

INTRODUCTORY STUDY*

MONETARY DOCTRINES IN CASTILE DURING THE REIGN OF CHARLES II. SELECTION OF *ARBITRIOS*

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1. INTRODUCTION

The turbulent economic and financial situation of Castile during the 17th century is well known in the field of economic history.² The period of prosperity following the discovery of America was short-lived. The inflation—caused, among other factors, by the arrival of metals from America—,³ as well as the hard financial situation faced by the Crown, contributed to deepen the economic depression of Castile during this century. The chronic deficit of the Crown is at the core of the disastrous monetary policy with which they tried to remedy the situation. The subsequent monetary alterations forgot the basic principle that should govern a metallic standard, according to which the extrinsic value of coins has to correspond to their intrinsic value. This infringement caused obvious monetary instability that went on to worsen the inflationary effects of the arrival of metals from America, thereby causing significant problems in the economic activity. The monetary chaos would not come to an end until the late 17th century, with the drastic monetary reform of Charles II.⁴

The rich, abundant theoretical development that tried to offer answers to this situation constitutes one of the most interesting chapters of the history of Castilian economic thought. In this context, both the economic conflicts that came from the development of commercial activity⁵ and the question of inflation and the effects of the monetary policy—specifically concerning the manipulation of money—were analysed from different perspectives. References to these topics can be found in academic literature stemming from the university (i.e.: scholastic) world around the School of

² The historiography of this period is vast; see Hamilton (1934, 1947), Nadal (1959), Munro (2007), Motomura (1994), Font (2005), García de Paso (2000, 2003) and Cendejas and Font (2015), among others.

³ See Hamilton (1934), Fisher (1989), Ramsey (1971), Flynn (1978), Sargent and Velde (2002) and Munro (2003), among others.

⁴ For a detailed analysis of this reform, see Font (2005, 2008).

⁵ The commercial activity caused conflicts concerning the development of contracts. At that time, the main problem was determining if a contract was legal or not, which prompted the publishing of many works about this issue, such as *Suma de ratos y contratos* by Tomás de Mercado and *La teoría del justo precio* by Luis de Molina.

Salamanca, as well as in texts of lesser theoretical substance that proliferated at the time.

This introductory study approaches the analysis of some Castilian economic texts within the latter category—those considered to be less rigorous, known as *arbitrios* (Perdices de Blas & Reeder 1998)—that tackled monetary and financial issues centred around the monetary stabilisation, which was carried out under the guidance of the Duke of Medinaceli and the Count of Oropesa during the reign of Charles II (1680-1686) and managed to put an end to the monetary instability suffered by the kingdom until those years.

There are numerous writings within this category. From among them, we have selected five texts that explain the evolution of the reform; these texts stand out because of their accurate, well-founded analyses and the originality of their observations.

A systematic analysis on the selected texts will contribute to expand what we know about the history of economic ideas and facts. In the field of economic doctrines, the main goal is to uncover the influences these texts received and the influence they later had—i.e.: identifying a more-than-likely scholastic influence in their formulations and attempting to elucidate the effect that they may have had on the monetary policy. This analysis will allow for a better appreciation of the technical accuracy of these writings, as well as a better comprehension of the evolution of economic ideas that stemmed from scholastic postulates. The relevance of this study for the history of the facts is rooted in comprehending the reality and the context behind the motives that led to the adoption of such an ultimately disastrous monetary policy. Lastly, this work highlights that both the people and their rulers knew the negative effects of monetary instability, although the circumstances and the need to balance the deficit did not leave any other choice.

Going further, we will proceed as follows: in the first chapter we will analyse the phenomenon of *arbitrismo* in general. Next, in order to situate our specific case, we will describe the historical and political context in which the monetary policy that would influence the texts contained in this book developed. Next, we will closely examine the theoretical and economic foundations that were developed within the framework of the Scho-

ol of Salamanca, in order to later prove—through a detailed analysis of the selected texts—that the arguments upon which the developments of the *arbitristas* are built were themselves based upon scholastic thought. We will conclude this introductory study with some brief considerations about the previously discussed aspects.

2. THE PHENOMENON OF ARBITRISMO

As García Guerra (2003) explains, an arbitrio is a tax measure that can be defined as “any proposal with the aim of increasing the income of a kingdom or political entity”.⁶ Given the vast existing historiography about this issue,⁷ the fact that the *arbitristas* played a significant role in both Castilian literature and the evolution of economic ideas is undeniable.

According to Schumpeter (1954), within the *arbitristas* there are two very distinct groups: the consultant administrators and the pamphleteers. Both types of authors tackled economic issues, but they did it with clearly different approaches. The majority of the consultant administrators were teachers or public servants, and very knowledgeable in the field. Their works, which mainly had a systematic approach, lack the analysis that permeates the writings of the scholastics, but they reveal that the authors had a thorough knowledge of the facts—mostly stemming from their professional experience—that sometimes takes implicit inspiration from the scholastic theoretical foundations. On the other hand, the works of the pamphleteers lack both the explicit scholastic theoretical base and the systematic approach favoured by the consultant administrators; however, their contributions are still relevant in the study of economic ideas. This relevance is rooted in the fact that the authors bring up interesting points of view, testimonials and first-hand observations that allow us to understand the framework in which the economic problems of the time developed, as well as the dissemination of the theoretical rudiments among the public. Their analyses generally had a more practical orientation and were accompanied by proposals aimed at solving the problems they analysed.

There is no question that arbitrisimo is a complex phenomenon in the field of economic thought, and that it exceeds the thematic and temporal

⁶ TRANSLATOR'S NOTE: Unless specifically noted otherwise, some quotes featured in this introduction have been translated into English for your convenience by me, the translator of this text, due to the unavailability of any official English translations of the source texts. Some of the quotes remain in Spanish at the request of the publishers.

⁷ The phenomenon of *arbitrisimo* has been widely covered in historiography. After the pioneering studies of Domínguez Ortiz (1960), Vilar Berrogain (1973) and Vilar (1974), we could mention those by Gutiérrez Nieto (1988), Alvar Ezquerro (1994, 1998), García Guerra (2003), Perdiges de Blas (1992) or Sánchez Belén (1992), among others.

scope of this study. There was a storied and extensive tradition of *arbitrismo* in Castile (Fortea 1998; Ujaldón 2008) that started in the 1520s and was consolidated during the 17th century; it transcended the area of tax policy and led to an extensive corpus of works that tackled economic, political and social issues, generally with a reformist purpose.⁸ Nowadays, this substantial literary production has turned into an endless well of resources that allow for a broader knowledge of the economic facts and the history of Spanish economic thought. Starting with Vilar (1973), many authors have studied this phenomenon, and thanks to that we can come close to comprehending its extent.⁹ According to Vilar, the concept of *arbitrismo* as it was used in the 16th and 17th centuries entails a certain pejorative connotation—as can be seen in Colmeiro’s catalogue—that was somehow corrected thanks to the work of Campomanes and Sempere y Guarinos, who, in the late 18th century and early 19th century respectively, reedited texts written by 16th century authors, thereby contributing to the dissemination of their ideas and redeeming some of them in the process. Thus, *arbitrismo* is not so much considered to be a school of thought, but rather a specific kind of analysis as done by a group of Spanish authors who focused on various issues within what we would now call “topics of applied economics”. Some of their contributions are not considered to be strictly rigorous; this is not so much because of their flawed judgements and observations, but more so because of the shortcomings of the proposed solutions, which were motivated by what could be considered a broader reformist goal. This has ultimately contributed the word *arbitrio* being widely considered to mean “an unreal or absurd solution” in the world of literature.

Martín (2000) points out that the obvious difference between the contributions of the scholastics and those of the *arbitristas* is the “low analytical value” of the memorials and attempts to explain the (in his opinion) considerable decadence of the economic thought during the 17th century.¹⁰

⁸ Gutiérrez Nieto (1988)

⁹ Without purporting to make an exhaustive enumeration, it is interesting to mention the writings of Vilar (1973), Alvar Ezquerro (1994 y 1998), Albiñana (1994), Sánchez Belén (1992), Fortea (1998) Dubet (2000), Font (2008), Perdiges de Blas (1992), Reeder and Perdiges (2004), De Lozanne Jefferies, Blanc and Desmedt (2013) and De Lozanne Jefferies (2013).

¹⁰ The scholastic analysis in the realm of economics was a response to the interest in answering the questions generated by the new economic developments in the realm of justice, as we will discuss in detail in the next chapter. During the 17th century the interest in economic theory declined, not because of a decrease in interest in economic activity, but because the moral dilemmas already had satisfactory answers.

Besides those differences,¹¹ we consider that the aforementioned decadence was not that drastic, which follows from the fact that the memorials draw from scholastic analysis, as will be apparent when we analyse the arguments the *arbitristas* used to analyse and interpret the causes of the decadence—an issue that became the main point of economic analysis at the time.

The *arbitristas* were generally very aware of the crisis they lived through, and they tried to establish the origins of the Spanish decadence in their writings. Their analyses were far from the moral dilemmas that the scholastics were concerned about; instead, they focused on a much more practical approach, and they looked for and proposed solutions to get out of the financial ruin. They focused especially on the role that the discovery of America played in this crisis. They considered the discovery of America to be largely responsible for the Crown's problems, since the arrival of precious metals from America significantly increased the prices in Castile, undermined the competitiveness of Castilian manufacturing and gave rise to the phenomenon of the *saca*. According to the *arbitristas*, the *saca* was to blame for a production structure that favoured the import of manufactured goods from abroad and undermined the domestic production. In some cases, the *arbitristas* defended specific particular interests; such was the case of the “School of Toledo”, whose writings advocated for the development of a Castilian industry against the interests of the competing Dutch imports.

The literature of that time period reveals the pejorative connotations that the *arbitrios* had since the very beginning. The satires that Cervantes and Quevedo directed at the *arbitristas* were pointed, and they left no room for doubt: *arbitrios* were considered to be nothing more than ridiculous projects or paradoxical solutions. Likewise, the writings of Diego Laínez and Juan de Mariana indicate that, from the scholastic point of view, this opinion was not much favourable. Both authors stress that many of these writings defended private interests. Laínez's opinion was as such:

¹¹ One undeniable difference between the scholastics and the *arbitristas* is their methodology. The richness of the scholastic thought is largely derived from their method, which involves studying the issue starting with an analysis of the nature of the phenomenon that is being studied. This leads to an undeniable theoretical richness that ultimately leads to different results.

Entiendo también que hay muchos que se buscan la vida por este camino; suelen excogitar diversos géneros de tributos; después se acercan a los príncipes y a otros a quienes toca imponer tributos y dicen que han excogitado una nueva clase de tributo; y piden recompensa por este trabajo; al príncipe le parece bien y así se impone el tributo o la alcabala.¹²

Mariana observed that:

...of course, they are lying flatterers, false men, of whom there is a large number; a sure plague because alluring. For nothing is more welcome to princes handicapped with financial troubles, implicated in wars or great undertakings than to have someone volunteer that he has figured out a new way of getting together funds. Nothing is more oppressive for the province than daily to think up new means of swindling and diminishing the resources of the wretched provincials.¹³

Recently, this satirical viewpoint has been qualified by the studies of Dubet (2000, 2003), who highlighted the political role these authors played rather than focusing on their reputation of inventing extravagant solutions. Be that as it may, these texts actually have great historical value for us—bearing in mind the warning of Anes (1970), who claims that these texts cannot be a main source if one wishes to study the economic history of the early modern era, although they can be an excellent starting point—, as they contain valuable information and rich, varied first-hand accounts of how people at the time perceived the economic crisis that Castile was going through. Ultimately, despite the occasional weaknesses of their arguments and proposals, the *arbitristas* were well-informed people who were close to the government and observed the situation from a privileged position, which also gave them the necessary freedom to openly criticise the inadequacies of the Castilian economic system.

Generally, all of these texts have a similar structure: they start with the assertion of a certain pessimism stemming from the author's awareness of the situation of decadence that the kingdom was going through, followed

¹² Láinez, D. *Disputationes Tridentinae*. Volume II, p. 392.

¹³ Mariana (1872): "De la moneda de vellón", in *Biblioteca de Autores Españoles*, Editorial Rivadeneira, Madrid, chapter II, book 31, p. 550. [TN: English version taken from George Albert Moore's 1948 translated edition, *The King and the Education of the King*, Book III, ch. VII. Ed. Country Dollar Press.]

by a clear intention of reform, which entails identifying the cause and offering a remedy for that situation. Thus, most of these texts first identified the ills that the authors believed responsible for the decadence of the Crown, and from this assessment they proposed a solution.

Another aspect to highlight is the wide variety of topics they tackled. The monetary issues we have covered in this study are very significant in this type of literature, but they were by no means the only matters discussed; there were no relevant topics these authors did not write about. In this regard, Gutiérrez Nieto (1993) proposed a rich classification of *arbitrios* in five well-differentiated blocks, according to the topics covered: tax and financial *arbitrismo*, economic *arbitrismo*, political *arbitrismo*, social *arbitrismo* and technical *arbitrismo*. Larraz (1943)¹⁴ proposed a different classification; he divided the authors in two categories: those who make a global criticism of the economic situation and relate it to aspects of the economic policy, and those who discuss specific topics related to agriculture, money or finance. Within the former group—those who write generalist texts—, Larraz classifies their opinions according to the direction their arguments take, distinguishing between those for and against the regulation.

