

Obstruction in the Cortes (1572-1575)

At the onset of 1572, a new optimism animated the court in Madrid. Spain had secured its position with important victories on all fronts, the military against the Turks at Lepanto, and the diplomatic against the Holy See over the crusade bull. Peace and order had been restored in the Netherlands and the kingdom of Granada. Anna of Austria (age 23), fourth wife Philip II (age 45), had just given birth to a male heir to the throne.¹ (Both had not more than eight years to live).

The geostrategic situation remained fragile, however. Military activities in Flanders and the Mediterranean would require new financial resources. It is true that the extraordinary revenues (see their definition in Chapter **) had increased significantly: the normalization of relations with the Church after 5 years of tensions (Chapter **) allowed the Crown to add

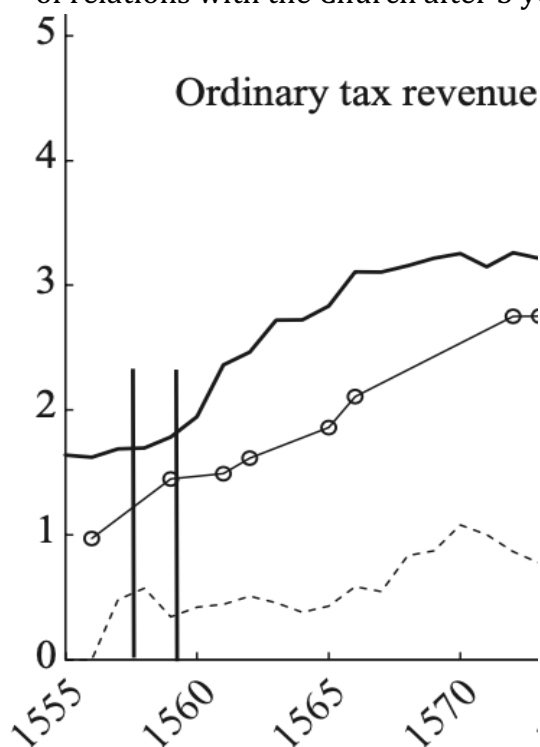


Figure 1

the revenues of the Excusado and the Crusade, from 0.3 M ducats in 1568 to 1.2 in 1575; the income from sales of the royal patrimony (lands and trades) tripled, and the American treasury in some years was spectacular. However, the unpredictability of these revenues prevented the Crown from planning expenditures. Most of all, these revenues could not serve for payments on the juros.

The issuance of new long-term juros to absorb large spending shocks was the cornerstone of the entire fiscal system, and these could only be serviced by ordinary revenues (Chapter ***). Since 1561, the growing financial needs had been covered by more than doubling other ordinary taxes (defined in Chapter **), such as customs and monopolies, but this expansion seems to have reached its limit.

¹ She was the daughter of Maximilian. On her way to Spain, she had been accompanied by two English admirals sent by Elisabeth I for protection.

The best ordinary revenues came from the *encabezamiento* that had to be approved in the Cortes. They had not kept pace with the growth of the economy since the Cortes of 1538, with Philip's father, despite the increase of 37% in 1561. All in all, the surplus of the ordinary revenues over the service of the *juros* was entering a dangerously narrow zone. The overall situation is illustrated in Figure 1.

In some regions, the payments on the *juros* had already reached the ceiling set by ordinary revenues. No more *juros* could be issued in Burgos and in Murcia, as shown in Figure 2. The fiscal situation that is illustrated by these simple diagrams dominated all the fiscal policy measures and negotiations between the Crown and the Cortes in the first half of the 1570s.

