Ec 365-17

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**ASSIGNMENT 3**

The assignment is to read parts of a contract between Philip II and the Maluenda brothers who were merchant-bankers, on July 13, 1595, and to transcribe some terms of the contract in a table.

1. Browse the english translation of the contract that is provided here. (The copy of the original is [here](http://people.bu.edu/chamley/history/castilla/Maluenda-contract.pdf). The transcription, which you can read if you read spanish, is [here](http://people.bu.edu/chamley/history/castilla/contract-castellano.pdf)). We will use here pages 1, and 3-8 of the contract.

2. Set a spreadsheet. Each row is a month from July 95 to October 96. Put the months in the first column. The next column, column 2, should report the disbursements by the Maluenda brothers to the King, for each month. Using Page 1 of the contract, fill this column. (Some months may have no disbursement). Provide some explanations. Put all the numbers in the table in ducats!

Ignore page 2.

3. Column 3 will report the payments of the principal by the king. Column 4 will report the payments of the interest. Using pages 3-8 of the contract, fill column 3. Provide some explanations. For this exercise, you will assume that the fleet (that brings silver from the New World) arrives in the month of October, both in 1595 and in 1596.

4. Under the assumptions of the previous question, and using the contract, compute the amount of interest that should be paid. Recall that at the time, people did not compute an interest on the interest due. You will assume for this exercise that the interest that is due for each part of the principal is repaid at the same time as that part, for example on the income of the 1595 fleet (in October 1595). Likewise for the fleet of 96.

5. (optional). Describe the option that is added to the contract on page 9 and in the first paragraph of page 10. There is more on that option in pages 10-11, but that will be discussed in class.

**Minor comments:**

"By my command": "my" is the king, Philip II.

The units of accounts were both ducats and maravedis. 1 ducat = 375 maravedis. (This is recalled in the first paragraph of the contract). Why using both units of accounts? For our purpose, it is a slight nuisance. Put all your numbers in ducats.

The text of contract[[1]](#footnote-1)

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| \* p.1  13 payments by the Maluendas in Lisbon from July 95 to June 96. | By my command, it is mutually agreed with Francisco and Pedro de Maluenda [FPM], residents in this Court on 349,500 ducats which at 375 mrs per ducat, amount to 131,062,500 mrs that will be provide for me in the city of Lisbon in my Realm of Portugal, the following.  First, the said FPMwill pay in the city of Lisbon 349,500 ducats to whom I would order in Castilian reales or in other cash currency of the same value, ... in the city of Lisbon in thirteen payments, 26,886 ducats for the first payment in 8 days after the presentation of the bill [see on page 2](*a ocho días letra vista*), and the 12 other payments have to be equal to 26,884.5 ducats, the first at the end of July, the second at the end of August, the third at the end of September, the fourth at the end of October, the fifth at the end of November and the sixth at the end of December, all terms [*plazos*] in this year of 1595, and the seventh at the end of January of the coming year of 596, and the eight at the end of February,...... and the twelfth and the rest at the end of June of 1596, all terms of the said year of 1596. |

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| p.2  Letter provided the day before the signature (Attachment I).  In case the King delays the order to pay. | For the fulfilment of the said 13 payments, FPM have given their letters no later than the 12th of July of this year of 95, and have delivered them to my Council of Finance committing themselves to pay the said 349,500 ducats in the said 13 payments, each of them in the said amount. If at any of the said terms, I would not have given the order to whom or how to pay, I understand that FPM, although the term would have been passed, will not be held responsible for the delays, nor for any related cost for which I am responsible. They will remain under the obligation to make these delayed payments according to my orders and to the said letters. |

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| \* p.3  Transfer of 75,000 ducats for the first three disbursements.  No delay.  No interest. | The said 131,062,500 mrs [349,500 ducats] have to be paid to FPM or to anyone empowered by them in this way:  The 75,000 ducats, which amount to 28,125,000 mrs then in cash (*luego en reales de contado*) from my coffers of the three keys, such that in this there should be no delay whatsoever (*sin que en ello aya dilación ninguna*). These have to serve for the 10,082,250 mrs of the first payment in eight days after the presentation of the bill (*a ocho días letra vista*), and for the 10,081,687.5 mrs of the payment at the end of this July, and for the 7,961,062.5 mrs that have to be paid at the end of August, in the said amount of 10,081,687.5 mrs because the 2,120,625 mrs remaining in the said payment at the end of August have to be paid in the manner that will be declared below, and on these said 28,125,000 mrs there should be applied neither interest nor commission, nor cost nor any other charge whatsoever because for their use, I order them to be paid in anticipation. |