We can also propose another classification, sorting the *arbitrios* and the *arbitristas* according to the nature of the reformist theses they propose in order to remedy the main causes of the economic decadence: prohibitionist, populationist,¹⁵ tax and monetary. Ultimately, these four categories would be included within the two most widespread conceptions at the time: mercantilism (which considered that the root of every problem was the exit of precious metals) and agrarianism (according to which the root of every problem was the decadence of agricultural activity).¹⁶

In the category of prohibitionist authors—who clearly represent the mercantilist thesis—we group those who claimed that the main solution to the ills that ailed the monarchy was to avoid the exit of precious metals from the country at all costs. However, this problem was difficult to solve

¹⁴ See Larraz (1943: 8).

¹⁵ TN: The Oxford and Merriam-Webster dictionaries give contradictory definitions of the word “populationist”. The concept used in this text aligns with the Oxford definition: “A person who holds a theory about population, especially one that opposes Malthusianism.” [Oxford University Press. (n.d.) “Populationist.” In *Oxford English Dictionary*.]

¹⁶ See Vilar (1973: 242)

if we take into account that this phenomenon, the *saca*, was a direct consequence of the price increase in Castile. The immediate effect of the increase in money supply (as explained by the quantity theory of money)¹⁷ was the rise of the prices in Castile, which resulted in substantial trade opportunities that motivated the export of precious metals in exchange for foreign goods, which were very sought after in our country. The feelings of the Castilian people, however, did not reflect the comprehension of the rudiments of basic monetary theory, but rather the general perception (reflected in the form of constant complaints) that the foreigners were stealing the precious metals that arrived from America, which was to be avoided at all costs.

In order to avoid it, they favoured and defended a prohibitive system (hence the “prohibitionist” designation) that would result in the drafting and enforcement of laws aimed at keeping all the gold and silver that came from America within the kingdom’s borders—in other words, the *saca* had to end. One writer worth mentioning in this group is Sancho de Moncada, a clergyman born in Toledo in 1580, considered to be one of the most important writers in this current. Moncada wrote eight discourses (which would be reprinted in 1746), in which he tried to give some advice to the ministers of Philip III on how to govern. The most important among his writings is *Restauración política de España*, written in 1619 as a response to the consultation issued by the Crown to determine the main causes of Spain’s ills. His vision was overwhelmingly negative: in his opinion, foreigners were to blame for every national problem, such as the lack of currency, the high foreign debt and the decrease of real income. The solution he proposed was an extremely protectionist mercantilist policy that came with severe penalties for those that dared break the law. The main argument of his discourses was advocating for a prohibitive system focused on the enforcement of laws aimed at keeping all the gold and silver that came from America within the kingdom’s borders.

Sometime later, towards the mid-17th century, Francisco Martínez de Mata shared Moncada’s arguments in this regard. This is another important prohibitionist author: he advocated for restricting the entry of foreign

¹⁷ In the next chapter we will refer to the definition of the quantity theory of money, established by Martín de Azpilcueta in 1556 when he observed the effect that the arrival of precious metals from America had on the prices.

goods into the kingdom to prevent the exit of the precious metals that arrived from America. Martínez de Mata maintained—in agreement with the mercantilist arguments—that the wealth of a nation was directly proportional to the abundance of precious metals. Because of this, he was strongly opposed to the presence of foreigners—whom he accused of taking away the gold and silver and thereby causing the national ruin, describing them as shylocks, thieves, hypocrites, scammers and other similar epithets without hesitation—in the country.

In the populationist category, we group those authors who, in order to bring the decadence to an end, proposed solutions related to population growth. We consider that a noteworthy author in this subset was Pedro Fernández Navarrete (1564-1632), a contemporary of Sancho de Moncada who wrote a large series of discourses in which he tried to identify and solve the causes of the Spanish decadence. The most famous of his works, entitled *Conservación de Monarquías y discursos políticos*, was published in 1626. This extensive work is actually an expanded version of a previous document he had written in 1621, entitled *Discursos políticos*. Navarrete considered the depopulation that the kingdom was suffering at the time to be responsible for the problems. According to him, the main causes for this depopulation were the little care displayed towards the agriculture (itself caused by the economic inaction of the nobility) and the high tax burden, as well as other factors more directly related to the population size such as the expulsion of the Moriscos, the emigration to the colonies and the excessive number of clergymen. The solution he proposed to stimulate demographic growth was a more efficient reorganization of agriculture and an active repopulation policy. Navarrete also wrote about other interesting topics that were directly related to institutional issues, such as the education question. At the time, there were many universities and grammar schools in Spain; however, there were not enough schools for industrial and manual trades. Navarrete, who was fully aware of the positive role education can have in increasing the productive activity, considered that it was important to promote this kind of studies, especially to train sailors and pilots, which the Spanish Navy was in dire need of. In this regard, we consider the arguments espoused by Navarrete to be interesting and original, and far from the general obsession there was at the time with avoiding the *saca* and blaming the foreigners for the problems faced by the Crown. His arguments are therefore better founded than those of the prohibitionists.

One of the largest categories of *arbitrios* is the one that groups texts about tax issues. The high tax pressure that the kingdom was going through at the time was a matter of interest for many authors. As Vilar (1973) stated, nowadays we have a good understanding of the structure of the complex tax system of the time.¹⁸ The texts of the *arbitristas* give us a relevant point of view about this information from a taxpayer's perspective, which sheds some light about the reality of the system from the eyes of those who suffered it. Numerous references to this matter can be found, especially during the last quarter of the 17th century. The *arbitristas* did not criticise taxation in and of itself; it can be deduced from their texts that all of them understood and agreed that it was necessary to maintain the Royal Treasury. However, as can be extrapolated from the general tone of their texts, their main complaint was how high the tax burden was, hence their criticisms of the tax burden, which focuses on four very specific aspects: the huge variety of taxes, the high level of taxation, the unequal distribution of the tax charge and the arbitrariness of the tax authority in implementing them.

As Perdices de Blas (1996) points out, the fact that the *arbitristas* were able to accurately establish the relationship between taxes and economic dynamism was remarkable. They considered taxes to be essential for promoting the economic activity of the kingdom. The theses of Martínez de Mata—who maintains that the loss-making situation of the Royal Treasury is not the cause of the decadence of the country, but merely a symptom of it—follow along these lines. Among the authors who tackled this issue at that time—as an example of the different arguments presented by Perdices de Blas (1996)—the reform proposals of Manuel Meyers, or that of Francisco Centani, Minister of the Treasury during the reign of Charles II. Centani advocated for simplifying the tax system by replacing every existing consumption tax with a single tax on crop yields that, in his opinion, would be easy to collect—following along the lines of the proposal that Quesany would later develop. In 1671, Gaví y Cataneo advocated for reforming the tax known as *millones*, whereas the Marquis of Varinas considered that, in order to alleviate the excessive tax burden faced by the subjects of the Crown, it would be necessary to encourage the development of economic

¹⁸ Although, as Rey Castela (2004) points out, the aforementioned plethora of studies about taxation during the early modern period may be somewhat exaggerated—which perhaps was motivated by the dryness and complexity of the subject—, we can cite as references the works of Carande (1965-67), Domínguez Ortiz (1960), Ruiz Martín (1968), Ulloa (1986) and Garzón Pareja (1980) for each reign respectively.

activity, both agricultural and manufacturing. There were also some unrealistic proposals, such as that of Antonio Contreras in 1669—who proposed to eliminate some taxes and instead replacing them with a series of voluntary donations that the individuals would give to the Royal Treasury so that the collection of taxes would not suffer. Last but not least in this category, we would like to mention Miguel Álvarez Osorio, a comprehensive author who tackled different topics related to economic policy in six memorials directed at the institutions. Álvarez Osorio thought that the main cause of the kingdom's ills was rooted in several fiscal factors, among which he highlighted the excessive taxes and the existing fraud. His arguments in this regard are more original than the ones we mentioned previously, since they reference the administration explicitly. Aside from criticising the high tax burden, the author points at the administration as the culprit of the tax issue and the imbalance between income and expenditure. He was aware, therefore, that accounts are not balanced only by increasing the income: in order for the administration to be efficient and effective, it is necessary to pay attention to the expenditure as well. In his writings we also find many of the usual topics since the reign of Philip III. In this sense, he also defended prohibitionist arguments against the *saca*—as he considered that it impoverished Spain—and defending domestic production.

Lastly, the collection of texts and writers who took on monetary arguments is also extensive. The monetary issue was directly related to the tax issue, since, as we will see later on, the resort to money manipulation—which was commented upon at length in this category of texts—was undertaken as a direct response to the financial problems of the Crown and was ultimately employed as another fiscal resource in service to the royal accounting. Therefore, the monetary policy of the early modern period was designed with clear fiscal goals and looking to increase the Crown's income. Therefore, we can consider the monetary problems (or at least some of them) to be a direct consequence of fiscal hardships. The problem started when the Crown discovered the substantial gains it could get from money manipulation and did not hesitate to use them as a way to obtain income, first by minting massive amount of billon and later by altering the coins. This was a common practice that caused great damage to the economic activity during the 17th century.

Many of the authors who witnessed this situation attempted to remedy it and raised their voices by writing many memorials throughout the century.

According to García Guerra, who has extensively studied this issue,¹⁹ we can divide the most relevant monetary arguments in three groups: proposals in favour of the destruction of pure copper coins and the minting of alloyed coins, proposals in favour of reducing the nominal value of billon and proposals directed to the “accompaniment” of coins.

Among the texts advocating for the destruction of pure copper coins and the minting of alloyed coins, we would like to highlight the contributions by Francisco de Vallejera Mardones, Pedro López del Reino and Juan Fernández, who wrote their *arbitrios* between 1620 and 1629. Aside from his argument in support of the destruction of the billon coin, among Mardones’ work we would like to highlight his proposal for the unification of the monetary systems of the Iberian Peninsula.

Among the authors of the second category of writings—those who favoured reducing the nominal value of billon—, Francisco Pérez Manrique, Francisco Pelayo de Larrázpuru and Andrés Spínola are worth mentioning. These writers considered that reducing the nominal value of billon would correct the negative effect that the *premio* (“premium”) of silver was having on the purchasing power of billon.

Lastly, in defence of the “accompaniment” of coins, we would like to mention Manuel López Pereira, who in June of 1628 wrote a memorial addressed at the government in which he manifested how beneficial it would be for the economic activity of the kingdom that billon payments were accompanied by a certain amount of silver.

Besides these ideas about billon, the monetary debate at the start of the 17th century was intently focused on the possible modification of the values of silver.²⁰ Tomás de Cardona observed that the Spanish Crown suffered a great ill that derived from the undervaluation of their gold and silver. In his opinion, the treasures coming from America had not received their fair value: the value of a mark of silver straight out of the mine was 65 *reales* but bringing it back to the peninsula cost 19; therefore, Castile

¹⁹ See García Guerra (1998, 2003).

²⁰ As we will discuss later, when we describe the monetary policy of the time, it is necessary to point out that the monetary authorities applied different measures to billon and silver, the latter being left out of any money manipulation.

lost almost a third of the mark of silver when selling their coins to foreigners at the initial price.²¹ He considered that the appropriate thing to do would be minting 84 silver *reales* from each mark of silver, instead of the established 65 coins.²² This proposal led to an extensive debate during the first half of the 17th century, and this debate was rekindled towards the end of the period thanks to the proposals of Somoza y Quiroga—which we will see later. Cardona considered that the monetary problems of Castile were not the product of money alterations, but rather the undervaluation of the value of unwrought silver and gold. In order to correct this imbalance, according to García Guerra (2003), Cardona noticed that it was necessary to adjust the monetary values of the billon pieces to bring order to the monetary system. He wrote down his ideas in seven documents written between the years of 1612 and 1622.²³

This proposal of increasing the value of silver had a few supporters: Pedro Freire, Manuel Gaytan de Torres, Francisco Vallejera Mardones and, most of all, Alonso de Carranza. The latter edited an extensive commentary in 1629, entitled *El ajustamiento y proporción de las monedas de oro, plata y cobre y la reducción de estos metales a su debida estimación*, in which, in agreement with Cardona's arguments, the devaluation of silver was carried out due to the necessity of adjusting the nominal value of copper coins to their intrinsic value, thereby nullifying any possible profit margin an importer could have thanks to the silver. Carranza observed that, when the billon coins were overvalued, foreigners would come with great amounts of copper that they would later sell in exchange for silver in order to export illegally. Likewise, prohibitionist authors—such as Moncada—defended this thesis as a necessary means to avoid the exit of silver from the kingdom; they thought that, if its value increased, it would be worth less abroad, and the principle of the *saca* would be avoided.

²¹ According to the established monetary system of the time, 65 coins were minted from each mark of silver of 11 *dineros* and four *granos* of purity (TN: this is roughly equivalent to 93% purity).

²² When we talk about the topic of credit in the next chapter, we will try to shed some light on this apparent dilemma; the Crown's failure to adjust the monetary value of silver does not make sense if the need to have access to foreign credit—which justified the monetary policy implemented throughout the 17th century—is not taken into account.

²³ García Guerra (2003) listed the original copies of the memorials written by Cardona that are known to exist (see note 347, p. 148). Some of these are preserved at the Biblioteca Nacional de España, while others are preserved at the British Library.



