

*Rural Crisis and Rural Credit in XVIIth-Century Castile**

Michael R. Weisser

Columbia University in the City of New York

What do we know about the use and abuse of credit in seventeenth-century Castile? Like most topics in economic history, our attention is drawn to the problem, as it were, from the top down. We concentrate first upon the activities of the great lenders and the great debtors, those who had the most to gain and those who stood to lose the most. In the case of Castile, this translates into an abundant literature about the fabulous merchant-bankers on the one hand and a debt-encrusted monarchy on the other.¹ The international credit network created by their symbiosis and lubricated by American treasure obscures all other aspects of the problem.²

This narrow perspective continues to colour accounts of the great crisis of the 1620's, a true watershed in the history of the Habsburg monarchy in Spain. The bankruptcy of 1627, followed by the monetary devaluation of 1628, is usually analyzed as a

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¹ Chief among such studies we cite, R. EHRENBERG, *Le siècle des Fugger* (Paris, 1955); R. CARANDE, *Carlos V y sus banqueros* (Madrid, 1965); M. ULLOA, *La hacienda real de Castilla en el reinado de Felipe II* (Madrid, 1977).

² The classic work is Earl J. HAMILTON, *American Treasure and the Price Revolution in Spain, 1501-1650* (Cambridge, 1934). A recent analysis of the effects of treasure on the Spanish economy is, PETER J. FORSYTH and STEPHEN J. NICHOLAS, "The Decline of Spanish Industry and the Price Revolution: A Neoclassical Analysis", *The Journal of European Economic History*, 12, 3 (Winter, 1983), pp. 601-610. This article attempts to explain the price rise as a "natural" response to treasure inflows but understates the effects of internal economic developments.

response to a succession of royal deficits aggravated by the loss of the treasure fleet.³ Nonetheless, every account of the grievous period includes some mention of the rural crisis as contributing to the tragic flow of events.⁴ But what was the actual link between the rural crisis and the financial disasters that occurred at this pivotal moment in the fortunes of the Spanish Habsburgs?

A tentative hypothesis was advanced by Ruggiero Romano to explain a similar crisis that erupted in Italy in 1619-22.⁵ Romano found that in the years leading up to the crisis there was a decrease in monetary reserves, a general deflation of currency and a massive increase in credit-paper being substituted for metal. But like historians of the Castilian crisis, he could only theorize about the effects of a general collapse of the rural economy, even though he was convinced it was the crucial element in explaining the problem as a whole.⁶ The purpose of this essay is to shift our focus back to Castile and provide the evidence about the rural crisis that will allow us to render the picture complete.

1. Rural Crisis

The specific data on the rural crisis of the 1620's is drawn from a region known as the Meseta del Tajo, an area of 32 villages covering roughly 1,000 square kilometres directly south of the city of Toledo in New Castile. In 1576 the villages of the Meseta

³ ANTONIO DOMÍNGUEZ ORTIZ, *Política y hacienda de Felipe IV* (Madrid, 1960), pp. 37-50.

⁴ Cf. J.H. ELLIOTT, *Imperial Spain, 1469-1716* (New York, 1977), p. 330, who refers to the years 1627-28 as "the last real chance for a programme of retrenchment and reform in the Spanish monarchy". Also see, G. PARKER, *The Army of Flanders and the Spanish Road, 1567-1639* (Cambridge, 1972), pp. 255-256 for an analysis of the effects of the 1627-28 crisis on the war in the Low Countries.

⁵ R. ROMANO, "Between the Sixteenth and Seventeenth Centuries: The Economic Crisis of 1619-22", in, G. PARKER and L. SMITH, eds., *The General Crisis of the Seventeenth Century* (London, 1978), pp. 165-225.

⁶ *Ibid.*, p. 215. Romano states: "What was important was the effect of the agricultural decline upon the crisis of 1609-13, a crisis of circumstance. The latter weakened the agrarian structure, which in turn affected the crisis of 1619-22".

contained 7,395 *vecinos* (hearths), distributed between small, medium and large villages in the same proportion as that of the rural population throughout all the provinces of New Castile.⁷ Of the total production in the Meseta, perhaps 75 percent was in the form of grains, mostly wheat and rye, along with significant wine harvests in several settlements and lesser amounts of olive oil, silk and wax.⁸ In some of the large villages, like Orgaz and Sonseca, cottage industry furnished raw and semi-finished textiles for the market in Toledo. The village of Ajofrín was a regional centre for meat-curing and the village of Los Yébenes produced wood and charcoal to construct and heat residences in Toledo and Madrid.⁹ Yet none of these secondary activities in a particular village or in the aggregate could match the importance of wheat production as a staple for local consumption or a commodity for regional trade.

