Fiscal states, composite monarchies and political economies.

A view from the Spanish empire (c.1492-c.1650)

Bartolomé Yun Casalilla

Pablo de Olavide University

byuncas@upo.es

Bartolome.Yun.Casalilla@eui.eu

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During the last decades a good number of historians are putting together the three concepts heading the title of this talk. Possibly some of them do it unconsciously (or un-properly, if you like), but that is an excellent reason to reflect on the subject in an explicit way.

The relationship between the fiscal state and its political economy is almost automatic. Not because they are the same, but because, from the perspective of studies of the political economy and, more specifically, from the new institutional economics’ approach, the fiscal skeletons of Old Regime states are crucial components of the institutional system as a whole. The other binomial -- that of the composite monarchy and fiscal state-- seems to be less immediate. This may be the reason why it has fostered (rather nonsense) discussions about authorship.

I would like to discuss here some of the different links among this trio, which I think are crucial to understand old regime societies and some quite often forgotten questions. Most of my reasoning, as well as the empirical base for some of my proposals were already in my book Marte contra Minerva, which came out in 2004, and a good deal of it is crucial to a forthcoming volume, whose provisional title is The Iberian World. A global perspective on political economies, c. 1450- c. 1650. I am convinced, however, that some of these thoughts can be extrapolated to or discussed in other polities of the epoch. But I also think that some of them can be the basis for a comparison that allows us understand the singularities of the Spanish composite monarchy and empire. Of course, I have no intention to exhaust the subject, but rather to articulate some analytical axes. They are not, I insist, the only possible approaches, but will hopefully prove useful for the debate. I also hope these reflections are useful as a way to understand that it is impossible to study the circulation of resources among the different parts of a composite monarchy by only looking to cash flow and forgetting that economic capital and support was many times given in exchange for political capital; a key component in my view of those political economies.
As it is known, a composite monarchy or state is a polity “including more than one country under the sovereignty of one ruler”, 1 which meant the existence of a “profound respect for corporate structures and for traditional rights, privileges and customs”. 2 Such a respect was in fact broken by the absolutist assertions of princes and monarchs, but was, nevertheless, a key feature of this polities’ functioning. Therefore the composite states had a twofold component: they were a set of polities, whose reciprocal relations would be crucial for each of them, and they were based on a plurality of jurisdictions and coercive powers. Unlike the modern state, as it is defined by M. Weber, the king has an absoluta potestas, but does not have a monopoly on violence and jurisdiction. And the other political agents, the parliaments, the nobility, the church and other corporations, enjoy political, juridical and economic privileges, which in many cases emanate from their own nature and tradition and not necessarily from the prince himself.

It is from this perspective that I think one needs to study these polities’ fiscal systems and political economies. Let me, however, clarify that the analysis of fiscal systems within the framework of composite monarchies—or, in other words, the study of composite monarchies’ fiscal systems without falling upon anachronisms—is very old and has been very present in Spanish historiography since the nineties. Criticism of the idea of a parasitic absolutism, defended in Acemoglu, Johnson and Robinson’s exciting works, 3 has also been present among economic historians even before they published their main pieces.4

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The cross-border transfer of resources.
The key problem of composite monarchies’ fiscal systems

A proper analysis of early modern composite monarchies’ fiscal systems has to go beyond a simple measuring of income and debts in a particular kingdom. In fact, the main problem faced by the Spanish Hapsburgs in general was the dispersed character of this Monarchy, which created a crucial dilemma: how to transfer economic and military resources from one state to another in order to keep the ensemble in a period of military revolution and, therefore, of expensive and continuous warfare.