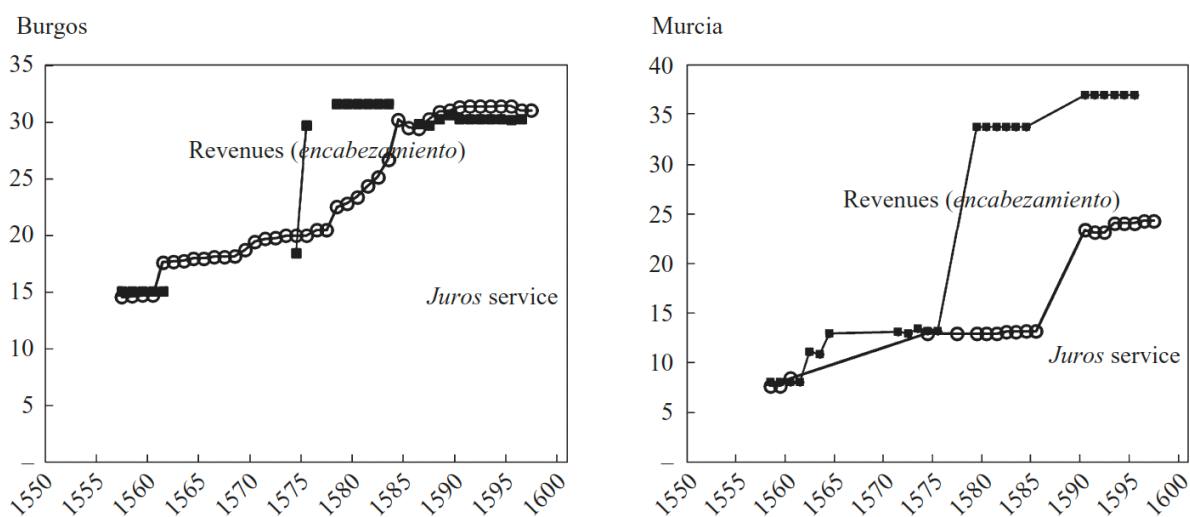


Figure 2

These events have been the subject of a number of studies, some of which are very detailed and insightful.² We use them as shown in the references. But the many meetings and reports, which have left a wealth of documentation in the archives, can leave an impression of confusion and disarray. All the arguments, motives and calculations that were made at the time by the negotiating parties were tactical. The strategic issue is the one summarized in the previous figures. This knot had to be untied. We think that this “grand view” was, from the early seventies, that of Philip II, who probably had a better perspective than his advisors. True to his character, he kept his cards close to his chest, he manipulated the different factions, he used the personal rivalries between advisors who negotiated in his name. He never got directly involved in the negotiations but pulled the strings. Above all, he took into account political considerations over which his advisors had less control. He kept silent,

² In this chapter, we gladly acknowledge our debt to José Ignacio Fortea Pérez (1990), and to Carlos Javier de Carlos Morales (2008).

never explaining himself, and let them argue for different proposals. At the critical moments, he made the strategic decisions.

1573 In April 1573, the king called the Cortes to increase the encabezamiento and the servicios. The cities and their representatives knew that since the meeting with Carlos V in 1538, these taxes had not kept pace with the population, which had grown by 30%, and with the economy that had done very well.³ The encabezamiento was set in nominal terms, a fixed amount of ducats, but due to the inflow of silver from the Americas, the value of the ducat in goods had decreased by a third since 1538.⁴ Moreover, the amount of tax set by the encabezamiento was far below the potential income of the alcabalas, whose maximum legal rate of 10%. A much lower effective rate was sufficient to collect the amount agreed to in the Cortes. Some have estimated this effective rate at 2-3%.⁵ These facts were common knowledge on both sides of the negotiating table in the years to come.

On April 28, the procuradores were convened to listen to the proposals of fiscal reform of the Crown.⁶ The motto was *desempeño*, the repayment of all the public debt. The Crown used this bait to justify the request for higher taxes with the promise of using them to pay off the debt. The debt reduction would be accompanied by lower taxes in the future. More taxes now for a promise of lower taxes in the future. This motto would be a reference point for all the discussions between the Crown and the Cortes between April 1573 and August 1574.

An outside observer cannot take the *desempeño* project seriously. The Crown's only objective was to loosen the stranglehold of ordinary revenues on the service of the juros, but it had to justify the higher taxes. To argue for an increase of military spending in Flanders would not have been approved by the cities of Castile. The gradual repayment of the debt was the only thing that could be offered to them. They were, of course, suspicious. As President Chirac once said, "a politician's promises only engage those who believe them." More real taxation now for a promise of less tax in the future? There was none of the commitment devices dear to economists. The Cortes were not going to reject the Crown's proposals outright, but they were going to debate, to dither.

How can we believe that the Crown would convene the Cortes and go through all these painful negotiations just to reduce the public debt?

³ There are no precise data on GDP, but one index often used is the rate of urbanization, which increased from 9.5 to 13.6 between 1530 and 1561. The population increased by 60% from 1530 to 1590.

⁴ The inflation, was caused essentially by the inflow of precious metals, had an annual average rate of 2 percent over the 16th century. There was no seignorage through coin demonetization.

⁵ Zabala Aguirre, 2000, p. 145. See also the declaration of Philip II's to the Cortes in the fall of 1574.

⁶ FP, 44.

The *desempeño* project raises another issue: the system of the *juros* implemented a large transfer from the working population to the *rentiers*, as we saw in Chapter ***, similar to some pension systems we have today. These *rentiers* would lose their source of stable income. The *juros* would be paid back their value, but where would these *rentiers* find a comparable source of income for their savings?

The proposal of the Crown was not in fact new. Something similar had already been discussed in the Cortes of 1559. Now the debt would be repaid with a combination of tax rate increases and broadening the tax base over a period of 30 years.⁷ Some even talked of only 10 years. But let us just ask ourselves what level of tax increase would be needed to pay back the long-term debt?