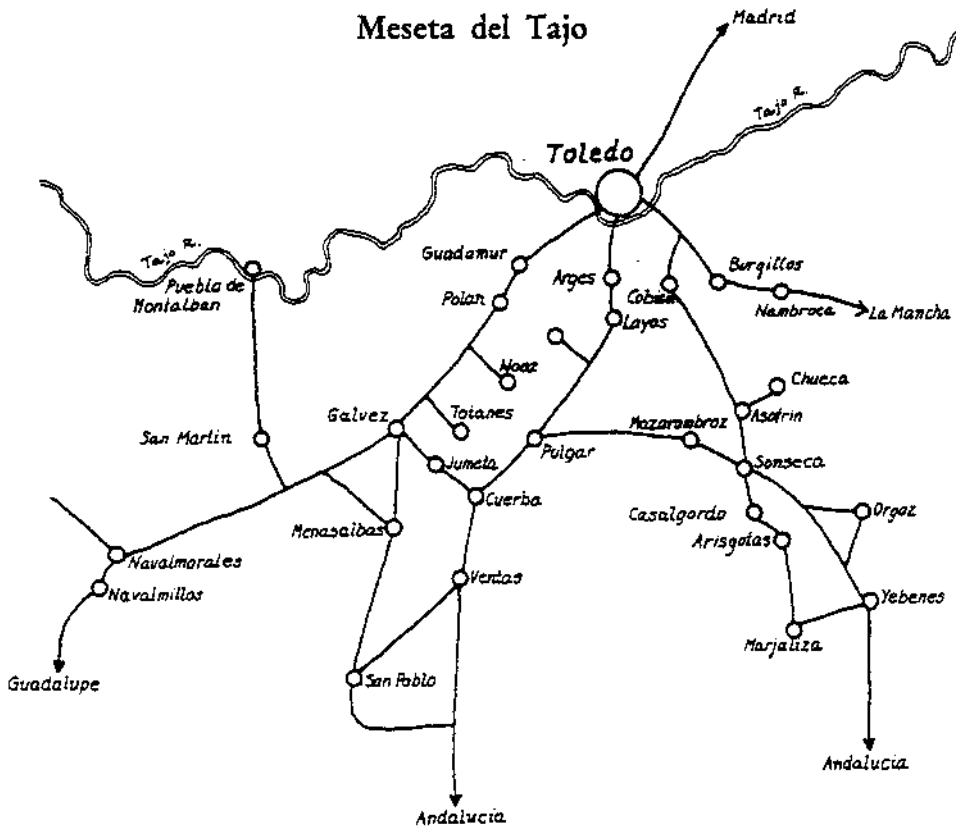
By the 1590's, the population of the Meseta had climbed to nearly 10,000 *vecinos*, an increase of more than 30 percent over the total for 1576.¹⁰ This growth of population within the Meseta paralleled the increase of rural numbers throughout Castile. Moreover, baptismal registers from the villages of Cuerva, Los Yébenes, Galvez and Puebla de Montalbán indicate that the population of the Meseta had probably been growing from at least

⁷ Population figures from, C. VIÑAS y R. PAZ, *Relaciones histórico-geográfico-estadísticas de los pueblos de España hechas por iniciativa de Felipe II - Reino de Toledo* (Madrid, 1963). The distribution of rural population in Castile is analyzed by, N. SALOMON, *La campagne de Nouvelle Castille à la fin du XVI^e siècle d'après les "Relaciones topográficas"* (Paris, 1964), pp. 42-44.

⁸ Cf. SALOMON, *La campagne*, pp. 51-96. Salomon calculates that pastoralism accounted for less than 15 percent of all production in New Castile. However, wine production in the Meseta may have been higher than Salomon's estimates. Cf. Archivo Municipal de Toledo (A.M.T.), section: *Visitas de vino* for annual wine harvest totals in Meseatan villages.

⁹ For references to artisans and handicraft production, see various sections of Viñas y Paz, *Relaciones*, and the summary in Salomon, *La campagne*, pp. 97-132. Also see comments in Archivo General de Simancas (A.G.S.), section: *Expedientes de hacienda*, legajo 180.