This was, in fact, not only a problem of financial techniques (as it is usually considered). But, more important, it was also a constitutional problem, very much linked to the nature of the composite monarchies. And this, because, as it is well known, according to the epoch’s political thought and political economy of taxation, the kingdom’s resources could only be used to benefit the kingdom; an idea that was the other side of the principle that the ‘king had to live of his own’ patrimony. No dynastic or other kingdoms’ aims, not even if they belonged to the same monarch, could be financed with the kingdom’s taxes. At the most, these taxes could be used only for the defense of Christendom. This was an even more difficult situation since by the sixteenth century most European monarchies had exhausted the Crown’s patrimony and needed to increasingly involve the kingdom in mobilizing resources. In other words, they needed to pass from a domain state to a tax state in the way Shumpeter pointed out, but at

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5 The financial techniques used by the Spanish kings bankers are very well known since the works of R. Carande, Carlos V y sus banqueros, Barcelona, 1987, M. Ulloa. La hacienda real en Castilla en el reinado de Felipe II, Madrid, 1977 and A. Domínguez Ortiz, Política y Hacienda de de Felipe IV, Madrid, 1983. The best studies on this aspect and in particular on the way the Genoese asentistas interacted with the Crown are those of F. Ruiz Martin. See in example, “Las finanzas españolas en tiempos de Felipe II” in Cuadernos de Historia. Anexos de la Revista Hispania, 2 (1968) 109-73.


the same time looking for arguments or instruments to face their subjects’ attempts to restrict their capacity for maneuver.

Put it in this context, the idea that America was the main solution for the Hapsburg’s needs, as well as one of their main differences with respect to their European counterparts, takes another dimension. The crucial fact is not the large quantity of gold and mainly silver that was to be used to pay for the “king’s wars” in Europe, but the juridical conditions regulating the use of those treasuries. The right of conquest gave the king sovereignty over American resources which representative assemblies could not control. Thus the king of Castile was strong and unique in Europe not because of his access to enormous American resources, but even more because of his relatively unrestricted ability to employ them. More importantly, this situation produced a sort of frustrated financial revolution in which the kingdom’s taxes would be used for the defense of the Habsburgs’ interests. The process by which this was done was a progressive one, but a key moment was the encabezamiento de alcabalas of 1538, whereby the kingdom committed itself to paying a fix quantity of money every year in exchange the urban oligarchies’ high degree of autonomy in the collection of these taxes. This commitment, usually presented as a great advantage for the kingdom, was a great step forward for the king as well. From this moment onward, the big asentistas and bankers, who usually extended loans upon the arrival of the American treasure or in exchange for monopolies, could have a guaranty of stability and predictability in the royal income, which reduced their risk and facilitated an easier consolidation of the floating debt (the asientos), thanks to the possibility of turning them into juros situated in the crown’s rents. It is precisely this fact –that then was reinforced by the use of other rents to endorse the juros—that I consider to be, together with the increasing money supply, the crucial factor to understand why the Castilian

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8 B. Yun-Casalilla, “The American Empire”
9 I summarize in the following paragraph some ideas developed in “The American empire” and Marte contra Minerva, 316-23.
**juros** had one of the lowest interest rates in Europe until the seventeenth century.

This situation, together with the habit of stressing the religious character of many of the Habsburgs’ European wars, closed the circle for all this fiscal and financial system to be presented as coherent with the political economy of taxes and the limits upon their use for transferring military and economic resources outside the kingdom.\(^{11}\) The outcome in fact was a lack of distinction between the king’s and the kingdom’s resources that complicated even more an already blurred distinction between them. As long as the **juros** were situated in the kingdom rents, particularly after royal bankruptcies, it was the kingdom that was paying the monarchy’s expenses, regardless of the reason for the practice and the legal limits upon it. With respect to America, it is interesting to remark that the outcome was a fiscal system based on the Crown’s ownership of the mines and rights to different taxes, **alcabalas** above all, but on which the transfer of funds from one province or viceroyalty (or from the different **cajas**) to another was not only possible but very common. This would make a strong difference with the European states, and has been considered by some historians as the secret of the functioning of the empire.\(^{12}\)