The debt was estimated at 36 M ducats. The life annuities, not more than 6M at the time, were self-amortizing under the current tax system. To repay the 30M in 30 years, assuming an interest rate of 5.5% (below the rate of some of the best *juros*, which were at 7.14%), taxes would have to increase by 2M during this period, almost tripling the *alcabalas*, all this under the condition of not increasing military spending in the future. During this phase of negotiations, Philip II rejected 30 years and recommended 40 years. He was more realistic than most, but this more extended period would still require an increase of 1.85M. These figures illustrate the difficulties that in the following centuries until today, any government has encountered in its efforts to reduce the public debt.⁸ The project of the *desempeño* cannot be taken at face value. It was a common theme, almost a code word, for the negotiations.

Events followed a predictable course. In June of 1573, the king created a large commission called Junta de Presidentes, composed of his principal ministers (including the heads of his main governing councils), to study the financial problems and propose solutions. The commission would convey His Majesty's wishes to the Cortes.⁹ It even tried its hand at bribery (Fortea Pérez, p. 49). The *procuradores* insisted that their vote would only be *consultivo*. The *decisivo* vote was to be taken by the cities after the *procuradores*' report. Some of them may have had the illusion of being in a position of power since the Crown

⁷ For the historical descriptions, FORTEA PÉREZ, J. I.: *Monarquía y Cortes en la Corona de Castilla. Las ciudades ante la política fiscal de Felipe II*, Salamanca, 1990., pp. 42–88. FORTEA PÉREZ, J. I.: «¿Impuestos o servicios?: Las Cortes de Castilla y la política fiscal de Felipe II (1573-1578)», en *Las Cortes de Castilla y León bajo los Austrias: una interpretación*. Valladolid, 2008, pp. 161-189.

⁸ England took a century to repay its debt after the Napoleonic wars. Moreover, according to principles of modern public finance, the reduction of the ratio between the public debt and the domestic production may not be a desirable policy.

⁹ CARLOS MORALES, C. J. D.: «Los medios de control contable de las finanzas reales en tiempos de Felipe II: el teniente Francisco Gutiérrez de Cuéllar y la Contaduría Mayor de Cuentas, 1560-1579», en Martínez Millán, J., *Felipe II (1527-1598) : Europa y la monarquía católica*. Madrid, 1998, 2, pp. 165-196., p. 177. BALTAR RODRÍGUEZ, J. F.: *Las Juntas de Gobierno en la Monarquía Hispánica (siglos XVI-XVII)*, 1998., pp. 256-258.

seemed to be asking for a favor, and they pushed various agendas, depending on which issues were popular in their cities. There was no progress.

The procuradores brought into the negotiations the fierce resentment of the cities against the Genoese,¹⁰ who, in addition to charging high interest, were accused of driving precious metals out of the kingdom and making money scarce. The representatives of the cities demanded that the bankers return the juros de resguardo they held and that the interest they charged on their credit contracts be limited. The king would take note. These recriminations would be valuable for his strategy, two years later.

Towards the end of 1573, the Crown tried a second plan to create a new tax on flour. The tax, to appear to be fair, would have no exemption. The new revenues would be devoted to the gradual reduction of the debt. Such a promise seems to indicate poor negotiating tactics on the Crown's team. There could not be more assurance than in the previous plan to redeem the debt. The Cortes had no control over expenditures. The flour tax would have meant a considerable expansion of the tax base,¹¹ and once a tax is introduced on a new product, it is relatively easy to increase the rate. The urban oligarchies, fearing revolts by the low-income population, strongly opposed the plan. Instead, they insisted on a commitment to permanent tax cuts in the future and a halt to the sales of municipal offices, which were used by the monarchy both to raise revenues and to weaken the power of local elites.¹²

In addition to increasing the revenue from the alcabalas, Philip II aimed at a better distribution of the tax burden among his subjects, extending the tax on more sectors and types of transactions that previously had been exempt. This objective ran against the interests of the powerful, who governed the municipal councils and had more influence in local governments.¹³ As we shall see later, many merchants were willing to accept and pay the new taxes demanded by the king, but city leaders opposed the changes.¹⁴

On December 22, the procuradores received a report on everything discussed during the year. It was time to go home for Christmas and report to the cities. All agreed to meet again

¹⁰ Ibid., p. 62. The city of Salamanca instructed its delegates to reject the redemption plan unless a commitment was made to throw out of the kingdom all foreigners who dealt with asientos.

¹¹ It was estimated that the tax could have yielded between three and four million ducats, the amount that was eventually agreed upon at the end in 1577, at the end of the crisis. FORTEA PÉREZ, J. I.: *Monarquía y Cortes en la Corona de Castilla. Las ciudades ante la política fiscal de Felipe II*, Salamanca, 1990., pp. 418-420.

¹² One also has to wonder whether such a debt reduction was truly welcome by all parties in the population. Juros were the best instruments for retirement, dowries or donations to the numerous monastic orders. Of course, acknowledgements of the benefits from these instruments would probably not be made openly and of course, have left no archival trace.

