GENOESE RELATIONAL CAPITAL AND WOOL TRADE IN THE EARLY REIGN OF PHILIP II

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0. Abstract

In line with the topic of this session on financial markets, this paper draws attention to the importance of the relationship between finances and markets in the early modern business history of Europe. This work seeks to shed light onto the complex myriad of business relationships among Genoese financiers and Castilian wool exporters in the last years of the 1550s. These connections are revealed through the study of the Spanish wool market and the impact of new fiscal policies, enacted as result of a lack of liquidity in the royal treasury. The crossed data of royal financial reports and export duties allows to interconnect not only people moved by the necessity of doing profitable businesses, but also the existing ties between multiple private agendas. The first part introduces the reader to the business history of Spain from a financial perspective. The second section examines the causes and immediate consequences of the debt reschedule of Philip II of Spain in 1557. The third part brings together the connection between Genoese financiers and wool exporters to analyse the pros and cons of their relation. Finally, the paper closes with some conclusions about the European dimension of the commercial novelties triggered by the financial reform.

1. Introduction: Business history of the Hispanic Monarchy: a trip from rise to decline

This session of the 22nd EBHA seeks to show the novelties in studies about financial markets since the sixteenth to the twentieth century, a key element in the business history of any nation. With this aim in mind, this paper analyses the consequences of the reschedule of debt ordered by Philip II of Spain in April 1557. Special attention is given to how these vicissitudes affected the Castilian wool exports, one of the most important commercial activities of western Europe. The exceptional geographical dimension of the Hispanic Monarchy, which in that moment embraced the Low Countries and parts of modern Italy (Naples, Sicily and Sardinia) besides of America, transformed it into a kind of semi-European market despite of their regional specificities. However, the consequences of the financial crash transcended the borders of the monarchy and affected to either allied states such as the Republic of Genoa or traditional enemies like France. In other words, this paper introduces an insightful European business history that embraces domestic and external markets from a financial perspective.

The interest for the financial history of the Hispanic Monarchy in the early modern period has a long trajectory since the 1950s. The main representatives of these early works were Spanish scholars who sought to contribute in the historiographical trend of national histories. The classical authors explained the basics of the Castilian financial market in the early modern period, though only referred to the royal financial market.[1] The international financial crisis of

[1] Ramón Carande, *Carlos V y sus banqueros. Los caminos del oro y de la plata (Deuda exterior y tesoros ultramarinos)*, vol. 3, 3 vols (Barcelona: Crítica, 1987); Modesto Ulloa, *La Hacienda Real de Castilla En Tiempos de Felipe II*, 3rd edition (first published in 1963) (Madrid: Fundación Universitaria Española, Seminario Cisneros, 1986); Felipe Ruiz Martín, 'Las Finanzas Españolas Durante El Reinado de Felipe II', *1968*, Anexos de la Revista Hispania, 2 (1968): 109–73; José Ignacio Fortea Pérez, 'Fiscalidad Real y Politica Urbana En La Corona de Castilla En El Reinado de Felipe II', in *Haciendas Forales y Hacienda Real : Homenaje a Miguel Artola y Felipe Ruiz Martín*, ed. Emiliano Fernández de Pinedo (II Encuentro de Historia económica regional, 1987., Bilbao: Universidad del País Vasco, 1990), 63–79.

2008 revived this current which focused on the solvency of the Spanish monarchs rather than investigating how their subjects accessed to credit in difficult times.[2]

Since the 1990s, some scholars have tried to fill that historiographical gap focusing on the commercial practices of the American trade, the Atlantic European façade or the Western Mediterranean.[3] Nonetheless, the little interest for these credit markets has resulted in regional studies that have impeded a unified speech which could merge interregional financial markets. In the same line, there is also a lack of works that bring together royal and private finances, which is precisely the objective of this paper. Despite of these deficiencies, the literature on credit markets has provided the basic knowledge about the new means of payment and organisational strategies not only in Spain, but England and Italy too.[4]

The bills of exchange, for example, became an excellent financial device to solve the scarcity of liquidity in a world that began to live on credit.[5] Scholars have generally agreed with the assumption that these financial devices accelerated and eased the transactions because they allowed to move money from one place to another without the need of carrying bullion.[6] That

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[2] Carmen Sanz Ayán, *Los banqueros y la crisis de la Monarquía Hispánica de 1640* (Ediciones de Historia, 2013); Mauricio Drelichman and Hans-Joachim Voth, *Lending to the Borrower from Hell: Debt, Taxes, and Default in the Age of Philip II*, The Princeton Economic History of the Western World (Princeton: Princeton University Press, 2014); David Alonso García, 'Deuda, crédito y Hacienda Real en tiempos de Carlos V', in *Historia de la deuda pública en España: (siglos XVI-XXI)*, 2015, 15–36; Carlos Álvarez Nogal and Francisco Comín, *Historia de la deuda pública en España: (siglos XVI-XXI)*, 2015; José Miguel Escribano Páez and Alejandro García Montón, 'De gobernantes y deudas. Una década de producción historiográfica sobre la Castilla de los Austrias', *Cuadernos de Historia Moderna* 42, no. 2 (2017): 369–410.

