewed as standard sovereign defaults.

In a previous study⁹, we began our new interpretation of the fiscal system of Castile under Philip II by focusing mainly on the first, and to some extent on the second, of the three critical features that have been summarized here. Each of the three payment stops on the *asientos* took place when the service of the *juros* reached the level of *ordinary revenues* that financed them and when an increase of revenues had to be negotiated in the *Cortes*. In this paper, we focus on the second and especially the third of the three critical features.

We analyze the main crisis, which is the most representative of the system, during which payments on the *asientos* were stopped from September 1575 to the end of 1577. The crisis started in 1573, two years before the payment stop and it was a crisis between Philip II and the cities of Castile. The King demanded a tripling of the city tax revenues in order to eliminate the *de facto* debt ceiling. After two years of fruitless negotiations, he stopped payments on the *asientos*.

The bankers were the agents of financial intermediation between the credit markets in Castile and the *asientos*. A large part of the *asientos* was financed by the credit between commercial fairs in Castile¹⁰. After the payment stop, the Genoese bankers could not meet their obligations toward creditors in Castile. In turn, these creditors could not meet their obligations and many of them lost their business, savings and patrimonies. The pyramid of credit unraveled. Philip II triggered a crisis of the commercial credit market in Castile. During that crisis, no commercial fair took place in Medina del Campo! They resumed only after the crisis, in the spring of 1578.

⁹Álvarez Noyal and Chamley, "Debt policy under constraints: Philip II, the Cortes and Genoese bankers," *Economic History Review*, no. 67/1 (2014).

¹⁰ The rolling over of short-term bills would become the dominant form of the public debt in 17th century Netherlands, as shown by Gelderblom and Jonker, "Public Finance and Economic Growth: The Case of Holland in the Seventeenth Century," *Journal of Economic History* 71/1 (2011)., Gelderblom and Jonker, "Alba's Irony: Urban Autonomy and Public Finance in the Low Countries (1384-1713)," *Utrecht University Working Papers* (2011).

Was Philip II aware of the consequences that his suspension would create on the credit market and on the commercial activities? We present some evidence that he must have had some awareness of the financial linkages: as regent of Castile in the early 1550s, he had investigated the interaction between the private credit markets and the *asientos* and his policy recommendations show an understanding of the interaction between the credit markets and the commercial fairs.

Philip II, consistent with his policy, did not intend to unduly penalize the bankers. One of the purposes of the negotiations with them was the checking of the use of collaterals in *juros* by the bankers. We show that during the suspension of payments in 1575-77, Philip II, far from punishing the bankers as the cities demanded, protected them from some of the consequences of the payment stop. In particular, as the crisis affected all credit, bankers could not collect some of their own loans to residents of Castile. We document that the Genoese bankers benefited from a preferential legal treatment by the government in the collection of private debts.

Via the *Cortes*, the cities resisted the tax increase for more than two years, largely because they did not immediately feel the consequence of the payment stop. But when the cost of the credit market disturbance and the stop on the commercial fairs grew gradually worse, delegates of the cities demanded a settlement of the crisis and the relented. City taxes increased.

On the other hand, the bankers knew that the payment stop would have a severe impact on the credit market. The *asentistas* had a practical knowledge of the recent theoretical analysis of Guembel and Sussman¹¹ who argued that the sovereign debt can be more credible when it is traded in a market and when a significant part of it is owned by domestic residents. The sovereign may avoid default because of its domestic political cost. That incentive enhances the credibility of the sovereign debt. After the resolution of the crisis, the Genoese bankers resumed their lending activities with no increase of the lending rate¹².

¹¹Guembel and Sussman, "Foreign Debt Without Default Penalties," *Review of Economic Studies* 76 (2009).

¹² Archivo General de Simancas [hereafter AGS], DGT Inv. 24, leg. 935. These documents are related to the *Medio General* after the *Decreto* of 1596. The interest rate that is found most frequently for the contracts that were signed between 1578 and 1596 was 1 percent per month, as in the years before 1575.

Our analysis explains why the *Cortes* eventually came to an agreement without the use of physical force, and this eight months after Philip II and the bankers had settled on the terms of the debt rescheduling. It is also not surprising that the bankers were so confident in renewing the management of the *asientos*, whereas other "defaults" in history restricted the sovereign access to credit markets.

The settlement with the Genoese bankers was signed on terms that had been agreed upon nine months before, just two weeks after *Cortes* finally voted the tax increase, after two years of hard negotiations. Philip II got the needed breathing room and this would be sufficient to prevent another crisis for 20 years.

Our new evidence is based on the actual dates of the commercial fairs, testimonies of the bankers and creditors and the detailed analysis of some *asientos* that were written before the 1575 suspension of payments. In addition, we have examined the contract details between some bankers and the King. We have also examined the private accounts of a King's banker in Valladolid and of those of a banker in Seville. Our new material comes from three archives: Archivo General of Simancas, Archivo Histórico Provincial de Valladolid (Simón Ruiz) and Archivo de Valencia de don Juan. We have translated a number of documents in the paper. The original texts are in an Appendix that can be downloaded from the same web site as this paper.

THE FISCAL AND FINANCIAL STRATEGY OF PHILIP II

Castilian tax revenues fell in two categories, ordinary and extraordinary¹³. Only the first had the economic and legal stability to provide the funding for long-term domestic debt in *juros*. These were essentially perpetuals, redeemable and traded throughout the Realm. The ordinary revenues were divided in two sub-categories, the *encabezamiento* and the revenues by tax farms and regulated monopolies. The *encabezamiento* was a fixed annual contribution by each of the 18 cities (and their surrounding region). They were represented in the *Cortes*. As any representative assembly at that time in Europe, the *Cortes* could not decide to meet. They were summoned by the king when a fiscal problem arose. The amounts of the *encabezamiento* for the cities were determined by six-year contracts and approved by majority voting in the *Cortes*, where each city had

¹³Álvarez Nogal and Chamley, "Debt policy under constraints: Philip II, the Cortes and Genoese bankers."

two delegates. The *encabezamiento* was financed by sales taxes, the *alcabalas* with a legal maximum of 10 percent while the actual rate was much lower. Each city could manage the tax in its own way. *Juros* that were written on a particular city had first claim on the *encabezamiento* of that city. The system thus aligned incentives for both city bondholders and city tax enforcers, and thus provided a guarantee for the *juros* of the highest grade. It is also quite possible that some viewed the *juros* attached to cities as today's Social Security benefits for retirement, with a fairly high return of 6-7 percent for a safe asset.

The short- to medium-term debt was in contracts, *asientos*, that were signed with Genoese bankers who were the main financiers of Philip II. This debt was tied to financial transfers towards military spending abroad and the maturity of the loans could be adjusted to the needs of the Crown. As *asientos* carried an interest rate of about 12 percent while *juros* yielded around 6-7 percent, any accumulation of *asientos* that would be a permanent shock could be converted into *juros* under the condition that funding sources were available.

In the early 1570s, the level of other ordinary revenues stopped growing while the *encabezamiento* had not been changed since 1562. Because of higher military activity in the Netherlands and in the Mediterranean sea, the domestic debt was growing and its service was nearing the level of ordinary revenues¹⁴. The point where no more *juros* could be issued was approaching. From 1573, Philip II made strenuous but unsuccessful efforts to increase the ordinary revenues. At first, he pushed for a new flour tax with a promise to gradually redeem all the *juros* through a budget surplus. Such a promise could not be enforceable and the cities rejected what would have led to a significant increase of the tax base¹⁵. In 1574, with no progress in the negotiations, Philip II abandoned the debt redemption plan and declared a tripling of the *encabezamiento* that was at first accepted by the delegates in the *Cortes*, but then rejected by the cities when the delegates returned.

The unilateral tripling of the *encabezamiento* invalidated the previous system of the decentralization of the debt service through the cities and started a showdown that would last for three years. Without the cities' collaboration, and without the competent

¹⁴See our previous study, *Ibid.*. For the negotiations in the years 1573-1575, see Fortea Pérez, *Monarquía y Cortes en la Corona de Castilla. Las ciudades ante la política fiscal de Felipe II* (Salamanca: 1990).

¹⁵ See Fortea Pérez, 'Monarquía y Cortes'.

administration for tax collection, the central government had to return to the pre-1536 system of tax farming, a move that was resisted by the cities and their merchants.

For example, in Toledo during the summer of 1575, Torregrosa, the administrator who had been sent to implement the increase of the *alcabalas* reported that the city's traders were willing to do everything possible to prevent anyone from taking the charge of a farm¹⁶ and threatened to stop trading in the city and carry their merchandises to other places¹⁷.

In Cadiz, the *encabezamiento* had been of 7,500 ducats until 1574. When the King requested, by letter on 15 March 1575, a tax of 10% at checkpoints until the new distribution of *encabezamiento* would be determined, the city answered that it could not afford it and that the tax would lead to mass emigration. Surprisingly, on 9 June 1575, the King cancelled the previous instructions¹⁸. Such a reversal indicates that by then the King might have decided by then to turn to the payment suspension.

The overall revenues fell well short of the requested amount. Before 1574, the *encabezamiento* had been of 1,216,362 ducats and beginning in January 1575, Philip II had requested 3,716,363 ducats. Two years later and after strenuous efforts, in the summer of 1577 and during the financial crisis, the actual annual revenues of the *alcabalas* were estimated at 2 million ducats¹⁹.