¹³ Ibid., p. 226.

¹⁴ The roles of the cities' leaders and of the merchants are discussed in the chapter that is devoted to the cities.

in February, but the heated discussions within local governments delayed the resumption of the Cortes from February to June 1574.¹⁵

Meanwhile, in Flanders, Philip II had made a policy shift towards conciliation. The duke of Alba was replaced by Luis de Requesens who arrived in Brussels on November 17, 1573.

1574 In the Crown's negotiating team, the personal stakes were high. Financial discussions and negotiations with the Cortes were a battleground for personal ambitions at court and monetary rewards, when the line between public and private service was blurred. Proposals for financial reforms were weapons for gaining influence and opportunities to ridicule rivals. Cardinal Espinosa, head of the Council of Finance and Grand Inquisitor, had built a squad of ambitious men during his meteoric career of less than ten years, who pushed each other after his fall and death in September 1572. The various councils, of the Indias, the Contadura Mayor, etc.... were positions from which power could be used for other undertakings. Favors or dismissals could depend on a frown by the King.

Juan de Ovando (43), head of the Council of India, worked hard with another Espinosa boy, Mateo Vásquez de Leca (31), the king's secretary, to improve his position in the Council of Finance. In January 1574, he managed to receive the pre-eminence in the Council from the king, responsible for organizing financial reforms and the *desempeño*. As he did not yet have the title of president, he used his superior energy in frenetic activity. Two days after his appointment, he presented a comprehensive report, which he must have had prepared in advance, on the structure of the fiscal administration, the charges that he would take, and a review of councilors and potential candidates to replace them.¹⁶

Studying the *desempeño*, Ovando estimated the funded debt at 48M ducats for the juros al quitar and 1M for the juros on the Casa de Contratacion, higher estimates than the 36M we have seen a short time before. A fraction of these juros must have been juros de resguardo, which may not yet have been sold and circulated. He suggested a moratorium on the payments to the asientos and refinancing them into juros at 2.5% (40,000 al millar). Besides the rate of 2.5%, which was unrealistic for any financier at the time, his proposal was based on lines that must have been in the mind of at least some people. They would be implemented in the following year. And these ideas must also have been, perhaps for some time already, envisaged by the King.

Recall that for the Crown, the essence of the negotiations was to gain more space for new juros, which required an increase of the encabezamiento. The debt in asientos took the form of mortgages on a multitude of revenue sources of revenues and on the silver from the fleet

¹⁵ Ibid., p. 53.

¹⁶ These pages rely on the extraordinarily rich account by Morales (pp. 135-154).

(see Chapter ***). These obligations were expensive, at least 12 percent per year. Refinancing in juros would free all these mortgaged revenue sources and transfer debt service to the cities, which would take over the collection of revenues and the payment of the juros.

At the end of June, Mateo Vasquez communicated to the Junta new secret instructions from the King: the objective of the negotiations was to move from *desempeño* to *sostenimiento*, which meant raising taxes to cover the expenditures.¹⁷ The masquerade was discreetly abandoned.

During the summer, many other issues were discussed, such as the formal transfer of the juros in quotas to the cities, which would then be free to choose how to service them or redeem them, or the redistribution of the tax burden among the cities. Another complication was that the taxation of the clergy required a papal decree. In the meantime, the junta continued to prepare the draft of the payment stop with refinancing in juros. The procuradores, driven by their hatred of the asentistas, pushed in the same direction. The stop should be scheduled according to the fleet's arrival, in September or October, to secure its silver away from commitments to creditors. During the heat of the summer, the Philip II kept silent, weighed his options, and temporized as long as possible, leaving the junta to guess at his intentions.

On August 21, at a meeting of the junta, the payment stop plan was set aside. Philip II had decided that the time was not ripe. Given the events of the following years, we believe he was right, and we will explain why later. The fleet landed on August 12 and 21. It brought about 600,000 ducats of precious metal, which were handed over to Auñón, Juan Fernández de Espinosa, Agustín Spinola, Bernabé Centurion, and other merchant-bankers (Morales, p. 137).

A vignette on Juan Fernández de Espinosa, or another asentista, could be inserted in this or in another chapter. JF de Espinosa was from the important Espinosa family, which included the famous cardinal. A short description would emphasize the ambiguity between the private and the public affairs of some important government officials. As an indication, his short biography by the Real Academia de la Historia includes the following:

“He was a member of an extended family of merchant-bankers with roots in Castile. His father moved to Seville, where in 1562 his son was already in charge of the alcabalas' treasury. Between 1565 and 1575, he became one of the main financiers of Philip II, thanks to his intense client relationships with Cardinal Diego de Espinosa and, later, with the secretary Mateo Vázquez de Leca. Thus, in a dozen asientos during these years, he lent nearly 5,000,000 ducats. At the same time, he was in charge of the management of the almojarifazgo mayor

¹⁷ Morales 136.