As it is known, this system would never resolve the main problems of this dynastic set of states. The history of the relationship between the different territories of the Monarchy was going to be colored by these tensions over the way the subjects’ resources could or could not be transferred a cross borders. But this situation really determined the evolution of the Monarchy’s different tax systems. We need to remember that this set of states endured great stress. It is to be noted that it was thanks to this system that the Italian wars and the Ottoman danger could be faced in the Mediterranean states without a strong change towards the tax state in some of these territories. If Naples experienced

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\(^{11}\) Bartolomé Yun Casalilla, *Marte contra Minerva*, pp. 312-323.

important changes, this was not the case in Sicily, Catalonia, Aragon or Navarre (where the confrontation with France was crude) during the sixteenth century. In other words we confront states that could face the military revolution and the twofold consequence of it in the form of opportunities-treats, to use the terminology of J. Glete, as real exceptions to the link between military revolution and the rise of the fiscal state discussed today. 13 The case of Portugal is even more interesting. Thanks to its empire and the right of conquest of the king of Portugal, this monarch could build a semi rentier tax state, where more than 60 per cent of all income came from the king’s revenues and where the implication of the kingdom in the tax system was in fact very weak until 1620. 14 This could be done also thanks to a great difference between Portugal and Castile: Portugal was always a sort of mono-state composite monarchy which was never involved until 1580 in dynastic international wars, thus allowing the finances to be ruled with very small debts. 15

But this asymmetry in the Spanish composite monarchy had to be crucial in the seventeenth century too. Warfare pressure was so strong during the Thirty Years War and the resistance of the “peripheral” parliaments of the Hispanic composite monarchy so solid that other ways of mobilizing resources for war had to be developed: mainly military levies and maintenance of foreign troops by putting pressure on the local communities. This was the case of Milan but also of Aragon and Valencia and mainly of Catalonia, where the outcome would be a rebellion that put the unity of the monarchy in danger. 16

The case of Portugal is similar and different. Historians have rightly stressed the anti-fiscal component of the Portuguese rebellion of 1640. 17 It is important to notice, however, that, quite possibly, the main problem was not the increasing

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15 Ibid.
demands of fiscal and military resources from Madrid as such, which precipitated the rebellion, but the fact that since 1620 onwards Portugal was losing the privileges of a rentier state and the advantages of it. In fact, the crisis of the imperial incomes from 1620 and the increasing expenditure –both attributed to the Madrid’s policy-- was provoking the pass to a real tax state in which the subjects’ involvement was crucial. In other words, Madrid was asking the Portuguese for a qualitative change for which trust between the center and the periphery of the Monarchy was crucial, but almost non-existant. It is meaningful that this tax state was constructed then by the Braganza after 1640, when trust between the king and the elites was recovered.

All this explains something that today is becoming a crucial argument: the military revolution, even accepting the concept, was not a necessary and sufficient condition for the rise of the centralized tax and military state. And this is true not only because, as Parrot has said, the military revolutions did not inevitably provoke the emergence of central armies –something that Thompson would had called the “devolution of functions”, by the way.18 It is also so because the asymmetrical character of the composite monarchies aborted in many regions the apparently inexorable correspondence between military needs and the rise of the tax state. Or, in other words, when we approach the links between war and the tax state from the perspective of the composite monarchy we can better understand the complexity of a process that today is often discussed among war and fiscal historians.

Cash and taxes, but not only.
Mobilizing resources in a composite monarchy

To really build our analysis on the idea of composite monarchy, we need to consider other implications of its composite character, which are often obliterated and can affect both the royal incomes and debts in a wider way.

We need in fact to differentiate between the fiscal monetary income and debts of the king and the capability of the monarchy for mobilizing resources, most of

them for war, and the debts of the components of the composite monarchy. We have many attempts to measure the first, the cash flowing to the royal treasury to be spent in the service of the king, mainly in military activities. It is the sum of taxes on consumption, customs, precious metals coming from America, etc. Or, in the case of France, it is the sum of the taille, the gabelles, and other taxes. These figures are apparently easy to compare from one polity to the other and many of us have undertaken this type of exercise. As it is also easy to compare the debt, either floating or consolidated debt, asientos and juros in Castile, which were serviced by the king’s income.