[3] Antonio-Miguel Bernal and Isabel Martínez Ruiz, *La Financiación de La Carrera de Indias (1492-1824): Dinero y Crédito En El Comercio Colonial Español Con América* (Sevilla: Fundación El Monte, 1992); Hilario Casado Alonso, 'El Comercio internacional burgalés en los Ss. XV y XVI', in *Actas del V Centenario del Consulado de Burgos (1494-1994)*, vol. 1, 2 vols (Burgos: Diputación de Burgos, 1994); Regina Grafe, *Entre el mundo ibérico y el atlántico: comercio y especialización regional, 1550-1650* (Bilbao: Diputación Foral de Bizkaia, Departamento de Cultura, 2005); Yasmina Ben Yessef Garfia, 'A Genoese Merchant and Banker in the Kingdom of Naples: Ottavio Serra and His Business Network in the Spanish Polycentric System, c.1590–1620', *European Review of History: Revue Européenne d'histoire*, Abril 2016, 1–33.

[4] David Carvajal de la Vega, 'Crédito privado en Castilla a fines del siglo XV. Una introducción a su estudio', *Anuario de estudios medievales* 47, no. 1 (2017): 5–6.

[5] An excellent description of the different modalities of bills of exchange was provided in Esteban Hernández Esteve, 'Guerra, Gestión Experta y Contabilidad En La Real Hacienda. Movimientos Internacionales de Fondos a Través de La Factoría General de Los Reinos de España (1556-1557)', in *De Computis et Scripturis* (Barcelona: Real Academia de Ciencias Económicas y Financieras, 2003), 265–69.

[6] This argument did not work only for the Hispanic Monarchy, but for the rest of Western Eurpean states too. See Markus A. Denzel, 'From the European to the World-Wide Cashless Payment System (16th to

argument still stands today and its seems the main cause of the financial and commercial shift that Italian businessmen initially introduced in the thirteenth century; later adopted by merchants of any nationality.[7]

Notwithstanding these advantages that offered the bills of exchange, they required a better system of financial management through the double-entry bookkeeping system.[8] This increasing complexity simply mirrored the shift to more permanent merchant companies, which needed of all these elements to face the commercial expansion of the sixteenth century. The new type of companies obliged to reinforce the ties of trust among businessmen, a challenged that observed two spheres. First, the proper functioning of the company required a strong confidence in not being cheated by partners, so this was solved through relations of kinship, reputation and social capital. Second, the trust among businessmen needed of institutional and judicial bodies backing it.

Sovereigns and local councils sought to provide a safe place where merchants could do their businesses. One of the main causes behind this economic policy was the need of regulating the market to apply taxes on it and enforcing new laws. Because of this, the Spanish monarchs continuously backed the initiative of regulating fairs of payments, though several times they

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18th Centuries). A Survey.', in *Dinero, Moneda y Crédito En La Monarquía Hispánica Actas Del Simposio Internacional 'Dinero, Moneda y Crédito: De La Monarquía Hispánica a La Integración Monetaria Europea'* (Madrid: Marcial Pons Historia, 2000), 705–25; Hilario Casado Alonso, 'Circuitos comerciales y flujos financieros en Castilla a fines de la Edad Media e inicios de la Modernidad' (Estados y mercados financieros en el occidente cristiano (siglos XIII- XVI): XLI Semana de Estudios Medievales, Estella, 15-18 de julio de 2014, Gobierno de Navarra, 2015), 286.

[7] Caracausi and Jeggle have recently edited a book in which they bring together the novelties that generalised in the 16th and 17th centuries. See Andrea Caracausi and Christof Jeggle, eds., *Commercial Networks and European Cities, 1400-1800*, Perspectives in Economic and Social History, number 32 (London ; Brookfield, Vt: Pickering & Chatto, 2014).

[8] Although the creation of these bills of exchange and the new accounting system took place in the thirteenth century by the hand of Italian businessmen, the rest of Western Europe rapidly adopted to the novelties and by the sixteenth century they were already a common practice. See Esteban Hernández Esteve, *Aproximación Al Estudio Del Pensamiento Contable Español: De La Baja Edad Media a La Consolidación de La Contabilidad Como Asignatura Universitaria* (Madrid: Asociación Española de Contabilidad y Administración de Empresas, 2013), 55.

were delayed because the monarch lacked funds to pay his creditors.[9] In these fairs, merchants or their representatives paid their obligations to other businessmen and the royal administration, besides of receiving what they were owned. In those spaces, any person who wanted to do businesses needed to be solvent, a condition that they obtained through opening temporary accounts with bankers at the fair. [10] Not everybody, in consequence, could participate in these financial appointments.

The literature about these fairs of payments is extensive since the 1980s and has tended to focus on what happened in those fairs without contextualising it with the general financial and political context of the moment.[11] Thanks to these works, however, we know that these meetings had two advantages that traditional trade could not offer. First, they were celebrated in the same places where commercial fairs took place, which eased the contact between producers and merchants. This issue helped to integrate the market into a common framework where offer and demand balanced automatically. Second, the royal authority granted a space protected by the royal law and, therefore, ensured that all those transactions were done under fair conditions, especially regarding the value of currencies.