(customs) of Seville and Barbary (1567-1572), and of the Crusade (1571-1575), and was treasurer of the mint in Seville (1571-1576). His business activities also included the export of slaves to the Indies, with a license for three hundred slaves in 1571 and two thousand four hundred in 1572. Supported by Juan de Ovando, whom Philip II had appointed to the head of the Treasury Council, in the fall of 1575 Fernández de Espinosa joined this body. On March 5, 1575, he was named general treasurer of Castile, with an income of 400,000 maravedís (1067 ducats), which must have been pocket money compared to the private financial opportunities of the office. His deep knowledge of the mechanisms of credit, and his involvement as a minister of Philip II, gave him a notable influence during the crisis of 1575-77. He also defended his private interests as an *asentista* during the suspension of payments.”

A vignette would have to be explicitly written for the book.

On September 20, with the negotiations still at an impasse, Philip II took the first dramatic step in a sequence of strategic decisions that would last more than three years. He announced that by exercising royal prerogative, ordinary revenues would increase.¹⁸ No specific amount was disclosed. The Cortes were simply invited to accept the decision while left in a state of uncertainty. Some *procuradores*, (e.g., from Seville) claimed not to have the power to deal with the matter until they had more information. In the cities, uncertainty aroused anxiety and furious debates.

On November 7, the King's Secretary informed the President of the Cortes that the *encabezamiento* would be tripled from 1.2 to 3.7 million ducats, effective January 1, 1575.¹⁹ The pretense of debt reduction was abandoned, although the cities continued to insist on it as a point of negotiation. The king justified this increase by the growing need to defend his kingdoms. He felt that some injustice was done to him. As reported in the Acts of the Cortes (9/22/1574), the king complained that

“having had and enjoyed all these years the said *encabezamiento* at such a low and moderate price, compared with how much the contracts and commerce of these kingdoms have increased and grown since then, as has been seen and is seen by experience so that in the same time of the *encabezamiento* the other revenues that have been farmed and did not enter in the *encabezamiento* have risen and grown for his Majesty since they have all been pawned and sold: That it can be said, as it is understood, that the kingdom does not come to pay one-fifth of what is due, and could

¹⁸ ACC, tomo IV, pp. 282-283.

¹⁹ ACC, tomo IV, p. 299 FORTEA PÉREZ, J. I.: *Monarquía y Cortes en la Corona de Castilla. Las ciudades ante la política fiscal de Felipe II*, Salamanca, 1990., p. 71. It was expected that a large part of the increase would come from an extension of the tax *ba*¹⁹se to include bread, wine, fruit, and agricultural products that had so far been exempted de facto, and would now be taxed at about 4 %.

have been collected, and would have been collected justly, according to law, in the said revenues included in the encabezamiento, as the kingdom may very well have understood, and as it should be necessary.”²⁰

The King’s words sum up the issues: since 1538, business has been booming as evidenced by significant increases of the revenues that were farmed out; the alcabalas collect only 2 percent of the base when the legal rate is 10% and all the ordinary revenues are committed to debt service.

As mentioned at the beginning of this chapter, everyone knew that an increase in ordinary revenues was overdue, that the revenue from the alcabalas was far below what the Crown could legally collect, and that the king had the legal right to increase that amount. But the tripling of the alcabalas was unprecedented. Philip II had chosen a frontal fiscal attack against the cities.

The confrontation will last for more than three years. Each of the two parties will act with great determination but will keep their actions within the framework of the implicit constitution of the kingdom. The authority of Philip II depended on keeping his actions within certain rights, either explicit or implicitly defined by the long history sketched at the beginning of this book. The cities did not want to revolt against the Crown, which enjoyed an extraordinary prestige and was the pivot of all the society, of its order, of its way of thinking. During the three years of struggle, the actions of the cities and Philip II will be influenced by the memory of the damage caused by the revolt of the Comuneros, fifty years earlier, which had been at least partially based on fiscal discontent.

The shock of the announcement was double, the enormous increase and the unilateral decision without the cities’ agreement, with immediate effect. Can we guess the plan of Philip II, a king who did not confide in his most trusted advisors? Given his actions of the following years, one sees certain rationality in his decision.