Bankers knew that an increase of the *alcabalas* without the cities' acceptance was equivalent to an extraordinary tax and could not be included in the tax base that funded the *juros* into which *asientos* could be converted. They nevertheless granted more than 5 million ducats in new *asientos*²⁰ during the first seven months of 1575 (the highest amount for such a time frame) against the recent increase of the tax. However, most new contracts required repayments in the following year²¹.

¹⁶ Archivo General de Simancas [hereafter AGS], Consejo y Juntas de Hacienda [hereafter CJH], leg. 149. Carta de Pedro Luis de Torregrosa al rey, Toledo 3 July 1575. Document 1.

¹⁷ AGS, CJH, leg. 149. Carta de Pedro Luis de Torregrosa al rey, Toledo 4 August 1575. Document 2.

¹⁸ AGS, Contaduría Mayor de Cuentas [hereafter CMC], leg. 1334. Repartimiento, 23 August 1580.

¹⁹ Instituto Valencia de Don Juan Archive [hereafter IVDJ], *envío* 22-B, fol. 108-120, 142-144, 85-87, 68-70, 208-213. Letter to Felipe II and Mateo Vazquez (summer of 1577).

²⁰ See Table 2 in Álvarez Nogal and Chamley, "Debt policy under constraints: Philip II, the Cortes and Genoese bankers."

²¹ Some bankers required additional guarantees. For example, Simon Lercaro signed an *asiento* in February 1575 that includes a lien on the first income that the king would receive as donation (*donativo*) or any other source. Given the relatively small amount of the *asiento*, 61000 ducats, he may have had less

These loans were reasonable from the bankers' point of view since revenues had indeed increased. But they could not satisfy Philip II because of their high cost. Furthermore, the contested status of the new taxes prevented a refinancing through high grade *juros*. One can conjecture that a smaller increase of the *encabezamiento* would have been accepted by the cities, but the very high cost of the crisis that would last four years shows that the aim of Philip II was to widen by a wide margin his freedom for long-term financing and to increase accordingly the *encabezamiento*. That required the agreement of the cities in the *Cortes*.

Faced with a deadlock in the negotiations with the cities, Philip II made a radical change of policy: on 1 September 1575, he ordered, through a *Decreto*, the suspension of all payments on *asientos*. That triggered the most severe financial crisis of the century in Spain. As always in political decisions, there were additional motivations. He reinforced his moral position for the renewal of the negotiations in the *Cortes*: the suspension was acclaimed through the Realm²². Long-time resentment against foreign bankers²³ erupted in the summer of 1575, not unlike what can be seen in today's economies. Some ministers in the government advocated a complete revision of all the contracts²⁴.

Moreover, the state of the debts with the bankers was in great confusion because system *asientos* could be collateralized by *juros* (*juros de resguardo*). These could be sold for cash by bankers and then replaced by other *juros* if the *asiento* was repaid in cash. Modern theory shows that the debt contract is efficient in minimizing the cost of information from the borrower to the lender²⁵: information is gathered only with a default. For Philip II, the problem of information may have been for the borrower.

We will show that the *Decreto* had a great impact on the private credit of the Realm and on economic activity. The evidence that we present shows that the payment stop against the Genoese bankers was in fact used as leverage against the cities. Philip II knew that

bargaining power in recovering bad debts than some bankers as Nicolao de Grimaldo. Appendix 2, AGS, CJH, leg. 2001-647. Memorial de Simón Lercaro al CH, 1575. Document 3.

²²Carlos Morales, *Felipe II: el imperio en bancarrota. La Hacienda Real de Castilla y los negocios financieros del rey Prudente* (Madrid: Dilema Editorial, 2008), pp. 155-156.

²³Already in the *Cortes* of Toledo (1559), the cities' delegates advised Philip II to suspend the payments to the bankers. Espejo e Hinojosa and Paz, *Las antiguas ferias de Medina del Campo* (Valladolid: 1908), p. 152.

²⁴Carlos Morales, *Felipe II: el imperio en bancarrota. La Hacienda Real de Castilla y los negocios financieros del rey Prudente*, especially pp. 136-137 and pp. 152-154.

²⁵Gale and Hellwig, "Incentive-Compatible Debt Contract: The One-Period Problem," *Review of Economic Studies* 52/4 (1985), Townsend, "Optimal Contracts and Competitive Markets with Costly State Verification," *Journal of Economic Theory* 21, no. 2 (1979).

his stop, if prolonged, would have such an impact because he was knowledgeable about the structure of the credit market and he knew how a large part of the *asientos* were funded through the intermediation of Castilian deposits by the Genoese bankers.

Philip II was well versed in financial matters. He was called the "Prudent King" as he thought out the issues and kept the cards close to his chest. It was an important part of his strategy not to reveal all his thinking and to pretend not to understand finance. However, before he became king he had spent much time in understanding the credit markets that would contribute to the finances of the Crown. In 1553, when he was 26 years old and regent of Spain, he knew that the finances of the Realm was the most important charge that he had received from his father Charles V to whom he wrote:

“the main foundation on which the war can be sustained is money and credit and without those, one cannot do anything.”²⁶

The young Prince of Castile endeavored to understand the fiscal and financial system and during the 1650s, he kept his father informed about his activities in that task and the problems that he encountered.

On 6 November 1551, Prince Philip reinforced previous orders of Charles V on an interest cap²⁷ by the prohibition of any interest charge for the letters of exchange within Castile, and by other policy measures²⁸. The policy aimed at a lower interest for all loans but, unsurprisingly, it had the opposite impact: the credit market contracted and interest rates, including those on the Crown's short-term debt, rose and in some cases tripled, from 9-10% to 31%. On 7 October 1552, Philip explained to his father that merchant-bankers in Castile had to take loans from foreign lenders with whom they had no previous association, at a higher interest, to the benefit of the foreigners²⁹.

²⁶Carlos Morales, "Mercado financiero y crédito del soberano en el tránsito de Carlos V a Felipe II. La intervención en los tipos de cambio mediante las pragmáticas de 1551-1557," *Studia Historica. Historia moderna* 25 (2003), p. 290.

²⁷In 1534, Charles V, prodded by the city delegates in the *Cortes* who had complained about the interest rates of the foreign bankers, had put an interest cap of 10% on the credit market in Castile. *Ibid.*, pp. 282 and 288.

²⁸Aguilera-Barchet, *Historia de la letra de cambio en España. Seis siglos de práctica trayectoria* (Madrid: Tecnos, 1988), p. 832-35. On 28 September 1552, a decree prohibited letter of exchange between Lyon and Castile, in order to favor the letter between Castile and Besançon, which was in the territories of the Crown.

²⁹Carlos Morales, "Mercado financiero y crédito del soberano en el tránsito de Carlos V a Felipe II. La intervención en los tipos de cambio mediante las pragmáticas de 1551-1557", pp. 288-289. Appendix. Document 18.

Between 1552 and 1554, Philip II was seeking a solution to the issue. He consulted merchant-bankers like Rodrigo de Dueñas, whom he placed as finance councilor, and Juan Delgadillo who was agent of change in Burgos³⁰. Shortly before leaving for England to marry Mary Tudor, he was presented with a long study on the markets for commercial credit by Bernardino de Mendoza and Francisco de Almaguer, two main officials in the office that controlled the royal finances.

Philip II developed a network of officials (*factores*) with whom he had close relations, and who enabled him to bypass some bankers and get better credit terms. In 1556, he put in place Fernán López del Campo for Spain, Juan López Gallo for the Netherlands and Silvestre Cattaneo for Italy. López del Campo, in a report to the king, blamed the decree of 1551 (*pragmatica*) for the reduction in the number of traders at the fair of Medina del Campo from about 200 to 20, and in the volume of trade from 4 or 5 million ducats to half a million ducats. He recommended to reestablish the exchanges between Seville and the fairs in Castile and to allow credit between fairs, albeit with a maximum rate of 12 percent. Following his advice, the regent of Castile (as Philip II was away at the time) promulgated a decree (*pragmatica*) on March 5, 1557, that restored the freedom of the letters of exchange and relaxed some of the 1551 restrictions. Moreover, as we will show below, the *asientos* often included a clause that enabled the bankers to freely raise funds by using the credit between the fairs.

Using his knowledge of the credit market, Philip II proved that he could wield the financial weapons during his dispute with the pope in 1566: he forbade letters of exchange between Castile and Rome and ordered that all the citizens of Castile, many of them busy in financial affairs, should immediately leave the city³¹. The policy disturbed the transfers of ecclesiastical revenues from Castile and the credit market of the papal territories.

We know less about the financing of the *asientos* than Philip II. What we know is coming out gradually by bits and pieces in the archives both from some contracts and, most important, from what the complaints during the financial crisis revealed about financial links that would be invisible under normal conditions. We now turn to this evidence.

³⁰Ibid., pp. 291-292.

³¹Ibid., p. 298.

ASIENTOS AND CREDIT MARKETS

Networks of bankers

Asientos were signed between the Crown and a banker or a small group of bankers. At that time, as today, the main task of bankers was not to supply their own funds but to connect borrowers and suppliers of funds. In some cases, a banker was just an intermediary with no personal stake in the contract. The texts of the *asientos* in the Simancas archives do not provide much information on these connections though we have found an example in the books the banker Simón Ruiz that are preserved in the archives in Valladolid. On 11 June 1590, this banker signed an *asiento* to provide 138,000 ducats in Flanders in 1590³², but he was just an intermediary for two merchant-bankers in Antwerp, *Gerónimo* Scorça and Felipe Jorge. In the winter of 1590, these two negotiated and signed four *asientos* with Alexander Farnese, duke of Parma and general commander of the Spanish army in Flanders, for the delivery in Flanders of 138,000 ducats in cash, as described in the first three columns of Table 1.