But, apart from these revenues, the “monarchy” had other inputs not always materialized as a cash flow but which were an important part of the system for mobilizing resources. We have many examples. The Castilian nobles, as well as the French or the Aragonese, a crucial part of the composite monarchy, were mobilized on different occasions. That was the case in Castile of the annexation of Portugal in 1580-81, the war against France in 1635-1659, and many others. All the diplomatic services to the Crown were also paid by the nobles who carried them out, and the examples we have clearly show that it meant a considerable amount of money. Similar processes can be found in many cities, all of them also possessing a collective jurisdiction and which were therefore a constitutive part of the composite monarchy. In Castile and even more in America, towns like Seville, Málaga, Córdoba and many others, as well as cities such as Barcelona or Valencia in the Crown of Aragon levied local armies and militias on their own in considerable quantities in order to contribute to war. This was especially the case of many towns along the border or on the coast, where the possibility of attacks by the English, the Dutch and, finally, by the French were very realistic during the sixteenth and the seventeenth centuries and more in particular during the Thirty Years War. Some of these towns such as

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19 See in example the most recent attempt to reconstruct the royal debts in M. Drelichman and J. Voth, Lending to the borrower from hell: debt, taxes, and default in the age of Philip II, Princeton, 2014.
20 See J.J. Ruiz Ibáñez (coor.), Las milicias del rey de España. Sociedad, política e identidad en las Monarquías Ibéricas, México, 2009
Cartagena and other coastal centers were also active in corsair practices, organized as a sort of semipublic-semiprivate activities.\textsuperscript{21}

All these military services meant not only resources in a non-monetary form for the composite monarchy and on many occasions for the king himself, but also important debts for the corporations integrating the monarchy. In fact, all these corporations, mainly the nobility and the cities, could mobilize these resources by proceeding to their own indebtedness. In Castile, both the aristocracy and the cities used to set mortgages in the form of censos consignativos, upon their own rents and incomes. The system was very similar to the juros’ system and, as a matter of fact, they were run by the same rules. They had an interest rate established by the Crown when it fixed the juros’ interest. Both systems involved rents upon the income and not upon the goods generating that income; the juros upon the royal income and the censos upon the seigniorial or urban income. The censos could be subrogated in the same way as the juros and it is possible that they composed different aspects of the same market. It is, of course, very difficult to estimate the quantity of money represented by the censos, and, above all, the quantities used for the auxilium to the Crown. But we can say that the censos set upon the nobles’ estates because of the annexation of Portugal reached 2,6 millions of ducats between 1577-1598, which means more than the common lands and the hidalgúias sold by the Crown during those years.\textsuperscript{22}

Regarding the cities, the interesting thing is that they used the same system in two different ways. Apart from using the censos to afford their own militias and the military requirements of the king, they almost always advanced the money of many services to the king by setting them upon their municipal incomes. The system is very well known in France, as we see in cases such as Lyon. It reminds what Chevallier called the ‘bonnes villes de France’.\textsuperscript{23} But it was very common also in the Spanish composite monarchy. It was very frequently used in the Crown of Aragón, Zaragoza being the most important town in this sense, and it

\textsuperscript{21} J. J. Ruiz Ibáñez, \textit{Entre el lucro y la defensa: las relaciones entre la monarquía y la sociedad mercantil cartagenera: (comerciantes y corsarios en el siglo XVII)} Murcia, 1998.


was also familiar in cities such as Barcelona or Valencia. But it was also the case of many cities in Castile, from very important towns such as Seville or Valladolid to smaller centers such as Medina de Rioseco, to quote well known examples.24 This to the extent that in many towns the king’s tax pressure was the main factor for the growth of municipal taxes and debts. Just to give some idea, the principal of the censos of the city of Seville by 1595 was about 1.1 million ducats, which, extrapolating to the whole kingdom of Castile, would mean the equivalent of the juros’ principal at the end of the century. Even considering that this is too high a figure and thinking that more than one-half of it was provoked by the municipal expenses themselves, it means a good quantity that we cannot forget if one pretends to study the debt of the composite monarchy as such.