Obtaining a new encabezamiento of 2M in the Cortes might have taken another year of negotiations, at best, given the meanderings of the previous two years. Because of the resistance of the cities, which was expected (see footnote 32), the increase in revenue did

²⁰ “haviendo tenido y gozado todos estos años el dicho encabezamiento en tan bajo y moderado precio, respecto de lo mucho que se han engrosado y aumentado las contrataciones y comercio destos reynos despues acá, como se ha visto y ve por experiencia, por lo que en el mismo tiempo del encabezamiento han subido y crecido para su Majestad las otras rentas que se han arrendado y no entraron el él, como quiera que todas están empeñadas y vendidas: que se puede decir, segun se entiende, que no viene á pagar el reyno de cinco partes una de lo que se deve, y podria haber sacado y habido, y le sacaria y habria justamente, conforme á derecho, de la dichas rentas encabezadas, como el Reyno puede muy bien haberlo entendido, y se les dirá siendo necesario.”

not reach the target, but it did generate a significant increase. This was enough to pledge libranzas for a record volume of new asientos during the first six months of 1575. The plan was to resume negotiations with the Cortes to “legalize” the new tax through a new encabezamiento. But the cities continued in their obstinacy, so the following summer, having contracted a large number of new asientos, the suspension planned for the summer of 1574 could still be implemented. This strategy was not new. Something similar had been played in 1560 (Chapter ***). The stakes were admittedly much higher now. It was a very delicate game, between the cities and the bankers, with each side looking out for its own interests. But this plan was rational, and later events validated the intentions of Philip II. Perhaps he did not foresee that after the suspension and apparent sacrifice of the bankers, as in 1560, the cities would not be appeased and would continue their tenacious resistance.

After the quantification of the tax increase, discussions in the Cortes became bitter. On November 16, 1574, some procuradores requested a reduction, that the new encabezamiento be perpetual and that its amount be dedicated to the service of the juros while leaving its management in the hands of the cities themselves. The fear was that the new taxes would be used to issue more bonds, which is exactly what Philip II did. The cities demanded that “that no part of the said growth, nor income from it, could now, nor at any time, be sold perpetually or temporarily, nor pledged in any way.”²¹ But these protests were made in vain. The cities had no, and never had, any control over the expenditures of the Crown. The next day, the king responded as was to be expected. The amount established would not be reduced in any case, and the validity period would always be temporary. Regarding the fact that none of the growth was to be pawned, the king agreed “unless it could not be excused.”²²

In their efforts to limit the impact of the Crown’s decision, the cities did not present a united front. Some of them indicated in December 1574 that they would accept the tax increase but did not draft their representatives’ powers to cast an affirmative vote. Some of them had special restrictions on the form that new taxes could take and sent instructions that converted, de facto, their vote into a conditional one.²³ Ávila, Jaén and Soria were clearly against the new general encabezamiento. Intense debates took place within the cities themselves between their leaders and the heterogeneous social groups that controlled their governments and local resources. The new tax was the king’s tax. Let him collect it!

²¹ ACC, tomo IV, pp. 302-304

²² ACC, tomo IV, p. 315

²³ FORTEA PÉREZ, J. I.: *Monarquía y Cortes en la Corona de Castilla. Las ciudades ante la política fiscal de Felipe II*, Salamanca, 1990., p. 211.

1975 On February 21, the Cortes capitulated. For example, the delegates from Burgos had received instructions to accept the encabezamiento as set by the Crown in the vote to take place the following day.²⁴ The Cortes made a last-minute plea for a reduction from 2.5 to 2 million, but Philip was no longer willing to condescend. The situation was not different from the previous year, which had revealed that the delegates had limited power to commit the cities. They would have to return for consultation. Philip could expect more procrastination or another rejection. To succeed with the cities, he would need a different context in the future. The minutes of the meeting recorded the king's final no:

“Y que su Magestad hauia respondido, que encargaua al Reyno resolviese en el contrato de los dos millones y medio, conforme á los poderes; que para lo otro, ni aquí hauia poderes, ni orden de tratarlo.”²⁵

The acceptance by Cortes, under duress, led to a situation that was different from the previous agreements in 1536, 1547, 1552, and 1562, when new allocations were bargained between the cities. Now, the Crown just claimed the triple of everything, with no adjustment to particularities. In the implicit constitutional arrangement between Crown and cities, the agreement of February 1575 did not command the same commitment as the previous agreements.²⁶ The difference would appear in the implementation of the tax increase. The cities had formally accepted, under constraint, the increase of the overall amount. They had not committed, city by city, on a specific increase. When it came time to pay, each city would use particular circumstances to deliver less than demanded.

On March 15, a *cedula* set a template for the specific instructions toward collecting the new taxes. All cities and towns in Castile were informed that, until the new distribution of the tax burden was calculated, they should collect an alcabala at the rate of 10%. Senior accountants would set new amounts due based on previous payments in each town. Most of them received notification of these amounts during May and June 1575. Local implementation of the new collections would be left to the cities without the obligation to apply a 10% rate.²⁷ The revenues, net of juros and libranzas payments, were to be sent to the General Treasury in the same way they had done until 1574. The cities were required to send their representatives to Madrid within 30 days of receiving the king's request to sign an encabezamiento committing to deliver their assigned amount. This deadline allowed sufficient time to negotiate and sign the encabezamiento, which would be valid for ten years.