¹⁰ A.G.S., *Exp. de hac.*, leg. 183.



the 1530's; indeed, the rate of growth had probably slowed by the 1570's.¹¹

The demographic upsurge of the sixteenth century halted and then began to reverse somewhere between 1590 and 1610. In Galvez, Ventas and Los Yebenes the highest annual baptismal count was reached in 1602, in Orgaz it was reached in 1603 and in Sonseca baptisms crested in 1604. Thereafter, baptisms in these villages and others tumbled downwards until the late 1630's, when annual totals fell below levels registered during the 1580's. The decline in global population figures followed a similar trend. In

¹¹ ANTONIO DOMÍNGUEZ ORTIZ, *El Antiguo Régimen: Los Reyes Católicos y los Austrias* (Madrid, 1973), pp. 69-87. As early as the 1540s, villages in the Meseta began to run out of cultivable land as the result of population growth. Cf. M. WEISSER, *The Peasants of the Montes, The Roots of Rural Rebellion in Spain* (Chicago, 1976), pp. 56-57.



«Views of the Meseta del Tajo».



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1646, the Meseta contained 5,033 vecinos, a decline of nearly 50 percent from the figure for 1590 and a loss of more than 30 percent from the levels of the 1570's.¹² Census figures from several villages taken in the 1550's and 1560's indicate that the Meseta may have held less people in the middle of the seventeenth century than had inhabited the region a full century previously.¹³

Like the demographic increase during the sixteenth century, the demographic collapse of the Meseta during the half-century between 1600 and 1650 paralleled the general evolution of the rural population throughout Castile. Depopulation in the rural sector became a national problem during the reigns of the later Habsburgs, with contemporary commentators and government ministers all voicing alarm at the situation.¹⁴ Yet while the decades between 1590 and 1610 marked the end of perhaps a century of demographic growth, evidence from the Meseta indicates that the 1620's saw the onset of a true demographic calamity that continued well into the middle years of the century. In the village of Sonseca, for example, baptisms crested in 1604 but declined only slightly until 1617. However, the village then witnessed a dramatic drop in births over the next six years. In Puebla de Montalban, the lowest annual figure for baptisms over the entire seventeenth century was registered in 1627. The lowest annual count for the seventeenth century occurred in Galvez and Navahermosa in 1628.

Following is a composite graph of baptisms in eight Mesetan villages for the years 1600-1650. Since these eight villages con-

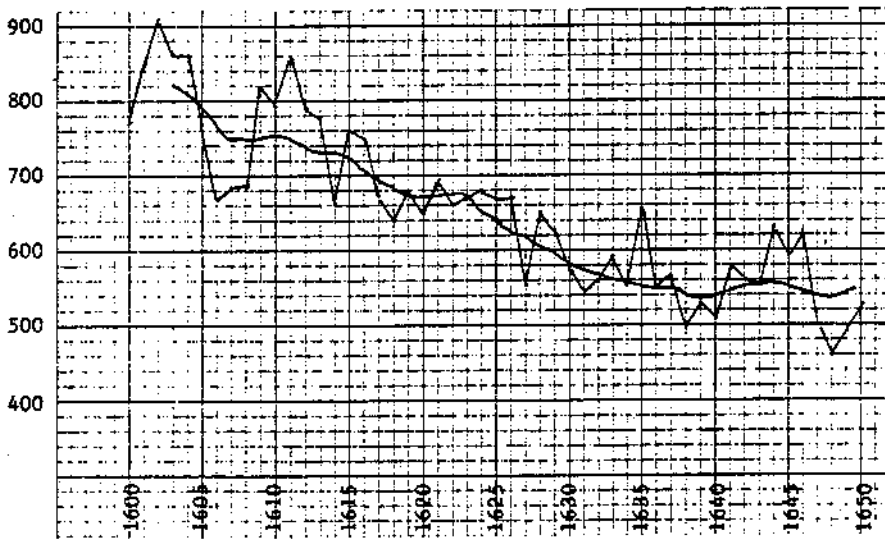
¹² Figures for 1646 from T. GONZÁLEZ, *Censo de población de las provincias y partidos de la corona de Castilla en el siglo XVI* (Madrid, 1829), pp. 70-72.

¹³ In 1557 the village of Los Yébenes held 575 vecinos while in 1646 it held 523. San Pablo held 214 vecinos in 1557 and only 95 vecinos in 1646. The village of Orgaz contained 732 vecinos in 1561 and 547 vecinos in 1646. Figures for the 1550s and 1560s from A.G.S., Exp. de hac., leg. 181.

