
Madrid and the Castilian Economy

David R. Ringrose

University of California, San Diego

Rather than duplicate Prof. Ruiz. Martin's discussion of governmental response to economic changes, these comments will show that the state and the landed elite around it unwittingly perpetuated and aggravated the conditions which the authorities sought to combat. The focal point for the discussion is Madrid, capital and largest city of XVIIth and XVIIIth century Spain. We are prone to think of Cadiz, Seville, or Barcelona as the great economic centres of the country, and of Madrid as a parasitic political city. Parasitic it was, but the fact remains that from 1610 Madrid was considerably larger than any other Spanish city. Pierre Vilar has analysed the structure of Castile's economy as of 1750,¹ and shows that Madrid, with 140,000 inhabitants and 2% of the 6,500,000 people of Castile,² accounted for 27% of commercial and industrial income and 12% of non-agricultural salaries. Only the province of Seville, with the cities of Seville and Cadiz, matched those figures with 26.5% and 16.5% respectively. The other twenty-one provinces, including non-urban Madrid, counted 87% of population but only 46.5% of commercial and industrial income. The dominant role of the Madrid-Seville-Cadiz axis is hard to deny, and another study of Castilian national income shows that New Ca-

¹ P. VILAR, "Estructures de la societat espanyola cap al 1750," *Recerques*, I (1970), 0-32.

² D. RINGROSE, "Variaciones en la población de Madrid en relación con algunos aspectos de su mercado urbano (siglos XVI a XIX)" *Hacienda Pública*, 38 (1976), 189; *La economía del antiguo régimen: La "Renta Nacional" de la corona de Castilla*, (Madrid, 1977), 47-48; F. BUSTELO, "Algunos reflexiones sobre la población española de principios del siglo XVIII," *Anales de economía*, 15 (1972), 89-106 & "La población española en la segunda mitad del siglo XVIII," *Moneda y Crédito*, 123 (1972), 53-104.

stiles (including Madrid) and Andalucia (including Seville and Cadiz), as two of eight historic regions, emerge as the key components of the economy. With 40% of the population, they produced 43.5% of primary sector income, 60.3% of secondary sector income, and an overwhelming 76.1% of tertiary sector income.³ The weight of Madrid in the Madrid-Seville-Cadiz axis is even more evident when we realize that per capita income in New Castile was 50% higher than the Castilian average and 27% higher than that of Andalucia. Analysis of the Catastro average of Madrid indicates an urban per capita income of 1,800 *reales* per year, six times the national average.⁴

The significance of Madrid's central position in the evolution of the Spanish economy is apparent if we look at Vilar's work on Catalonia and the discussion of London as an engine of economic growth within England.⁵ In those cases industrial and entrepot functions combined with growing urban markets to create self-reinforcing cycles of urban demand, urban-rural complementarities, and diversification and specialization in the Catalan and English hinterlands.

In the case of Madrid, however, comparable linkages did not operate. Because of the political and residential function of the city, the more wealth which Madrid attracted, the more it simplified its demands on its own hinterland and exported purchasing power to the peninsular periphery or abroad. The reasons for this are partly revealed in the sectoral distribution of income and economically active population shown in Table 1. This is further highlighted by a comparison of the occupational distribution of the workforce in Madrid and Barcelona (Table 2). These figures show that as an urban economy Madrid had an artisan industry that was the largest in Spain.⁶ The sectoral distribution of income, however, reveals the dominance of governmental and aristocratic incomes in the city. The size of the service groups clearly suggests that the economy was oriented to internal demand and that the artisan sector was caught in that orientation, serving a narrow local market.

The narrowness of urban markets is further revealed by the distribution of incomes across the economically active population in 1757. Only 1% of income recipients account for 40% of all urban income (Table 3).⁷ The median income was just over 1,400 *reales* compared with a mean of about 6,300. This is in the context of an urban economy where the most rudimentary diet of bread, chickpeas, wine, olive oil, salt pork, and mutton cost about 900 *reales* a year

³ *Renta Nacional*, 64, 169.