²⁴ ACC, IV, p. 378.

²⁵ ACC, IV, p. 379.

²⁶ FORTEA PÉREZ, J. I.: «Aproximación al estudio de las actitudes sociales ante el Fisco: el fraude fiscal en la Corona de Castilla en el siglo XVI» en *Studia historica. Historia moderna*, 5, (1987), pp. 99-109., p. 101.

²⁷ AGS, CJH, 140. Requerimiento, 10/07/1575.

The Crown was playing a divisive tactic and tried to circumvent the collective decision process in the Cortes.

On April 21, the delegates, having nothing more to do, asked to return home as soon as possible to reduce the costs of their stay in Madrid.²⁸ This request was denied by the King! He did not dissolve the Cortes but kept them in Madrid, at hand, idle. Throughout the spring and summer, many wondered about the king's intentions. They did not know that they were pawns in Phillip's strategy. The Crown's actions in the first months of 1575 were tactical moves. As described in Chapter ***, the stability of the fiscal system in Castile rested on a centralized agreement of the Realm in the Cortes. In England, Edward I had promoted parliament to achieve the same goal: an institution where the King could have his fiscal demands endorsed by the people who would collectively pledge to contribute to the Realm's defense.²⁹ Such assemblies existed in other countries in Europe at the level of the cities, but Castile and England were the only kingdoms where a central parliament, meeting regularly, had been developed. Philip II was firmly committed to such a system, and his overall strategy proved it. In the spring of 1575, his tactic was to put the system on hold. His plan was to return to it in the second part of the year.

Any fiscal system requires some acquiescence to operate. Before the tripling of the encabezamiento, the effective tax rate on the sales tax (alcabalas) had been about 2%, well below the 10 percent maximum. As a result, local governments whose task was to collect the contractual amount of tax had considerable flexibility in determining the tax assessments of certain goods. Some of these may have been exempt because of the interests of some socio-economic classes, poor or rich. The tripling of the revenue requested inevitably called these allocations into question. In the disruption of a tax system that had been stable for more than 30 years, conflicts arose between the different social groups.³⁰

The collection of the new tax met with strong resistance throughout the Realm. News from the fiscal offices since the beginning of 1575 confirmed the fears of the ministers of the King, and the archives abound with examples of difficulties or insubordination. On February 15,

²⁸ ACC, IV, p. 387.

²⁹ See Chapter **, Harriss (1975), Prestwich (1972), (1997).

³⁰ Los detalles los explica de forma clara FORTEA PÉREZ, J. I.: *Monarquía y Cortes en la Corona de Castilla. Las ciudades ante la política fiscal de Felipe II*, Salamanca, 1990., pp. 221-256.

1575, Mateo Vazquez wrote³¹ to Philip II that an agreement to increase the encabezamiento to 2 million would probably be preferable to a collection of 2.5 million through tax farming.³²

In the Marquisate of Villena (120 miles South-East of Madrid), the municipalities ignored the tax. They did not lease tax farming contracts under the pretext that many neighborhoods did not pay the tax and that the Treasury made accounting errors.³³ An order of the King sent Rodrigo Méndez, alderman of Granada, to investigate. The marquisate had paid 28,000 ducats for the encabezamiento that had expired in 1574. For 1575, the tax receiver barely collected 42,000 ducats, far less than three times the previous amount. Many inhabitants of Villena and Almanza had sold their crops in the kingdom of Valencia to avoid paying the alcabalas.³⁴

Jerez de la Frontera (about 20,000 inhabitants) rejected the new encabezamiento of 62677 ducats, arguing that its population had been reduced by a recent plague and by the Moorish revolt in Granada a decade earlier.³⁵ This rejection forced the king to send an administrator to manage the alcabalas, but his work was constantly obstructed. Similar incidents, frauds, and resistance to the king's representatives were widespread throughout Castile.

In Toledo, during the summer, Torregrosa, the administrator who had been sent to implement the increase in alcabalas, reported that the city's traders were prepared to do everything they could to prevent anyone from farming the tax,³⁶ and threatened to stop trading in the city and move their goods to other places.³⁷ In Cadiz, the encabezamiento had been 7,500 ducats until 1574, but the city claimed that it could not afford the new increase and that the tax would lead to mass emigration. On 9 June 1575, the King canceled the previous instructions.³⁸ In Burgos, another of the cities that refused the new

³¹ This is another example, among others, of how fortunate we are that Philip II preferred written over oral communication.

³² "Garnica [the director of the Budget] has expressed a well-founded concern about the difficulties that the administration would face in collecting such a large amount, (...), and there is no doubt that two million sure and secure would be better than 2.5 million in this way." That letter proves that the Crown was well aware that cities could refuse to collect the new tax as they had collected the encabezamiento (CARLOS MORALES, C. J. D.: *Felipe II: el imperio en bancarrota. La Hacienda Real de Castilla y los negocios financieros del rey Prudente*, Madrid, 2008., p. 149, note 55).