Cash and armies for political capital. 
The bases of the empire’s political economy

The main point is not, however, the quantitative aspect of this mobilization of resources, but the background of negotiation among the king and the different corporations of the monarchy that it shows and which is revealing of a crucial aspect of the composite monarchy’s political economies: the binomy of auxilium—royal patronage and the non-economic ways of reciprocity between them for the mobilization of resources, which will be crucial for the shaping of the institutional framework in which economic activities would evolve.

In all of the Spanish Habsburgs’ possessions, there were negotiations between the centralizing power of the king and the local and corporate agents. In all of them, too, the centralizing pressures transformed local constitutional rights. But everywhere, too, conflictive pacts emerged that entangled the nobilities, the cities and their oligarchies, the clergy, and even some merchants and merchants corporations, with the Crown’s interests in a way in which non monetary aspects are crucial. In Naples and Sicily, for example, the local nobility exchanged economic support for respect for their exercise of jurisdictional and social

power. Furthermore, it is commonly forgotten that, given the enormous military superiority of the Ottoman empire over these small states, what the Neapolitan and Sicilian elites were exchanging was economic resources and military services for military protection. And the other way around, which is especially clear in Sicily, what the Habsburgs were exchanging was loyalty for the preservation of the fiscal status quo. They did not even try to raise more taxes. Moreover, the institutional advantages and privileges of the cities of Naples, Messina and Palermo were reinforced in part by the concession of donativos to the viceroy. In a word, here was a negotiation of political capital for fiscal and military resources.

A similar do ut des existed also in Genoa, which makes it easy to understand the financial relations between the financial elites of this city state and the Habsburg. It is sometimes undervalued that together with an economic relation which could break up in bankruptcies and medios generales of high costs for the Genoese bankers, there was also a political relation whereby the Habsburgs gave the Republic political protection and stability. This was especially clear in the moments of confrontation between the nobili vechi (the big aristocratic bankers) and the nobili nuovi (noble merchants in a process of social ascension), which was overcome in part as a result of the pacts with the Habsburgs and their help maintaining essential aspects of the social order as well as the privileges of the Republic and its nobility. This also meant strengthening the financial and merchant character of the Ligurian economy at the price of manufacture, but the Republican constitution with a very peculiar patrician component was also preserved in spite of many conflicts with the Crown. The role of the Genoese as the main bankers in all Spanish Habsburg dominiums was deepened and the many financial conflicts with the Crown were always resolved throughout medios generales, agreements that preserved some benefits for the Republic’s main families. To measure the benefit of the main Genoese bankers in their asientos is a necessary and important exercise, of which we have good examples. But one cannot forget that there was more than economic reciprocity in that pot. This is in fact the reason why the main asiento of the Monarchy with

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25 See some of these estimates in A. Castillo, “Dette flotante et dette consolidée en Espagne, 1557-1600” in Annales ESC. (1963) 719-33. More recently and apparently with the same sources, M. Drellichman and J. Voth, Lending.
the Genoese, the asiento de galeras with the Doria, was not only in exchange of
an economic return to them but in exchange of privileges and political support
for the military services this family made to the king. It was an asiento that
would never fit in the estimates of those economic historians who only see cash
flows as the key aspect to understand Old Regime political economies.26

The same could be said about Castile, Aragon, Catalonia, Valencia and
Navarre, where, in very different ways and with different trends, a conflictive
pact between the Crown and the elites and parliaments was reached that
preserved and reproduced the institutional system and even gave, not money, but
increasing autonomy and privileges to the towns in the fiscal arena. These pacts
were also present in the relation between the Crown and the most important
merchants’ corporations such as the Consulado de Indias in Seville, where
donativos were made by the merchants to the Crown in exchange for privileges
and commercial monopolies.27