⁴ See Table 3.

⁵ P. VILAR, *Catalunya dins L'Espanya moderna* (Barcelona, 1966), III; E. A. WRIGLEY, "A Simple Model of London's Importance in Changing English Society and Economy, 1650-1750," *Past and Present*, 37 (1967), 44-70; F. J. FISHER, "London as an 'Engine of Economic Growth'", P. CLARK, ed., *The Early Modern Town* (New York, 1976), 205-215.

⁶ *Renta Nacional*, 142-3.

⁷ See Table 3.

TABLE 1

DISTRIBUTION OF INCOME AND ECONOMICALLY ACTIVE POPULATION BY SECTOR IN MADRID, 1757

Sector	% of Active Population	% Total Income *
Government	7.06	22.25
Church	11.36	5.58 **
Propertied class	3.18	36.69
Professions	4.14	2.44
Business/Finance	4.59	6.28
Food Supply	6.29	4.54
Construction	15.85	3.84
Manufacture	17.23	9.25
Service	30.56	7.80

* Based on municipal *Catastro* plus adjusted extra-urban income of titled aristocracy as of 1809.

** Income within the city. If clerical extra-urban income were in the same proportion as for the aristocracy, the clerical share would be 9%.

Sources: See note 12 to the text.

TABLE 2

OCCUPATIONAL STRUCTURES IN MADRID & BARCELONA, 1787

Sector	Percent of Active Population	
	Madrid	Barcelona
Government and Military employees	11.1	1.1
<i>Hidalgos</i>	17.1	0.8
Rentiers	—	15.4
Inquisition, <i>Cruzada</i> , etc.	0.1	2.3
Students	1.4	6.3
Professions (Lawyers, doctors, notaries)	1.7	1.3
Merchants	1.8	10.0
Artisans & manufacturers	14.0	18.3
Day labor	11.7	28.5
<i>Criados/servants</i>	34.5	11.4
<i>Labradores del campo</i>	0.2	11.7
Registered population	149,546 *	123,323
Economically Active Population **	50,113	33,351
Percent Active	33.5%	26.8%

* Total varies about 2,000 from source to source.

** Excludes clerics and transient, includes *hidalgos*.

Sources: RAH, *Censo de Floridablanca*, leg. 906235; Josep Iglesias, ed., *El cens de Comte de Floridablanca, 1787 (Parte de Catalunya)* (Barcelona, 1969), pp. 49-51.

TABLE 3

DISTRIBUTION OF INCOME IN MADRID, 1757

Income level in Reales	Number of Recipients	Total Recipients	Total Income	Cumulative % of Income
0-1,000	10,755	26.1	3.11	3.11
1,001-1,500	12,652	30.7	6.09	9.20
1,501-3,000	7,562	18.4	5.80	15.00
3,001-5,000	3,063	7.5	4.89	19.89
5,001-10,000	3,337	8.1	9.05	28.94
10,001-20,000	2,334	5.6	12.94	41.88
20,001-40,000	1,226	3.0	14.17	56.05
40,001-175,000	272	0.7	7.22	63.27
175,001-700,000	51	0.15	7.08	70.35
700,001-3,500,000	20	0.05	16.18	86.53
3,500,001 and above	7	0.02	13.49	100.02

Note: *Catastro* of 1757, adjusted for rural incomes of titled residents and hypothetical distribution of government employees among income levels.

Sources: Same as Table 1.

for two adults.⁸ Given the unstable employment and food prices of the Ancien Régime, the median income could not support a family and, it is no surprise that childhood cohorts were small and that much of the city population was single, adult, and immigrant.⁹ This urban economy, the largest concentration of wealth in Spain, contained no more than 6,000 to 7,000 income recipients affluent enough to afford more than the most basic components of bourgeois comfort. Yet this small market, about 17% of Madrid's income recipients, received 80% of urban income in the city which was the economic, social and, political centre of the country.