³³ AGS, CJH, 157. Memorial Rodrigo Méndez, 27/04/1576.

³⁴ AGS, CJH, 157. Memorial Rodrigo Méndez, 27/04/1576.

³⁵ AGS, CJH, 152. Memorial, 6/09/1575.

³⁶ AGS, CJH, 149. Cartas, 3/07/1575. Appendix, Document 5.

³⁷ AGS, CJH, 149. Carta, 4/08/1575. Appendix, Document 6.

³⁸ AGS, CMC época?, leg. 1334. Distribution, 23/08/1580.

encabezamiento, the royal administrator did not even manage to collect the amount paid before 1575.³⁹

Under the old system, cities could tailor the overall tax requirement to their particular circumstances. Now that they refused to follow the same rule with a tripling of the tax, the Crown was obliged to get involved in these local procedures, which offered the opportunity to obtain more information. There is always a trade-off between decentralization and information in any tax farming system, and the encabezamiento was such a system with the municipal council as tax farmer. When the state delegates the collection, it also gives up collecting information. In 18th century France, some taxes were collected alternatively by *fermage* and by *régie*, in which the state takes over the task of collection and has access to more information.

The Crown jumped at the opportunity for more information. In the summer of 1575, the summons sent from Madrid urged cities to accept the new encabezamiento, recalling that the delegates had all the necessary information to calculate the tax burden. They had to return a full report on the collection details for the previous encabezamiento (FP, p. 69). The Council of Finance also wanted to know the potential value of the harvest, the goods and products under farming contracts, locally traded,⁴⁰ and the profits after paying the previous encabezamiento during the last three years. The delegate of the town or city had to carry documents with all this information, signed by a notary, who guaranteed their reliability and had a legal responsibility in case of deception. If the delegate did not bring all this information, an inspector would be sent from Madrid at the town's cost.

It is no surprise that as soon as the news came that an agent of the King was leaving Madrid with this mission, many of the cities that would be visited rushed to send their representatives to the Court to negotiate an amount as soon as possible before the report of the royal agent sent.⁴¹

Some royal agents did not favor conciliation. While their mission was to gather information and invite the population to set the new encabezamiento, many of them ended up in brutal confrontations with the local authorities.⁴² In Uceda, the royal agent proudly reported that he had acted with rigor and had spread fear in the towns he visited. He had imprisoned the

³⁹ ZABALA AGUIRRE, P.: *Las alcabalas y la Hacienda Real en Castilla. Siglo XVI*, Santander, 2000., p. 89. Las autoridades no ocultaban el fraude. Al contrario, se jactaban de ello. Las múltiples formas de evadir el pago se describen en FORTEA PÉREZ, J. I.: «Aproximación al estudio de las actitudes sociales ante el Fisco: el fraude fiscal en la Corona de Castilla en el siglo XVI» en *Studia historica. Historia moderna*, 5, (1987), pp. 99-109., p. 102.

⁴⁰ AGS, CJH, 140. Requerimiento, 10/07/1575.

⁴¹ AGS, CJH, 152. Carta, 21/12/1575.

⁴² AGS, CJH, 152. Carta, 22/02/1576.

scribes of the city council for disobedience. When they refused to hand over the books of the tax collection in the archives, he had to find the keys himself and order two aldermen and the scribe to retrieve the papers. They refused to do so, claiming that he had no authority to do so. This showed for him that the use of force was the only solution, "many of the places are already asking me for the encabezamiento, after seeing what has been done with them."⁴³ On December 21, 1575, the person who visited the land of Montanchez and Merida complained about the "very poor collection in the administration of this treasury," and that the administrator of the alcabala would not collect more than in the past. He reported that the strongest resistance to paying the new taxes came from "the richest people and those who command the towns."⁴⁴

In this state of unrest, it does not come as a revelation that overall revenue was far less than the amount requested. Before 1574, the encabezamiento had been of 1,216,362 ducats. Philip II had been asking for 3,716,363 ducats since January 1575, but two years later and after much effort, in the summer of 1577, the actual annual income from alcabalas was only 2 million ducats.⁴⁵

⁴³ AGS, CJH, 152. Carta, 22/02/1576.

⁴⁴ AGS, CJH, 152. Carta, 21/12/1575.

⁴⁵ CARLOS MORALES, C. J. D.: *Felipe II: el imperio en bancarrota. La Hacienda Real de Castilla y los negocios financieros del rey Prudente*, Madrid, 2008., p. 199, note 196, with references: IVDJ, envío 22-B, fol. 108-120, 142-144, 85-87, 68-70, 208-213. Letter to Felipe II and Mateo Vazquez (summer of 1577).

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