Only in the Low Countries did the contradiction between dynastic and local
sovereignty and the elite’s political agenda lead to a rupture. Here, agreement
was impossible due to the difficulty of combining local Protestantism and
dynastic Catholicism, as well as the financial tensions derived from the two
different outlooks. In addition, the distance between the regional nobility and the
metropolis, unlike in Southern Europe, was substantial.28 This friction had an
impact on the whole system since the immediate outcome of the Dutch war
against the 17 United Provinces was increasing tension within the Habsburg
Monarchy between the Crown and the different political units.

In America, the king’s jurisdictional powers were apparently the incarnation
of an absolutist dream. Though sometimes with the limits of so-called “Indian

26 For the asiento de galeras and the role of the Doria in it, see Kirk, Genoa and the sea.
Policy and power in an early modern maritime republic, 1559-1684, Baltimore, 2005
and Ph. Williams, Empire and Holly War in the Mediterranean, New York, 2014. For a
general view showing how political considerations played a role even in the negotiation
of the medio general of 1575, see R. Canosa, Banchieri genovesi e sovrani spagnoli tra
27 J. M. Oliva, El monopolio de Indias en el siglo XVII y la economía anzuca. La
28 R. Vermeir, “Je t’aime, mois non plus. La nobleza flamenca y España en los siglos
XVI-XVII » en B. Yun-Casalilla (dir.) Las redes del Imperio. Elites sociales en la
law” (derecho indiano), a blend of Castilian laws and the recognition of some native American customs and norms, the king’s absolute power was in theory uncontestable. The system was based, however, on informal and many times unwritten pacts and negotiations. The mining and merchant elites had crucial economic advantages and got important benefits from the Crown’s trade monopoly. A new class of functionaries and civil servants acted as a hand of the royal power but also obtained quotas of power and relative independence at the local level where a more or less permitted corruption based on the principle of the ‘office as a benefice’ emerged as crucial point of agreement between this elite and the Crown. This was especially the case with contraband, which the Crown tolerated in exchange for political stability guaranteed by the local elites. In parallel, the Crown acknowledged the extraordinary power of the Church, which became a crucial institution for colonization. In exchange for that role, some particular orders, such as the Jesuits, also obtained a great deal of political autonomy, which even permitted them to control the military, mobilizing resource systems in some areas.

There was, therefore, a continuous exchange of resources, mainly military resources provided to the king by the components of the composite monarchy in exchange for political capital and resources materialized in many different ways: fiscal autonomy, economic and jurisdictional privileges, etc. The case of the encabezamiento de alcabalas quoted before is a good example. The cities in fact had conceded in exchange for the fiscal autonomy to collect the taxes. But, furthermore, the very fiscal problems of the Crown in many of its kingdoms reinforced this process. The selling of jurisdictions, offices, common lands, etc. many times bought by the nobles and the towns led to a systematic exchange of this type. The very same text of the bills of sale expressed this rationale by referring to the fact that the jurisdiction or the offices in question were gifts.

given (not in perpetuity) by the king in exchange for support for the Crown (in cash in most cases).

The consequence of these conflictive pacts as well as of the way resources were mobilized, are crucial to understand the political economy of the composite monarchy. The first of them is the maintenance of their coercive power by the local elites in most of the Habsburgs’ territories and, more in particular, in Castile. The seigniorial states became crucial for political stability and the seigniorial jurisdictions, instead of being eliminated by the royal justice, subsisted and were even reinforced, as well as the military function of the señorío and its coercive capacity, at least until the end of the seventeenth century. This was also the case of the cities, particularly in Castile. They gained de facto power in the collection of taxes within their walls and surrounding rural areas. They decided, with a notable degree of independence, though negotiating with the king, the taxes to be implemented to satisfy the services to the Crown. In this way they enhanced their capability to regulate local markets and guilds. The same was true for the ecclesiastical institutions as long as they were also lords of big estates. And in this case, their privative jurisdiction as ecclesiastics was untouched by the state.