Fig. 1: Castilian Spanish dollar. Philip IV. 1630 Segovia. Ingenio
Source: Cayón Numismática

The so-called “*Proposición Cardona-Carranza*” also had some detractors: in 1627, Milanese author Gerardo Basso published his *Arbitrios y discursos políticos*, in which he defended a deflationist program opposite to that of Cardona. His solution consisted in gathering the billon coins and counterstamping them, thereby reducing their value by half—which, as we will see in the next chapter, was an inspiration for the reformist program that the Count-Duke of Olivares tried to carry out in 1628. The ideas of Juan de Mariana, which we will elaborate upon in the fourth chapter, also contradict this proposition. In Mariana’s opinion, increasing the value of gold and silver would just drive the prices up and would not solve the economic problems of the kingdom.

The monetary *arbitrios* proliferated towards the end of the 17th century, when the government of Charles II decided to put an end to the precarious situation that the monetary system was going through. Many authors addressed their memorials to the government between 1669 and 1684, at the time of the reform. Noteworthy among them in our opinion are Sebastián Muñoz Suárez, Antonio Somoza y Quiroga, Fray Tomás Argüello, Domingo Centani and Juan Sánchez de Uribe y Salazar. We will be featuring some of their writings in this book.

3. HISTORICAL CONTEXT OF THE PHENOMENON OF MONETARY *ARBITRISMO* IN THE 17TH CENTURY. THE MONETARY REFORM OF CHARLES II

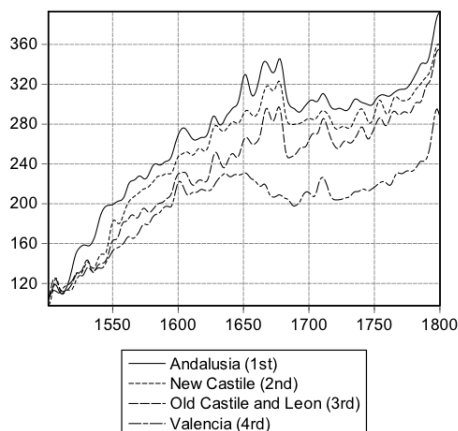
The hardships facing the Crown and the precarious situation the monetary system was going through inspired many authors who, as we have established in the previous chapter, attempted to seek solutions for the kingdom's problems, still following the theoretical foundations established by the scholastics.²⁴

The discovery of America brought important economic changes that contributed to the birth of what's known as market capitalism in the early modern period (Munro 2007), largely driven by the substantial increase in trade exchanges. The entry of metals, mostly silver, together with the innovations made by the financial and banking institutions of the time, provided the means of payment needed to accelerate the economic transformation. Not everything was positive, however: the increase in economic activity came with an undeniable increase in prices in Europe, a fact that was widely discussed in historiography (Hamilton 1929, 1934 and 1947, Brenner 1962, Rolnick, Velde & Weber 1996, González & del Hoyo 1983, Martín Aceña 1992, among others). The arrival of precious metals from America caused the price levels to skyrocket, reaching highs that were completely unheard of until then. The harmful effects of the American inflation were also compounded by the fiscal disorders that the European countries went through. The accounting imbalances of the Crowns resulted in an unstable monetary policy that helped create a climate of uncertainty and instability in the economic activity by resorting to altering the values of coins.

At the start of the 17th century, the prices in Castile had increased by almost 280% relative to the previous century, going so far as to reach a 320% increase in 1650, as can be seen in Graph 1.

²⁴ As we have mentioned, the phenomenon of *arbitrismo* is vast. For a comprehensive list of the authors, there are valuable resources, such as the catalogues by Colmeiro (1861)—written in the 19th century and reedited in 2005 with an introductory study by Perdices de Blas and Reeder—and the most recent one by Correa Calderón (1981).

GRAPH 1: HAMILTON'S GRAPH OF PRICE INDICES TENDENCIES



Source, Cendejas & Font (2015). 1501=100

The fiscal burdens made it impossible to properly approach monetary policy, since it gave priority to the obtainment of funding rather than securing its stability, at the same time contributing to make the inflation worse.

In order to fully appreciate the effect that the monetary policy had on prices, it is necessary to understand the complex workings of the monetary systems of the time. The monetary systems in effect in all of Europe were bimetallic monetary systems that were based on gold and silver as a reference, and copper was added to them in order to facilitate exchanges of lesser quantities. In order to guarantee the quality of each coin, the appropriate authority had to legally establish their fineness,²⁵ weight²⁶ and value.²⁷ These systems could not be considered trimetallic in any case, since copper was

²⁵ Fineness refers to the degree of purity of metals. Gold purity was measured in carats, and silver purity was measured in *dineros*. In pieces made of billon (a copper-silver alloy), fineness determines the content of silver they must have.

²⁶ The weight of coins was measured in marks, a measurement unit equivalent to 230 grams. Marks were subdivided in eight ounces, and each ounce itself in 24 *dineros*. As a practical measure, the number of pieces to be minted was established per mark.

²⁷ We distinguish three distinct types of value for coins: face or nominal value (the value printed on the face of the coin, which is determined by the monetary authority), intrinsic value (the market value of the metal the coin contains, plus a small percentage to account for minting expenses and seigniorage) and lastly value equivalent to unit of account (the value of the coin in the official unit

not used as a reference metal, as it could not substitute gold or silver in circulation.²⁸ However, despite this secondary role, its purpose as fractional coin was vital, and the stability of the system depended in large part on its good performance. In a metallic monetary system, the keys to guarantee stability were twofold: on the one hand, adjusting the intrinsic and extrinsic values of coins according to the relative values of the metals, and on the other hand, keeping the amount of small coin within the limits of what was strictly necessary to facilitate small transactions—otherwise the values of the other coins may fluctuate. This is why the amount of copper coin that could be minted was limited by law, whereas the amount of gold and silver coin that could be minted was not limited.²⁹

The monetary policy was supposed to be aimed at making the necessary adjustments to guarantee stability in this twofold aspect. Difficulties may emerge when the monetary policy is used for other purposes and people lose sight of the goal of guaranteeing the stability of the system, which can result in imbalances of the intrinsic and extrinsic values or the increase in quantity of fractional coins.³⁰

of account to determine the correlation between the values of coins and the market prices). In Castile, the units of account were the *maravedí* and the silver ducat, the latter being equivalent to 375 *maravedís* and used for large sums.

²⁸ In line with this blueprint, the Castilian monetary system of the 17th century was the product of the regulations established in the *Pragmática de Medina del Campo*, an ordinance issued in 1497 by the Catholic Monarchs. This was a bimetallic monetary system based on gold and silver and completed with copper-based billon that contained a very low percentage of silver; this alloy was used for minting fractional coin. The coins that this ordinance established were the golden ducat, the silver *real* and the billon *blanca*, whose nominal values were established as 375, 34 and 0.5 *maravedís*, respectively. Multiples and submultiples of these coins would be minted according to commercial needs. The ordinance established that an unlimited number of gold and silver coins could be minted, whereas, in order to guarantee the stability of the system, fractional coins would have a limit established as 10 million *maravedís*. The system remained that way (with some adjustments, mainly concerning the gold coins) until the 16th century, when mass monetary issues ended the minting limitation of fractional coins. For a comprehensive description of the system and how it worked, see chapter 4 of Font (2008).

²⁹ Limiting the amount of fractional coin was not a trivial decision taken on a whim. As was eventually the case, not adhering to this limit could cause instability due to the fluctuation of the values of the precious metals, leading to considerably worse disorders that themselves led to monetary chaos and to the *premio* of silver (a surcharge levied on the transactions made in fractional coin and the ultimate cause of the disappearance of precious metal coins from circulation). According to Hamilton's (1947) estimates, towards 1650 more than 90% of the cash in circulation was made up of small coin, with the consequent damage for the circulation itself. We are looking at a clear example of Gresham's Law, according to which "bad" currency—if it is legal tender—will drive "good" currency out of circulation. At first, the *premio* was not legal, but the enormous damages it was causing to the Royal Treasury motivated the authorities to establish an official value—which would nevertheless be surpassed in standard practice.

³⁰ To know more about the workings of the monetary policy, see Font (2005).

That was what happened in Castile, where the financial needs of the Crown triggered both effects. Throughout the entirety of the 17th century, the Crown designed and enforced a monetary policy in service of the fiscal policy, and as such, it resorted to both alterations to the silver content of the billon coin³¹ (which carried with it the imbalance between the intrinsic and nominal values) and the mass minting of fractional coins that shattered the established limit. Both factors, aside from contributing to the increase in money supply, led to instability and confusion in trade and in the general economic activity. The situation was complex, since changes in monetary value affected all operations, whether they were routine commercial exchanges or credit operations, the latter of which were the most affected operations in practice.³² Problems arose from both the effects on credit operations and previously contracted debts—both public and private—, and the rise in cost of transaction due to the general loss of trust in the circulating coins. After each monetary disposition, it was necessary for both parties to readjust the value of all credits in an attempt to alleviate the losses incurred as much as possible. Because of this, the conflicts that arose in the *Cortes* for this issue were very frequent. Besides, each measure also had negative effects on commercial activity; each disposition produced an immediate interruption of commercial operations, which would not resume until the individuals knew the extent of the disposition extensively and could act according to the new conditions. There is no question that the Castilians ended up being true experts in monetary theory. In economy, it is well known that uncertainty is never good, and at a time in which information arrived at a slower pace—therefore notably increasing the response time—, it is no surprise that it was a lot worse.

The loss of confidence in the system led to the appearance of the *premio* of silver, which was a surcharge levied on every transaction done with fractional coins. This surcharge—which was illegal at first—was a visible manifestation of the lack of trust placed upon fractional coin: throughout the 17th century, this *premio* skyrocketed, reaching incredibly high levels. The Crown, also affected by the ills of billon, ended up establishing an official value for the *premio*, which was nevertheless far greater than that in

³¹ This procedure is known as debasement, and it led to the disappearance of the silver content of the alloy.

³² To know more about the effects on credit operations in the short term, see Font (2008), section 4.6.

actual practice. All the problems the monetary policy caused are well known thanks to the writings of the *arbitristas* and other witness accounts of the time (see Colmeiro 1861, García Guerra 2003, Grice-Hutchinson 1978 and Font 2008, among others), which turned into a privileged source of information, as was made apparent in the previous chapter.

The monetary disorders that led to mass minting of billon without silver started in Castile in 1602, after a brief unsuccessful attempt in 1596. The disastrous effects they had on monetary stability and economic activity motivated the adoption of the measures, one way or the other, throughout much of the 17th century, according to the financial situation of the moment. Between 1602 and 1680, the face value, the weight or the fineness of the fractional coins were altered in over 15 instances.³³ Since it was obviously impossible to retire and remint all the money in circulation according to the new measures, each new regulation made it mandatory to take the coins to the corresponding mint and have them notched with different dents that indicated their new value. In practice, this led to much confusion, because numerous different coins with different face values and counterstamp marks were in circulation at the same time. Aside from the corresponding trouble, this situation encouraged the possibility of counterfeit coin proliferating, which led to the appearance of many counterfeit coins in circulation. As the monetary legislation text says, in practice there were counterfeit coins, as evidenced by both their weight and the quality of the metal. The circulation of coins that were counterstamped more than once was not infrequent either. Truth was that the continuous alterations that the coins had suffered made it impossible to distinguish counterfeit from real coins, which led to huge conflicts in daily economic activity.

The negative effects of these policies were widely known in the theoretical sphere thanks to the monetary theory studies developed by the scholastic doctors belonging to the School of Salamanca,³⁴ but they were also common knowledge, and both the Crown and its ministers knew as well, as

³³ For a detailed description of the effects of these policies on the value of coins, see Font (2008) and Santiago Fernández (2000).

³⁴ Monetary alterations were nothing new, in fact they had been a recurring practice for a long time. Francisco de Vitoria and Domingo de Soto tackled theoretical questions related to the bases of this practice, but the issue was not discussed in depth until the start of the 17th century, when Juan de Mariana studied the issue, continuing with the arguments developed in this sense by Aristotle and Nicolás de Oresme, which were based on the nature of money.



Fig. 2: 12 and 8 *maravedís* counterstamp marks on an 8 *maravedí* coin. Philip IV. Segovia Ingenio.

Source: Cayón Numismática

it transpires from the writings of the *arbitristas*, official documents and issued ordinances. Despite this, the authorities did not hesitate in resorting to these measures whenever the financial situation forced them to do so.