In this economic environment, for all that aggregate income in Madrid the largest of any city in Spain, commercial and industrial activity was drawn into self-limiting production which found few outlets outside the city. In a narrow wealthy market, the emphasis on distinctiveness was strong, placing a

⁸ Assumes a daily diet of one pound of bread, 83 grams of meat, .5 litre of wine, and 42 grams of olive oil. E. J. HAMILTON, *War and Prices in Spain, 1651-1800* (Cambridge, 1947), 251-5; M. ESPADAS, "Abasto y hábitos alimenticios en el Madrid de Fernando VII," *Cuadernos de Historia*, IV (Madrid, 1973), 258-63; V. PALACIO, *Los españoles de la ilustración* (Madrid, 1964), 300-5.

⁹ D. RINGROSE, "Inmigración, estructuras demográficas y tendencias económicas en Madrid a comienzos de la época moderna," *Moneda y Crédito*, 138 (1976), 30-6.

premium on handcrafted products and imports, with the status conferred by their quality and origin.¹⁰ The largest guilds were those of the tailors, silversmiths, and shoe-makers, producers of goods and luxuries made to customer specification. The crafts in general were characterized by a large number of small specialized guilds having ten to twenty masters with two or three subordinates each. Given the location of Madrid relative to other urban markets, and the poverty of its hinterland, there was little potential for urban-rural exchanges based on urban industry or reexports. Products aimed at special-order quality markets could expect few customers in the Castilian hinterland.

The outcome of this situation was a one-sided urban balance of trade.¹¹ In 1789 the city imported over 400,000,000 *reales* worth of commodities — about half the value of all the traffic of Cadiz. With exports from the city estimated at 7,000,000 *reales*, there was a massive deficit of payments. This was subsidized by the transfer of public and private revenues to the city. The Catastro shows 45,000,000 *reales* in government salaries and pensions, not including costs of a garrison of over 7,000 soldiers. Other sources suggest that the titled aristocracy, 192 resident families in 1757, received 100,000,000 to 110,000,000 *reales* in income from extra-urban sources.¹² With over 3,000 clerics and dozens of institutions with landed endowments, the extra-urban income of the church was also considerable.¹³ These figures, tentative as they are, go far to demonstrate the dependence of the urban economy on the government and on the rentier elements resident in the capital.

The result was an economy focused on consumption and the transformation of commodities for final consumption. For a few this involved consumption of a wide range of imported, specialised, and small volume goods. For most it meant consumption of a limited range of basic foods, fuel, and crude manufactures. The commercial and business element of the city was shaped almost entirely by importing and retailing. The *Cinco Gremios Mayores* of Madrid, the largest business entity in the country, was based on retailing imported manufactures within Madrid. When it expanded, it did so in predictable areas such as low-interest savings, credit for the Crown, and supply contracting.¹⁴ It was easier and more profitable for such a business community to expand

¹⁰ J. BOURGOING, *Modern State of Spain* (London, 1808), II, 308-9.

¹¹ AVN, *Secretaria*, 4-5-67, lists 1789 imports.

¹² AVN, *Secretaria*, 2-360-5; A. MATILLA, "El primer catastro de la villa de Madrid," *Revista de Archivos, Bibliotecas y Museos*, LXIX (1961), 463-530; J. CANGA ARGÜELLES, *Diccionario de Hacienda* (Madrid, 1834/1968), II, 184; *Archivos nacionales* (Paris), IV-160B/211 46-1.

¹³ *Renta Nacional*, 189-203. The Church controlled 1/3 of net agricultural product in Castile and 17% of national income. Madrid counted 6% of the clerics in Castile.

¹⁴ M. CAPELLA & A. MATILLA, *Los Cinco Gremios Mayores de Madrid* (Madrid, 1957), 181-270.

imports through familiar channels than to create domestic earnings and demand.¹⁵ The significance of such an orientation in the business class, in contrast with contemporaries in London or Barcelona, at a time when production was superceding distribution and market control as the key to economic success, does not require elaboration.