Table 1. *Asientos* for delivery to the duke of Parma in Antwerp and repayment in Spain

Asientos in Antwerp	Merchant-banker	Ducats	Source of funds
17/11/1589 8/1/1590	Gerónimo Scorça	54,000 30,000	39,000 Joan Francisco Bartolome and Geronimo Balvi 2,100 Simon Rodriguez 42,900 Gerónimo Scorça
25/10/1589	Felipe Jorge	36,000	12,000 Alonso Camarena 2,400 Francisco de Bovadilla 4,800 Geronimo Lomelin 16,800 Felipe Jorge
8/1/1590	Felipe Jorge ³³	18,000	2,400 Alonso Camarena 15,600 Felipe Jorge
		138,000	138,000

Source: AGS, CCGG, leg. 89-2. Asiento Simón Ruiz, 6Novembert1590, AHPV, FSR, Caja 161. Libro de reparto de intereses de los asientos, 1592/93.

Felipe Jorge and Geronimo Scorça disbursed only about half the amount of the *asientos*. Their participations and those of their associates are presented in the last column of

³² AGS, Contadurías Generales [hereafter CCGG], leg. 89-2. Asiento Simón Ruiz, 11 June 1590.

³³ Archivo Histórico Provincial de Valladolid [hereafter AHPV]. Fondo Simón Ruiz [hereafter FSR]Caja 161. Copy of the *asiento*, Antwerp, 1 August 1590.

Table 1³⁴. Note that the Portuguese Jorge works with the Genoese Lomelin and the latter works with Scorça (Milano) and Rodríguez (Portuguese).

Simón Ruiz signed the *asientos* but he had no financial participation. His job was to represent the two merchant-bankers in Castile and to collect the principal and the interests that would be paid in different parts of Spain between 1590 and 1592. He had contacts with all the participants in Table 1. The sources of funds for the payment of principals and interests are presented in Table 2, as reported in the books of Simón Ruiz. It is very likely that each of the participants who are reported in these tables provided funds that he raised through contracts with other associates.

Table 2: Repayment of the *asiento* in Spain.

Ducats	place	Date	Interest rate (%)
54,000	Servicio ordinario, extraordinario and alcabalas de 1591	1/2/1590	12.5
48,000	Sales of lands, offices, etc...	2/27/1590	12
36,000	Crusade, subsidio and excusado of 1592 (paid in July)	12/15/1589	12
138,000			

Source: AGS, CCGG, 89-2. Asiento Simón Ruiz, 11 June 1590.

The distribution of the loan repayments is presented in Table 3³⁵.

Table 3: Allocation of the funds to the participants of the *asiento*

	Principal	%	Interest
Joan Francisco Bartolome y Geronimo Balvi	39,000	28.26	10,744
Simón Rodríguez	2,100	1.52	579
Geronimo Escorça	42,900	31.09	11,818
Alonso Camarena	14,400	10.43	4,039
Francisco de Bovadilla	2,400	1.74	676
Geronimo Lomelin	4,800	3.48	1,351
Felipe Jorge	32,400	23.48	9,026
Total	138,000	100	38,232

Source: AHPV, FSR, Caja 161. Libro de reparto de intereses de los asientos, 1592/93.

³⁴The official contract in the archives of Simancas report only the name of Simón Ruiz and his relation with Jorge and Scorça. All the other information comes from the private paper of Ruiz in Valladolid.

³⁵AHPV, FSR, Caja 161. Libro de reparto de intereses de los asientos, 1592/93

Other sources point to similar connections. For example, the brothers Lazzaro and Benedetto Pichenotti and Giovanni Girolamo di Negro set up a company in Genoa in order to invest in *asientos*. Their company was committed to deliver the funds for two *asientos* in Antwerp that were signed by the bankers Agostino Spinola and Nicolò di Negro, as described in Table 4. The books of Pichenotti and di Negro report that their financial participation was only 3% in the first contract, and 5% in the second.³⁶

Table 4: Participation of Lazzaro, Benedetto Pichenotti and Giovanni Girolamo di Negro in *asientos*

Bankers in Madrid			Investors in Genoa			
Agostino Spinola and Nicolò di Negro			Pichenotti and di Negro			Part.
Date	Ducats	Escudos	Place	Ducats	Escudos	%
7/26/1595		1,000,000	Antwerp		30.000	3
2/24/1596	112,500	90,000	Madrid/Milan	5.625	4.500	5

Source: Felloni, 1978 'Asientos, juros....', p. 513.

Financial intermediation for *asientos*

A central element in our argument is that the Genoese bankers financed a large part of the *asientos* through the intermediation of deposits in Castile. The true holders of these *asientos* were depositors in the Realm. Bankers provided intermediation between deposits on which they would pay an annual rate of about 6 or 7 percent³⁷ and contracts with the Crown that could yield 12 percent, net of transaction costs³⁸.

The financing through intermediation is not mentioned in many *asientos*, which only specify the transfers to be made on both sides. Sometimes the places of transfers, currencies, interest and contingent sources for repayments are not mentioned in the contract. But some of these contracts, called *factorías*, explicitly state that the funds will

³⁶Felloni, "Asientos, juros y ferias de cambio desde el observatorio genovés, 1541-1675.," in *Dinero y Crédito (siglos XVI al XIX)*, ed. Alfonso Otazu (Madrid: Moneda y Crédito, 1978), p. 513.

³⁷Lapeyre, *Una familia de mercaderes: Los Ruiz* (Valladolid: 2008 (reed. 1955)), pp. 122-124. He records examples of deposits from individuals at 7% to Cosme Ruiz y Lope de Arziniaga around 1590, and various deposits at 6% to Simón Ruiz between 1586 and 1591.

³⁸Ulloa, *La Hacienda Real de Castilla en el reinado de Felipe II* (Madrid: Fundación Universitaria Española, 1977)., p. 786. Carlos Morales, *Felipe II: el imperio en bancarrota. La Hacienda Real de Castilla y los negocios financieros del rey Prudente.*, pp. 109 y 150.

be raised by letters of credit in the financial market. In this way they can specify the method by which the interest rate is to be determined³⁹. A *factoría* does not fix the exchange rate for the currency nor the interest rate. Both are left to be determined by the market. The banker had to provide justifications for his costs, which were covered by the Crown⁴⁰. A special account could be set for payments and a rough estimation of the payments was established at the signing of the contract.

A standard form of credit to a banker was the letter of credit, with the expressions "change money" (*cambiar dinero*), or "carry in exchange" (*traer a cambio*): the contract was a transfer of money from one place to another, at a different time; it created a loan between the person that lent the money ("*dar a cambio*") and the person that borrowed ("*tomar a cambio*"). The promise to deliver cash at another place could be rolled over back to the initial place. Hence, short-term credit at a specific place, at the market rate, could be achieved by means of the letter of exchange between different fairs or different places was called "taking money exchange", *tomar dinero a cambio*. Each transfer led to a charge of interest and commission that was justified by the travel, actual or virtual, from one place to another. Hence the circulation of credit that was the counterpart of trade in goods provided a natural setting for purely financial transactions. Credit could be rolled over without being subject to the usury laws.

An example is provided by the *asiento* that Benito Salvago and Camilo Çibo signed in January of 1570 for the delivery of 110,000 ducats in the *feria* (fair) of Medina del Campo of May 1569, which was taking place at the same time, with some delay. (We will examine later the critical role of the fairs). Repayment by the Crown was to take place in the *feria* of May 1571, which actually started in December of 1571. For this loan of about 2 years, the contract explicitly recognized the cost "to carry in exchange on their account until the repayment in the feria of May 1571". The contract provided a license for the free usage of letter of exchange at the market rate and it recognized that the interest payments on the loan would be adjusted to those of the market during the

³⁹Ruiz Martín, "Las finanzas españolas durante el reinado de Felipe II," *Cuadernos de Historia. Anexos de la revista "Hispania"* 2, no. II (1968), p. 39.

⁴⁰Boyajian, *Portuguese Bankers at the Court of Spain 1626-1650.*, Rutgers Univ. Press (New Jersey: 1983), p. 39.

time of the loan operations, The interest cost of the *asiento* explicitly depended on the credit market conditions⁴¹.

A few days later at the same fair of Medina del Campo, a similar *asiento* was signed by another banker, Joan Curiel de la Torre, for 100,000 ducats and a maturity of 5 years during which he would raise the funds on the commercial market⁴².

On 22 December 1574, eight months before the *Decreto*, Pablo de Grimaldo signed an *asiento* to deliver in Madrid 829,925 ducats⁴³ in cash in three installments (1574, 1575 and 1576⁴⁴). The contract granted him the fixed rate of 16 percent as compensation for the cost of interest in the credit market. The contract included the clause:

"For the 829,925 ducats we grant to Pablo de Grimaldo the license to carry the exchange for his credit and for our account from the days he pays the amounts previously stated until the time of the prescribed payment orders."