Faced with this evidence, historians had two questions that may seem difficult to comprehend: why the Crown insisted on enforcing this monetary policy throughout the 17th century if they knew the negative impact it would have, and why were gold and silver kept out of the monetary policy throughout the century when the benefits from the manipulation of these metals would have made the income go up by a large margin. To comprehend these aspects, we have to take into account the whole macroeconomic picture. The monetary policy that applied to billon pieces, which left out the silver coins, was paramount for maintaining confidence in the Crown and its access to credit, which in turn were necessary to finance Castilian foreign affairs. As Andrés Ucendo (2006) explains, the monetary policy did not overlook this objective, and there was a double purpose to the rules that applied to silver being different from the rules for billon. Small coins were used as an instrument at the service of fiscal policy, whereas the stability of silver played an indispensable role in the framework of the economic policy, as it functioned as a guarantee of not just foreign policy, but access to credit. In this sense, Álvarez Nogal (2020) explains, in accordance with the model by Sargent and Velde (2002),³⁵ how the deci-

³⁵ The model by Sargent and Velde (2002) is a valuable tool that helps comprehend the difficulties that a metallic monetary system with unlimited minting faces when trying to effectively main-

sion of not devaluing silver responded to the demand of foreign bankers that demanded payment in high-value coins. Faced with that choice, the Crown opted to sacrifice the stability of domestic circulation in favour of guaranteeing the monarchy's access to credit.³⁶

The monetary chaos ended thanks to a monetary reform carried out during the reign of Charles II. This reform managed to achieve the desired monetary stability and put an end to a century's worth of monetary instabilities. This reform was carried out between 1680 and 1686, it started under the guidance of the Duke of Medinaceli³⁷ and was carried to completion by the Count of Oropesa,³⁸ both of them *validos* (favourites) of the last king from the House of Austria. The reform affected the gold and metal coins as well as the billon fractional coins, and it managed to put an end to the existing imbalance between the intrinsic and extrinsic value of billon pieces and set the value of precious metals in accordance with the foreign situation; this gave the system the stability it needed. This reform continued along the same line as other attempts made throughout the 17th century that had also tried to adjust to the well-known basic principles that govern the stability of the metallic monetary systems—though these attempts had been unsuccessful due to the financing needs.

As reflected by the plethora of *arbitrios*, there were numerous complaints arising from the situation. The government, fully aware that the issues of prices and coins were related, had no choice but to address the situation. In March 1679, John Joseph of Austria organised a special coun-

tain the complicated balance of fractional currency (necessary for guaranteeing the stability), due to how difficult it is to maintain the balance between the values of the different coins—even if minting costs, which vary according to the size of the coin, were reduced down to zero. Álvarez Nogal (2000, 2020) used this model to explain the difficulties of the monetary policy as it applied to silver coins during the 16th century.

³⁶ Ruiz Martín (1990) observes how the instability of the monetary policy as it applied to billon responded to specific situations that stemmed from the need of financing. Therefore, once this need was covered, it was possible to return to the previous situation, which was accomplished through subsequent "coin devaluations" mandated throughout the 17th century. Font (2008) thoroughly explains the evolution of the monetary policy as it was enforced throughout the century and highlights how the significance of these measures changed rhythmically.

³⁷ Juan Francisco de la Cerda Enríquez de Rivera (Medinaceli, 4th of November 1634 - Madrid, 20th of February 1691), 8th Duke of Medinaceli, was the *valido* of the king between the years of 1679 (following the death of John Joseph of Austria) and 1685 (when he resigned, giving way to the Count of Oropesa).

³⁸ Manuel Joaquín Álvarez de Toledo (Pamplona, 6th of January 1641 - Barcelona, 23rd of December 1707), 8th Count of Oropesa, was *valido* for two periods of time during the reign of Charles II: 1685-1689 and 1698-1699.

cil on coin. After requesting and analysing different opinions and advice from experts, the council issued a definitive collection of the received suggestions on the 13th of August 1679. The council identified four different billon currencies in circulation: legitimate billon coins that contained silver, domestically produced counterfeit coins that did not contain silver, foreign-produced counterfeit coins that did not contain silver either and weighed less, and lastly, counterfeit coins of inferior quality and almost negligible weight. In practice, it was extremely hard—if not impossible—to distinguish counterfeit from real coins, since assessing the weight and fineness of these coins at a glance was obviously difficult. In order to solve these complications and guaranteeing the stability of the system, the reform had the main goal of regulating the circulation of billon coins. In order to achieve this, it was deemed necessary to eliminate all counterfeit currency from circulation and substitute it for new coins that had the correct value and weight according to the legislation in force. However, the idea that it would be impossible to carry out this measure—since the kingdom would remain without fractional currency temporarily—and the considerable difficulty of telling counterfeit and real coins apart from each other made it virtually impossible to carry out the reform in these terms. This is why, after having analysed different alternatives, the members of the council—with the exception of the Duke of Medinaceli, who presented a dissenting opinion—considered that the most viable solution would be to mandate a temporary reduction of the value of every billon coin in circulation, keeping the possibility open to mandate their complete replacement when the situation was most conducive to it. Therefore, as it transpires from the text of the document, the solution adopted was conceived as a temporary solution:

El ejecutarse desde luego la extinción y consumo de la moneda hará lo mejor y no es menester fundarle, pues nadie duda que si al cuerpo humano que padece una enfermedad mortal se le puede curar de una vez, no ha de contentarse el médico con mejorarle, pero cuando para sacar de este cuerpo la raíz de la dolencia es preciso extinguir toda la sangre, consiguientemente le precisa a perder la vida y en este caso obliga la prudencia a que se contente con apartarle del sumo peligro aplicando remedios proporcionados al estado y disposición del sujeto y tomar tiempo para la perfecta curación.³⁹

³⁹ BNM, mss. 18720.

The sudden death of John Joseph of Austria left a power vacuum that delayed the implementation of the measures. It would not be until February 1680 that the reform started, articulated around the issuing of four ordinances (February 1680, May 1680, October 1684 and October 1686) which were complimented by a Royal Decree in March 1680.⁴⁰

The first ordinance, issued on the 10th of February 1680,⁴¹ was the cornerstone of the reform. This law mandated a devaluation of the billon coin, as the council had agreed upon the previous year, which entailed reducing the nominal value of billon coins to 25%. This measure had an ambitious double purpose: the goal of this devaluation, besides taking steps towards adjusting the monetary values of coins, was to limit the rise of the *premio* of silver and to make silver coins re-enter circulation. This ordinance was accompanied by an instruction for its correct application, which detailed how the various practical aspects that its enforcement implied—especially those related to debts owed to the Royal Treasury—should be implemented. The instruction established the cancellation of payments and debts owed until the end of 1673.⁴²

In order to compensate the lack of coins caused by the measure, the Royal Decree⁴³ issued on the 14th of March of that same year—which complemented the ordinance of February—ordered that all the metal from the collected coins (except for the real coins) be used to mint thick billon coins, which were assigned a face value of two *maravedís*.

However, it was soon apparent that the effect of both measures would not be as expected. The citizens, at this point veritable experts in monetary affairs after almost a century of changes, noticed that legitimate coins actually had a higher intrinsic value than that the February measure had claimed, and so the circulation of billon for consumption use did not happen at the desired pace. Given this situation, and in order to guarantee the

⁴⁰ The terms and specifics of each of these measures have been thoroughly analysed in Santiago Fernández (2000) and Font (2008).

⁴¹ *Nueva recopilación*, Book V, title XXI, order XXIX.

⁴² Since 1652, it was common for norms dictating the devaluing of coins to include this kind of dispositions.

⁴³ This Royal Decree was not included in the *Nueva Recopilación*, and we were not able to find it. We know of its existence and contents thanks to references in other documents. We have used a document from the 9th of April 1680 as a reference. AGS, Dirección general del Tesoro, inventory 14, leg. 1.

success of the reform, there was no other choice than to issue an emergency measure, which took the form of a second ordinance⁴⁴ on the 22nd of May of that year. This ordinance forbade the circulation of all coins in their current state. This measure, which carried with it a great risk of economic collapse due to the potential lack of coins in circulation, showed the strong determination of the Crown to end the instabilities and assume the costs that the withdrawal of coins from circulation could entail.

Despite this strong determination, the truth was that the measure was not permanent, and new legislation had to be implemented. This way was not easy, and the lack of currency the kingdom suffered did not disappear quickly.⁴⁵ Four years later, the situation was still critical, so the Crown, without leaving the path it had taken, decided to try a new approach. The failure of the new minting had revealed the error in trying to equate the value of counterfeit to that of real coins, which had also entailed leaving the kingdom without any small coin. The new provision, which took the form of the ordinance issued the 14th of October 1684,⁴⁶ took a chance on a new adjustment, this time based on a correct estimation of the intrinsic value of the real coins, which were once again put in circulation. The effects expected from this measure were threefold: guaranteeing the supply of fractional coin, ending the hoarding of real coins and lastly correctly adjusting the monetary values of billon coins once and for all. The prohibition of the circulation of counterfeit was upheld in order to avoid the hoarding of real coins again.

Lastly, the reform was completed with the ordinance issued on the 14th of October 1686,⁴⁷ which extended the adjustments made to billon coins to gold and silver coins (something that was very frequently demanded in the memorials),⁴⁸ and increased their values by a fourth. Traditionally, the Crown had avoided at all costs altering the value of precious metals (especially silver), aware of its vital role as a guarantee of access to credit and foreign policy. However, European countries had carried out frequent devaluations

⁴⁴ *Nueva Recopilación*, book V, title XXI, order XXX.

⁴⁵ To see the short-term effects of these measures, see Font (2008), chapter 4.

⁴⁶ *Nueva Recopilación*, book V, title XXI, order XXXII.

⁴⁷ *Nueva Recopilación*, book V, title XXI, order XXXIV.

⁴⁸ Both the writings of Somoza and an anonymous memorial published in 1680 demand this issue, in agreement with the arguments of the famous *Proposición Cardona-Carranza*, which was influential in the slight devaluation carried out in 1642.

of silver during the 16th and 17th centuries, which favoured the appreciation for the Castilian *real*. The devaluation of the *real* had been very demanded throughout the 17th century as a possible way to prevent silver from exiting the kingdom's borders⁴⁹—the dreaded *saca*—, but ever since the reign of Philip II, the potential damage it could do to the economic activity was used as an argument to reject these proposals. By 1686, there was no other choice but to devalue gold and silver coins in order to guarantee the stability of the system and adjust it to the values of foreign coins.

The results of the reform were positive, as evidenced by subsequent events. As much as we would have loved to, we could not find any written accounts to attest for the success of these measures: as we have shown, the *arbitrista* tradition wrote about their complaints, but merits are hardly ever enshrined or acknowledged in literature. We have to settle for the lack of new legislative amendments and the disappearance of monetary criticism from literature to verify the success of the measures implemented.⁵⁰

Ultimately, as we have mentioned previously, the road to monetary stabilisation was not unknown. The previous reform attempts had always tried to follow the same steps in search of stability and monetary value adjustments. What made this reform different from the previous ones was not the core of the measures, but the possibility of maintaining them in the future and the sheer determination to not back down because of new financial needs, despite the negative short-term effects of the regulations.⁵¹ The advantage was that, at that moment, the lack of financial necessities of the Crown prevented the government from having to enforce these measures again, and it was possible to finally maintain monetary stability.

Before we finish this chapter, we need to clarify something. The situation we described is paramount to comprehending the economic picture of Castile during the 17th century, a time in which monetary alterations play

⁴⁹ See Andrés Ucendo (1999) and García Guerra (2003).

⁵⁰ In this regard, the writings of Miguel Álvarez Osorio y Redín are noteworthy. In his 1686 text *Discurso universal de las causas que ofenden a esta Monarquía* (BNM Mss. 6659), when referring to the monetary situation, he does not mention the imbalance of the values of coins, nor does he make any reference whatsoever to the need of raising the value of silver, which may be a confirmation that the complaints about the monetary situation had come to an end.

⁵¹ In this regard, the reign of Charles II was in a favourable position insofar as the financial pressure had diminished due to foreign stability.

a key role (as has been made perfectly clear). However, in order to paint a more complete picture, we also need to mention the process of institutional transformation that the European countries suffered during the early modern period, which was necessary to lay the foundations that would drive an economic activity capable of generating sustained economic growth. According to Acemoglu and Robinson (2012), the discovery of America provided Castile with substantial income that allowed for a limitation of the power of the *Cortes Castellanas*, which in the medium-term facilitated the establishment of an institutional structure that benefited the ability of the monarchy to alter monetary values during the 17th century—as has been made clear in the previous paragraphs. Towards the end of the century, maintaining the stability of the monetary system was paramount to successfully tackle the renewal of the institutions in the same fashion as the Glorious Revolution had done in England. The success of the monetary reform was, therefore, also necessary in the political aspect. Literature also shows some interesting references in this regard.

4. THEORETICAL FOUNDATIONS OF THE ECONOMIC IDEAS PRESENT IN THE MEMORIALS

Now that we have described the context in which the memorials were written, we are going to analyse the foundations of their contributions. Something to bear in mind is that the majority of their theoretical arguments were not original or ground-breaking developments at all, despite how undeniably interesting these texts are. They generally contain developments on economic ideas with foundations that had been already discussed, both in the writings of scholastic doctors from the School of Salamanca who had encountered these questions before, and in the writings of other authors who had tackled economic issues from other perspectives. We will now talk about these foundations.

THE SCHOOL OF SALAMANCA

Firstly, we have to reference the economic contributions from the School of Salamanca, whose developments are, one way or another, always implicitly at the core of all the economic writings of the period. It is a well-known fact that, in the scholastic revival, Francisco de Vitoria would be considered the founder of the School of Salamanca and the main reference for the authors who were part of it.⁵² Although the economic issues were not the core of his teachings for these authors, they are a basic reference for the history of economic doctrines. After all, the spread and outreach of these developments—among other influences—is responsible for the bases of some of Adam Smith's ideas.⁵³

The School of Salamanca is comprised of a group of Spanish authors who developed a solid core of teachings based on natural law and law of

⁵² See Barrientos (2005, 2011), Belda Plans (2000) and Zorroza (2013), among others.