Aside from its massive imbalance, the structure of Madrid's trade shows the degree to which the city dealt with distant rather than regional markets, and imported finished products rather than raw materials. (Table 4). Eighteenth-century Madrid exhibited a clear-cut dualism between two patterns of trade, a dualism reflecting that of the country itself. A sizeable 37% of urban imports were finished manufactures, 2/3 of which came from outside of Castile. By contrast, 40% of imports involved seven staples, 90% of which came from interior Castile. There is a strong correlation between basic staples and hinterland origin and between manufactures and luxuries and distant origin. Combining this with Madrid's total failure as an entrepot, one gets a stark impression of the city's inability to stimulate urban-rural complementarities such as typified Barcelona and London.

If Madrid existed because of the government and the wealthy, and because of its function as the seat of political and social life, how did its urban economy interact with the countryside over time? The evidence presented above gives an abstract and static impression, and it is important to show the economy

TABLE 4
DISTRIBUTION OF IMPORTS TO MADRID BY ORIGIN
AND TYPE OF COMMODITY, 1789 (By % of market value)

Type of Commodity	Interior Origin	Periphery, Imported, Colonial	Uncertain	% Total by Commodity Type
Seven basic staples	36.0	2.1	2.0	40.1
Other Food & Beverages	11.0	4.5	0.7	16.2
Raw & Semi-finished goods	3.8	2.5	0.1	6.4
Manufactures	5.1	25.1	7.0	37.2
Percent total by origin	55.0	34.2	9.8	

Note: Manufactures are the most seriously understated, since many items could not be priced. Some kind of price assigned to 75% of commodities listed for 1789.

Sources: AVM, *Secretaria*, 4-5-67; E.J. Hamilton, *War and Prices*, 250-7; *Correo Mercantil*, 1792-4; A. Matilla, ed., *Balanza de Comercio de España en el año 1795* (Madrid, 1965).

¹⁵ J. C. LA FORCE, *The Development of the Spanish Textile Industry, 1750-1800* (Berkeley, 1965).

in motion through history. This offers a better sense of the dynamic relationship between city and country, and of the role of the Spanish capital in Spain's long-term drift towards dependence on her empire and on Europe.¹⁶

In the XVIth century Castile included a considerable industrial establishment producing for regional and foreign markets. With textile centres in Segovia, Guadalajara, Cuenca, and Avila, ceramic works at Talavera, and wool trade based on Valladolid and Burgos, the regional economy was centered on Toledo, itself a producer of woollens, silks, leather goods, and weapons and an entrepot for distribution of imported manufactures and commodities. The wealth of the American empire reinforced regional growth into the later XVIth century¹⁷ and the subsequent decline of that regional economy is attributed to various factors — foreign competition, inflation, overpopulation, and taxation being the favourites. The operative question, however, is: What actually pushed up the cost of production, rendering the area uncompetitive abroad and leading to a narrowing of internal markets? As others have shown, once real wages fall to subsistence levels, money wages follow the price of foodstuffs,¹⁸ a condition which Hamilton documents for Castile at the end of the century.¹⁹ High food prices imply food shortages, usually triggered by periodic crop failure. In this case, however, a precarious supply also coincided with intensified urban demand as Madrid grew from 45,000 inhabitants in 1590 to 170,000 by 1630.²⁰ Through a combination of politically subsidized purchasing power and coercion, Madrid captured the lion's share of regional supplies every time crops failed, putting the market-based economy of Toledo in a desperate situation.²¹ As Madrid grew, Toledo lost 2/3 of its population and most of its industrial base to the capital, with its larger but more narrowly distributed urban income. Progressive concentration of wealth within Madrid is shown by changes in the city's demand for foodstuffs, which increasingly favoured bread and meat over wine and olive oil. When Madrid supplanted Toledo,

¹⁶ S. B. STEIN, *The Colonial Heritage of Latin America* (New York, 1970), 85-106.