While these fairs of payments were being configured and the royal control over market spread throughout the monarchy, merchants sought to organise their own judicial courts to try specialised cases. In the Spanish case, this resulted in the institutions known as consulates

[9] Carlos Álvarez Nogal and Christophe Chamley, 'Philip II against the Cortes and the Credit Freeze of 1575-1577', *Revista de Historia Económica - Journal of Iberian and Latin American Economic History* 34, no. 3 (2016): 381.
[10] A more detailed explanation about the process in Cristóbal Espejo and Julián Paz, *Las antiguas ferias de Medina del Campo: investigación histórica acerca de ellas* (Tipografía del Colegio de Santiago Biblioteca Digital de Castilla y León, 1912), 77–78; Hernández Esteve, 'Guerra, Gestión Experta y Contabilidad En La Real Hacienda', 273.
[11] Felipe Ruiz Martín, 'Las ferias de Castilla', vol. 2 (Historia de Medina del Campo y su tierra, Ayuntamiento de Medina del Campo, Consejería de Educación y Cultura, Diputación Provincial de Valladolid, Caja de Ahorros Provincial de Valladolid, 1986), 267–300; Enrique Otte, 'Las Ferias Castellanas y Sevila En El Sistema Bancario Europeo Del Siglo XVI', in *Dinero, Moneda y Crédito En La Monarquía Hispánica* (Marcial Pons : Fundación ICO, 2000), 31–42; Hilario Casado Alonso, 'Crédito y Comercio En Las Ferias de Medina Del Campo En La Primera Mitad Del Siglo XVI', in *Il Mercato Del Credito in Età Moderna: Reti e Operatori Finanziari Nello Spazio Europeo*, 2010, 21–48.

(*consulados*), being the one of Burgos (1494) and Bilbao (1511) the most important ones.[12] Scholars have studied these organisations since the 1960s, and they detected that these consulates had a strong rivalry for the control of the commercial trials.[13] Social networks became an effective way to address that problem from within the institutions.[14] For instance, merchants tended to be also judges in those consulates, so whoever controlled the institution could influence in the commercial flows. Merchants who disagreed with the final verdict could appeal to the royal chancelleries of Valladolid or Granada, depending on the jurisdiction.

Notwithstanding these economic and juridical innovations, the literature about business history in the Hispanic Monarchy is flooded with studies of rise and decline.[15] The difference among them, however, is whether they emphasise the political or the economic causes for it. Few authors have realised that the causes of the downturn of Spain in many aspects were multiple and no single explanation can be given.[16] What follows in this paper is an analysis of how some symptoms of decline, such as a royal default or a political domestic struggle, were patched at the expense of merchants and financiers who had their own agenda.

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[12] The importance of the Burgos' consulate in the history of Spain resulted in an important congress that celebrated the 500th anniversary since the creation of the institution. See Floriano Ballesteros Caballero et al., eds., *Actas Del V Centenario Del Consulado de Burgos, 1494-1994*, 2 vols, Publicaciones Del V Centenario Del Consulado de Burgos (Burgos, Spain: Excma. Diputación Provincial de Burgos, 1994).

[13] Manuel Basas Fernández, 'Priores y Cónsules de La Universidad de Mercaderes y Consulado de Burgos En El Siglo XVI', *Boletín de La Institución Fernán González* 161, no. 2º Sem. (1963): 679–91; José Damián González Arce, 'El Consulado Genovés de Sevilla (siglos XIII-XV).: Aspectos jurisdiccionales, comerciales y fiscales', *Studia historica. Historia medieval*, no. 28 (2010): 179–206; Manuel Herrero Sánchez, 'La red consular europea y la diplomacia mercantil en la Edad Moderna', 2015, 121–50.

[14] A recent comparative study on the importance of networks working in institutions in Regina Grafe, 'On the Spatial Nature of Institutions and the Institutional Nature of Personal Networks in the Spanish Atlantic', *Culture & History Digital Journal* 3, no. 1 (30 June 2014): 006.

[15] Bartolomé Yun-Casalilla and Patrick K. O'Brien, eds., *The Rise of Fiscal States: A Global History, 1500-1914*, Cambridge Books Online (Cambridge: Cambridge University Press, 2012), 247; Carlos Álvarez Nogal and Leandro Prados de la Escosura, 'The Decline of Spain (1500–1850): Conjectural Estimates', December 2007; Angel García Sanz, 'Auge y Decadencia En España En Los Siglos XVI y XVII: Economía y Sociedad En Castilla', *Revista de Historia Económica* 3, no. 01 (1985): 11–27; Henry Kamen, 'The Decline of Spain: A Historical Myth?', *Past & Present*, no. 81 (1978): 24–50; J. H Elliott, 'The Decline of Spain', *Past & Present*, no. 20 (1961): 52–75.

[16] An exhaustive account of this historiographical shift in Ana Crespo Solana, 'Empires: Concepts and New Research on the Hispanic World, 16th - 18th Centuries', *Culture & History Digital Journal* 3, no. 1 (2014): 7–11; Catia Brilli and Manuel Herrero Sánchez, eds., *Italian Merchants in the Early-Modern Spanish Monarchy: Business Relations, Identities and Political Resources* (London: Routledge, 2017); Grafe, *Entre el mundo ibérico y el atlántico*, 19–20.

2. The inheritance of Charles V and the Castilian economic rhythm

Since mid-1554, the widow Princess of Portugal, Juana of Austria, assumed the regency of Castile while her brother the Prince Philip departed on 13th July to England with the intention of marrying Mary Tudor.[17] Within the following two years, the emperor Charles V abdicated in favour of his son Philip the rule of Spain, Naples, Sicily and the Netherlands.[18] Princess Juana remained in Castile administrating a very unstable treasury, while the new king Philip II began to demand subsidies to fund his war against France.[19] When Philip II succeeded to the throne, he inherited his father's commitments and conflicts.[20] This hostile legacy resulted problematic for a royal treasury that was unable to set enough funds for the ongoing war, a situation that has been labelled since the mid-2000s as '*a bankruptcy of succession*'.[21]

The French monarchy experienced similar financial problems to Spain, so, a truce was agreed on 5th February 1556 in Vaucelles, but what followed was an armed peace. During the peace time, the fiscal balance of Philip II showed an increasingly worrying deficit. Figure1 provides a glimpse into the evolution of marginal funds that the monarch received to satisfy its short-term debt (grey line). Philip II and his father had been losing borrowing capability since 1552, besides of the fact that the long-term debt escalated dangerously.