The total of these payments was capped ("*a buenacuenta*") at 1,615,741 ducats. That amount corresponds to the principal and an interest rate of 16 percent for seven years. It is likely that neither party intended, at the time of the signing, to use the maximum maturity of seven years of the contract. The *asiento* specified that the banker could cash early ("*anticipar y pagara delantadamente*") the *libranzas* that he received by discounting in the credit market. *Libranzas* were payment promises on specified revenues of the Crown that were traded in an active market. The clause thus provided a liquidity guarantee to the banker⁴⁵. The examples described here show how some *asientos*, including some of the largest one, were directly connected to the private credit

⁴¹ A literal translation of the clause is: "during the time of the loan until its repayment, the license to take and give freely exchanges at the prices that they would agree upon from one fair to another, and for locations that they would prefer, without having to comply for any party in these exchanges with the regulations of the Realm that apply to these fairs and places... and for the service that the named persons Benito Salvago and Camilo Cibo provide to us in providing the 110,000 ducats in the fair and for the cost they suffer in financing these through the carrying of the exchange ("*traer a cambio*") on their own account (...), interests with those that run in the market from now and for the length of time that we receive this service and that that facility". AGS,CCGG,leg. 85-1. Asiento with Benito Salvago y Camilo Cibo, 30 January 1570.

⁴² AGS, CCGG, leg. 85. Asiento with Joan de la Torre, 2 March 1570.

⁴³ The amount much larger than other *asientos* in 1575: the total amount of *asientos* in 1575, a year of high activity, was 5.4 million ducats.

⁴⁴ AGS, CCGG, leg. 86. Asiento with Pablo de Grimaldo, 22 December 1574. Appendix. Document 4. Since letters of exchange between *ferias* implied a high cost, relative to other forms of credit, the Crown was entitled to make early payments.

⁴⁵ Ruiz Martín, "Las Ferias de Castilla," in *Historia de Medina del Campo y su Tierra*, ed. Eufemio Lorenzo Sanz (Valladolid: 1987), p. 292.

market. More cases of intermediation will surface later in the complaints of depositors after the payment stop.

Commercial fairs as a clock for financial contracts

Today's financial markets operate continuously and many short-term instruments are overnight credit. At the time of Philip II, markets were thinner and slower. The rolling over of loans in the letters of credit took place at intervals of a few months. This schedule was largely determined by the commercial fairs.

In 16th century Castile, the main fairs (*ferias*) were held in Medina del Campo, at the intersection of a north-west axis, and of the road between Toledo and Burgos. The position was central between the main cities of the Northern *Meseta* of Castile, most of them part of the *Cortes* (Valladolid, Zamora, Avila, Salamanca, Segovia). These cities had benefitted from wool exports, and had become one of the most important markets of Europe. Merchants came from the main cities of Castile and from Flanders, France and Italy. Like many others in Europe⁴⁶, these fairs had been created in the 15th century and received the continuous support of the kings who granted the title of "General Fairs of the Realm" in 1491. Twice a year, roughly in May and October, they also acted as a hub for smaller nearby fairs that were held just before the main fair.

As commercial transactions were separated between fairs, and cash transfers were costly, these wide intervals of time and places created special opportunities for financiers⁴⁷. The commercial fairs provided focal points for payment orders and for credit contracts. Payments were often contingent on a particular fair. In an *asiento* signed by Juan de Curiel,

"... Joan de Curiel promises and is committed to give and pay to the person of the people whom we have sent, and in cash the afore mentioned 100,000 ducats that are valued at 37,500,000 maravedis in the payments of the feria of May of the previous year in 1569, that is currently taking place⁴⁸."

⁴⁶We cannot reference here the vast literature on the commercial fairs in Europe, in particular the Champagne fairs that linked the economies of the north and the south of Europe in a yearly cycle of six fairs from the 12th century on.

⁴⁷Ruiz Martín, "Las Ferias de Castilla.", p. 291.

⁴⁸AGS, CCGG, leg. 85. Asiento, 2 March 1570. The document incidentally shows that the fair that is "currently held" has a delay of 7 months.

In the *asiento* that was signed in 1566 by Nicolao de Grimaldo and Lorenzo Spínola for the delivery of 100,000 ducats in gold in Italy, the clock of the fairs is acknowledged by its imperfection:

"and what will be paid in ferias should be calculated according to the actual date of payment, because Nicolao de Grimaldo and Lorenzo Spinola did not want to accept specified dates in the contracts as long delays could have occurred in these fairs⁴⁹.

Different types of bankers specialized in the business with merchants, the nobility and the Crown⁵⁰. Fairs had specialized bankers who acted as a clearinghouse for the letters of exchange and the payment orders that connected the fairs with the main cities of Castile⁵¹. As Luis Saravia de la Calle wrote in 1544: "they go from fair to fair and follow the court of the king from place to place with their table, boxes and books⁵²."

These specialized bankers were committed by written mandate to follow the request of their contacts⁵³. They also handled a large fraction of the transactions that were related to the *asientos*. Their function was recognized explicitly in the writing of some *asientos*: in June of 1575, the *asiento* of 15,490 ducats that was signed with Esteban Lercaro in the fair of Medina that was taking place at that time acknowledges a commission of 0.5 percent for banker of the fair⁵⁴. The bankers of the ferias were also linked with several commercial banks in Madrid⁵⁵ and with Genoese bankers, including many of the most important Philip II's bankers, as Nicolao de Grimaldo⁵⁶.

The interconnection between bankers and the merchants of Castile is demonstrated in the report that was written by Luis Alonso Medina, a banker in Medina del Campo. Problems with an associate forced him to close his business in April 1573, after the

⁴⁹ AGS, CJH, leg. 80. Copy of the *asiento* with Nicolao de Grimaldo y Lorenzo Spinola, no date (probably 1566). Appendix. Document 6.

⁵⁰ Abed Al-Hussein, "Trade and Business community in Old Castile: Medina del Campo 1500-1575, partially published in," in *Historia de Medina del Campo y su Tierra*, ed. Eufemio Lorenzo Sanz (Ph.D. dissertation, Universidad de East Anglia (UK): 1982), vol. II, pp. 98-99 and pp. 109-122.

⁵¹ A theologian and economist in Castile, author of *Instrucción de mercaderes* (1544).

⁵² Colmeiro, *Historia de la economía política de España*, Madrid 1863, t. II, p. 303-304 y 501.

⁵³ Ruiz Martín, "La Banca en España hasta 1782," in *El Banco de España: Una historia Económica* (Madrid: Banco de España, 1970), p. 37.

⁵⁴ The expression used in the contract was: "librados en banco con más cinco al millar por el contado, sin que en ello aya falta ni dilación alguna". AGS, CJH, leg. 151. Copy of *asiento* with Esteban Lercaro, San Lorenzo del Escorial 14 June 1575). This sentence is repeated in many other *asientos*.

⁵⁵ For example, the association "Gonzalo de Salazar y Juan de Carmona", and "Juan Luis Vitoria y Antonio Suárez Vitoria". Ruiz Martín, "La Banca en España hasta 1782." p. 40.

⁵⁶ Nicolao de Grimaldo came to the fair of Medina del Campo in 1575, and delegated his business to his grandson, Juan Bautista Doria, when he left for Madrid. (AGS, CJH, leg. 154. Memorandum, 1576).

holding of the 1570 and 1571 fairs. Three people from the region backed him with a financial guarantee. In the report, the banker mentions debtors from Salamanca, Ciudad Rodrigo, Toro, Zamora, the region of Valladolid, Rioseco, Arévalo and the kingdom of Galicia⁵⁷.

In addition to the business of the *asientos*, the fairs acted for the Crown as financial center for other fund raisings⁵⁸, for some sales of the *juros*, and for the trade of *libranzas*. Hence, well-timed fairs were essential for the management of the public debt and its timely payments, and, similarly, the running of the fairs depended on the timely payments of the loans to the Crown.

Between 1567 and 1575, some of the bi-annual fairs of Medina del Campo were delayed for a number of reasons. During the 1560s, difficulties arose from the revolt that started in 1567 in the Netherlands. Some merchants who were connected with the American trade defaulted in Sevilla in 1567, and in Burgos in 1568. Both cities were also closely related through trade with Antwerp. In 1569, the English captured some ships belonging to important Burgos traders whose insurance had to be paid in Medina del Campo⁵⁹. Delays continued in the 1570s: October fairs were skipped in 1570 and 1571, only taking place in 1573. Some debts could not be paid and lenders could not meet their obligations. The king was petitioned to send officers and to order payments without waiting for the next fair.

In order to take advantage of the complementarities in trading, when a fair was delayed too long, it would be merged with another fair⁶⁰. Because of the contingent credit payments, it was essential however that all fairs should take place eventually. The Council of Finance (*Consejo de Hacienda*) received requests for the regulation per decree (*cédula*) of the holding of the fairs. These requests emphasized that due

⁵⁷ AGS, CJH, leg. 102. Memorandum from Luis Alonso de Medina to Escobedo, 1576. Also, AGS, CJH, leg. 151. Cédula, 8 May 1574.