¹⁴ Comments by government ministers can be found in *Actas de las Cortes de Castilla*, XXI, p. 321 et. seq. For a contemporary analysis, see SANCHO DE MONCADA, *Restauración política de España*, ed. by JEAN VILAR (Madrid, 1974). Recent studies of the problem include, DOMÍNGUEZ ORTIZ, *El Antiguo Régimen*, pp. 343 et. seq.; J. NADAL, *La población española* (Barcelona, 1971), pp. 37-77; J. LYNCH, *Spain Under the Habsburgs*, II (Oxford, 1969), p. 145, who identifies Toledo as a zone of "maximum depopulation".

tained 55 percent of the Mesetan population at the end of the sixteenth century, we can assume that a composite baptismal trend would be representative of the Meseta as a whole:

Graph 1
BAPTISM IN THE MESETA
(annual totals and seven-year average)



Source: Archivo Parroquial, Libros de Bautismos: Cuerva, Galvez, Los Yebenes, Orgaz, Puebla de Montalban, San Pablo, Sonseca, Ventas.

While baptismal registers may indicate the general trend of population, they do not reveal the causes behind the trend. In the case of New Castile, numerous explanations have been advanced, chief among them being an increase in mortality and the movement of people away from the interior and toward the periphery and New World. Although we are unable to estimate the effects of migration away from Meseta, we can glean some evidence about mortality trends from two Meseta parishes that yielded complete funeral registers for the period 1600-1650. In San Pablo, the average number of deaths for the decade 1600-1609 was 13.8, dropping

during the decade 1610-19 to 10.2 but rising to 13.4 during the decade 1620-29. In 1627 the village experienced 26 deaths, the highest annual total for the entire first half of seventeenth century. The death register from the village of Cuerva exhibits a similar profile. Deaths in 1627 were exceeded in number only in the years 1606 and 1646, with the excess of deaths over births during the decade 1620-29 the highest of any decade between 1600 and 1650. The death registers from San Pablo and Cuerva cannot be assumed to represent the totality of mortality in the Meseta, but the concordance of trends lends greater credence to the idea that the 1620's marked a true demographic *conjuncture* in this zone.

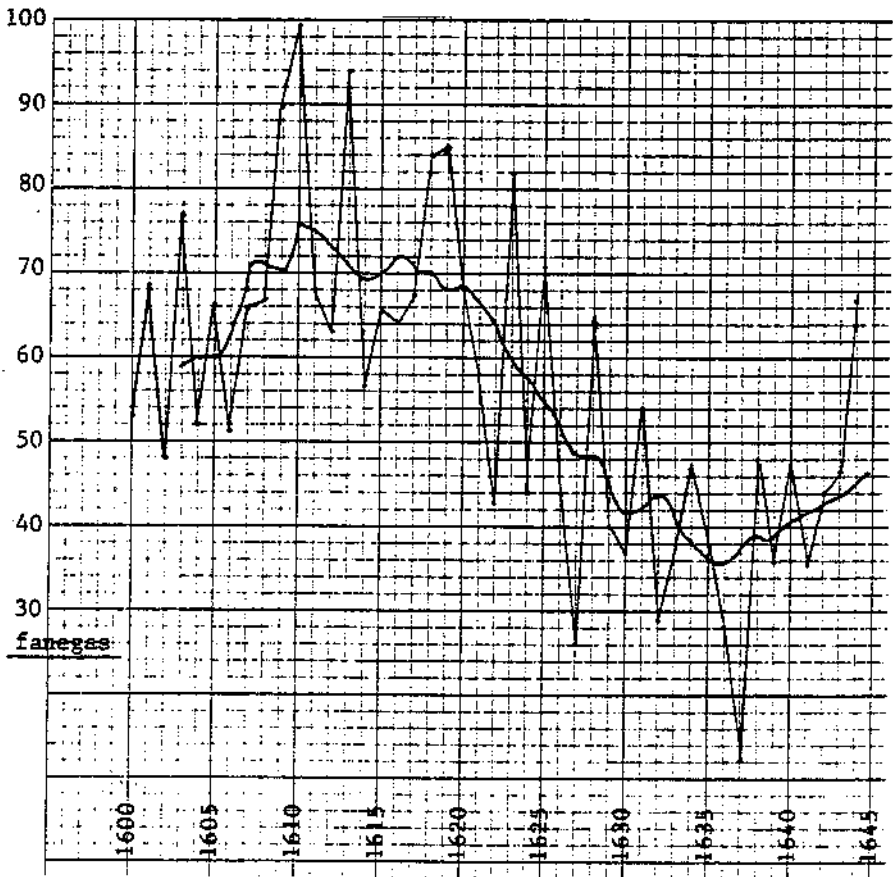
The crisis of the 1620's in the Meseta is further illuminated through an analysis of harvest trends reconstructed from tithe registers in several parishes in the region. As in the case of death registers, tithe records cover only a small proportion of the total production in the Meseta. On the other hand, the Meseta was a compact, homogeneous geographic zone, its soil structure and climate common to all the villages in the region.¹⁵ Consequently, harvest trends in several villages are probably representative of harvests in the Meseta as whole.