[17] Charles V, 'AGS, EST, Leg. 481, 36' (Decree, 31 March 1554).
[18] The Council of State acknowledged the transmission of powers in Castile by March 1556. See Council of State to Philip II, 'AGS, EST, Leg. 112, 70', Letter, 22 March 1556.
[19] Geoffrey Parker, *Imprudent King: A New Life of Philip II* (New Haven: Yale University Press, 2014), 50.
[20] An excellent monograph about the war in all its fronts in María José Rodriguez-Salgado, *The Changing Face of Empire: Charles V, Philip II and Habsburg Authority, 1551-1559* (Cambridge University Press, 1988).
[21] Carlos Javier de Carlos Morales, 'Felipe II y Sus Banqueros', in *Banca, Crédito y Capital. La Monarquia Hispanica y Los Antiguos Paises Bajos (1505-1700)* (Fundación Carlos Amberes, 2006), 331.

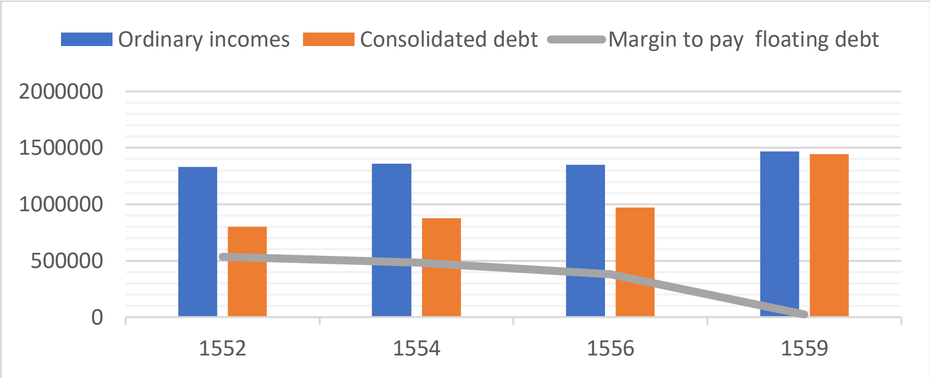

Figure 1: Evolution of the financial statement of Charles V and Philip II between 1552 and 1559 (in ducats). Source: Ulloa, La Hacienda Real de Castilla En Tiempos de Felipe II, 130.

In June 1556, the regent Juana commented to Philip II that only his return to Castile could save the situation.[22] Juana wanted to summon the *cortes* of Castile and negotiate the renewal of traditional subsidies and a fiscal raise.[23] Her final motivation was to increase the royal borrowing ceiling that was limited by the fiscal capacity of the monarch. Despite of the urgency of these agreements, they were not passed until 1559. In the meantime, the king faced the penalty of Genoese lenders, who refused to keep lending him until he fulfilled his liabilities.[24]

After several failed strategies to raise more money, Philip II ordered a financial reorganisation to increase his borrowing ceiling in the last months of 1556. The plan consisted in the creation of a system of royal factors, who would be deployed in the main financial and commercial centres of western Europe: Antwerp, Valladolid and Genoa. The motivations behind this novelty seems to have been the outbreak of the war in Italy against the Pope Paul IV, the

[22] Juana of Austria to Philip II, 'AGS, EST, Leg. 114, 80', Letter, 13 June 1556.
[23] In the last years, scholars have tended to focus on the ability of the Castilian cortes to limitate the royal spending and borrowing; hence, negotiation was the common pattern. See Álvarez Nogal and Chamley, 'Philip II against the Cortes and the Credit Freeze of 1575-1577'; Brian Jeon, 'Sixteenth Century Spanish Fiscal Mismanagement and Debtor Emperors: An Economic History Review of Spain under Charles V in 1528 and under Philip II in 1575' (Carnegie Mellon University, 2014), http://repository.cmu.edu/hsshonors/206; Yun-Casalilla and O'Brien, *The Rise of Fiscal States*; Juan Manuel Carretero Zamora, 'El Servicio de las Cortes de Castilla: una fuente para el estudio de la fiscalidad extraordinaria y del crédito en la Corona de Castilla (siglo XVI)' (Fuentes para el estudio del negocio fiscal y financiero en los reinos hispánicos (siglos XIV-XVI), Instituto de Estudios Fiscales, 2010), 41–68.
[24] Gómez Suárez de Figueroa to Juana of Austria, 'AGS, EST, 1385, 82', Letter, 27 May 1556.

departure of Charles V to Spain, which left room for manoeuvre to the new king, and the need of diminishing the influence of merchant-bankers in royal finances. [25].

The new system centralised the finances of the king in the hands of four experimented businessmen, though only Hernán López del Campo became the general factor. His role obliged him to move in Castile, where he arrived rt in October 1556 with royal orders of start managing all royal finances and negotiate the military supply for the Council of War. Notwithstanding these points, the main objective of López del Campo was to restore the financial credibility of Philip II. All the powers that López del Campo received were intended to simulate an apparent solvency that the monarch lacked.