Absolutism, justice and aristocratic patrimonial management

War and the military revolution, in this sense, had produced a tension towards fiscal centralization. But the final product was not a centralized state. The king had the ultimate word in lawsuits and justice. His enormous capability of patronage and mediation, as well as the political theory of its absoluta potestas, mainly applied in the case of war or when Christianity was in danger, reinforced that supreme justice and power. Yet it did not have the monopoly of day-to-day coercion and, which is more important, its justice had to coexist with very strong jurisdictions under the control of the local elites in very specific fields such as tax collection, military levies, market regulations, etc. where a shell of privileges defended the local oligarchies and nobility interests.
The situation is obvious in the evolution of the *Chancillerías*, the main institutions of royal justice.\(^{31}\) They were developed and improved during the sixteenth century. The number and professionalism of the judges and *letrados* increased. Law enforcement improved in parallel to the recompilation of legal codes and the development of a system of notaries which gave force to written contracts. Interestingly, this was a process also present in America, where the judicial system, the codes and the notary system of Castile were introduced. The figures on lawsuits in the *Chancillería* of Valladolid given by R. Kagan are very indicative of the success of this “legal revolution”, to use his own terms. They grew faster than the population until 1570-80.\(^{32}\)

But the very judicial system was impregnated by the very nature of the composite monarchy. Though they were close to it, the Castilian *chancillerías*, like others in Europe at that time, were not completely independent third parties in the administration of justice. They were close, as it is shown by the fact that most of their sentences were on conflicts of the vassals with the very same Crown and also with the great landlords and aristocrats. But, as J. Owens has shown, the supreme royal *potestas absolutas*, very much oriented by the balance of power and patronage in the Court, introduced a high degree of arbitrariness in the system.\(^{33}\) Furthermore, the overlapping of jurisdictions in which the application of the law was uncertain, gave place to confusion, which *per force* had to affect the risks and transaction costs for economic activities. At the end of the sixteenth century a very well informed *arbitrista*, Sancho de Moncada, wrote that one of the main illnesses of the kingdom was the “many laws” existing in it. With a very meaningful phrase for the historians interested in economic risk and transaction costs, he added that “many people complain that they cannot even put a foot on earth without violating some of the laws of Spain”.\(^{34}\)

One has to think therefore, that an important part of the social transactions and agreements were reached at the level of what A. M. Hespanha called “unofficial justice”. That is, by the enforcement by a set of different agents of non-

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\(^{33}\) J. Owens, “By my absolute royal authority”: justice and the Castilian commonwealth at the beginning of the first global age” Rochester, NY, 2005  
written norms, very much embedded in peoples’ sense of justice, customs (sometimes local or corporative customs) completely independent of the king’s judicial system. Furthermore, the outcome of the pact among the elites and the king for the preservation of the rules of the composite monarchy was a process of devolution that is evident in the reduction of sentences during the seventeenth century (even faster than the population decline), the longer duration of the judicial trials and the corporative agency of the judges.\(^{35}\)

I am not suggesting that this process –whereby transaction costs and risks were pressed upwards-- was the only reason for economic decadence. Moreover, one needs to study the way informal institutions were able to balance the shortcomings of the royal justice system after 1600, as well as to consider that economic performance in Old Regime societies was only indirectly affected by the official justice system.\(^{36}\) But I do want to stress that the evolution of the composite monarchy and the pacts among the elites created obstacles to the formation of a more solid base for a more efficient political economy, which maybe would have reduced risks and transaction costs. The reason, as it can be inferred, is not the existence of a parasitic absolutism and the uncontestable power of the king –or at least it is not the only reason, as Acemoglu and others pretended—but the sort of agreements implicit in the very same nature of the composite monarchy.