⁵³ Schumpeter (1954) establishes how the economic ideas of scholastics were transmitted to the protestant iusnaturalists, and through Grotius, Locke and Pufendorf they reach Smith, thanks to his master, Hutcheson. Gómez Rivas (2005a, 2005b) has analysed this journey at length.

nations. Various economic questions related to the field of justice stem from this legal-based theoretical core. It is a well-known fact that the name of this school in the field of economic thought—in the field of theology it predates it—was given to it by José Larraz (1943). Larraz used this name in his welcoming speech at the Royal Academy of Moral and Political Sciences of Spain, which he gave on the 5th of April 1943, entitled *El cuantitativismo monetario de Salamanca*. Ever since then—and despite the reserves expressed by Schumpeter (1954), who doubted there were a proper Spanish imprint that justified the name “School of Salamanca”—the expression stuck, and it was later further used by the writings of Grice-Hutchinson (1978), who also clarified the defining aspect of the writers from this school: “These writers were, in the main, theologians and jurists in whose thought the social and economic order played an important though secondary part.”⁵⁴

Despite these relevant contributions, nowadays there is still not one single stance in historiography regarding the School of Salamanca. The writers who have tackled this issue differ in points related to both the members of the School of Salamanca and the timeframes in which it was active. The wide spectrum of opinions ranges from the most limited one from Barrientos (who considers that the only authors who can be considered part of the School are the ones who had a direct link to the Convent of San Esteban and taught at the University of Salamanca between 1526⁵⁵ and 1629⁵⁶)⁵⁷ to the least restrictive one espoused by Manuel Jesús Gonzalez (2004) (who considers that, beyond explicit links with the University of Salamanca, the existence of the School of Salamanca can be verified by observing that the writers from Salamanca used the same methods when tackling similar problems from the same theoretical viewpoints). Midway between these positions Marjorie Grice-Hutchinson—who, as we have

⁵⁴ Grice-Hutchinson (1978). [TN: Quote transcribed directly from the referenced text, originally in English (in Spanish in the original).]

⁵⁵ 1526 was the year in which Francisco de Vitoria obtained the professorship in Theology at the University of Salamanca after his stay in Paris and Valladolid.

⁵⁶ In 1629, both the Royal Council of Castile and Rome rejected to approve the Statute and Oath of the University, as they considered that the Faculty of Theology should not exclusively focus on teaching the doctrines of St. Augustine and Thomas Aquinas. Barrientos (1985) and Cendejas (2018).

⁵⁷ According to these criteria, Barrientos (2005, 2011) only counts ten members of the School: Francisco de Vitoria, Domingo de Soto, Melchor Cano, Mancio del Corpus Christi, Bartolomé de Medina, Pedro de Aragón, Domingo Báñez, Pedro de Ledesma, Basilio Ponce de León and Francisco de Araujo, considering the existence of other 86 members within its projection.

seen, is well known for her studies on economic thought in Salamanca—defends a somewhat broader viewpoint than that of Barrientos, according to which she suggests “that we continue to use the name ‘School of Salamanca’, consecrated now by several generations of historians, to refer especially to Francisco de Vitoria, his colleagues, his disciples and his principal continuators, as much in the field of economics as in those other disciplines to which they largely dedicated their efforts”.⁵⁸ In accordance with Grice-Hutchinson, Perdices de Blas and Revuelta (2011) do not consider a direct link to Vitoria a *sine qua non* for being part of the School; they consider the authors whose writings show a clear influence of the professor to be members too. Following this premise, and in accordance with the arguments espoused by Barrientos as well, they group the members of the School in three groups, according to the degree of linkage to Vitoria. The first group is comprised of authors who had direct contact with him in the classrooms. The second group is comprised of authors who, despite not having received explicit teachings from Vitoria or his direct disciples, were linked to him because they taught or learned at the University of Salamanca. The last group is comprised of doctors who show a clear theoretical and methodological influence of the teachings of the professor, despite not having had any contact whatsoever with Vitoria himself or the University of Salamanca.

In any case, and beside these discussions about the members and the timeframes of the School, an undisputable fact is that, for the authors of the School of Salamanca, justice is at the very core of their economic analysis. Ultimately, the main objective of the scholastics when they tackle economic questions is just to determine the fair way to act. This approach was not unheard of, since Roman law had already tackled this issue, since it considers that talking about Law was the same thing as talking about Justice. For the Romans, according to Ulpian’s definition of justice (“the habit whereby a man renders to each person his due with constant and perpetual will”)⁵⁹, the goal of Law was the realisation of what is good and fair. In this line, Vitoria, echoing this definition, considered that justice was the necessary cornerstone to build the common good. Starting with Aristotle’s

⁵⁸ Grice-Hutchinson (1989). [TN: Quote transcribed directly from the referenced text, originally in English (in Spanish in the original). See footnote in the bibliography section about this reference.]

⁵⁹ Digest 1.1.10.1. [TN: English version taken from: Kennedy, R.G. (2019). “Social Justice and Competing Visions of the Common Good”. *Logos: A Journal of Catholic Thought and Culture*, n° 22(2), p. 106-115. University of St. Thomas (Minnesota).]

classification of justice, Vitoria and the rest of the authors belonging to the School of Salamanca distinguished between general or legal justice and particular justice—and within the latter, they distinguished between distributive and commutative justice.

In agreement with the teachings of Thomas Aquinas—who in turn follows those of the Greek philosopher—, Francisco de Vitoria considers that legal or general justice is that which “directs man immediately to the common good”.⁶⁰ General justice derives directly from the social aspect of man, according to which man is not an individual, independent being, but a social being by nature, and therefore it should be concerned with its relationship with society. From this relationship with the society in which it lives and develops, a natural concern with the common good appears, which is precisely the goal that justice pursues, and so all the members of the community are bound by it—the government members first and foremost since they are directly responsible of leading the way in the community, and secondly the rest of the members of the community, without exception, for they must orient their behaviour towards the attainment of the greater good. This general justice is also called legal justice, for the common good must be known and imposed by law. In this sense, we have to remark the scholastic idea that laws are binding and authentic if they are in accordance with natural law—otherwise they would not be considered fair laws and therefore the citizens would be exempt from complying with them.

Complementing general justice, particular justice is the one that directs the activity of man. It is comprised of two dimensions: on the one hand, the relationships that happen between man and the community, and on the other, the relationships happening between two private individuals. These two forms of particular justice are called, respectively, distributive and commutative (or corrective) justice. Distributive justice is concerned with the distribution of the goods of the community, which must be carried out according to the merits and the needs of the individuals and be proportional according to the contributions of each member to the community. Commutative justice, however, refers to relationships between individuals. Whether they be voluntary or involuntary, justice in these relationships must always mean equality among the citizens.

⁶⁰ TN: English version taken from: Aquinas, T. (2017). *The Summa Theologiae of St. Thomas Aquinas*, 2.2, q. 58, a. 7. Online edition, <https://www.newadvent.org/summa/>

In this context we can frame the economic ideas that stem from the scholastic developments that emerged and developed as new economic and trade practices posed moral dilemmas related to justice—and ultimately the salvation of souls—that had to be solved by the competent authorities in that matter. The doctors from Salamanca offered moral solutions based on the teachings that Thomas Aquinas had developed three centuries prior about the matter. As Cendejas (2020) writes, the economic contents that the scholastic doctors wrote about were mostly extracted from three sources: firstly, from the treatises *De iustitia et iure*,⁶¹ which followed the same line as Thomas Aquinas' *Summa Theologica*; secondly, from the texts known as confession manuals, which had a less academic approach and were aimed at guiding the way public officials, merchants and even clerics should act in regard to the new economic realities;⁶² and lastly, from the treatises about exchanges, deals and contracts, which also deal with various questions related to the trade activity from a mostly moral standpoint.⁶³

The foundations of the economic questions tackled in the memorials fall within the purview of justice, and the authors of the School of Salamanca had considered the same thing. As such, these foundations became the reference framework for the *arbitristas*, who replicate their arguments in their texts, albeit without mentioning them explicitly. Specifically, monetary alterations and the fiscal issues are a matter for distributive justice, whereas the price question falls within the commutative justice purview, since it refers to the relationship between value and price in the realm of the just price theory—within which framework Martín de Azpilcueta established the quantity theory of money, which, as we will see afterwards, explains the rise in prices caused by the increase in quantity of money in circulation.

The analysis of the foundations and origins of the ideas expressed in the *arbitrios* is a necessary and important exercise in order to determine how economic ideas are produced, evolve and are transmitted over time.

⁶¹ Within these works, the writings of Francisco de Vitoria, Domingo de Soto, Mancio de Corpus Christi, Bartolomé de Medina and Domingo Báñez are worth mentioning. For a more comprehensive list, see Langella (2011), Folgado (1959) and Barrientos (2011).

⁶² The most famous work within this group is the *Manual de confesores y penitentes* written by Martín de Azpilcueta and published in Coimbra in 1552. The third edition of this text, published in 1556, includes the first explanation of the quantity theory of money.

⁶³ From this group, the *Suma de tratos y contratos* by Tomás de Mercado, published in Seville in 1571, is worth mentioning.

Without attempting to make a comprehensive description of scholastic economic thought, we will now summarise its main core with the aim of establishing and facilitating the comprehension of the theoretical framework of the memorials. We will start with the monetary alterations.

Juan de Mariana is, without a doubt, the main author who tackled this question.⁶⁴ At the beginning of the 17th century, when the Crown fully resorted to these industries, Mariana wrote at length about the subject.⁶⁵ The Jesuit—whose writings reveal he was a great monetary economist—, in the same line as the arguments by Aristotle,⁶⁶ pointed out the paramount role that currency plays as the basis of commerce, and so he defended the necessity of a healthy currency, which necessarily involves the adjustment of intrinsic and extrinsic values. The manipulation of monetary values was nothing new; it had been a commonly used resource for a long time, and it had been tackled from a theoretical point of view.⁶⁷ Just like Aristotle had done before him, Mariana distinguished the alterations mandated based on monetary stability criteria from those designed with merely fiscal purposes, also questioning the ability of the King to carry out the latter kind. But the legitimacy of the monetary alterations was not only a problem of royal authority, but it also affected the properties of the citizens. Therefore, in line with the reasoning of Francisco de Vitoria and Domingo de Soto, Mariana conceived the issue within the realm of property, and so he solved the question of monetary manipulations using principles of justice rooted in the concept of ownership.⁶⁸ For Vitoria, ownership of things justifies property right, because—as Cruz (2017) explains—“if one owns nothing,

⁶⁴ The two main works with economic content written by Juan de Mariana are: *Sobre la dignidad real y la educación del Rey*, published in 1599, and the famous *De monetae mutatione*, published in Cologne in 1609. [TN: Both of these works have been translated into English as *The King and the Education of the King* by George Albert Moore in 1948, and as “A Treatise on the Alteration of Money” by Patrick T. Brannan in 2002, respectively.]

⁶⁵ For a more detailed description of Mariana’s thought, see Fernández Delgado (2004) and Font (2018).

⁶⁶ Coin manipulation was already common practice in ancient Greece. Unlike the scholastic authors, who considered it a moral problem, Aristotle tackled this issue from the framework of politics, insofar as it gave rise to problems in establishing the ideal *polis*. In his *Politics*, Aristotle considered that money was born from the necessities of exchange and differentiated its functions as a medium of exchange, unit of account and store of value. About the altering of monetary values, he criticised the Prince modifying them as he saw fit, without taking their intrinsic value into account.

⁶⁷ The closest precedent to Mariana, as Martín (2000) considers, can be found in the writings of Luis de León, who openly criticised the use of monetary manipulations by members of the government and considered that the Prince could not infringe upon the legitimate interests of the citizens.

⁶⁸ Cendejas (2018).

nothing can be given”.⁶⁹ Domingo de Soto questioned the authority of rulers over the private properties of citizens by strongly expressing that “he who appropriated them for his own benefit would be a tyrant”.⁷⁰

As such, Mariana considered that the concept of ownership as it applied to coins protected the wrights of the individuals who legitimately acquired ownership of the money. Therefore, if the King used monetary alterations with collecting purposes, it would be contrary to justice, since he appropriates something that is not his by right:

Surely, the very nature of royal power —if it is legitimate and just, it arises from the State— makes clear that the king is not the owner of his subjects’ private possessions. He has not been given the power to fall upon their houses and lands, and to seize and set aside what he will.⁷¹

As the following paragraph reveals, the opinion of the Jesuit is conclusive, and it leaves no room for doubt when establishing that the King has no authority to alter the monetary values for his own benefit:

May a prince break into granaries and take half of the grain stored there, and then compensate for the damage by authorizing the owners to sell the remainder at the same price as the original whole? [...] Such was the case with the old copper coin. The king unjustly appropriated one-half of all the money, merely by doubling the value of each coin, so that what was worth two *maravedís* was thereafter worth four.⁷²

Some monetary memorials adopted these theses and reproduced the arguments of the Jesuit, albeit without mentioning them explicitly (such is the case of Muñoz Suárez or Sánchez de Uribe y Salazar, for instance), criticising the policy adopted in this issue and advocating for the adjustment of monetary values. In the same line as Mariana, all the *arbitristas* that we are going to study in this work complained about the imbalance of monetary values and were aware of the problems that this imbalance was cau-

⁶⁹ Cruz (2019), p. 21. As shown by Vitoria in *De iustitia*, q. 66, a. 2.