Despite of some resistance in the regent government, López del Campo analysed the general situation and reported it to Philip II on 1st February 1557. [26] Castilian commerce was diminishing because of the royal decrees of November 1551 (prohibition on the issuance of bills of exchange within Castile), December 1555 (setting of the interest rates in external exchanges) and March 1556 (prohibition of exchanges within the Iberian Peninsula). These three edicts were the result of protectionist policies that sought to keep liquidity within the economic Castilian circuit and low interest rates for new loans. However, these decrees were forcing merchants to borrow from speculators at very high interest rates.

While the edicts that regulated the financial market were not banned, wrote López del Campo, they discouraged capitalists out of the monarchy to transfer money towards Castile. This diversion of capital was detrimental for merchants who hardly could find funding in the domestic market. The royal decrees were, nonetheless, a political movement hardly to eliminate. They were intended to gain the favour of the Castilian clergy in the dispute with the Pope Paul IV avoiding usurious practices. Apart from reporting, López del Campo proposed a less 'state'-

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[25] Rodriguez-Salgado, *The Changing Face of Empire*, 236; Hernández Esteve, 'Guerra, Gestión Experta y Contabilidad En La Real Hacienda', 247; Carlos Javier de Carlos Morales, *Felipe II: El Imperio En Bancarrota: La Hacienda Real de Castilla y Los Negocios Financieros Del Rey Prudente* (Madrid: Universidad Carlos III de Madrid, 2008), 36–37.

[26] Hernán López del Campo to Philip II, 'AGS, EST, Leg. 121, 62', Letter, 1 February 1557.

controlled financial market through masterplan based on restoring the domestic and external money transfers, but with Portugal due to a currency issue. This deregulation of the financial market would attract businessmen to Castile again and force Portugal to restore its previous currency values.

Simultaneously, López del Campo presented a joint project to reorganise the royal debt. It suggested to stop payments on the short-term debt of the king, which charged the highest interests, and consolidate it through *juros al quitar* (long-term royal debt bonds) at 5% of annual yield. With this financial tactic, Philip II recovered part of his rents which he would use to back new loans. Foreseeing the general uneasiness of royal financiers because of the financial shock, López del Campo suggested to start redeeming those *juros* as soon as possible to keep the alive the royal reputation. Philip II sent the order to the regency government on 17th April 1557, though it was not enforced until the 10th June of that year because of the resistance of Juana.[27]

When the new reached Toledo (Castile), it became a European issue. Several businessmen dispatched letters to Lyon, Germany and Genoa with the aims to report about the royal decision and enquiring how they should react. Many Genoese high financiers, the main royal lenders, could bankrupt in the following fairs if the king did not rectify in his decision or reach individual agreements. Notwithstanding the initial shock that produced the financial halt of June 1557 and in an attempt to negotiate, Genoese financiers continued lending to Philip II. Among the conditions these lenders negotiated with the royal representatives, they demanded to be paid in cash rather than to obtain debt shares allocated in future royal rents.

This situation changed on 22nd May 1558, when a prominent Genoese lender called Nicolao de Grimaldo signed a loan contract with López del Campo.[28] In that document, the king

[27] Philip II, 'AGS, EST, Leg. 810, 85' (Letter, 17 April 1557); Rodriguez-Salgado, *The Changing Face of Empire*, 238; Carlos Javier de Carlos Morales, *El Precio Del Dinero Dinástico: Endeudamiento y Crisis Financieras En La España de Los Austrias, 1557-1647. Vol. 1* (Banco de España, 2016), 82.

[28] Romano seems to have mistaken the date of the contract as he claims it was signed on the 12th May, while diverse sources confirm it was agreed ten days later. See a copy of the asiento Hernán López del

accepted to reimburse his past debts through *juros al quitar* with higher interest rates than those offered in the consolidation of debt. This practice benefited the royal treasury because it had not to search liquidity immediately to fulfil its obligations.[29] Indeed, this strategy was later continued by other financiers such as Costantin Gentil, the representative of the Genoese consortium of the Centurione family. These lenders sold in the secondary market of debt their *juros al quitar* to third parties, with which they obtained liquidity to keep doing businesses.[30] Their clients were heterogeneous but included many wool exporters who were affected by the enactment in May 1558 of a new tax that charged the exports of wool out of Castile.

3. The royal bankruptcy and the new tax on exported wool: connecting people

In the order of 17th April 1557, Philip II also commanded the creation of a new tax on exported wool, which delayed for a whole year until the 30th April 1558 to be enforced. [31] The new fiscal imposition was part of the masterplan that López del Campo proposed in February 1557 to Philip II. If the exporter was Castilian, the new tariff charged one ducat per sack of wool travelling from Castile to Flanders and two ducats if the wool was exported to France or Italy. Instead, if the wool exporter or his associates were foreigner, the duty doubled. Apart from this, every destination had a different way of weighting the wool, which varied the value of the final duty.

Campo, 'AGS, EST, Leg. 129, 233' (n.d.); Ruggiero Romano, 'Banchieri Genovesi Alla Corte Di Filippo II', *Rivista Storica Italiana.* LXI, no. 2 (1949): 243.

[29] There was a previous *asiento* signed with just one Genoese financier, Daniel Spinola, in July 1557 that included old debts, but these would be repaid in cash. The difference between this contract and Nicolao's lies in that the latter had to market *juros* to recover those old debts.