A fragmentary tithe register from the village of Sonseca yields some interesting clues about the onset and extent of the crisis. The register covers only the years 1619-34, but the tithe in 1626 and 1627 was less than half the totals recorded in 1620 and 1621. In Ventas, the tithe of 1627 was the lowest recorded for the half-century 1600-1650, with the exception of the disastrous years of 1636 and 1637. In Casalgordo, the tithe of 1627 was similarly the lowest figure listed for the period 1601-1643 (when the register gives out) and the average for the years 1626-1628 was about half the average recorded for the preceding three years. Following is a composite tithe for three villages in the Meseta covering the first four decades of the seventeenth century. As in the case of demog-

¹⁵ E. Martínez de Pison, ed., *Los paisajes naturales de Segovia, Avila, Toledo, Caceres. Estudio geográfico* (Madrid, 1977), pp. 105-174.

raphic trends, the conclusion is inescapable: the decade of the 1620's marked the collapse of agriculture in the Meseta region:

Graph 2
HARVESTS IN THE MESETA
(annual totals and seven-year average)



Source: Archivo Parroquial, Libros de Fábricas: Casalgordo, San Pablo, Ventas.

The Meseta del Tajo was but one tiny part of the vast rural landscape of Castile and its population constituted only a small fraction of the total rural population. Nevertheless, demographic and economic trends in this region were similar to trends found in other rural zones of Castile. Demographic trends for villages around the city of Segovia in Old Castile show the same, marked decline during the 1620's, although the sharp decrease in harvests did not occur until the 1630's.¹⁶ Further research might show that the situation in the Meseta was perhaps more or less extreme than in other rural zones. But no matter where one looks for evidence about the rural crisis of seventeenth century, the concordance of demographic and economic decline during the 1620's would probably emerge as a dominant theme of the period.

II. RURAL CREDIT

With the events in the Meseta serving as our paradigm for developments within the rural economy, let us shift our attention to questions of credit structures and credit operations in Castile. We should be careful, however, not to shift our focus too far. The rural economy did not exist in a vacuum; that is to say, rural production exercised a pervasive influence over the economy as a whole. In addition to foodstuffs and other consumables, the rural economy provided nearly all the raw commodities for industrial production and trade. To the extent that all industry relied upon credit, so rural production also existed through and was supported by credit activities. This was not the type of credit usually associated with finance during the early modern period, such as the long-term credit advanced to the government by merchant-

¹⁶ A. García Sanz, *Desarrollo y crisis del Antiguo Régimen en Castilla la Vieja. Economía y Sociedad en tierras de Segovia, 1500-1814* (Madrid, 1977), pp. 39-66, 94-109. The economic depression in Segovia may have been less acute because of a greater reliance upon pastoralism than upon grain production. Cf. M. Weisser, "The Agrarian Depression in Seventeenth-Century Spain," *The Journal of Economic History*, XLII, 1 (March, 1982), pp. 149-154.

bankers that allowed the monarchy to issue bonds (*juros*) for immediate sale. Rather, it was the yearly credit advanced to rural peasants and artisans by urban merchants and traders whose livelihoods depended upon their ability to share in a portion of what the rural economy produced.