⁷⁰ Domingo de Soto, *De iustitia et iure*, book IV, q. 4, a. 1. Cruz, p. 29.

⁷¹ Mariana, ch. 1. [TN: English version taken from Patrick T. Brannan’s 2002 translation, “A Treatise on the Alteration of Money”, in *Journal of Markets & Morality*, 5(2), p. 529-593.]

⁷² Mariana, ch. 10, p. 68. [TN: English version taken from Patrick T. Brannan’s 2002 translation, “A Treatise on the Alteration of Money”, in *Journal of Markets & Morality*, 5(2), p. 529-593.]

sing for trade. As we will see shortly, Muñoz Suárez and Sánchez de Uribe y Salazar were the most categorical in this regard; not all the *arbitristas* dared question the responsibility of the monarchy explicitly.

The tax question, which was also a topic that the monetary *arbitrios* touched upon, was also addressed from a theoretical standpoint by the scholastic authors of the School of Salamanca.⁷³ For them, the tax question is a matter that falls within the purview of distributive justice, since it is related to the equity between relationships, and as such it has to govern the distribution of the common property. Carrying out this distribution fairly entails many difficulties and not every way of doing it is equally good; it is necessary to find the right criterion to make a fair and correct distribution of the common goods. The first obligation of distributive justice relates to the basic needs of man, necessary for its survival: every person has a right to these basic goods.

The scholastic tradition, in accordance with Thomas Aquinas, judged that the criterion to carry out the distribution was that of proportion, as De Roover (1958) observed: the person had to receive a part of what belongs to the community taking the rest of people into account, therefore an even distribution was not suitable. Distributive justice proposed a proportional distribution of the existing goods according to the needs of each person. As Thomas Aquinas estimated, “according to proportion between things and persons”.⁷⁴

Within this area, one of the most important aspects concerning the tributes is the way in which both the collection criteria and the criteria of distribution among the citizens are established. In this regard, the masters of Salamanca developed—according to Gorosquieta (1972)—a coherent doctrine in which they included the general principles that a tax must follow to be considered equitable. Chafuen (1984) enumerated the five criteria that Pedro de Ledesma established in his 1598 text *Suma de moral*—in agreement with Francisco de Vitoria—for taxes to be considered fair according to distributive justice:

⁷³ For a more detailed description of the tax question, see Higuera (1963), Gorosquieta (1972) and Perdices de Blas and Revuelta (2011).

⁷⁴ TN: English version taken from: Aquinas, T. (2017). *The Summa Theologica of St. Thomas Aquinas*, 2.2, q. 61, a. 2. Online edition, <https://www.newadvent.org/summa/>

1. The tax had to be imposed by a legitimate authority. Among the legitimate authorities, Ledesma recognises the Pope, the Council, the emperor, the King and the nobles who had no other ruler but God.
2. The ultimate cause of the imposition of the tax had to be fair and guided towards the good and benefit of the people.
3. The tax amount had to be adequately proportional to its ultimate cause, and the funds collected had to be correctly allocated. The taxes collected had to be spent for the purposes it was imposed for.
4. The tax had to be imposed on things that were fair and decent.
5. Lastly, adequate proportion had to be maintained in the tax according to the specific circumstances of the subjects at the moment.

According to this classification, if we consider monetary manipulations to be a kind of tax, these cannot be considered to be legitimate in any way, because the thing it was imposed on was not fair, according to the principle of ownership.

Ledesma himself distinguished the three types of taxes that were paid at the time: *censos*, *pechos* and *portazgos*. The *censos* were paid in acknowledgement of subjection to the prince; the *pechos* had the goal of contributing to the subsistence of the monarch and the *portazgos* were a tax on commerce. The latter included the *alcabalas* and the customs duties.

In essence, scholastic doctrine considered that distributive justice mandates that the appropriate authorities carry out the distribution. In this regard, Martín de Azpilcueta claimed in his 1554 text *Comentario resolutorio de cambios* that the rulers violated the distributive justice when they levied unfair taxes. If this situation occurred, the ruler had the duty to give what was unfairly collected back to the aggrieved. The fifth point, which references the proportion of the tax, is especially relevant as well. As we have mentioned earlier, throughout the 17th century there was a large quantity of works written by *arbitristas* concerning the topic of taxes, which revealed a clear perception that the tax burden was too high, which blatantly violated this rule of proportion. Besides the works about taxes, the vast majority of the documents that tackle monetary issues also include references to this question.⁷⁵ This perception is amply justified if we consi-

⁷⁵ As we will see later in the selected monetary documents.

der the increase in tax burden that occurred during the 16th and 17th centuries, according to García Sanz (1999).⁷⁶

In the tax sphere, the following idea by Domingo de Soto is also relevant.⁷⁷ He argued that it is not legitimate to discriminate in taxation according to the properties or the situation of the individuals, since this would result in an unequal distribution of the burden.⁷⁸ Soto considered that there must always be a fair reason to exempt a person from taxation.

We also refer to the just price theory,⁷⁹ which responds to the uncertainties that stem from attempting to establish the relationship between value and price.⁸⁰ Determining the just price is especially important, since it was an essential question for commerce to run smoothly. Scholastic doctors, again in agreement with Vitoria's arguments,⁸¹ paid great attention to this point, which is also paramount to determine fairness in contracts. In every exchange there must be equity, which is the foundation of commutative justice. Commutative justice determines the conditions that must govern exchanges on the basis of the principles of natural law that the exchange of equal values entails. This is no easy question, Vitoria already remarked that "trade is a dangerous profession". As Cendejas (2018) shows, a natural fair exchange requires the exchange of equivalent things, and the profit from that exchange must be the result of buying and selling at just prices. Besides, it must be remarked that for a purchase-sale transaction to be legitimate, it is necessary that this transaction be carried out freely. The difficulty lies on establishing a just price, considering that the value comes from common estimation. The just price will be, to quote the scholastic expression, "*a como vale en la plaza del mercado*" (lit.: "how much is it at the square market", roughly "the going price"), also taking the different circumstances surrounding the transaction into account (such as the sales volume or the market size), as these also play a role in the common estimation.

⁷⁶ In this regard, García Sanz (1999) considers that the tax burden went up by approximately 10% in the 17th century; it went from a 5% to a 15%.

⁷⁷ Soto, *De iustitia et iure*, Question VI of Book III.

⁷⁸ See Digón and Leonetti (2006).

⁷⁹ To read further on this question, see De Roover (1958), Cendejas (2018), Gómez Camacho (1981), Barrientos (2001), Baeck (1994), Font (2010) and Zorroza (2006), among others.

⁸⁰ Vitoria also tackled this issue in his comments about justice.

⁸¹ In this regard, *La teoría del justo precio* by Luis de Molina, published in Cuenca in 1597, is also relevant.

From the just price theory comes the question of profit which would be solved by the theory of profit. This theory establishes the conditions for profit to be legitimate, which are basically related to the use and end of said profit and with the idea of moderation. Both theories fall under the common umbrella of the principles of commutative justice.

Special mention should be made of the quantity theory of money, which as we know explains the relationship between prices and the amount of money in circulation. The arrival of precious metals from America caused an unexplained rise in prices in Castile, which affected exchanges. In an attempt to understand the reason behind the rise in prices, Martín de Azpilcueta established in 1556 the direct relationship that exists between the increase of the amount of money in circulation and the price inflation,⁸² thanks to which the substantial rise of the prices in Castile during the 16th and 17th centuries could now be understood, as illustrated by the following famous excerpt:

Siéndolo al igual en las tierras donde hay gran falta de dinero, todas las otras cosas vendibles, y aún las manos y trabajos de los hombres se dan por menos dinero que donde hay abundancia de él, como por la experiencia se ve que en Francia, donde hay menos dinero que en España, valen mucho menos el pan, vino, paños, manos y trabajos; y aún en España, el tiempo que había menos dinero, por mucho menos se daban las cosas vendibles, las manos y trabajos de los hombres, que después que las Indias descubiertas la cubrieron de oro y plata. La causa de lo cual es, que el dinero vale más donde y cuando hay falta de él, que donde y cuando hay abundancia.⁸³

This theory also appears implicitly in the work of Tomás de Mercado, when the author tackles the topic of the value of currency and the international exchanges from the framework the theory of purchasing power parity, and explicitly in the sixth chapter of his *Suma de ratos y contratos*, when Mercado explains how the diverse estimations of the value of money justifies the variation in the exchanges:

Lo que hace subir o bajar la plaza es la abundancia o penuria de la plata, si hay mucha andan bajos los cambios, si poca crecen, y está claro,

⁸² See Muñoz de Juana (2018).

⁸³ Azpilcueta (1556).

*que la abundancia o falta causan se estime en mucho o se tenga en poco.*⁸⁴

With this reference to the quantity theory of money we have completed the main body of doctrine established by the scholastic doctors around the economic questions that were the object of interest for the matter at hand.⁸⁵

OTHER INFLUENCES RECEIVED: LUIS ORTIZ

The School of Salamanca was not the only kind of thought that existed in the early modern period. Besides this group of authors, there were many others outside the realm of scholastics that also tackled economic issues during the 16th and 17th centuries. The aforementioned *arbitristas*, whom we have referenced in the second chapter of this text, fall within this group, and their influence can also be noticed in many monetary writings of the 17th century.

Among these authors—besides the ones we already mentioned in the second chapter of this text—we would like to mention Luis Ortiz and Martín González de Cellorigo, whose writings would also be influential on the ideas of renowned *arbitristas* like Sancho de Moncada.

Luis Ortiz, famous accountant of Philip II and whom Larraz considers to be one of the first mercantilist economists, could be considered to be halfway between the scholastics and the *arbitristas*. Schumpeter (1954) considers the work of Ortiz to be “a well-reasoned program for industrial development”⁸⁶ that he included within a category he called “quasi-systems”. He credited Ortiz with being a representative example of an author that employed political arithmetic in the 16th century, though he also considered that the accountant was not on the same level as the Italian Antonio Serra.⁸⁷ According to Lluch (2020), his ideas start off from a highly

⁸⁴ Mercado (1569).

⁸⁵ This body of doctrine would be complete with a study on the nature of interest and of usury, also in the matter of the search of what is fair in the realm of economics.

⁸⁶ TN: Quote transcribed directly from the referenced text, originally in English (in Spanish in the original).

⁸⁷ See Schumpeter (1954), footnotes 24 and 51.

optimistic vision of the economy of Castile. Written in 1558, his main work, *Memorial al Rey para que no salgan dineros de estos reinos de España*,⁸⁸ proposes a complete development program for the advancement of the Castilian economy in which he tackles questions of production—such as the establishment of a domestic market—and anti-inflationary measures such as reducing the transport costs by making rivers navigable. Ortiz understood that the true wealth of the kingdom involved promoting domestic work, and he also noted the imbalance that the arrival of precious metals from America caused—although he was not able to establish a correlation between this and the increase in prices. Let's not forget that he wrote this work in 1558, only two years after Azpilcueta formulated the quantity theory of money that Ortiz was not able to understand.

We can observe a clear influence of Ortiz's work in Sancho de Moncada, an author we included in the prohibitionist group mentioned earlier. Besides the prohibitionist arguments that we have already mentioned, we would also like to highlight his arguments to regenerate the economic activity by favouring work, which coincide with those espoused by Ortiz. And just like Ortiz, Moncada was not able to comprehend the effects of the quantity theory of money either.

⁸⁸ Published in this very collection, with an introductory study written by Ernest Lluch, *in memoriam* edition (Lluch, 2020). According to Schumpeter (1954), we must not forget that the title does not reflect the content of the work at all, and that the work should not be brought "under ban on the score of 'mercantilism.'" [TN: Quote transcribed directly from the referenced text, originally in English (in Spanish in the original).]

5. MONETARY WRITINGS FROM THE TIMES OF THE REFORM

As we have seen previously, throughout the 17th century there was an abundance of texts about economic topics that tackled monetary questions which, echoing the problems facing the economy and proposing various solutions to remedy the situation, were addressed either to the King directly or to some members of the government. As Vilar (1973) explains, knowing the monetary developments of the time that we have described in the third chapter allows us to comprehend the wealth of documents of this nature from the second half of the 17th century that are kept in the Spanish archives.

Despite the considerable quantity of documents of this nature, we need to mention that this question was not the only one; there are documents from that time tackling economic issues centred around other topics—as well as documents tackling other points of view, of course. As we have described, the phenomenon of *arbitrismo* exceeds the economic sphere, and the subjects of the memorials are varied and extensive.⁸⁹

In regard to the monetary papers, we have to point out that the arguments are not exclusively about the monetary. The authors understood the complexity of the economic situation, and therefore their economic arguments about monetary questions were often accompanied of political ideas or descriptions of history; this makes their writings very interesting and useful to comprehend not just the scale of the monetary problem, but the economic environment of the early modern era.

As we have mentioned when we talked about the phenomenon of *arbitrismo* in general, we must stress that the purpose of these writings is

⁸⁹ Among the economic papers that tackle other topics besides the monetary one, we think the fiscal writings by Juan de Arizmendi, Manuel Mayers, Antonio Contreras, Francisco Centani, Gaví y Cataneo and the Marquis of Varinas are worth mentioning. All of these authors criticise the high taxes and propose different solutions to alleviate the tax burden. After 1686, the works of Álvarez Osorio y Redín are worth mentioning: his writings from this time period tackle economic questions without any mention whatsoever of the imbalance of monetary values.

not theoretical in any case. All of these texts had a mainly practical goal, and they often were accompanied by specific proposals to remedy the ills that they analysed.