¹⁷ J. GENTIL DA SILVA, *En Espagne, développement économique, subsistance, déclin* (Paris, 1965), 1-57; F. BRAUDEL, *The Mediterranean and the Mediterranean World in the Age of Philip II* (New York, 1972), I, 293-4, 404-8; N. SALOMON, *La campagne de Nouvelle Castile à la fin de XVIIe siècle, d'après les Relaciones Topográficas* (Paris, 1964).

¹⁸ C. VERLINDEN et al., "Price and Wage Movements in Belgium in the Sixteenth Century," P. BURKE, ed., *Economy and Society in Early Modern Europe; Essays from Annales* (New York, 1972), 55-84.

¹⁹ E. J. HAMILTON, *American Treasure and the Price Revolution in Spain, 1501-1650* (Cambridge, 1934), 262-81.

²⁰ D. RINGROSE, "The Impact of a New Capital City: Madrid, Toledo, and New Castile, 1560-1660," *Journal of Economic History*, 33 (1973), 761-91.

²¹ AHN, *Alcaldes*, 1598, 169-70; 1609, 406; 1614, 22; M. WEISSER, "Les marchands de Toledo dans l'économie castillane, 1565-1635," *Mélanges de la Casa de Velázquez*, VIII (1971), 223-36.

its aggregate wealth was greater, but the distribution of that wealth was more extreme, with the result that Castilian markets were correspondingly narrowed. The simultaneous attraction of this wealthy class to imported manufactures as part of their life style is a cliché in the textbooks.

After 1630 the economic climate of the city changed as the cost of empire and declining rents reduced the income flows supporting it.²² The result was a contraction of total population and a reduction of demand as the buying power of the population was curtailed. The structure of immigration shows the changed economic tone — the numbers of *peticiones de vecindad* per year declined after 1630 and the occupational break-down shows a sharp shift from artisans towards governmental, aristocratic, and service personnel.²³

In the XVIIIth century urban growth began again with the rejuvenation of the Crown and imperial trade. Between 1750 and 1800 Madrid expanded from 140,000 to 200,000 people, and the aggregate wealth of the city probably rose even faster. Simultaneously, income distribution became more uneven. Hamilton shows the erosion of real wages for both unskilled and highly skilled trades,²⁴ and it is significant that, while there is some expansion of craft industries in the city, those showing the most growth are precisely the ones oriented to the élite market. Even here some older crafts, such as hat and glove making, declined in the face of foreign and Catalan competition.²⁵ The rising cost of living in the city can in part be attributed to monetary inflation, but it was also due to increased supply costs caused by urban growth. Every year, and especially when crops were bad, supplies had to come from greater and greater distances, making urban prices increasingly sensitive to shortage.

Thus as urban wealth grew it remained highly concentrated and the city demanded more quality goods on the one hand and a greater volume of a few basic commodities on the other. Demand for moderately priced manufactures and less essential foodstuffs, which the Spanish interior could produce, stagnated and even declined. Thus it is no surprise that from the mid-1790's to the 1830's vital statistics imply a long-term worsening of living standards for most people in the city. By 1850, 47% of all men and women between 25 and 29 were unmarried, compared with 42% of men and 30% of women in 1789, a trend which shows an interesting parallel with the rise in the size of the bureaucratic and servant groups.²⁶

²² CHARLES JAGO, "The Small Republic of a Seigneur's Household; Castilian Aristocrats in 'Crisis'," paper, Baltimore, 1976, & "Aristocracy, War, and Finance in Castile, 1621-1665; The Titled Nobility and the House of Bejar During the Reign of Philip IV," Ph. D. dissertation (Cambridge, 1969).

²³ AVM, *Secretaria*, 2-347; 2-348.

²⁴ HAMILTON, *War and Prices*, 212-6.