[30] For a more detailed analysis about the sales of these juros see Alberto Sánchez Camacho, *State and Monasteries: Local Finances in the State Building Process*, Mp3, Workshop 'Is There Space in Cities for State-Building? Early Modern Processes in an Urban and Global Scope: Agents, Practices, and Discourses', Held at the European University Institute (Florence, 2018), https://soundcloud.com/european-university/panel-2-between-trust-and?in=european-university/sets/workshop-is-there-a-space-in-cities-for-state-building-8022018.

[31] Tomás González Presbítero, *Colección de cédulas, cartas-patentes, provisiones, reales órdenes y otros documentos concernientes a las provincias vascongadas: copiados de orden de S.M. de los registros, minutas y escrituras existentes en el Real Archivo de Simancas, y en los de las secretarías de estado y del despacho y otras oficinas de la Corte* (Madrid: Imprenta Real, 1829), vol. 2, p. 112.

Table 1 demonstrates that exporting to Flanders was much more profitable than to other places. This economic policy clearly sought to encourage the domestic exports and divert the flux of wool towards Flanders, which because of being under Spanish sovereignty could tax the entry of wool shipments. The general factor foresaw that such fiscal novelties would create unrest among the main groups of merchants and, therefore, local elites with influence in the Castilian c*ortes*.

To counteract any resistance, Philip II negotiated with the two leading poles affected by the tax, Burgos and Seville, and offered the abolition of an old decree that obliged wool exporters to bring clothes and lines back to Castile from their businesses, a law that increased their expenses and interfered in their freedom as independent businessmen. The duty should serve to provide funds to reimburse the outstanding royal debts and attack the French economy and industry.

Arrobas to export	Destination	Number of sacks	Duty
100 (Castilian)	Flanders	12 (sacks of 8.5 arrobas)	12 ducats
100 (foreigner)			24 ducats
100 (Castilian)	France, Italy, others	10 (sacks of 10 arrobas)	20 ducats
100 (foreigner)			40 ducats

Table 1: Comparison of the costs to export 100 arrobas of wool being Castilian or foreigner.

The literature about the new right is abundant and contains rich information about its peculiarities and evolution.[32] It was implemented over one of the most profitable businesses of the Hispanic Monarchy. The wool trade had its headquarters in Castile, where flocks of sheep were bred, moved and sheared. Most the fleeces obtained after shearing were exported to the main manufacture centres of European textiles (the Low Countries and Italy) rather than used by the Castilian industry. Exporting wool was an expensive and long process that demanded of high investments from merchants. The exporters used to purchase the fleeces to the shepherds

[32] Manuel Basas Fernández, 'Burgos En El Comercio Lanero Del Siglo XVI', *Moneda y Crédito* 77 (1961): 329–30; Ulloa, *La Hacienda Real de Castilla En Tiempos de Felipe II*, 327–40; Manuel Basas Fernández, *El Consulado de Burgos en el siglo XVI* (Diputación Provincial de Burgos, 1994), 253.

about one year beforehand. Afterwards, they could wash the wool in specialised places dispersed in Castile, an operation that was expensive though generated higher profits in the international market.[33] Once the wool was ready, it was transported towards the main ports of Castile, which could be organised in three districts: North (Bilbao and the four sea villages), East (Cartagena, Yecla, Murcia) and South (Seville and Malaga).

When the new tax on exported wool was enforced, the royal administration deployed tolls in those three districts and began to collect the duties as soon as 1558. However, instead of keeping the earnings from the tax, the king had already ordered to forward them to Nicolao de Grimaldo, the Genoese financier who accepted to be paid in *juros al quitar* rather than in cash (chart 1). Since its birth, the yields of the new fiscal imposition were intended to start repaying royal lenders, which was a strategy to recover the royal credibility as a solvent borrower.

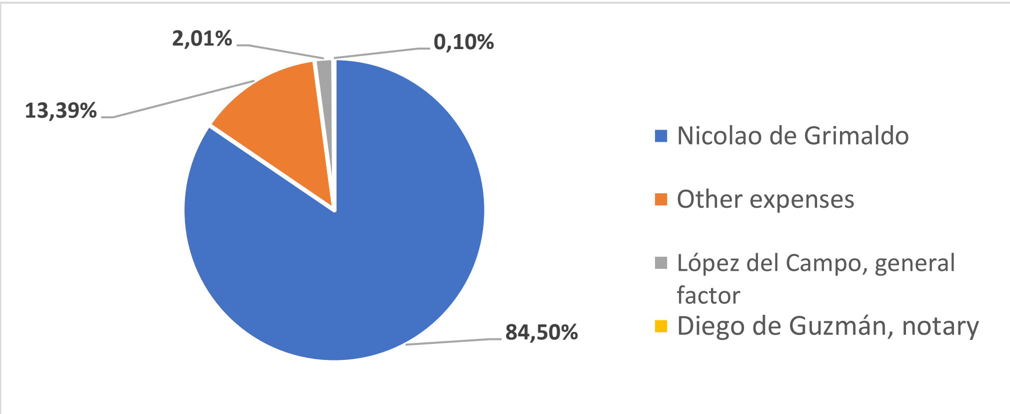


Chart 1: Beneficiaries of the new tax on exported wool (1558). Source: AGS, CJH, 35, 172.

The procedure of repaying them was complex. First, the financiers like Grimaldo or Gentil sold the *juros al quitar*, which the monarch issued for them in each new asiento since May 1558, to Castilian and foreign investors. This helped to diversify risks in case the royal rents where the *juros* were allocated resulted not profitable. It also provided with liquidity to the

[33] Rafael María Girón Pascual, 'Los Lavaderos de Lana de Huescar (Granada) y El Comercio Genoves En La Edad Moderna', in *Génova y La Monarquía Hispánica (1528-1713)*, vol. 1, 2 vols (Società Ligure di Storia Patria, 2011), 191–202.