During the reign of Charles II, the situation repeated, and the texts of the *arbitristas* once again played an important role. They maintained the pessimistic tone they had for the rest of the century about the situation of the kingdom. During the first years of the reign of the last king of the House of Austria, all of the monetary proposals advocated for the reform of the monetary system. The main complaints focus either on the precious metal situation or the billon situation. With regards to the gold and metal coins, all the authors deemed it necessary to increase their nominal value in order to make them comparable to the values these metals had abroad and therefore prevent their exit from the country. With regards to the small coins, however, they proposed their values be adjusted again in order to increase their value in circulation and reduce the *premio*.⁹⁰ However, despite the pressure, the Crown baulked at the reform: the political instability and the fiscal pressure forced the Crown to wait until 1680 to carry it out.

FIGURE 2. CASTILIAN MONETARY SYSTEM IN PLACE IN 1680⁹¹

Metal	Denomination	Weight in grams ⁹²	Equivalence en Maravedís
Gold	Escudo	3,38	510
Silver	Piece of eight	27,44	272
Real	3,43	34	
Milled billon coin ⁹³	Carilla of 16 nominal maravedís	4,51	8
	Carilla of 2 nominal maravedís	0,56	1

Source. *Novísima recopilación de las leyes de España*. Font (2008).

⁹⁰ According to the references of Cosme Micón compiled by Serrano Mangas (1996), the rate of this *premio* reached 134.75% in February 1668 and 275% in 1680, in accordance with Hamilton (1947).

⁹¹ The monetary system in place in 1680 had the silver real, with a value of 34 *maravedís* (which remained constant since the *Pragmática de Medina del Campo*), and the gold escudo as reference currencies. Multiples of both currencies were minted, and smaller coins of half a *real* were minted for the silver coins as well. With regards to fractional coins, the legal tender was the silver-rich billon,

Among the great variety of texts that follow along these lines, which echo the situation and advocate for a monetary reform,⁹⁴ we have selected five monetary texts dated between 1668 and 1683. The first of these was addressed to Queen Mother Mariana of Austria,⁹⁵ the second one to John Joseph of Austria, the third one to the Duke of Medinaceli and the other two to Charles II himself. The selected sample is representative of this type of literature, valid to show the content of this type of text and broad enough to appreciate its category. Even though all the selected papers refer to monetary questions and identify the state of the billon coin as one of the main culprits of the decadence facing Castile, the implicit arguments in each of the texts are different, as we will see shortly.

In regard to the authors, we have to admit that we know very little about them beyond what is presented in their texts. Among them there is a licentiate, a captain, an assayer from the Royal Mint and a cleric and lawyer of the Royal Council and the Secret of the Holy Office of the Inquisition in trials of faith. The only thing we can say for sure is that every one of these authors felt it was very urgent to address their monetary opinions to the government, and these feelings of wanting to help are what motivate their writings.

What follows is a chronological order that shows the evolution of the monetary policy adopted.⁹⁶

which contained 20 *granos* of fine silver in the alloy. The silver-rich billon was first minted in 1660, though it was in circulation for half of its face value due to the devaluing ordered in 1664—which also forbade the circulation of the so-called “thick billon coins” and the small coins.

⁹² The theoretical weight in grams of the coins is calculated by the number of coins to be minted per mark (1 mark = 230 grams).

⁹³ A mark of milled silver-alloyed billon coins had a value of 12 *reales*.

⁹⁴ Monetary *arbitrismo* during the reign of Charles II has already been analysed, as can be seen in Sánchez Belén (1992), García Guerra (2003), Sureda Carrión (1946), Garzón Pareja (1980) and Font (2008), among others.

⁹⁵ Mariana of Austria, second wife of Philip IV, was appointed regent from the death of her husband in 1665 until 1677, when Charles II took the throne properly.

⁹⁶ These memorials have been analysed in Font (2008). The analysis we present here is more exhaustive, since it delves deeper in the arguments by attempting to establish the existing connection between the ideas of the arbitristas and their foundations, therefore showing the scope of the influences these writings received from the economic thought developed by the authors of the School of Salamanca.

1. SEBASTIÁN MUÑOZ SUÁREZ, 1668 (UNCLEAR)

The memorial by Sebastián Muñoz Suárez is a printed document; it was written at an unknown date, but it was addressed to the regent Mariana of Austria, which confirms it was dated before 1677.⁹⁷ The Biblioteca Nacional de España currently preserves two copies with the call numbers R/24032(13) and VE 210/13.

It is a short but thought-provoking document, in which the author, in line with the reformist tone of memorials, focused his analysis on studying the factors that he considers responsible for the decadence of Spain with the goal of finding a solution for it. Specifically, he noted the existence of three factors that he pointed to as the causes of the situation: the state of the currency at the time due to “the lack of natural value in copper and alloy coins and the subsequent increase in value of gold and silver coins”; the high prices due to “the excessive cost of shipping”, and the taxes. In his opinion, the first of the three was the main factor, and he focused on that the most in his text. From his analysis we can appreciate the solid theoretical foundation of his ideas, both in the economic and the institutional aspects, which translates into practical, well-structured proposals.

When tackling the study of monetary manipulations, the author shared the spirit of the scholastic arguments developed by Juan de Mariana around the principle of ownership and the nature of money. Just like the Jesuit, he considered that both the question of the authority to carry out monetary alterations and the basic principles that have to rule a monetary system were established on the basis of the principle of the adjustment of monetary values, which had to correspond with the metal content of the coins. Muñoz Suárez reviewed the reality of fractional currency and observed that the imbalance in the values of coins not only caused serious problems for the economic activity, but it also facilitated counterfeiting.

He also pointed out the direct relationship between the imbalance of the monetary values and the increase of the *premio* of silver—and the in

⁹⁷ The Biblioteca Nacional catalogue dates it from 1668, whereas Sánchez Belén (1992) dates it from 1669.

crease in prices that came with it. Just like Aristotle—and later Juan de Mariana himself—did before him, Muñoz Suárez considered that currency constituted the foundation of trade. He pointed out the relevance of the matter, since the stability of the economic activity depended on the situation of currency, as transpires from the beginning of his memorial:

*Es la moneda en el cuerpo de la República lo que el aire en el cuerpo humano; que a un mismo tiempo o vivifica o mortifica todas sus partes, pues a un mismo tiempo o conserva en igualdad o altera en desproporciones todo el comercio humano.*⁹⁸

From this principle, Muñoz Suárez deduced (in line with the tenets of monetary theory presented by Mariana) that the monetary values needed to be correctly adjusted, and he demanded the King commit to re-establish them. Clearly in tune with the scholastic arguments, he considered that “instituting coins with intrinsic value is a matter of the law of nations”.⁹⁹

In regard to the question of royal authority and their power to carry out the monetary policy, we have to point out that Muñoz Suárez’s analysis is very accurate. In line with Mariana’s postulates when he applied the bases of ownership to monetary alterations, Muñoz considered that there was no good reason that justified the imbalance of monetary values at that moment, referencing the reasons of war that had motivated the devaluations in the past, and he called for a return to stability that had to extend to the values of gold and silver coins too, in order to put an end to the *saca*:

*(...) después de ajustadas las monedas Vuestra Merced se ha de servir mandar que el real de a ocho corra en doce reales y el doblón en cuarenta y cinco para excusar la saca de plata por este motivo.*¹⁰⁰

Muñoz Suárez also made explicit mention of the general lack of confidence the people had in currency at the time, and he pointed out the res-

⁹⁸ Muñoz Suárez, fol. 1.

⁹⁹ According to scholastic doctrine, the law of nations, unlike natural law, regulates all aspects of civil life that need to be regulated according to rationally determined human statutes; it is therefore a positive law. Francisco de Vitoria corroborated the classification that Thomas Aquinas elaborated in this regard, according to which instituting currency is a matter of the law of nations. For more information on this subject, see Cendejas (2018) and Cruz (2008).

¹⁰⁰ Fol. 1v.

possibility of the King in this matter. This matter had great importance in the institutional sphere; Muñoz noticed the importance that public trust in the institutions has on the smooth functioning of the economic activity, and he dared to question the monetary policy of the time when he observed that the reasons that motivated the imbalance had disappeared, and therefore there was no reason to keep the currency in that state. In regard to this, Muñoz Suárez claimed that the King is a guarantor of public faith, and therefore he had the duty to adjust the values of coins to their natural state. This argument is clearly similar to that of Locke, who immediately after the Glorious Revolution warned the danger that carrying out monetary alterations would entail for the prestige of the institutions: “It will weaken, if not totally destroy the public faith”.¹⁰¹ Therefore, the explicit mention of public confidence and faith, in reference to the need to create institutional guarantees to facilitate order in the economic activity, is quite relevant.

Besides these aspects, which constitute the very core of his text, the author reviews in his work the then-current situation of the billon coin, present the difficulties that the proliferation of counterfeit currency poses for commerce and proposes different possibilities for carrying out the adjustment of the monetary values, detailing the losses that the adjustment would cause to each sector of the population.

Also of note are the mention of the fiscal necessities as the cause that kickstarted the monetary manipulations and the reference to the issue of lack of currency due to hoarding, itself caused by the imbalance in monetary values.

Once the monetary matter had been reviewed, Muñoz Suárez completed his analysis with a reference to two other factors that he also considered to be responsible for the situation: the high prices and the taxes, both of which were issues that the scholastic authors had discussed.

With regards to the prices, Muñoz considered that the high cost of shipping drove up the price of all the goods. He proposed limiting the unnecessary use of mules as a means of transportation as an anti-inflationary measure, in tune with the arguments espoused by Luis Ortiz.¹⁰² Muñoz

¹⁰¹ John Locke, *The Works of John Locke in Nine Volumes*, (London: Rivington, 1824 12th ed.). Vol. 4. 6/5/2020. https://oll.libertyfund.org/titles/763#Locke_0128-04_353 [TN: In English in the original.]

¹⁰² See the introductory study by Lluç (2020) for the Memorial del Contador Luis Ortiz a Felipe II.

echoes the accountant's complaint about the lack of navigable rivers, and that, as a result of this, all transportation "*trajine a lomo*" (lit.: "be carried on the back of a mule").¹⁰³ We could see a hint of scholastic principles as well when Muñoz considers that prices are formulated according to demand, and so, if the demand for mules went down, the resulting prices would be lower, and this decrease in shipping costs would affect the prices in general.

Lastly, Muñoz Suárez also tackled the fiscal question, and in line with the tradition of the *arbitristas*, he advocated for moderating the taxes. In his opinion, "the goal can only be achieved by reducing the current taxes"; therefore, according to Perdices de Blas (1996), we can see that the argument does not criticise the tax itself, but how high the tax burden is.

We can conclude that Muñoz Suárez's text is an excellent evaluation of the monetary situation, as all the relevant topics were reviewed. Ultimately, this text is an excellent starting point for the analysis of the monetary writings from the times of the reform. It is a very well-rounded text, in which the currency situation is presented and the main ills facing the kingdom are tackled systematically and with solid theoretical foundations. The author studied the situation and presented his proposals to solve the problems in tune with the scholastic principles that govern exchange and determine the nature of money and in accordance with the nature of the *arbitrista* literature. His arguments are flawless.

2. ANTONIO SOMOZA Y QUIROGA, 1677

Captain Antonio Somoza y Quiroga holds a significant position among the monetary *arbitristas* of the second half of the 17th century. Somoza was a prolific author, having addressed over 20 memorials to the government between 1677 and 1686 with the goal of helping solve the problems of the kingdom.¹⁰⁴

¹⁰³ Muñoz Suárez, fol. 5.

¹⁰⁴ Of the 22 texts that the author claims to have written, García Guerra counts nine; see García Guerra (2003), note 427. The most famous of these texts is the one entitled *Único desengaño y perfecto remedio de los menoscabos de la Corona de Castilla y de general alivio de todos sus vasallos*, which was reedited in *Semanario Erudito*, book XI, Madrid, 1787, p. 252-256

From among these papers, we have selected a printed memorial entitled *Discurso del Capitán Antonio Somoza y Quiroga, tocante a la estabilidad de medios y dificultades que se consideran en la moneda de esta Corona de Castilla*, written in October 1677. This document is a good sample of the author's body of work because of the review of arguments and the description of the monetary situation it includes. The Biblioteca Nacional de España also preserves a copy, with the call number VE/17/25.

In his writings, Somoza advocated for a monetary reform that adjusted the values of gold and silver coins in proportion to the value of these metals abroad. As described in his *Discurso*, Somoza considered that the main ills facing the currency boiled down to three aspects, namely: the proliferation of counterfeit coin, the high price of silver and the question of the *saca*.

With regards to the analysis of the monetary difficulties facing the kingdom, the arguments espoused by Somoza accords with those of Muñoz Suárez and the rest of the *arbitristas*. All of these writers knew about the imbalance of the monetary values, criticised this practice for being against the nature of money and denounced the problems it caused for the system. They also noted how the precarious situation facing the money in circulation facilitated coin counterfeiting.