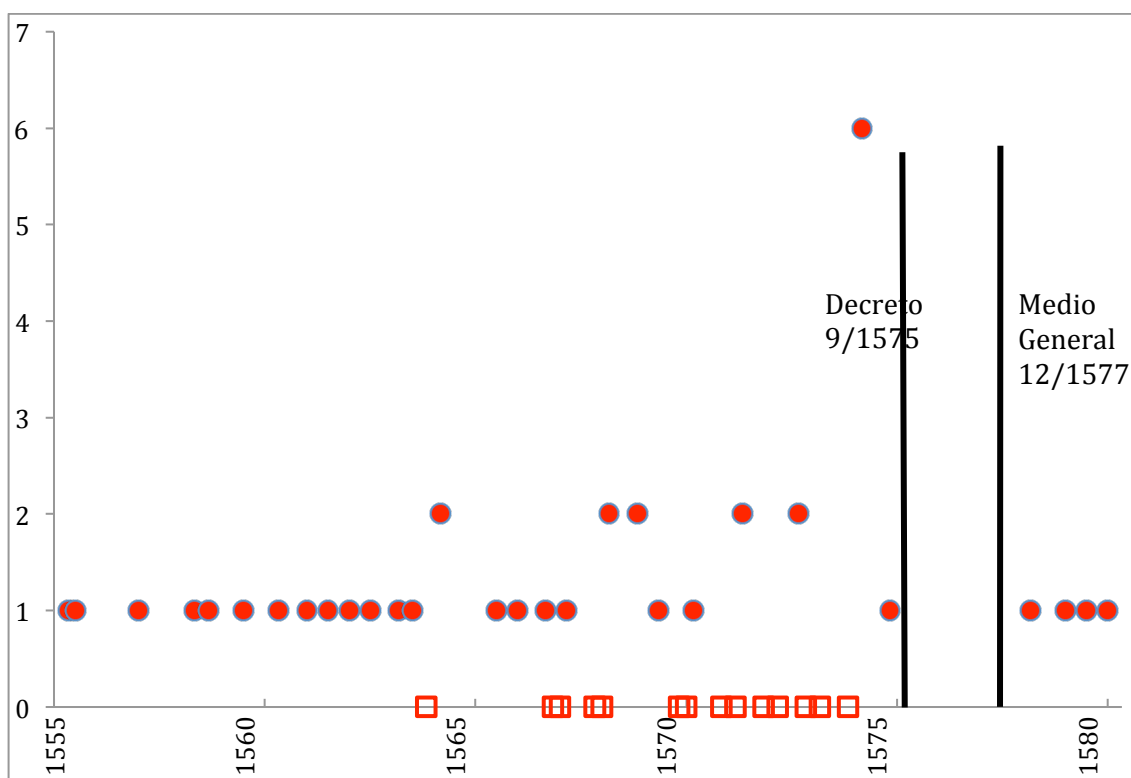
⁵⁸ For example, in the contract (*asiento*) that was signed with the financiers from Milano, Gerónimo Candiano and Camilo Brebia (in charge of the sale of crusade bulls in 155-1557) the proceeds were to be transferred to the bankers of the fairs of Medina and Villalon. (AGS, CMC, 1^a época, leg. 1386. Asiento, 1555). This procedure had been in effect for a number of years. In 1533, the treasurer of the Crusade in Astorga sent to the Medina fairs 2,882,250 mrs from the sales of bulls in his district. AGS, CMC, 1^a época, leg. 496. Cuentas, 1533.

⁵⁹ Lapeyre, *Una familia de mercaderes: Los Ruiz.*, pp. 438.

⁶⁰ They would explain the end of complementary payments in the neighboring fairs of Villalón and Rioseco when all financial activities became concentrated in Medina del Campo. *Ibid.*, pp. 437.

payments could not be made, including payments to the Crown, without the fairs⁶¹. The King and his councillors made efforts to minimize delays in the fairs. For example, in 1573, Melchior de Herrera, general treasurer of the King, convened with Hipólito Afetati and Jácome Bardi, two merchants of Medina del Campo, to stabilize the dates of the fairs⁶². Because of the accumulated delays for the fairs from 1572-1574, the King issued a *cédula* in May of 1574 that ordered the holding of all fairs between 15 October and 30 November of that year⁶³. Under the threat of penalty, all debts had to be paid cash without refinancing. The dates of the fairs are illustrated in Figure 1. (The exact dates are in Table A1 in the Appendix).

Figure 1. Dates of the Fairs of Medina del Campo



Source: See Table A1.

The irregular inflow of silver from the Americas has been mentioned as a potential source of disturbance for the fairs⁶⁴. The fleet would usually arrive in August, but delays

⁶¹AGS, CJH, leg. 164. Sin fecha, probablemente 1574. Document 7.

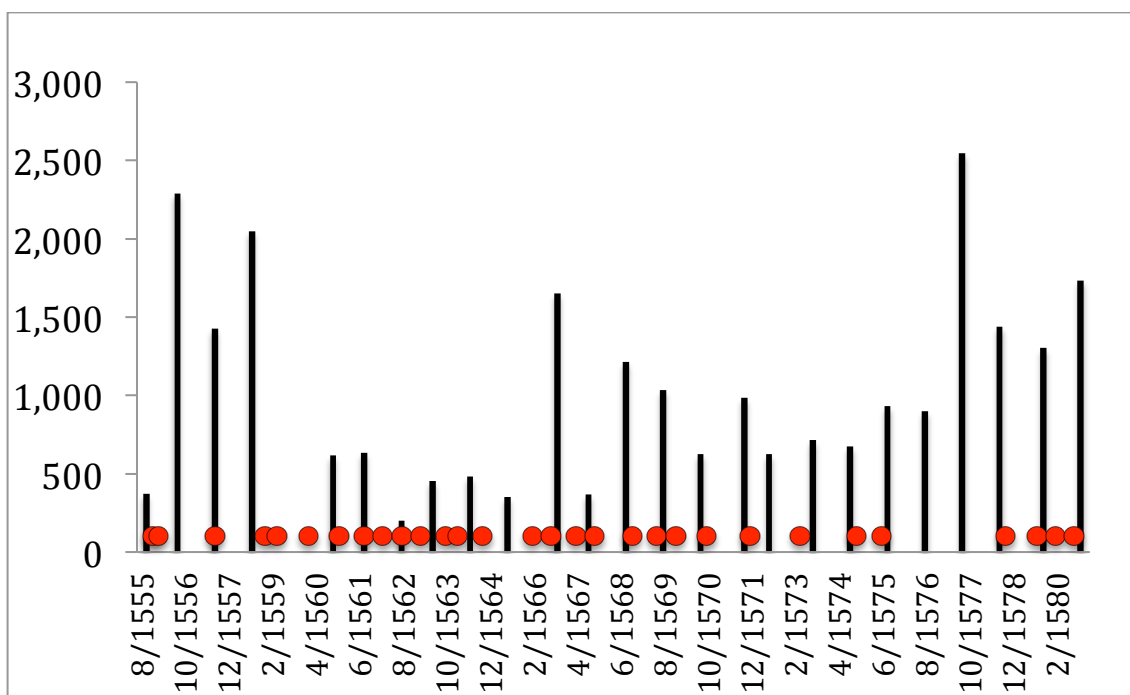
⁶²"a causa de que se trata de reducir la ferias a sus tiempos concertados, si por caso se hiciesen dos de las susodichas ferias de octubre juntas..." (5.882-6.714).

⁶³AGS, CJH, leg. 164. Cédula, 31 May 1574.

⁶⁴Mercado, *Summa de tratos y contratos* (Sevilla: 1571)., 1571, f. 14 vº. La literatura tradicional lo relaciona. Lapeyre, *Una familia de mercaderes: Los Ruiz.*, p. 435.

could postpone the October fair until January. Figure 2 presents the dates of the fairs with those of the fleet's arrivals and the amount of the fleet's precious metal. There does not appear a consistent relation between the timings of the fairs and the fleets. In the 1556-1558 when the arrivals of silver were at record levels, some fairs were missed. (However, that was the time of the first financial crisis of Philip II). During the mid 1560s, the arrivals were small but fairs met regularly.

Figure 2. The fairs and the fleets (amounts of American precious metals in ducats)
(1555-1580)



Source: In addition to those of Figure 2, Lorenzo Sanz. *Flotas*, pp. 283-292 y 263-274.

THE IMPACT OF THE DECRETO ON CREDIT

On 1 September 1575, the *Decreto* stopped all payments to the Genoese bankers⁶⁵. A few months before, he had asked his commander in Flanders to plan for a reduction in

⁶⁵ Álvarez Nogal and Chamley, "Debt policy under constraints: Philip II, the Cortes and Genoese bankers."

military activity⁶⁶. We discuss the policy of Philip II after reviewing the consequences that he must have anticipated.

In normal times, when credit markets function smoothly, most credit linkages remain hidden. In a crisis, these links emerge as rocks at low tide. The 2008 financial crisis has exposed the complexity and the critical impacts of these linkages. The economic profession itself is currently making up for past neglect by an abundance of papers on the issue. The same revelation process took place in 16th century Castile. The crisis that was triggered by the *Decreto* of 1575 provides very valuable information on the credit at that time but this information is dependent on particular cases that have to be collected. It is from the set of these cases in combination with our understanding of economics that we draw our interpretation of the 1575 crisis.

In 2008, policy makers did not anticipate the impact of the Lehman Brothers failure on the credit markets. Likewise, in 1575, the people of Castile who rejoiced at the payment stop underestimated its impact on the chains of credit obligations and market transactions. Note that the Crown did not intend to default *per se* on the *asientos* and before the end of the year it set the principle that all the *asientos* would be paid at 12 percent. But the payment stop threw wrenches through the wheels of the credit markets that interconnected agents at the time, as they do today. The network of contracts in the commercial credit market of Castile was deeply connected with the financial dealings of the Crown. Payment delays or failures had an adverse impact on the discounting of the *libranzas*, the circulation of the letters of exchange and, therefore, the entire credit market. The bankers could not meet their repayment obligations to their creditors who could not meet their own obligations, and so on. Numerous chains of credit were broken, eventually triggering a collapse of finance and commercial trade.

