
Ramón Lanza García (ed.), *Finanzas y crisis financieras en la Monarquía Hispánica, siglos XVI-XVII*, Marcial Pons Historia, Madrid, 2023, 440 pp.

The volume coordinated by Ramón Lanza García is part of the long tradition of studies concerning finances and financial crises of which the Spanish Monarchy was the protagonist between the 16th and 17th centuries. At the same time, the work represents an important step forward in addressing these issues, both due to the importance of the authors and the quality of the contributions it collects. The volume collects eleven contributions – including the coordinator’s introduction – in which the complex events linking public debt, banks, credit and crises are unravelled in a period in which the Spanish Monarchy was the undisputed protagonist of the European political scenario.

As Ramón Lanza García underlines in the introduction, the expansion of markets during the Early Modern Period, as well as the formation of nation states, represented the aspects which, together with the need to finance wars for the hegemony both in Europe and in Oceans, contributed to the extraordinary increase in expenses and, consequently, in tax revenues and public debt. In such an unstable scenario, the possibility of incurring a financial crisis was quite high and these crises could manifest themselves in four different forms: banking crisis; public debt crisis; monetary crisis; or speculative bubbles. As shown by several authors of the volume, a financial crisis could include several or all of these aspects at the same time, thus requiring the Spanish Monarchy to make extraordinary efforts to overcome these moments of crisis. In any case, as Ramón Lanza García underlines in the introduction, a decisive step for the development of public finances was precisely the creation of the first forms of public debt, which were essentially of two types: the loans to the *hombres de negocios* (businessmen), which advanced sums of money tied to certain taxes; and forced loans, which were distributed among the subjects of the Crown or members of a certain social group – often merchants – in proportion to their personal wealth or assets. Of this public debt system, we could distinguish the *asientos*, i.e. those short-term loans that represented the

floating debt of the Monarchy; and the *juros*, i.e. the long-term loans which represented the consolidated public debt of the Crown in the second half of the 16th century and in the 17th century. In times of financial crisis, the Monarchy often renegotiated the *asientos* – which had rather high interest rates –, converting them into *juros*, i.e. consolidated debt with lower interest rates. This debt reconversion took place through a procedure called *medio general*, the result of negotiations between the bankers who saw their debt reconverted and the *Consejo de Hacienda*.

One of the aspects that were strongly connected with the Crown's difficulties in repaying its debts was linked to the availability of precious metals from Spanish America. In times of crisis, such as the 1530s, the Crown, through the *Casa de Contratación*, could decide to confiscate gold and silver coming from the Spanish America to pay its expenses. And it is precisely these points that the second contribution of the volume, written by Sergio Sardone, deals with. The trip of Charles V to Bologna for his coronation in 1530, the Turkish invasion of Hungary in 1532, the Tunis campaign of 1535, the fight against Luther, the Piedmont campaign of 1536, forced the Crown to seek extraordinary forms of financing, including requisitioning the precious metals coming from Spanish America, or issuing short-term public debt on them – *libranzas* – in Castile, with an interest of 5 percent, or with *juros perpetuos* with annual interest of 3.3 per 100 or directly with *libranzas* anchored to the American royal coffers and with an interest between 3.3 and 5 percent per year. In any case, the forms of public debt just mentioned, both short-term and long-term ones, were issued and pegged to precious metals coming from Spanish America. In essence, as the author clearly highlights, the Emperor Charles V requisitioned part of these metals, which were originally owned by private citizens, in exchange for issuances of public debt securities that these same subjects subscribed to, in order to obtain a repayment of the capital requisitioned by the Crown and earn interest on those same securities.

The issuing of public debt linked Castile, the *hombres de negocios*, and the banks to the international markets: in the third contribution of the volume David Carvajal de la Vega deals with these aspects in the last decades of the 16th century. The moneychangers developed their activities in the most important financial fairs of the time, such as Medina del Campo, Medina de Rioseco and Villalón, the venues of the public and private payment systems connected to international markets. The author, through the accounting books which also contain various judicial proceedings, has highlighted the characteristics and dimensions of some private banks, such as that of the *hombre de negocios* Gaspar Enríquez. Business diversification was one of the strategies implemented

by Enríquez to minimize the risk in his investments, a risk that could convert into insolvency and lead to bankruptcy. Despite this strategy, in 1553 Enríquez was forced into bankruptcy as a consequence of failure to pay by his debtors. His case was not isolated since, as Carvajal de la Vega shows, the decade of the 1550s was particularly complex for the Crown's coffers, also due to the contraction of imports of American silver, an aspect which, in turn, affected the exchange fairs of Castile and the moneychangers most exposed to non-payments.