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| \* p.4  Tranche A  (97,500 ducats)  First claim on the 95 fleet  Computation interest (Table 1),  on 5,655 ducats,  on 26,884.5 ducats,  on 26,884.5 ducats,  on 26,884.5 ducats,  on 11,191.5 ducats. | And the other 97,500 ducats that amount to 36,562,500 mrs have to be paid in reales de contado or escudos of gold or in silver bars, to their choice, in the city of Seville with a first claim (*del primer dinero*) on the gold or silver that will come for me from any part of the Indies in fleets, squadrons, ship or vessel after the date of this asiento with in addition, the interest on the said 36,562,500 mrs at the rate of one per cent per month to compensate for the costs of the exchanges (*los daños de los cambios*)that have to be incurred.  The said interest has to be determined and counted from the following days in this manner. On the 2,120,625 mrs from the first of August of this year of 95, for the rest of what is paid at the end of the said month of August, and on 10,081,687.5 mrs from the first of September, and on the other 10,081,687.5 mrs from the first of October and on the other 10,081,687.5 mrs from the first of November and on the 4,196,812.5 mrs in completion of the said 36,562,500 mrs [97,500 ducats] from the first of December, all these terms of this year of 1595, until the day or days in which they will be effectively paid and what the said interests amount to have to be paid together with the principal. |

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| p.5  2% fee.  Royal accountants.  Cédula.  In case the Crown pays earlier, the Maluendas should pay 1% interest.  Example to clarify this point. | In addition, there will be paid 731,250 mrs that are two percent of the said 36,562,500 mrs that I give as a one time favor in addition of the said interests for the costs, brokerage fees and commissions that may be incurred without a request for an account of these.  The determination of the said interest will be done, I order, by my officials in the *Casa de Contratación* of the Indies in the said city of Seville.  Towards this, FPM will be given an order (*cédula*) from me that they should be paid, without excuse nor delay whatsoever, the said 36,562,500 mrs [97,500 ducats] of the principal and the interests of these and the 731,250 mrs in this paragraph.  However, it is understood that in the case where the 36,562,500 mrs of the principal are paid before the terms by which they have to be paid according to this asiento, they have to be discounted for the anticipation at the rate of one percent per month from the day or days in which they are paid until the day or days in which they have to be paid in Lisbon to take into account the interest of the month in which they have be made in anticipation and in addition the two percent for the costs, brokerage and commissions such that these have always to be received.  For example, if they [FPM] are paid at the beginning of August and they pay at the end of September they have to reduce one percent from what they ought to have at the beginning of September which is when they would have to pay for this month what they have received in anticipation. And, respectively, if for the other months they receive an anticipated payment, the accounts have to done in the same manner. |

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| \* p.6  Tranche B  (177,000 ducats).  Same terms as Tranche A with a first claim on 96 fleet.  Computation of interest (repeats the terms in Tranch A). | And the 177,000 that amount to 66,365,000 mrs have to be paid in reales or escudos of gold or in silver bars, to their choice, in the city of Seville as a first claim (*del primer dinero*) on the gold or silver that will come for me from any part of the Indies in fleets, squadrons, ship or vessel in the coming year of 1596 and thenceforward (*y de allí adelante*)[[2]](#footnote-2) in addition with the interest on the said 66,365,000 mrs at the rate of one per cent per month to compensate for the costs of the exchanges that have to be incurred.  The said interest has to be determined and computed from the following days in this manner. On the 5,884,865 mrs from the first of December of this year of 95, which is the rest that is paid at the end of the said month of December and on 10,081,687.5 mrs from the first of January of the coming year of 1596, and on other 10,081,687.5 from the first of February of the said year of 96 and on other 10,081,687.5 mrs from the first of March |

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| p.7  Continuation of the previous.  2% fee. | of the said year of 96, and on other 10,081,687.5, from the first of April of the said year of 96, and on other 10,081,687.5, from the first of May of the said year of 96, and the other 10,081,687.5 that remain in completion of the said 66,365,000 mrs, from the first of June of the said year of 1596 until the day or days in which they will be effectively paid, and the amounts of the said interests have to be acquitted and paid together with the principal.  In addition there will be paid 1,327,500 mrs that are two percent of the said 66,365,000 mrs that I give as a one time favor in addition of the said interests for the costs, brokerage fees and commissions that may be incurred without a request for an account of these. |