Genoese lender as he acted as intermediary between the king and his subjects in the acquisition of those *juros*. The Genoese financiers liked to keep some *juros* for themselves as long-term investments that backed their solvency. Finally, those investors who purchased *juros al quitar* received their yields individually.[34]

Interestingly, Genoese financiers such as Nicolao de Grimaldo and Costantin Gentil -real architects of the new financial structure- took care of keeping the wool market alive. If earlier in this work it was pointed that the Castilian commercial activity was declining because of the royal edicts of the 1550s, the lending services of Genoese high financiers to Castilian wool exporters helped to keep the market alive, though damaged. The chart 2 shows how the collection of the new tax evolved until 1598, highlighting the pronounced decline before the promulgation of the new fiscal imposition until January 1563 and June 1566, when the king increased the tariffs alleging the need of counteract frauds.

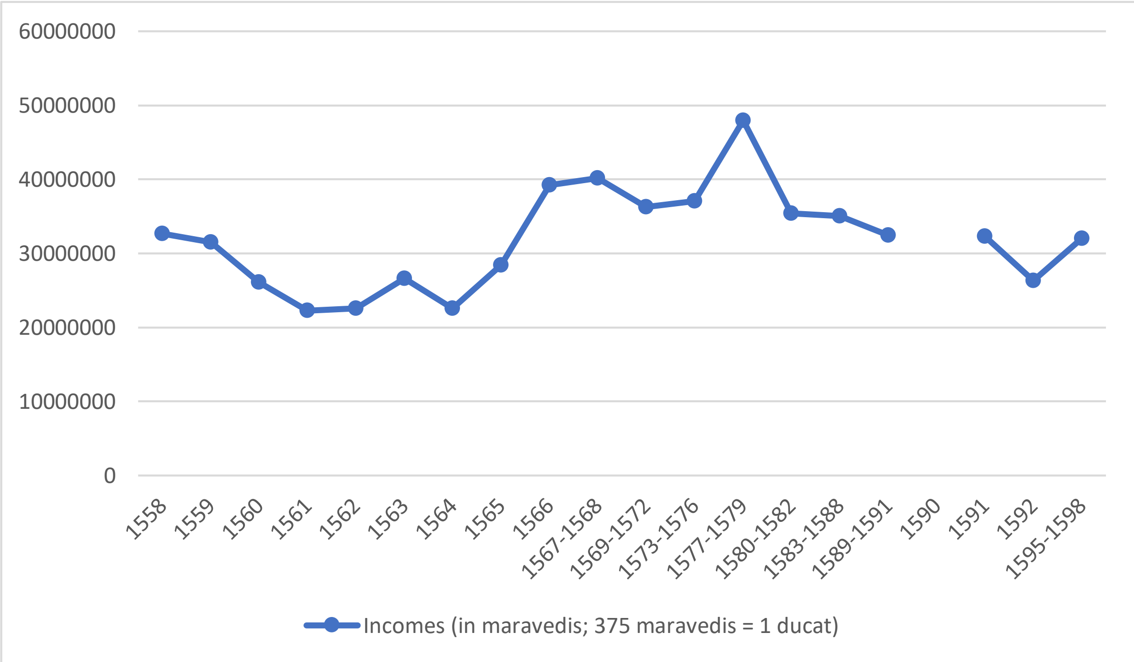


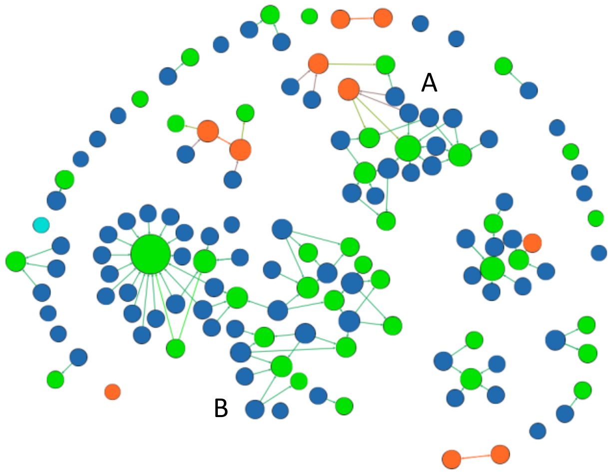
Chart 2: Incomes of the new tax on exported wool (1558-1598). Source: Modesto Ulloa. La Hacienda de Felipe II, p. 334.

[34] A list of the clients of Nicolao de Grimaldo in 1559 in 'AGS, CJH, Leg. 35, 23: Lanas de Nicolao de Grimaldo' (Accounting record, 1559).

Back to the beginning of the timeline, it is common to find Genoese financiers such as Nicolao de Grimaldo or Costantin Gentil funding Castilian wool merchants since 1558. The analysis of a series of data from 1558 to 1560 sheds light about this issue and allows to create connections among royal lenders and Castilian merchants beyond the separated studies that these figures use to have.[35] For example, graph 1 visualises the multiple connections that existed among wool merchants and lenders in 1559. Although many businessmen were isolated cases who did not have many ties, it is possible to identify up to five main groups which interconnect five people together at least.