In the fourth contribution of the volume, Juan E. Gelabert deals with the suspension of payments by the Crown in 1575 and 1596, highlighting the different strategies and the different causes that led to the two crises. At the beginning of the contribution, the author highlights the economic and political thinking that underlay the decisions taken to address the financial crises. Starting from the reflections of David Hume and those of Francesco Guicciardini (*o el Monte disfarà Firenze o Firenze disfarà el Monte*), Gelabert highlights the need that governments, starting from city governments, had to count on institutions, such as the pawnshops (*Monti di Pietà*), which could also support them for the war efforts. The Spanish Crown was not an exception in this sense and the use of credit allowed it to finance its conflicts. At the same time this strategy found limits imposed by the income on which to possibly anchor the issue of debt securities. The crises of 1575 and 1596 showed some similarities, starting with a liquidity problem. The big difference between the two was that in the first case it was possible to increase ordinary revenues, thanks to the issuance of long-term public debt on the *alcabalas*, while in the second Philip II was only able to contain expenses and suspend payments.

In the fifth contribution of the volume Stefano D'Amico and Giuseppe De Luca study the crises, the credit crunch and the reorganization of the Milanese economy in the last twenty years of the 16th century. Milan, the parade ground of the Spanish Monarchy, saw a contraction of credit in this period, a contraction that began in the summer of 1583, as also demonstrated by Simón Ruiz's papers with his correspondents. As the authors underline, the negative economic situation of the five-year period 1581-1585 put the entire European private credit system in difficulty and, especially, that of the Italian peninsula. From the beginning of the 1580s, bad harvests, famines, increased mortality, the fall in internal demand and competition with foreign countries combined and profoundly altered the manufacturing structure and also the social order that until then had been protagonists of the expansion of the Milanese square. The circulation of credit and the volume of loans also recorded a strong contraction in the period 1594-1597, when the sharp

decrease in the arrival of precious metals from Spanish America, as well as the need for capitals to support the textile sector, led the Milanese financial operators to develop a new credit agreement: the limited partnership (*società in accomandita*). The crises of the end of the century therefore led to a reorganization of the financial operators in the city, as well as confirmed a production system based on the putting-out system, in which it was easier to keep production costs under control.

In the sixth contribution Alberto Marcos Martín highlights the king's debt (*deuda suelta*) which was the result of: the failure to pay the troops, or the ministers and favourites of his majesty; compensation to municipalities for the housing of troops; the purchase of goods and services from the superintendents of the armies, garrisons and royal houses. It was a particular form of debt, unrelated to the issuing of *juros* and *libranzas*, but which in any case left a considerable number of traces in the archival documents, also due to its size, given that, for example, in 1607, it reached the considerable sum of 5.5 million ducats. This is the fourth part of what *Real Hacienda* owed to its creditors on the eve of the suspension of payments decree of December 9 of that same year. One of the ways the holders of these debt securities had to protect themselves from possible bankruptcy of the Crown was to resell those same securities on the secondary market, an aspect which is certainly interesting but which, as the author points out, is almost unfathomable since we know nothing about the functioning and dimensions of that secondary market on which these securities were traded. In any case, not paying, or paying late or paying badly by the Crown, were all symptoms of liquidity problems which for various reasons – the delay in the arrival of precious metals from Spanish America, recurring conflicts, etc. – hit the coffers of the Monarchy.

In the seventh contribution, José Ignacio Andrés Ucendo compares the trajectories of the subscription of the *asientos* and the income of the *Real Hacienda* during the 17th century. As the author points out, during the 16th century the public credit system of the Monarchy was able to meet its expenses, especially those related to foreign policy, thanks to the conversion of its short-term public debt securities into consolidated debt. At the same time, the tax burden could not increase indefinitely and this led to a series of crises linked to missed payments and was the cause of the reduction of the *asientos* contracted starting from the mid-1640s. In 1642, due to a difficult economic-financial situation and to the growth of the tax burden at the end of Olivares' domination on Castilian politics, there was no possibility for the Crown to increase its tax burden, an element which contributed decisively to the crisis of the *asientos* system. The Monarchy thus found itself caught between the

fall in its tax revenues and the increase in capital immobilized by the *juros (situado)*, all aspects which reduced the Crown's ability to finance its expenses. Finally, one of the aspects that led to a reduction in revenue, as the author well underlines, was the war with Portugal starting from 1641, which caused considerable losses for the *Real Hacienda*, as well as the lack of revenue from taxes that burdened the Portuguese ports and the decrease of the *alcabala* in the provinces of Seville and Salamanca, the latter affected especially in its districts of Extremadura.