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| p.8  Repeat of page 5 for Tranche B.  License to export, into Portugal, 349,500 ducats. | The determination of the said interest will be done, I order, by my officials in the *Casa de Contratación* of the Indies in the said city of Seville. Towards this, FPM will be given an order (cédula) from me that they should be paid, without excuse nor delay whatsoever, the said 66,365,000 mrs [177,000 ducats] of the principal and the interests of these and the 1,327,500 mrs in this paragraph.    Item. It is given to FPM or to anyone empowered by them an export license to allow them to export from my Realms to that of Portugal, through any port or ports of their choice, the said 131,062,500 mrs in one time or more than one time in the manner of their choice and in any money of reales or escudos or in silver bars without any fee. |

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| \* p.9  Option for juros for 177,000 ducats (Tranche B).  Menu of juros in the option. | Item. It is given to FPM from now on the option (*facultad*) to sell on the account (*tomar y vender a quanta*) of the said 66,365,000 mrs [177,000 ducats] and the interests thereof which have to be paid on the fleet of 96, an equal amount of annuities on one life (*juros de por una vida*) at 7,000 per thousand, and on two lives at 8,000 per thousand and at 14,000 per thousand at its full price and at 20,000 per thousand counted at the rate of 16,000 per thousand and alcabalas [description of the alcabalas option, which eventually was not used] and to place the said juros on any revenues and alcabalas of their choice in my Realms, on their own head or on the heads of the persons whom they will name or any empowered person by them or by the named persons for example, foreigners, ecclesiastics and lay people, to benefit from the said juros and alcabalas from January 1 of the coming year of 1597. Of the maravedis that they [FPM] intend to sell in the said juros and alcabalas, I command that they write the sales acts in the usual form in |

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| \* p.10  Option for juros (continued)  Limit date of June 96 for the sale of juros.  Obligation to report the sales of juros. | order for the accountants of my *Contaduría Mayor de Hacienda* to allocate the privileges in accordance with the sales acts, with the provision that for the *juros de por vida* they should have the time to name the lives from now on until the end of the month of June in the coming year of 1596.  Given the uncertainty on the said lives and the possibility of the death of the persons on whose head the said benefits are placed, they will not be incurred until the first day of January of 97, the date from which the said income is enjoyed. In the case where some benefits have been attributed have died, others will have to be named in replacement.  From now on until the said day at the end of June of 96, there must be time to liquidate (*consumir*) what is redeemed in the said juros in order to be omitted from the cédula that will be given for the said 66,375,000 mrs and their interests.  In order to know the juros that are being sold, FPM are obliged to give to the Accounting Office of the juros (*Contaduría de laRazón*), a declaration, signed by them and under oath, after each period of |

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| p.11  Deduction of the juros from Tranche B.  Discount at 16,000 of the juros at 20,000. | three months, of the juros that they have sold. In this way, the amounts will be deduced from the cédula that will be given to them for the said 66,375,000 mrs and the amounts they will receive, with the interest, will be reduced accordingly. The said juros have to be attributed under the same conditions as for other asientos with other men of business.  I hereby provide the grace and grant to the said FPM and to the persons on whose heads are written the acts of sales of the juros at 20,000 per thousand of the 4000 mrs per thousand, which means that the said price of 16,000 that they have to pay for each thousand of income of the juros at 20,000 at the said price of twenty, that has to be put on the acts of sales, payments and other documents. I will command to Pedro Mexia de Tovar who is on the service of my General Treasury, or to that any other person that will serve in the future in the said office or who will be in charge of the sales of the said benefits of the acts of sale to carry the said privileges of the acts of sale... |

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| p.12 Details on the application of the discount at 16,000 of the juros at 20,000 |  |

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| \* p.13  Exemption from any law regarding the interest rate.  Guarantee against currency changes. | I hereby give grace and exemption to FPM on all the interests and gratificationson what is contained in this asiento so that they legally can charge because of loans, costs and interests that they will have to incur in financial operations (*traer a cambio*) on the said 349,500 ducats and for the immobilization of their funds until the settlements that are given through this asiento, in order to make it more legally clear, I declare as non applicable any law or pragmatic of these Realms that would be against this contract and what is related to this asiento.  Item. Any change of a variation of the monies in these Realms within the time span of the fulfilment of what is contained in this asiento, would have to be without prejudice to FPM ... |

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| p.14 Formal conclusion |  |

1. The left column provides short summaries and slightly adapted page marks. In the text, paragraphs have been to facilitate the reading. An asterisk is attached to the most important pages. Words in parentheses and italics are added to the English translation for accuracy. Words in brackets are added comments. The notes on the left margin of the original contract have not been translated. The transcription of the contract, copies of the contract and of the attachments are available at "http://www.chamley.net/castile". [↑](#footnote-ref-1)
2. The expression refers to any fleet that may come after 1596 or later, in the case of no fleet in 1596. [↑](#footnote-ref-2)