How did this rural credit system work? Essentially it was tied to the harvest cycle and it allowed producers to subsist during the period between planting and harvesting when they could squeeze out the necessary time and effort to engage in other forms of work. Industrial production was often an adjunct of farm production, involving the same labour pool and utilizing the same raw commodities produced in the countryside. In addition to furnishing raw commodities, the rural sector increasingly became the site for the production of finished industrial goods, although fine workmanship remained the handiwork of urban artisans and craftsmen. The sixteenth century saw the movement of industry out of city to escape the guilds and the higher costs of urban labour. With this shift, the *Verlagssystem* - capitalism's primitive form of industrial credit - penetrated into the countryside as well.¹⁷

From the point of view of the evolution of the credit system, the traditional distinction between the urban economy and the rural economy began to blur and disappear. Registers of city notaries in Toledo contain numerous credit transactions between urban entrepreneurs and rural artisans and peasants, the former advancing money, draft animals, raw textiles and implements, the latter contracting to pay for their goods at some later point in

¹⁷ On urban industry moving into the rural sector during this period, see comments by Jan de Vries, *The Economy of Europe in an Age of Crisis, 1600-1715* (Cambridge, 1976), p. 85. He notes that "industrial by-employment utilized the dead time between the seasonal peaks of agricultural labor demand...." The *Verlagssystem* involved urban merchants who "advanced" cloth to artisans who were then paid for their labor after the finished cloth was sold. See Fernand Braudel, *La Méditerranée et le monde méditerranéen à l'époque de Philippe II*, I (Paris, 1966), pp. 390-394, and note his comments about the importance of rural industry in the Mediterranean world and the tendency of modern historians to "underestimate" its significance in the early modern economy.

time.¹⁸ The rural dweller who came to Toledo in March or April returned to his village with a mule or an *arroba* of wool and left behind a "promise to pay" in money or goods in kind. The paper on which this contract was inscribed became a form of currency, circulating now and again through the local, regional or national credit network and utilized to effect further transactions in the economy as a whole. This "bill of exchange" could be transferred between one local merchant and another; it might be placed against a merchant's account at a regional or national trade fair. Lapeyre's classic study of the Ruiz family of merchant-bankers shows how their commercial empire was built upon the circulation of this paper that floated through Europe from one point of exchange to another.¹⁹

How extensive was this rural credit network? We gain some insight into the situation through an examination of merchant account books that listed individual loans to rural suppliers. A case in point is the account book of Ignacio Suarez, drawn up in Toledo in 1557.²⁰ The balance sheet listed 43 different debts owed him, ranging in amounts from 15 to 1,200 *reales*. Several of these debts had been contracted with merchants from Seville and other large cities, but the remainder involved artisans and peasants in the neighbouring villages of Fuensalida, Noez and Algador. Suarez was more of a master artisan than a merchant per se. He was the link to the master artisans in rural settlements around the city. He may, in fact, have started his own little enterprise in one of these villages. A little more enterprising than others in the settlement, he could have moved to the city but continued to rely upon the talents and cheaper labour costs of fellow villagers back in his home base in the countryside. Or perhaps his move to the city occurred as the

¹⁸ M. Weisser, "Les marchands de Toléde dans l'économie castilliane, 1565-1635," *Mélanges de la Casa de Velazquez*, VII (1971), pp. 223-236.

¹⁹ H. Lapeyre, *Une famille de marchands: les Ruiz* (Paris, 1955). On the exchange of credit contracts at trade fairs, see J. Paz y C. Espejo, *Las antiguas ferias de Medina del Campo, su origen, su importancia y causa de su decadencia y extinción* (Valladolid, 1912).

²⁰ Archivo Histórico Provincial de Toledo (A.H.P.T.), leg. 1705.

result of marriage to the daughter of a merchant or urban artisan with whom he had previously done business while still living in the settlement. Many marriage contracts and dowry agreements in Toledo united the child of a city merchant or artisan with the child of a rural craftsman, a potent reminder of the social as well as economic roots of urban enterprise in the early modern era.²¹

A more representative example of the rural credit system is provided by the accounts of the merchant Juan Sanchez, drawn up in 1607.²² Unlike Suarez, whose chief assets consisted of raw materials destined for finishing in his or other's workshops, the business register of Juan Sanchez listed nearly all his assets (other than real estate) in the form of 62 contracted loans ranging in amounts from 35 to 2,500 reales. Of the sums owed to him, 22 debts involved other merchants and artisans in the city, but the remainder represented goods and money advanced to villagers in the Mesetan settlements of Burguillos, Ajofrín, Galvez and Pulgar.