This situation also had an impact upon the allocation of productive factors. In this sense it is quite bizarre that historians have mainly put the accent on how transaction costs, aversion to risk and institutions in general affected trade and Atlantic trade in particular. Acemoglu et al are a good example. But they are not the only ones. Though wider in its perspective, the same could be said of the

\(^{35}\) I. A. A. Thompson, War and Government, passim.

\(^{36}\) As it is obvious at this point, I consciously took in this essay the perspective of D. North, J. Wallis and B. Weingast (Violence and Social orders. A conceptual framework for interpreting recorded human history. Cambridge, 2009), rather than the analysis of A. Greif (Institutions and the path to the modern economy. Lessons from medieval trade, Cambridge, 2006), more focused on what some people call informal institutions. I consider, however, that Greif’s approach can offer very interesting insights on the political economy of the Spanish empire. In fact, this is the approach in some chapters of the book which is being the base for this presentation.
book by Hough and Grier.\textsuperscript{37} This is in my view provoked by a whigs’ view of history. On the contrary, one could even say that as important as trade and long-distance markets were the decisions taken by institutions more linked to agrarian development, such as the señoríos. It is on this aspect that I would like to make some suggestions and recover some research produced years ago. I am referring in particular to the management of the big aristocratic estates that by 1640 were almost one quarter of the land in Castile.\textsuperscript{38} The key point in my view lays also on the king patronage as a component of the composite monarchies.\textsuperscript{39}

First of all, it is important to counterbalance the idea of irrational management among the big landlords, which did not lead to any agrarian innovation.\textsuperscript{40} We have many examples of big nobles who faced investment in agrarian innovation and improvements (for their benefice, of course) and it is quite obvious that the sixteenth-century Castilian economic growth is in part rooted in a positive effect of big estates’ management. But it is also true that the rationality of these big patrimonies was not always conducive to economic improvement. The development of absolutism and patronage, the insertion of the nobility in the political management of the enormous possibilities given by a huge empire, led to a sort of rent seeking management scarcely conducive to economic development. This was more the case as the economic capital and military service they paid to the Crown was in fact exchanged by political and social capital, very much important for the reproduction of their lineages and the side or collateral payments system among the members of those organizations that it involved.\textsuperscript{41} But if this was a common rule in Europe, the case was even worse in Castile. This was not only because of the bigger opportunities arising


\textsuperscript{39} Elliott, “A Europe”.

\textsuperscript{40} B. Yun-Casalilla, “Seigneurial Economies in Sixteenth and Seventeenth Century Spain, Economic Rationality or Political and Social Management?” in P. Klep and E. van Cauwenberghe (eds). Entrepreneurship and the Transformation of the Economy (10\textsuperscript{th}-20\textsuperscript{th} Centuries. Essays in Honour of Herman Van der Wee, Leuven, 1994 :173-182.

\textsuperscript{41} Ibid.
from the Spanish king, “the biggest lord of the word” according to one Genoese ambassador. But also because what I called the “double economy” of the big noble houses. What I meant to say by that is that aristocratic economies had two clear and different dimensions: the seignorial and mayorago side and the free management and courtly component. The first was composed by the rent of the señorío and the management of the mayorazgo and since they both had a military component, they were exposed to the king’s demands. In other words, they were not secure properties and the risk of improving them and then losing a good deal of the investment’s return was very high. This was even more the case since the risk of being entirely expropriated of the mayorazgo by “bad” management was extremely low. The mayorazgo, therefore, was a source of investment in political and social capital. But, the other side of big nobles’ economies, the gifts and money given by the king, the remuneration of offices, and the many benefits of the practice of rent-seeking in the Court were rarely used in order to improve the mayorazgo and, therefore, to initiate a solid, constant and general policy of amplified reproduction of economic capital. This fact, together with a high quota in the coercion system and the preservation of economic privileges, explain many aspects of Castile’s seventeenth-century economic performance and the way the political economy of the composite negotiated monarchy affected the allocation of resources to the crown.

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42 B. Yun Casalilla, *From Political.*