²⁵ MATILLA, "Primer catastro;" AVM, *Secretaria*, 4-5-67, 2-360-5; *Archivo de la Real Sociedad Económica* (Madrid), 3-4.

²⁶ RINGROSE, "Inmigracion," 30-6.

Another phase in the decline of industry and crafts in Madrid and her hinterland is apparent in the change in the structure of urban imports from 1789 to 1847. Not only are urban industries consuming less than half the earlier volume of leather and silk, wool, and linen fibre, but the demand for textiles changed radically. (Table 5) Cloth consumption shifted massively to cotton goods, and from start to finish cottons are imported from Catalonia or farther afield. The decline of craft industries in the city and a dramatic reduction of urban demand for domestic raw materials, textiles, and rural manufactures are patent.

TABLE 5

IMPORTS OF SELECTED COMMODITIES INTO MADRID, 1789 AND 1847
(000's of units)

Commodity	1789	1847	%	Change
Metals	76 a.	151 a.	+	100.1
Hides & Pigskin	773 lb.	50 lb.	-	93.5
Skins & furs	395 ps.	87 ps.	-	77.9
Cured leather & Pigskin	424 ps.	51 lb.		
Textile fiber, all types	1,014 lb.	550 lb.	-	45.8
Textiles, All Types	6,021 va.	5,644 va.	-	6.3
Wool cloth	966 va.	469 va.	-	52.9
Cotton cloth	342 va.	4,045 va.	+	1,083.5
Silk cloth	1,375 va.	283 va.	-	79.4
Linen cloth	3,308 va.	732 va.	-	77.9
Unidentified textiles		115 va.		

Note: a. = *arroba*, 25 lb. U.S.; lb. = *libra*, ca. one lb. U.S.; ps. = *piezas/pieces*; va. = *vara*, just over one yard U.S. Due to differences in sources, more detailed commodity comparison was not possible.

Sources: AVM, *Secretaria*, 4-5-67; P. Madoz, *Diccionario-estadístico-histórico de España* (Madrid, 1847), X, 1037-59.

Thus Madrid was instrumental in the destruction of Toledo's supply base in the XVIIth century, and the city's extremely unequal income distribution was well established by the XVIIIth. The city was the nexus of tension between urban growth and regional food supply which pushed down real wages every time the city grew, depressing demand for domestic products. Spain's economic centre, Madrid, increasingly imported its manufactures and relied on its hinterland for a limited range of agricultural commodities. Under such circumstances there was little the government could do to exploit Madrid as an agent for develop-

ment in Castile on the model of London or Barcelona. The subsidization of urban food supply in the XVIIth and XVIIIth centuries, necessary for urban public order, contributed to the situation by encouraging one-way transfers to the city and disrupting regional transport.²⁷ Encouragement of industry in Castile — woollens in Guadalajara, silks at Toledo, cottons in Avila, dyestuffs near Valladolid — had little success. Like the craft industries of Madrid, they ran afoul of high distribution costs and narrow markets which negated possible returns to scale in production.²⁸

Through the XVIIth, XVIIIth, and XIXth centuries, Spanish authorities developed policies in response to economic conditions usually perceived as stagnation and underdevelopment. There are many reasons for the persistent failure of such policies, especially in the Spanish interior. Not least of them was the unplanned cost of maintaining Madrid as capital and residential centre of a small, very rich élite. Consequently, the largest economic centre of the country, with its characteristic income structure, progressively simplified the market which it offered to its hinterland and transferred its demands for all but a few staple commodities to suppliers in distant places. The ultimate irony is that the more successful Spain was in exploiting its empire, the more prosperous was its capital — and the greater the divorce between urban and rural economies in Castile. While strictly speaking, Madrid did not “cause” the economic stagnation of Castile, the structure and wealth of its economy made it the focal point through which many of the commonly cited explanatory factors actually operated.

²⁷ RINGROSE, *Transportation and Economic Stagnation in Spain, 1750-1850* (Durham, 1970).

²⁸ LA FORCE, *Spanish Textile Industry*.