Within this 'big league', networks A and B show a higher degree of clustering that emphasise the role of key lenders interweaving multiple actors. Whereas group A is clearly marked by its predominant Genoese character, group B illustrates a total absence of non-Castilian businessmen, either merchants or lenders. The first network, nonetheless, allowed that some Burgos merchants took part in their syndicated operations. This permeable commercial strategy reinforces the traditional literature claiming that Genoese lenders financed Castilian merchants.[36] The novelty of this work lies in unveiling why these ties did not collapse during the royal financial crisis of 1557 and the new fiscal imposition on exported wool.

[35] 'AGS, CMC, 2ª Época, Leg. 207' (Accounting record, n.d.); 'AGS, EMR, Leg. 440' (Accounting record, n.d.); 'AGS, EMR, Leg. 443' (Accounting record, n.d.).
[36] Eufemio Lorenzo Sanz, ed., *Historia de Medina del Campo y su tierra*, vol. 2 (Valladolid: Ayuntamiento de Medina del Campo, Consejería de Educación y Cultura de la Junta de Castilla y Leon, 1986), 25.



Graph 1. Businessmen involved in the duty on exported wool (1559).
Grouped by colours: blue (merchant), green (lender) and red (merchant-lender).
Sized by number of connections. Source: AGS, EMR, 440

If the Genoese financiers stopped funding Castilian wool merchants, these would have probably bankrupted because of the new tax on exported wool, which reduced their competitivity before foreign businessmen. The funding of Genoese financiers became then an important tool for wool exporters, who realised how their earnings decreased because of these extraordinary financial services. In addition, it is possible to detect that the wool exporting companies had a longer duration than before and were based on ties of kinship and reputation. For example, Nicolao de Grimaldo funded a Burgos company led by three of the most prominent merchants of the city that besides had relatives in the local council.

Nevertheless, this perfect and symbiotic system did not last forever, an issue that can be followed through the history of the *juros* examined*.* These debt titles registered and increase of divisions and resales to third parties specially during the 1570s and 1580s. However, still in the 1570s, investing in the wool trade was a good business as the Genoese financiers demonstrated. When in 1575, for example, Philip II declared another suspension of payments and banned any exportation of bullion, the Genoese financiers reinvested their profits in the wool market to resale the product and thus obtain liquidity in foreign markets.[37] Although the causes of this decay were multiple, one of them might be considered as the principal.

The war against the rebels in the Low Countries had increased the prices of insurances and therefore the prices of fleeces in the market, which made this product less competitive than other alternatives such as the English wool. As the war continued and worsened with the fall of key ports in the English Channel before the rebels, the principal flow of wool trade was diverted to Italy, which simply could not absorb it entirely. The seventeenth century witnessed the slow downfall of this very profitable business that had achieved its golden epoch in the mid-sixteenth century.[38]

4. Conclusions: how royal constrains affected the wool market

This paper has put the emphasis on the consequences that the financial reschedule of Spanish royal debt in April-June 1557 had for the European market of wool in the short-term. The need of Philip II of keep borrowing to fund his military campaigns against France and the Pope triggered the search of additional resources in Castile. Although the regency of Juana in Castile always sought to provide with new funds to the monarch, it often faced the resistance of native elites and the high clergy. Because of this, alternative options were considered, which resulted in the promulgation of a new tax on exported wool.

The royal edicts that regulated the international and domestic financial markets in the 1550s affected negatively to the Castilian commerce, which progressively became less competitive. The new tax on exported wool added an additional charge to wool merchants, either native or foreigners. Only the funding of Genoese financiers to those businessmen helped

[37] Carla Rahn Phillips and William D. Phillips Jr., *Spain's Golden Fleece: Wool Production and the Wool Trade from the Middle Ages to the Nineteenth Century* (Baltimore: Johns Hopkins University Press, 1997), 256.

[38] Luis María Bilbao Bilbao, 'Exportación y comercialización de lanas de Castilla durante el siglo XVII (1610-1720)', in *El pasado histórico de Castilla y León: Actas del I Congreso de Historia de Castilla y León celebrado en Valladolid, del 1 al 4 de diciembre de 1982* (I Congreso de Historia de Castilla y León celebrado en Valladolid, del 1 al 4 de diciembre de 1982, Burgos: Junta de Castilla y León, 1983), 225–43.

to keep the commercial circuits alive, despite of its decline until the mid-1560s. However, the help of the Ligurian lenders had a double purpose. First, they obtained profits from the interests of the loans that they advanced to the merchants. Second, they marketed at European level long-term bonds of royal debt (*juros*) backed by rents such as the new tax on exported wool. Making that royal income profitable was key to keep selling more *juros* in the secondary market of debt, and thus the Genoese financiers obtained liquidity to issue new loans to Philip II.

The links between wool exporters and Genoese financiers have shown that there were clusters in which the financiers preferred to fund other Genoese businessmen and Burgos merchants, who clearly controlled the routes of wool to Italy and Flanders respectively. The rest of Castilian merchants had to group together to survive, but their strength did not equal that of the Genoese consortium. The data has demonstrated that the Genoese financiers were very selective with their clients, either at selling them *juros* or funding their exports of wool. Because of this reason, only the better positioned merchants counted with the Genoese support, a prize that forced to reinforce the bonds of kinship and reputation among the companies.

Finally, the new tax also affected non-Hispanic commercial markets such as that of France, Italy or England, which suffered the Spanish economic policy of benefiting the exports of wool to Flanders. How this tax affected these territories and how they reacted is an issue still open in the historiography, but it highlights the European dimension of the masterplan originally conceived by the general factor López del Campo.