Somoza's texts also had practical implications. The solutions that Somoza proposed contemplated the removal of all currency from circulation and the later issuance of new coins with the metal that was gathered—which, while still a coherent solution, should be considered utopian at best: the possibility of leaving the kingdom bereft of fractional currency could not be considered feasible at any point. Somoza's observation of the fiscal use of the monetary policy—as Muñoz Suárez had also done—is also of note, as is his remark that the Royal Treasury would see some relief after the monetary reform.

The main arguments espoused by the captain revolve around the question of the *saca*. In this regard, he strongly reclaims the proposals made by Cardona and Carranza in favour of raising the values of silver, as reflected in his text since the very first paragraph—in which Somoza considered the “high price of silver nowadays” to be the main culprit of the hardships that the Royal Treasury suffered.

From his documents, aside from his proposals, we would like to highlight the accurate description of the causes of the decadence—among which he emphasised the monetary question—and his comprehensive review of the currency situation and the possibilities the Crown had to improve it. The captain's experience with regards to monetary matters shines through; there is no doubt at all that he knew the situation perfectly.

3. AN ANONYMOUS AUTHOR

The third text is an anonymous document entitled *Quejas justas del oro y la plata, único fruto de España* and dated the 21st of March 1680,¹⁰⁵ one month after the issuing of the first ordinance that kickstarted the 1680-1686 reform. This memorial is a handwritten document found within Mss. 6731 of the catalogue of the Biblioteca Nacional de España,¹⁰⁶ a compilation volume of different writings about monetary matters dating from the 16th and 17th centuries.

This document provides a different point of view from those presented by Muñoz Suárez and Somoza: like them, the author considered the monetary matter to be the main protagonist of the ills facing the Crown, but the foundations of their analyses differ.

In this text, the author denounces the negative effects that the massive arrival of precious metals from America entailed for the Crown, considering that the citizens of Spain abandoned their work because of it:

Es el sudor de la frente y a este se debe llamar elemento único en que consisten las desviaciones de los reinos y, donde faltare ese metal, no pueden tener permanencia los de oro y plata; porque sólo el sudor de cada particular es moneda universal del mundo y con tal sello que se le puso y llamó

¹⁰⁵ I analysed this text as well in Font (2008), though I erroneously dated it to the year 1684. Thanks to María Alférez, who has helped me with the edition of this manuscript, I was able to correct this mistake. Analysing this text with the correct date in mind allows for a better appreciation of the quality of the text. The solutions proposed by the author were eventually put into practice, so keeping in mind the fact that this text actually predates the reforms allows for an adequate evaluation of the author.

¹⁰⁶ Specifically, fol. 4-13 of the volume.

*el mismo Dios. Esta moneda preciosa del sudor ha muchos días que corre su extinción en este reino.*¹⁰⁷

In essence, Moncada's criticism of idleness and Ortiz's advocacy for the development of production activity are implicit in this argument. Delving deeper into the monetary aspect, we can also consider that the anonymous author's thesis stems from the effects of the quantity theory of money presented by Martín de Azpilcueta in 1556. In accordance with this theory, the author recognised the loss of competitiveness that the Spanish products suffer: "*Siendo los frutos de este reino de corta estimación, según el valor de los que nos introducen, sacan de él los metales de plata y oro que producen las Indias.*"¹⁰⁸

The nuance introduced in this text is relevant: it is true that the author complains about the *saca* of the precious metals, but unlike Muñoz Suárez and other authors (who complained about the foreigners "stealing"), the anonymous author was able to note that the reason of the exit of precious metals from the kingdom was based on estimation (in line with Azpilcueta's theory), and therefore they¹⁰⁹ considered that adjusting the monetary values was not enough, and the economic activity had to be increased in order to offset the amount of money in circulation—in line with the rudiments of the quantity theory of money. It is at this point that the author introduces the question of the billon coin: they observe that "the counterstamping and continuous devaluations have imbalanced the trade in Spain and bolstered it in the neighbouring countries", therefore making the effects of the inflation worse.

Three other aspects of this text are noteworthy: firstly, the analysis the author made of the monetary policy when they described the abusive fiscal use made of it and noted how these practices had only affected the billon coin and as a result foreign trade was spared this disarray "because all of that trade is made using gold and silver"—which confirms the theory presented by Álvarez Nogal (2020) that the monetary policy was used as a guarantee of foreign credit. Secondly, the direct criticism of the bullionists

¹⁰⁷ Anonymous, fol. 2.

¹⁰⁸ *Ibidem*, fol. 4.

¹⁰⁹ TN: I have chosen to use singular *they* to refer to the author (despite the high likelihood of them being a man) due to their identity being currently unknown.

who equate the wealth of the nations with the ownership of precious metals:

Siguen algunos políticos la opinión de llamar poderosos los reinos que abundan de metales; otros siguen la contraria poniendo por feliz la monarquía que se mantiene sin ellos y los cuerdos exclaman con razón dando por infelices los reinos donde se reducen los caudales a oro y platas por ser estos géneros los que vician los vasallos, enfermedad que arruinó al Imperio Romano.¹¹⁰

And lastly, the author's understanding of why the Crown had resorted to monetary manipulations as a solution to fiscal necessities: "when kingdoms look for solutions to some lack of Treasury wealth".

The text is also full of specific descriptions of the effects of the policy in place at the moment that help us understand the economic situation of the time period. It includes interesting references to the confusion and the litigation that monetary manipulations generated, as well as the effects thereof on the *premio* and the fixed price of wheat.

When it comes to solutions, the text is equally accurate: the author proposed two specific, feasible solutions that eventually would be carried out. Firstly, the author advocated for increasing the values of silver and gold, as would be ordered in the October 1686 ordinance; secondly, they advocated for encouraging the economic activity through the creation of a Universal Trade Company, which would effectively be approved in 1683 when competences were given to the Royal Board of Commerce with the goal of promoting commercial activity in Castile. Essentially, appropriate and realistic solutions.

This memorial is, therefore, an excellent example of accurate judgement of the situation, and its main quality lies in the author's solid knowledge of both the rudiments of economic theory as they were established in the latter half of the 17th century and the complete macroeconomic situation—which implies an intuition of the role that the necessities of foreign credit played in the development of the monetary policy.

¹¹⁰ *Ibidem*, fol. 4.

4. SALVADOR ANTONIO DE TEJADA, 1680

The fourth text, entitled *Político arbitrio sobre la baja de la moneda*, is also a manuscript found in the Mss. 6731 of the catalogue of the Biblioteca Nacional de España. It is dated the 13th of August 1680 in Seville, and signed by Salvador Antonio de Tejada, chief assayer of the Royal Mint of Seville. The document is not a typical memorial, but it is nevertheless a great example of the effects of the monetary policy in effect.

This brief document is especially interesting, not so much because of the analysis of the situation or the arguments employed, but because of the information it provides about the proceedings followed in the cities after each new measure of monetary policy was issued. The comment about individuals who tried to delay the implementation of the measures is notable: “as it is notorious in this city, everybody made the procedures difficult”.¹¹¹

In this text, the author gave an account of the profit collected up until that point thanks to “the separation of the silver from the billon alloy in the milled coin” and considered that the profit generated by the collection of coins in other mints can be estimated from this information. The author referencing the costs of minting coins—in this case the cost of separating the silver from the alloy, which are two *reales* and nineteen *maravedís* per mark—is also relevant.

5. JUAN SÁNCHEZ DE URIBE Y SALAZAR, 1683

Lastly, we refer to the text written by Juan Sánchez de Uribe y Salazar, dated the 28th of March 1683. According to Sánchez Belén (1992), the number of texts written that year went up notably, a fact that was probably motivated by the crisis stemming from the lack of currency caused by the enforcement of the ordinances. The memorial is a lengthy printed document, of which there are several copies at the Biblioteca Nacional de Espa-

¹¹¹ Anonymous, fol. 1.

ña and at the library of the Bank of Spain; it was addressed to the Duke of Medinaceli and entitled *Memorial y discurso politico de la moneda*.

This text is full of references to classic authors like Plato, Tertullian, Polybius, Tacitus and Horace, and also to modern authors like Saavedra Fajardo, Antonio Pérez, Diego de Covarrubias or Carranza. His text, albeit very repetitive, is well organised and easy to read, its reasoning is systematic and its argumentation well structured. After a detailed analysis of the situation, solutions are proposed.

The author begins the text by justifying the royal authority on monetary matters. In tune with the ideas of Juan de Mariana, he claims that the Spanish monarchs are “the exclusive lords of gold and silver in the world and have the authority to determine the fineness and weight of these metals, both in coin form and unwrought”.¹¹²

The style and the argumentation in this text evoke Mariana’s *Tratado*. Uribe treats the monetary matter in accordance with the double perspective employed by the Jesuit, attempting to determine the royal authority to impose the monetary policy and questioning the nature of this very fact. On the topic of the nature of money, he claimed that “the security of commerce and common utility revolves around it”,¹¹³ and part of his text is dedicated to reviewing the precautions to bear in mind to procure the kingdom with good coin. In this regard he also referred to the minting methods, advocating for the use of machines to guarantee the quality of the coins and prevent counterfeiting (something he considered to be detrimental and alarming at the time). On the subject of preventing counterfeiting, he was also opposed to alloyed coins, as he considered that the alloy could make it difficult to identify the quality of the coins.

His forceful advocacy for the adjustment of the monetary values as a guarantee of the system is also of note, as he claimed that “the extrinsic value must correspond the natural value”.¹¹⁴

¹¹² Uribe, fol. 3.

¹¹³ Uribe, fol. 13v.

¹¹⁴ Uribe, fol. 18.

Uribe agreed with Carranza's arguments in favour of increasing the value of silver; he also made reference to the trade situation and reused the old argument of blaming the scarcity of silver in circulation on the luxuries of the subjects. His continuous and accurate references to the legislation are also of note.

In the chapter of solutions, we have to consider that Uribe was aware of the difficulties the kingdom was going through. Even though he proposed the minting of new small silver coin that had its fineness and weight adjusted to those of the coins from abroad, he was aware of the limitations and difficulty involved in carrying out his proposals of minting unalloyed coin due to the scarcity of metals at the time.

In essence, Uribe was a systematic author with well-structured ideas who advocated for adjusting the monetary values in order to end the instability of the economic situation and promote the natural order of commerce and—in the style of Juan de Mariana—built his arguments on the foundation of a solid knowledge of monetary matters rooted in the nature of money. He also understood that monetary stability would bring greater security to the kingdom, as it would curtail the legal uncertainties stemming from monetary conflicts.

Uribe's memorial has one additional merit rooted in a more modern conception of the state. His work shows a broader comprehension of the monetary problem, which he believed was a key element of the institutional framework. Uribe did not tackle this problem as a strictly economic matter, but rather, in line with the ideas of Aristotle and Plato, he thought of it as a political issue that affect the general order of the kingdom; this is why he considered monetary stability to be a key element in achieving the development of a nation.

There is one other thing of note in Uribe's text: the lack of any direct references to Juan de Mariana. Uribe cites a significant number of authors, which leads us to assume that he must have known of Mariana's texts—as his ideas are, in fact, implicit in Uribe's text. We suppose, however, that the fact that Mariana's work had been banned after the Duke of Lerma had ordered his incarceration may have prevented people from reading it during the 17th century.

6. CLOSING REMARKS

This literary journey has allowed us to experience the extensive variety and richness of monetary *arbitrismo* during the reign of Charles II firsthand. In this regard, it is of note that, on the basis of advocating for a monetary system adjusted according to the intrinsic values of metals, the different texts have allowed us to experience the richness and variety of the arguments, largely built upon the foundations of scholastic reasoning.

Thus, Muñoz Suárez analysed the situation of fractional currency in accordance with scholastic postulates about the nature of money and the principle of ownership that question the legality of monetary manipulations. An anonymous author writing in 1680 explained the crisis in Castile in accordance with the decadence suffered by the economic activity as a result of the loss of competitiveness experienced by the Spanish production—itsself caused by the effects of the quantity theory of money, which in turn were caused by the mass arrival of precious metals from America. In his text, Captain Somoza y Quiroga (1677) presented a proposal advocating for the adjustment of the value of silver harking back to the arguments found in the *Proposición Cardona-Carranza*, based on adjusting the monetary values of the coins in accordance with the nature of money. In his lengthy 1683 text, Juan Sánchez de Uribe y Salazar described and delved deep into the situation of currency, framing it within the institutional context as a key element for the stability and progress of the economic activity in accordance with the exact correspondence between the extrinsic and natural values of the pieces. And lastly, the text written by Salvador Antonio de Tejada in 1680 showed the profits that the Royal Treasury made from the withdrawal of billon coins ordered in February of that year and described the popular hesitance when the measure came into force.

The writings we analysed allow us to confirm the outreach that the scholastic ideas had and their influence in the informed opinion of the time period, and to appreciate that the scholastic principles can be found in the foundations of every monetary reasoning in these texts; these principles, in accordance with Aristotelian criteria, form the theoretical core of the economic ideas developed by the authors of the School of Salamanca.

7. THIS EDITION

The memorials contained hereafter have been ordered chronologically. Three of them were printed, the remaining two being manuscripts. A scanned copy of each manuscript is included at the end of this volume.

The orthography and punctuation have been modernised in the transcriptions in order to facilitate their reading, respecting the style and syntax of the time period wherever possible and only correcting the grammar when it was strictly necessary to facilitate the reading experience. Unnecessary capitalisation has been replaced with lower-case letters.

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