The notarial records of the merchant community of Toledo covering the period 1550 to 1650 contain hundreds of credit inventories similar to the ledger of Juan Sanchez.²³ In 1607, Sanchez had extended a total of 27,000 reales in credit to rural artisans and peasants outside the city of Toledo. He was not in the league of a *mercader rico* like Lapeyre's Simon Ruiz, whose credit arrangements involved transactions on an international scale. Rather, he was one link in a credit chain that united merchant-bankers like Ruiz at the top with peasant producers in the Meseta del Tajo at the bottom.

There were probably 300 merchants and entrepreneurs in Toledo whose credit ledgers would have equalled the amount of credit owed Juan Sanchez.²⁴ In 1607, this group alone might have

²¹ *Ibid.* legs. 1731, 2336, 2341, 3290 for examples of urban-rural marriages. Instances are also cited by J. Gómez-Menor, *Cristianos nuevos y mercaderes de Toledo* (Toledo, 1970).

²² A.H.P.T., leg. 2354.

²³ *Ibid.*, legs. 1721, 1730, 2342, 3280, 3293.

²⁴ A.G.S., Esp. de hac., 180, gives tax lists of all Toledan merchants in the 1560s and 1570s and contains more than 600 entries of individual merchant establishments. A

been responsible for extending more than 8 million reales of credit to the rural economy, credit that underwrote both agrarian and industrial production. The figure of 8 million reales equals about 10 percent of the value of the entire American treasure legally imported into Spain that year.²⁵ Moreover, the credit extended by this group was but a small proportion of the total credit that circulated throughout the rural economy. Along with the activities of urban entrepreneurs, credit also flowed from the city to the countryside through institutions of the municipal government and the Church. Furthermore, many credit arrangements took place solely within the villages. Credit contracts executed in the city of Toledo are small in number as compared to credit contracts executed by village notaries covering exchanges between local residents or between rural dwellers and urban commercial agents who came out to local sites where the goods were actually produced.²⁶

Whether the credit arrangements were contracted in the city or the countryside, whether they involved agricultural products or industrial commodities, whether they united merchants and artisans or artisans and peasants, they all shared a common, fundamental feature: the collateral that stood behind all these credit transactions was the harvest itself. If credit was not based on a direct share of the harvest, it was based on the harvest in an indirect sense, since the size of the harvest controlled the quantity and quality of all other commodities produced in the rural sector. In this respect the harvest was the carburettor that fuelled the engine of economic activity at every level of society.

census of Toledo in 1639 indicates the presence of a sizable merchant community several decades after the city's economic collapse. See Julián Montemayor, "Toledo en 1639," *Melanges de la Casa de Velázquez*, XVIII (1982), pp. 135-163. The figure of 300 merchants for 1607, a period of economic "boom" in the city, is probably understated.

²⁵ Hamilton, *American Treasure*, p. 34. Hamilton gives a total of 31,405,207 pesos imported into Spain between 1606 and 1610. If Toledan merchants, by my estimate, extended 8 million reales to the rural sector, this would equal about 10 percent of one-fifth of Hamilton's 1606-1610 total.

²⁶ Examples of rural credit can be found in, A.H.P.T., legs 11428, 11430, 11431, 11433 for the village of Mazarambroz; legs. 11125, 11128, 11132, 11135 for the village of Ajofrin; legs. 11891, 11892, 11900 for the village of Orgaz, ect.

III. THE CRISIS OF THE 1620'S

Bearing all this section in mind, let us attempt to reconstruct the facts and chronology of the 1620's. The crisis was first signalled in both economic and financial terms by the disappearance of money within the economy. By the end of the sixteenth century, gold had entirely disappeared from the currency and silver was beginning to give way to copper.²⁷ By 1615, less than 10 percent of credit contracts executed in Toledo specified payment in silver, the remainder calling for payment in "money of account," which was invariably copper.²⁸ The premium of silver against copper began to rise alarmingly after 1620. By 1623 it had reached 10 percent, rose to 22 percent in 1625 and climbed to 50 percent by 1626.²⁹

What accounted for the flight of "good" money out of Castile? According to accepted views, the disappearance of silver resulted from the massive increase in copper coinage that had first been authorized by Philip III in 1599.³⁰ But "Gresham's Law" was not the only factor affecting the circulation and availability of money. More important was the necessity to utilize good money (read: silver) for the purchase of grain. As early as the 1570's, the monarchy was forced to purchase large stores of grain abroad in order to feed a population at home that was already suffering in some regions from an absolute dearth of grains.³¹ A letter written by Simon Ruiz to a business associate in Florence in 1584 states that the American treasure "is badly needed to compensate for monies spent on the purchase of wheat for villages in Andalusia and

²⁷ Hamilton, *American Treasure*, pp. 73 et. seq. A similar shift in metals took place throughout Europe. See Frank Spooner, *L'économie mondiale et les frappes monétaires en France, 1493-1600* (Paris, 1956), pp. 137 et. seq.