The vanished fairs

The breakdown of the commercial credit market stopped the commercial fairs at Medina del Campo. No fair took place during the payment stop between September 1575 and the beginning of 1578 (Figure 1). After they resumed in 1578, there was no catching up

⁶⁶ Carlos Morales, *Felipe II: el imperio en bancarrota. La Hacienda Real de Castilla y los negocios financieros del rey Prudente.*, p. 160.

of any missing fairs. The gap of the fairs in 1576-1577 is a striking illustration of the impact of the payment stop on the trade in Castile.

Contrary to what had been done before 1575, the Crown made no effort to keep the schedule of the fairs, as it would have been futile. However, as soon as a settlement was reached, the Crown renewed its interventions. On 25 April 1578, Philip II consulted with the cities on the means to resume the fairs and the payments that had been delayed since the last fair in 1575⁶⁷.

The impact on Castilian depositors

We have previously described how the Genoese bankers provided financial intermediation from savers and traders to the Crown. During the payment stop the bankers' creditors attempted to recover their deposit and sent numerous petitions to the Council of Finance. Many documents show the paralyzing impact of the *Decreto* on depositors. For example:

“The suspension of payment that was ordered by your Majesty has in fact suspended all the trades and has affected all the credit market and the spirit of the trade people, not only in this place but also in others.”⁶⁸

A group of merchants in the region of Logroño (present-day northern Spain), emphasized that the payment stop affected not only the bankers of the King but also the small savers who had deposits with the bankers, and their commercial activities⁶⁹:

“We add to this the calamity and great poverty that from us is translated to many people who have entrusted us with their savings, under the thought that their were very safe and only from this service we provided they could support their houses and families. In this way, many craftsmen, ordinary people, employees and daily workers who lived and supported themselves by the business activities that depended on credit are now homeless and vagabonds.”⁷⁰

The merchants explained that because of the suspension, none of them could pay their creditors and continue their business.

⁶⁷Espejo e Hinojosa and Paz, *Las antiguas ferias de Medina del Campo.*, pp. 269-272. Colmeiro, *Historia de la economía política en España* (Madrid: Taurus, 1965), vol. II, pp. 836-838.

⁶⁸AGS, CJH, leg. 155. Memorandum to the Council of Finance from various business people, without date, around 1575. Appendix. Document 9.

⁶⁹AGS, CJH, leg. 155. Memorandum of Diego Ximénez to the Council of Finance, 25 April 1576. Appendix. Document 8. Residents of the little towns Santo Domingo de la Calzada, Nájera and Torrecilla de los Carneros.

⁷⁰Ibidem.

“We have no other funds to satisfy our creditors except those that are owed to us by those who are affected by the decree. In effect, our funds were converted in the service of Your Majesty and without these funds, this financial support of Your Majesty could not have been provided.”⁷¹

They requested the protection of the Crown emphasizing that without their contribution, the bankers could not have lent money to the King.

Consider the petition from merchants of Burgos:

“Andres de Larrea, Juan de Ybarra and Andrés de Ecija, residents of the city of Burgos, state that Nicolao de Grimaldo, prince of Salerno, Juan Fernández de Espinosa and Esteban Lomelin owe us more than 120.000 ducats cash that were signed in a contract in this fair for payment Sevilla, Burgos and in the *libranzas* of His Majesty following the ordinary service that we provided.”⁷²

The petition highlights the multiple layers of the intermediation process to finance the credit to the Crown, which in this case took the form of discounted *libranzas*. Since the amount of 120 000 ducats was very large, these merchants had borrowed on the credit market:

“Our association, in order to discount the *libranzas*, had to take money in exchange from other people for payments in this Court, in Burgos and Sevilla and in Flanders, on our own credit.”⁷³

The protection of the bankers by the Crown

Philip II did not intend to jeopardize the essence of the banker’s activity. We found numerous documents indicating that immediately following the *Decreto*, bankers demanded and obtained protection from the King against their Castilian creditors⁷⁴. Until the settlement in the *Medio General* at the end of 1577, this protection against creditors prevented any ordinary court of justice to force them to pay or seize their property⁷⁵. The failure of the King to pay the Genoese bankers was thus translated to their creditors, the savers, merchants and investors throughout the realm of Castile. The bankers pointed explicitly to the king that a resumption of the payments would

⁷¹Ibidem.

⁷²AGS, CJH, leg. 155. Memorandum without date, 1575. Appendix. Document 5.

⁷³AGS, CJH, leg. 155. Memorandum without date, 1575. Appendix. Document 5.

⁷⁴AGS, CJH, leg. 155. Memorandum to the Consejo de Hacienda presented by various trade people, without date, aprox 1575. Appendix. Document 9.

⁷⁵This decision extended all types of debt since the no distinction could be made for the debts related to the Crown's credit. AGS, CJH, leg. 155. Memorandum to the Consejo de Hacienda presented by various trade people, without date, aprox. 1575. Appendix. Document 9.

immediately be transferred to their creditors⁷⁶. Furthermore, the bankers used the *Decreto* as a quasi-official excuse to avoid any obligation in the set of complex credit linkages.

Among the documents attesting the preferential treatment of the King's bankers, Genoese or Castilian, four royal decrees were sent to Juan Ortega de la Torre in Burgos Burgos to protect him from any suit for any type of debt. The validity of these measures expired in October 1576, but the banker requested their extension⁷⁷. Thanks to this royal protection, the banker Ortega escaped credit problems and continued to operate in 1581 with branches in Madrid, Sevilla, Valladolid, Medina del Campo and Antwerp.

Royal protection was not extended to other people in the realm, and these people had to pay their own debts even if they could not recover their assets with the bankers who were affected by the *Decreto*. The *licenciado* (holder of a degree) Mena could not recover his 20,000 ducats from the Genoese bankers, but his own property was seized because he could not pay a debt of 800 ducats. He could avoid the jail only by a fire sale of part of his properties and a loan from a friend⁷⁸. Mena complained that the King protected only the bankers and not their Castilians creditors.

Three merchants from Burgos had discounted payment orders by the Crown to three well-known bankers (Nicolao de Grimaldo, Juan Fernández de Espinosa and Esteban Lomelin). After the merchants had their petition to seize the property of the bankers rejected by the King, they bitterly complained against the discrimination⁷⁹:

"The delay [in payment] causes our complete ruin; the officials of Your Majesty are treating us in such a way that we cannot gain cause for our property and credit. Nicolao de Grimaldo and others are protected by Your Majesty, so that we cannot demand from law officials to seize their goods and incarcerate their persons ..."

Joan de Lago, an important merchant in Burgos, wrote in similar terms:

⁷⁶AGS, CJH, leg. 155. Memorandum to the Consejo de Hacienda presented by various trade people, without date, aprox 1575. Appendix. Document 9.

⁷⁷AGS, CJH, leg. 154. Memorandum Juan Ortega, 1576: "the persons who are affected by the *decreto* ("*decretadas*") owe much more than my own debt of 100 000 ducats and I have no possibility to demand and force them to pay me back".

⁷⁸AGS, CJH, leg. 154. Memorandum from the *licenciado* Mena, 1576. "Demand from Your Majesty that since he can not pay if he does not cash (his deposit), Y.M. order to provide to him his protection as for the others and that the majors and the justice of this region enforce the payments of the debts by Nicolao de Grimaldo and Nicola y Visconte Cataneo.

⁷⁹AGS, CJH, leg. 155. Memorandum without date, 1575. Appendix. Document 5.

"The payment delay leads to our complete demise. The officials of Y.M. (Your Majesty) issue orders such that we cannot prevail in our claim of payments and of credit... Nicolao de Grimaldo and our other debtors are protected by Y.M. such that we cannot request from the law that they seize their property and jail their persons, and they keep their book and papers as before (...) this causes us a considerable prejudice because they enjoy the use of the amounts they that have to pay."⁸⁰

Like Joan de Lago, Sebastian López de Orozco, an accountant, could not get back 1,792 ducats he had loaned to Nicolao de Grimaldo a few months before the decree⁸¹. That was a small amount with respect to an *asiento*. Grimaldo refused to return the deposit in 1575, alleging that he could not because of the *Decreto*⁸². Sebastián López, facing jail while the banker was unaffected, petitioned to the King:

"To enforce the payment and not permit the Genoese bankers to put him in jail and in a situation of great necessity, without any reason, because he did not do anything illegal. If the bankers force their debtors to pay debts, they have to do the same and to pay their debts to the people of Castile."

When Sebastián López learned that Don Rodrigo de Mendoza owed Grimaldo a similar amount, he demanded that the payment of that debt be directed to him. Grimaldo instead rejected the proposal and had some of don Rodrigo's goods seized for non payment! It was proof of

"the malice of the named Prince and [that] he does not pay not because he cannot but because he does not want."⁸³

Others like the creditor Larrea ended up in jail. He petitioned the Council of Finance (*Consejo de Hacienda*) and asked for help. He could not use local law to recover loans in order to pay his debt:

"and I find myself in the impossibility not only to pay the debts that are asked from me but also to pay a bail to free myself from this terrible jail to treat my sickness. I could not find any amount of money. For this reason I have suffered much oppression and trouble in the two months of my detention. During that time my debtors have been let free and are protected while I cannot recover my claim from them. Although I have made my requests, the town's authorities do not want to issue an order of execution against them."⁸⁴

⁸⁰AGS, CJH, leg. 155. Memorandum from Joan de Lago to the CF (Council of Finance), 1575. Appendix. Document 10.