In the eighth contribution Francisco Javier Vela Santamaría analyses the consequences of the inflation of the *vellón* on the different phases of the manufacturing and sale process of woollen fabrics. The *vellón*, a copper coin containing a small quantity of silver – and starting from 1602 containing only copper – was one of the means through which the Spanish Monarchy had tried to deal with its financial crises: circulating this low-value coin in Castile to allow the much more attractive silver coins to become a payment currency in international markets. In any case, the *vellón* itself could undergo devaluation or *resello* proceedings (change in the nominal value of the currency) and, in 1627-1628, an important crisis occurred relating to the manipulation of this currency, which not only entailed financial problems for the *Real Hacienda*, but which had an important impact also on the real economy. As the author underlines, the production of woollen fabrics was also affected by the crisis of the devaluation of the *vellón*. Furthermore, these measures were the trigger for several judicial conflicts which saw cloth manufacturers and wool traders clash over the price of the raw material, power groups and local authorities over the characteristics and quality that the product had to have, wage labourers against manufacturers and authorities over problems related to the devaluation of their wages.

Elena García Guerra's contribution deals precisely with the problems of the patrimonial consequences linked to the alterations of the *vellón* currency in the 17th century. If the increase in the nominal value of the currency eroded the purchasing power of incomes – such as those of the *juros*, which were indeed purchased with silver coins, but whose interest was paid in *vellón* –, the decrease in the nominal value of the currency did not increase their purchasing power, because the fall in economic activity resulting from the contraction of the monetary supply led to a decrease in tax collection and, therefore, did not allow further expansion of the issue and investment in those *juros* anchored to royal taxes, further deflating the economy. The operations of *resello* and physical destruction of the *vellón* currency also involved, in theory, operations of compensation for those subjects affected by these measures

but, in practice, these compensations were often not paid, or not completely paid in any case, aspects that led to a multiplication of judicial conflicts for non-payment of debts. This negative spiral is also explained by the fact that the Crown used those funds that in theory would have been useful for compensation to cover other expenses. This led to a fall in the subjects' trust in royal institutions. As the author underlines, these continuous operations of *resello* and destruction of the *vellón* currency during the 17th century highlight not only the various financial crises that the Crown faced, but also the different interests at stake and the pressures of the different power groups to reach one or another solution regarding the manipulation of the *vellón*, in a situation in any case, that of the 17th century, in which there was an acceleration of the losses of the Royal Assets in favour of a few privileged *hombres de negocios*.

In the tenth contribution Francisco Cebreiro Ares analyzes the trajectory of the application of the *Real Cédula* in the *resello* of the *vellón* coin, on November 11, 1651 in the Galician city of Pontevedra. The author, through the examination of municipal documents, highlights the actors, the mechanisms and the quantities of money involved in the transfer of the *vellón* from the collection point to the *Casa de la Moneda* of La Coruña. In this way, Cebreiro Ares also highlights the role and links between different groups of Portuguese *judeoconversos* merchant-bankers who had a primary role in investing money in the Crown's *asientos* at a time – the mid-17th century – when the Genoese *asentistas* had been replaced by the Portuguese. The author, through his analysis, also brings out the historical economic ties that Pontevedra had both with the Atlantic and with the Medina de Rioseco fairs, and thus highlights, also with regards to Galicia, connections and global dynamics typical of the Spanish Monarchy.

In the eleventh contribution Ramón Lanza García deals with the problems caused by the inflation of the *vellón* in the economy and public finances of Castile, which forced the monetary reform that began on February 10, 1680 precisely with the *resello* of the *vellón*. The author of the contribution analyzes this and the following monetary measures which ended with the devaluation of the silver coin (*real*) and the revaluation of the gold shield (*scudo*) on October 14, 1686. These measures caused a deflation and a contraction of the Castilian economy, such that it was not possible to recover the same levels of well-being until the following century. Prices, wages, the circulation of credit, the economic activity, are all indicators that testify to the severity of the contraction, which was at the same time cause and consequence of the agrarian crisis of the years 1682-1685 and which was also affected by frequent epidemics of this period. The economic depression had

negative effects on tax collection, thus forcing the *Real Hacienda* to continuously adjust its spending and budget. As the author underlines, the monetary reform can certainly be considered as part of a consolidation process of public finances, but at the same time it had strong negative repercussions both on the fiscal side and on that of the real economy. In conclusion, the contributions that make up this excellent volume – prepared expressly for the session “*Moneda, finanzas y decadencia de las economías urbanas en la Castilla Moderna*” of the XIII International Congress of the *Asociación Española de Historia Económica* – represent an extraordinary historical and historiographical mirror of the economic and financial dynamics of which the Spanish Monarchy was the protagonist between the 16th and 17th centuries. If the value of this volume can be traced back both to the quality of the scholars who compose it and to the contributions proposed, it is certainly important to underline how the dialogue between the different articles – in addition to strengthening the volume as a whole – contributes to redefine historiographical frontiers of primary interest and to define new and stimulating research paths in the history of economics, finance and financial crises of the Spanish Monarchy during the Early Modern Period.

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