²⁸ Weisser, "Les marchands", pp. 230-231.

²⁹ The geographic origin of Hamilton's data on silver premiums is ambiguous (*American Treasure*, pp. 91-97). Consequently, I utilize figures collected by the San Pedro convent in Toledo and preserved in Archivo Histórico Nacional, section: *Clero*, leg. 7243.

³⁰ Hamilton, *American Treasure*, pp. 73-79 and followed by Domínguez Ortiz *Política y hacienda*, pp. 40-44.

³¹ F. Braudel, *La Méditerranée, I*, pp. 520-521.

Toledo that lack food."³² By the seventeenth century, the sending of good specie abroad in search of food became endemic to the national economy.³³

The lack of money in response to poor harvests was most acute in the rural sector. Meuvret has analyzed this phenomenon in the case of France and his conclusions appear to fit the situation in Castile as well.³⁴ Credit contracts drawn up in Toledo after 1615 referred to silver only for long-distance transactions involving the silk trade with the Levant. Local transactions were expedited only with copper coin. At the same time, the local credit market experienced its greatest expansion of the entire period, with the total value of credit contracts in 1615 rising to nearly double the figure for 1605.³⁵ As in the Italian crisis of 1619-22, the merchants of Toledo responded to the lack of money by issuing more paper.

In the midst of this credit explosion, the rural economy continued its inexorable downward slide. Prices for wheat in Toledo jumped from 509 *maravedises* in 1625 to 780 mrs. in 1627 and 976 mrs. in 1628, and almost near-doubling of the price in just three years.³⁶ At the same time, the credit market in Toledo collapsed. Not even "the most drastic and significant deflationary measure since the days of Ferdinand and Isabella," a reduction in the value of copper by 50 percent in 1628, could stem the tide.³⁷ Credit contracts that same year dropped to a tiny fraction of previous

³² F. RUIZ MARTÍN, *Lettres Marchandes entre Florence et Medina del Campo* (Paris, 1965), p. 321.

³³ Gonzalo Anes, *Las crisis agrarias en la España moderna* (Madrid, 1970), chapt. 1.

³⁴ J. Meuvret, "Circulation Monétaire et utilisation économique de la monnaie dans la France du XVIe et du XVIIe siècle," *Etudes d'histoire moderne et contemporaine*, I (1947), pp. 15-28. A similar situation occurred in England during the 1620s. See Barry Supple, *Commercial Crisis and Change in England, 1600-1642* (Cambridge, 1959), pp. 14 et. seq.

³⁵ Weisser, "Les marchands," pp. 226-227.

³⁶ Hamilton, *American Treasure*, pp. 372-373. Also see Juan E. Gelabert González, *Santiago y la tierra de Santiago de 1500 a 1640* (La Coruña, 1982), p. 144-145, who shows that every increase in the price of wheat during the 1620's was matched by an increase in the amount of peasant indebtedness.

³⁷ Hamilton, *American Treasure*, p. 83.

totals and the average length of repayment diminished from 12 months to 3 or 6 months at most.³⁸

Clearly the crisis of the 1620's stretched, then broke the limits of the credit system in Castile; limits that were set by the amount of collateral available in the countryside. As the harvest declined and debts were rolled over, all the obligations that agricultural production underwrote began to fall apart. The landlord did not receive his rent and the merchant did not receive his money or goods. A mad scramble then ensued as various creditors sought to grab a piece of the ever-shrinking pie before it completely disappeared. Hence the decrease in the amount of credit and a tightening of repayment terms as bankers pressured merchants to repay their loans, the merchants in turn attempting to force producers to fulfill their credit obligations on quicker notice.

The events that culminated in the bankruptcy of 1627 and the devaluation of 1628 had been set in motion long before by the fiscal excesses of a financially unrestrained Crown. But these were symptoms of a much greater crisis: a crisis in the system of production whose failure we are just now beginning to appreciate and understand.

³⁸ Weisser, "Les marchands," pp. 228-230.