⁸¹AGS, CJH, leg.155. Memorandum from Sebastián López de Orozco, 1575. Appendix. Document 11.

⁸²AGS, CJH, leg.155. Memorandum from Sebastián López de Orozco, 1575. Appendix. Document 11.

⁸³AGS, CJH, leg.155. Memorandum from Sebastián López de Orozco, 1575. Appendix. Document 11.

⁸⁴AGS, CJH, leg.154. Memorandum from Andrés de Larrea, 1576. Document 12.

Andrés de Cañas was one of the main figures in the city of Burgos, yet he too was not protected. In 1576, he sent a petition to the King to recover a debt from Nicolao de Grimaldo. He complained that he could not continue with his activity and investment in Castile, in the business of wool and other goods, and he pointed to the relation between ruining of a city's merchants and ruining the city itself⁸⁵.

The crisis affected also cities that were not on the main trading routes. We found a similar petition by merchants from the small town of Logroño in the north.⁸⁶

People with small savings suffered too. Doña Francisca de Salazar, widow of Lope Rodríguez Gallo de Castro in Burgos, protested that she had loaned 606 ducats to the marquis of Auñón, General Treasure of the King, through the bank of Antonio Vázquez. To recover her ducats she had received from Auñón a payment order to be presented to Nicolao de Grimaldo. But Grimaldo refused to pay. She turned then to the marquis who likewise refused. In her appeal to the Court in Madrid and the Council of Finance to obtain the payment and seize some goods of the marquis, she stated⁸⁷:

“We have completely lost the credit, which is the nerves, the soul and the strength of commerce.”

Francisco de Rojas, in Madrid, had a deposit with Nicolao de Grimaldo that was frozen after the decree. In his appeal to the Council of Finance to get his money, he demanded that some property of Grimaldo be seized for non-payment⁸⁸.

The stop-gap measures that were taken by some commercial institutions illustrate the impact of the credit freeze. The Consulado of Sevilla, a merchant guild who represented all the merchants of the city involved in trade with the colonies, extended the time for payments of the debts until the Genoese bankers were able to satisfy their debtors⁸⁹.

Bank failures

The chaotic situation after 1575 particularly affected the city of Seville. In 1576, two banks that operated in that city went bankrupt, the one called “Herederos de Alonso y

⁸⁵AGS, CJH, leg.151. Letter from Andrés de Cañas to Juan de Escobedo, secretary of Philip II, 20 April 1576.

⁸⁶AGS, CJH, leg. 155. Memorandum from Diego Ximénez to the CF, 25 April 1576. Appendix, document 8.

⁸⁷AGS, CJH, leg. 154. Note of the secretary, 1576.

⁸⁸AGS, CJH, leg. 154. Note of the secretary, 1576.

⁸⁹AGS, CJH, leg. 151. Letter from the Consulado to the CF, 26 March 1576.

Pedro de Espinosa”⁹⁰ and the bank of “Pedro de Morga y Matia de Fano”⁹¹. They had operated in the city since 1553 and had overcome important crises as in 1557-1560 and 1567.

These bank failures were a consequence of the *Decreto* not because of direct loans to the King but probably because of loans to individuals who had invested in loans to the King. A perfect illustration that tied Morga with the creditors of the Crown, is found in the statements of one of the debtors of the bank. Andrés de Larrea, resident of Burgos, ended up in jail when he failed to pay his debt of 16,000 ducats to the bank. For his defense, he argued that he would have liked to pay his debt, if not for his inability to recover a loan of 25,000 ducats he had made in the last *feria* of Medina del Campo to Nicolao de Grimaldo and his brother. In the own words of Andrés de Lorrea, his loan to the bankers "was converted to the service of His Majesty"⁹², that is, it became a part of an *asiento* with the King.

Other evidence points to the relations between the Morga bank and the Crown. Before 1575, the Crown had used the services of the bank of Morga. It had been involved in the collection of the *alcabalas* in Seville after the city had rejected the new *encabezamiento*⁹³.

THE POLICY OF PHILIP II DURING THE NEGOTIATIONS

In 1575, Philip II knew that he had to increase the *encabezamiento* but the main question was by how much, as we explained at the beginning of this study. A moderate increase would have been sufficient to avoid a short-term crisis. But he was playing hard. The previous year he had ordered a tripling of the *encabezamiento*! That was much more than was required to finance new *juros* for a while, and his authority was on the line. That tripling may have scared the cities and stiffened their will to resist. Philip II would turn the payment stop, which was initially popular, in order to gradually wear down the cities.

⁹⁰On Morga and Espinosa, see Ulloa, *La Hacienda Real de Castilla en el reinado de Felipe II.*, p. 435, Lorenzo Sanz, *Comercio de España con América en la época de Felipe II* (Valladolid: Diputación Provincial de Valladolid, 1979)., pp. 188 and 206, Ruiz Martín, "La Banca en España hasta 1782.", p. 27.

⁹¹AGS, CJH, leg. 155. Memorandum from Esteban Lomelin to the CF, 1575.

⁹²AGS, CJH, leg.154. Memorial de Andrés de Larrea, 1576.

⁹³AGS, CJH, leg.154. Memorial de Agustín de Rivera, 1576.

The impact of financial crises on real economic activity takes some time to fully develop, as in the recent crises in the 1930s or after 2008. In the 16th century, with the slow clock of the fairs and of the seasons, it took some time for the cities to feel the full impact of the *Decreto*, and no progress was made in the *Cortes* for a year. Only in August 1576 did the cities agree to make a move: the negotiations about *servicio ordinario* were placed before those of the *encabezamiento*! After that, no more progress was made for another year⁹⁴.

During the payment stop, the King was pressured by all who were affected by the impact on the credit market (individuals, foreign groups and various Castilian institutions), and also by several events (e.g., the sack of Antwerp by his unpaid army). But Philip II preferred to be patient. He did not give up on his goal, to force the higher *encabezamiento* on the *Cortes*.

The government of Genoa pleaded for its bankers. In numerous complaints that were sent through the Genoese ambassador in Madrid, the government reminded Philip II of the harm that was caused on merchants and bankers in this Italian Republic which played such a crucial role for the Crown⁹⁵. A special embassy in July 1576 impressed upon the Crown the undesirable effects of a harsh settlement upon the Republic's internal stability⁹⁶. The demands from the Genoese government were explicitly mentioned in the document of *Medio General* that resolved the crisis in 1577⁹⁷.

The Church also intervened. The Papal Nuncio reminded the King that many non-Genoese merchants were involved with the Genoese bankers – Spanish, Milanese, Florentine, Venetian, and others from every part of Italy. Should the Genoese collapse, they would take with them partners, large and small. The argument was made, not for the last time in history, of the poor widows and “honest” maids who had who had entrusted their dowries to the *asentistas* and were at great risk.

Contador Salablanca, of the Council of Finance, reminded the King that if he wished to exert an effective presence outside the peninsula the fairs had to be reinstated. Finally,

⁹⁴The sack of Antwerp by the unpaid Spanish troops, on November 4, 1576, seems to be a non-event for the negotiations.

⁹⁵ AGS, Estado Génova, leg. 1408-20. Letter of D. Juan de Idiáquez to the secretary of the king Antonio Pérez, Genoa, 21 November 1576.

⁹⁶Lovett, *Philip II and Mateo Vázquez de Leça: the Government of Spain (1572-1592)* (Genève: 1977), p. 100.

⁹⁷AGS, CCGG, leg. 309. Medio General, 5 December 1577, fols. 3-4. Appendix. Document 14.

even Nicolao de Grimaldo pleaded for some form of agreement, if only on an interim basis, so that he might placate his creditors⁹⁸. Institutions inside the realm (e.g., the Consulate of Burgos who represented the interests of the main businesses of the city) also insisted with the King that he should come to an agreement with the bankers⁹⁹.

Parallel negotiations were conducted with the cities in the *Cortes* and with the bankers. The Crown thought that a comprehensive review of all the *asientos* was necessary. The sales of the collateral (*juros de resguardo*) by the bankers, their returns with *juros* of a possibly different type had created a confusing situation in which the liabilities of both parties would be difficult to determine. This justified the Crown's creation of a commission to review all the *asientos* that had been signed since 14 November 1560: 296 contracts with 66 people (Nicolao de Grimaldo 35, Lucian Centurion 34, Lorenzo Spinola 32, and so on). The balance of each active *asiento* was computed by bringing past payments to the current date with the standard interest rate of 12 percent.

In the early spring of 1577, The Crown and the bankers agreed on the amount of 15.2 million ducats¹⁰⁰. But settling with the bankers was not the main issue for Philip II, and he may have waited with the bankers until March 1577 because he was not rushed: progress in the *Cortes* was so slow. The squeeze had to go on. During the spring and the summer of 1575, before the *Decreto*, Philip II was prepared to grant a reduction of the *encabezamiento* (from the tripling in 1574) if the cities would grant the *servicio ordinario* and the *servicio extraordinario*. In the summer of 1577, he reiterated that the signing with bankers could not proceed as long as the cities did not agree to a tax increase. Juan Fernández de Espinosa, General Treasurer of Castile, sent instructions from the king to Mateo Vázquez, Secretary of Philip II, which demonstrate how the two issues, suspension of payments and increase of the *encabezamiento*, were linked:

⁹⁸Lovett, *Philip II and Mateo Vázquez de Leça: the Government of Spain (1572-1592)*, p. 101.

⁹⁹AGS, CJH, leg.151. Letter of Andrés de Cañas to Juan de Escobedo, (secretario de Felipe II), 20April1576.

¹⁰⁰The larger part of the debt was not in unpaid arrears, but in repayments that were contractually scheduled for the future. From an examination of all the *asientos* that were initiated between 1570 and 1575 (and some before 1570), it appears that the total amount of the payments scheduled after 1575 exceeded 12 million ducats. Given the average maturity of these remaining liabilities, an approximate estimate of the present value of the scheduled repayments is about 10 million ducats. Arrears would then represent about 5 million ducats.

“Make sure that among the negotiators have no power, occasion, or license to err in matters that are so important and so few, namely these two matters, the signing of the *Medio* (agreement with the bankers) and the *encabezamiento*.”¹⁰¹

In a letter written on behalf of the King by his Secretary, the close relation between the two issues is repeated:

“Since you have sent me these reports on the matter of the *Medio general* and of the *encabezamiento*, I have examined and reflected with great care on the first and on the second. Both matters are important in the substance (...) and I hold each matter much dependent on the other.”¹⁰²

The numerous petitions to the King, the protection of the Genoese bankers against Castilian creditors, the reports of Philip II on the credit market before he became king, all these show that the "Prudent king" was aware of the impact the payment stop would have on the commercial trade. Philip II claimed not to understand financial matters,¹⁰³ yet we have seen how he had gained his knowledge at the time when he was the Regent of Castile. Genoese bankers knew how the credit market was organized. Some of them were very close to Philip II and participated in meetings of the Council of Finance. In his struggle with the cities, Philip II rejected the advice from impatient aides to use force. The payment stop was a more powerful tool to impose the tax increase.

RESOLUTION

Finally, the cities relented. On 29 October 1577, a new *encabezamiento* was voted in the *Cortes*. In previous adjustments, increases had been roughly proportional across cities. But in 1577, the shares of some cities jumped up: Seville from 10.2 per cent in 1557 to 17.5 percent in 1577, Toledo from 5.8 to 7.6 per cent. Granada's share dropped from 9.2 to 5 percent. After the agreement on the *encabezamiento*, the voting on the *servicio extraordinario* (which was part of the ordinary taxes¹⁰⁴) was sped up and a final agreement was reached in the following month.

¹⁰¹IVDJ, Envío 22. Caja 33, TB 49, folio 98. Carta de Fernández de Espinosa a Mateo Vázquez, 11August1577.Appendix. Document 16.

¹⁰²IVDJ, Envío 76, fols. 554-557. San Lorenzo del Escorial, 7July1577. Minutes of a letter written in name of Philip II by his secretary. Appendix. Document 17.

¹⁰³Parker, *Felipe II. La biografía definitiva* (Barcelona: 2010)., pp. 179-180.

¹⁰⁴Álvarez Nogal and Chamley, "Debt policy under constraints: Philip II, the Cortes and Genoese bankers."

As the main issue was now resolved in the *Cortes*, the *Medio General* was signed with the bankers two weeks later, on 5 December 1577, under the same terms¹⁰⁵ as in the draft of March 1577. As the ceiling on the service of the *juros* was lifted, all the *asientos* were refinanced into *juros*.

In the text of the *Medio General*, the King made it clear that in settling with the bankers, he was following the express wish of the cities:

“...and adding to all this the demand that was addressed with particular insistence about the same affairs by the delegates of the realm who are gathered in the *Cortes* that we are holding at the present time in Madrid.”¹⁰⁶

The same issue is addressed in a decree that was issued six months after the settlement:

“Given the pressing demands on this same issue by the ambassadors that were sent to us by the republic of Genoa and by the delegates in the *Cortes*, we ordered to settle with these business people (*personas de negocios*) the *Medio General* on December 5 in the past year.”¹⁰⁷

As soon as a settlement was reached, the Crown renewed its interventions for the resumption of the fairs. On 25 April 1578, Philip II consulted with the main cities and institutions on how to resume and solve the problems of the fairs¹⁰⁸. The general response was that the 1575 suspension had caused enormous harm to trade¹⁰⁹.

After an interruption of three years, the fairs resumed on 28 October 1578, as ordered by a royal decree on 5 August 1578.¹¹⁰ All the pending payments were made at that fair. However, the extended gap between 1575 and 1578 had a long-term impact on the fairs and they lost their role as central financial markets of Spain. Merchants and bankers had developed an incentive to issue letters of exchange *al uso* that could be paid at places

¹⁰⁵ Some debt reduction took place in the text of the agreement. The evaluation of the actual debt reduction requires another study that would need to address at least two major issues. First, some of the redeemable *juros* were refinanced at a lower interest rate. Given the fragmented nature of the capital market for the *juros* that were tied to cities, the reduction of the rate on a *juro* was done by augmenting the capital, for an unchanged coupon, with the out option for the holder to cash the face value. The second issue is that the bankers who suffered a statutory loss on their *asientos* in the *Medio General*, received some compensations in the years after 1577, including clawback provisions in new *asientos*. The archives contain information but it is dispersed and difficult to trace.

¹⁰⁶AGS, CCGG, leg. 309. *Medio General*, 5 December 1577, fols. 3-4. Appendix. Document 14.

¹⁰⁷ AGS, CJH Libros, 42, f. 42v. Copia cédula, Madrid, 25 May 1578. Appendix, document 15.

¹⁰⁸ Espejo e Hinojosa and Paz, *Las antiguas ferias de Medina del Campo*, pp. 269-272.

¹⁰⁹Lapeyre, *Una familia de mercaderes: Los Ruiz.*, pp. 447-48. Espejo e Hinojosa and Paz, *Las antiguas ferias de Medina del Campo.*, pp. 94, 296 y 309.

¹¹⁰AGS, CCA, DIV, 48-6.

other than Medina del Campo¹¹¹. Already before 1575, some letters had been written on the *feria* of Alcalá de Henares, which was closer to the royal court or even at Madrid (which had no fair)¹¹². During the crisis of 1575-1577, the financial activities in Medina were gradually transferred to Madrid where many of the *asientos* had been negotiated before 1575 and where the government and the bankers resided. Not all these financial activities went back to Medina after 1578.

CONCLUSION

The analysis of the credit crisis 1575-1577 reveals the structure of the Castilian credit market as well as the political relationship between Philip II and the cities of Castile. The cities' relative autonomy limited the state's power and enabled them to bargain with the King. In some way, the involvement of the cities in the collection of revenues and the service of the domestic debt benefited the Crown because it enhanced the credibility of the debt and lowered its cost. But their fixed contributions, negotiated and voted in the *Cortes*, imposed a *de facto* ceiling on domestic public debt and on the ability of the King to refinance the short-term debt into long-term debt. The payment stop of 1575 was protracted because Philip II decided to remove that ceiling through a very large increase of the taxes. He maneuvered blame onto the Genoese bankers, while simultaneously protecting them. Indeed, a large part of *asientos* were financed by the bankers their intermediation of credit and savings in Castile. The King's eventual success was achieved at the cost of more than two years of a credit freeze. It caused the stop of the commercial fairs in Castile and contributed to their permanent decline. The crisis was an early example of a struggle on the debt ceiling between an executive and a representative assembly.

¹¹¹Lapeyre, *Una familia de mercaderes: Los Ruiz.*, p. 444.

¹¹²Ruiz Martín, "Las Ferias de Castilla", pp. 281-282.

APPENDIX 1

Table 1 Dates of the fairs of Medina del Campo (1561-1580)

Date	Nº fair	Name of the fair		
8/1561	1	5/1561		
2/1562	1	10/1561		
8/1562	1	5/1562		
2/1563	1	10/1562		
10/1563	1	5/1563		
2/1564	1	10/1563		
10/1564	2	5/1564	10/1564	
2/1566	1	5/1565		
8/1566	1	10/1565		
4/1567	1	5/1566		
10/1567	1	10/1566		
10/1568	2	5/1567	5/1568	
6/1569	2	10/1567	10/1568	
12/1569	1	5/1569		
10/1570	1	10/1569		
12/1571	2	5/1570	5/1571	
4/1573	2	10/1570	10/1571	
10/1574	6	5 y 10/1572	5 y 10/1573	5 y 10/1574
6/1575	1	5/1575		
10/1578	1	10/1578		
8/1579	1	5/1579		
2/1580	1	10/1579		
8/1580	1	5/1580		

Sources: AGC, CMC 2ª época, leg. 983. Constantin Gentil. Accounts since 1561 Lapeyre, *Una familia de mercaderes*, p. 436 y 442, AGS, CJH, leg. 80. Copy of asiento with Nicolado de Grimaldo y Lorenzo Spinola, 1566. AGS, CJH, 164. Cédula, 31 May 1574. Carlos Morales, *Felipe II*, p. 112. Ulloa, M. *La Hacienda Real de Castilla*, p. 776.

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