

Working Paper 01-65
Economic History and Institutions Series 02
November 2001

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ATLANTIC TRADE
AND REGIONAL SPECIALISATION IN NORTHERN SPAIN 1550-1650:
AN INTEGRATED TRADE THEORY-INSTITUTIONAL
ORGANISATION APPROACH*

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Abstract

Based on an in-depth study of the northern Spanish economy in the sixteenth and seventeenth centuries, this paper argues that commercial expansion was a major source of the diverging performance of European regions. It develops an approach that integrates insights from more recent trade theory with those from new institutional economics. New trade theory informs the analysis of changes at a macro-level - defined as traded quantities, the structure of (inter-) regional integration and specialisation, and the larger institutional framework. New institutional economics are the basis for the interpretation of developments at a micro-level defined as the strategies of merchant organisations and individual firms within that larger framework. The paper shows how macro-level changes impacted upon - and interacted with - micro-level structures and processes of adaptation. The integration of quantitative and qualitative analysis demonstrates that the Commercial Revolution transformed the European economy more through structural change than through increased availability of goods.

Key words: trade, institutional economics, Spanish history, Commercial Revolution, regional integration.

* The author gratefully acknowledges financial support from a European Union TMR fellowship and a Cusanuswerk doctoral fellowship and would like to thank the participants of the Economic History Seminar at Universidad Carlos III de Madrid.

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The century after 1550 was a watershed in the economic history of Western Europe. The most powerful realm in economic as well as political terms, Spain, was suffering a turning point. In both areas, the economic as well as the political her leverage in the European system began to decline. The Netherlands and in particular England stood at the start of their ascendancy to the world's leading maritime nations. This change was not simply a change in the absolute or relative fortune of these countries (and even the question about 'absolute and relative' is a thorny issue). It shaped the economic landscape of Western Europe, its economic agglomerations and trade flows for centuries. And with Spain at the centre of a vast ultramarine empire and trading network at the start of our period and England rising to a similar position by the mid-seventeenth century, these changes had global consequences. Historians have looked to the colonial endeavours of European nations as at least one, possibly decisive, explanatory path for relative economic performance in the centuries after 1492. Underlying the vast 'rise and decline of nations' literature is a notion that colonial / commercial expansion mattered.¹ Unfortunately, it is less clear, why it was important, how big its influence was and most interestingly, what the transmission mechanisms between external trade and European economies were.

Furthermore, this period was not only one of changes in the economic leadership list of European countries, but also one of increasing regional divergence in many of them. This is particularly true for Spain, where recent research reveals the emerging distinctions between the economic performances of its regions.² This paper argues that the commercial expansion of the sixteenth and seventeenth centuries and the diverging performance of European regions are directly linked. New and altered trade connections impacted on and interacted with the European economy through a process of

¹ To give just a few examples of this 'rise and fall' historiography, Elliott, J.H., 'The decline of Spain', *Past and Present* XX (1961), Elliott, J.H., 'América y el problema de la decadencia española', *Anuario de Estudios Americanos* 28 (1971), pp. 1-23, García Sanz, A., 'Auge y decadencia en España en los siglos XVI y XVII: Economía y sociedad en Castilla', *Revista de Historia Económica* ano III (1985) 1, pp. 11-27, Hamilton, E.J., 'The decline of Spain', *Economic History Review*, 1st ser. VIII (1937/38), pp. 168-179, Israel, J., 'Critique of Kamen's "The Decline of Spain, A Historical Myth?" and Kamen's rejoinder', *Past and Present* 91 (1981), pp. 170-185, Stradling, R.A., *Europe and the Decline of Spain. A Study of the Spanish System, 1580-1720* (London, u.a., 1981), Andrews, K.R., *Trade, Plunder and Settlement: Maritime Enterprise and the Genesis of the British Empire, 1480-1630* (Cambridge, 1984), Baechler, J. and al., e., *Europe and the Rise of Capitalism* (Oxford, 1988), North, D.C. and Thomas, R.P., *The Rise of the Western World: A New Economic History* (Cambridge, 1973), Parker, G., *The Military Revolution: Military Innovation and the Rise of the West, 1500-1800* (Cambridge, 1988), Tracy, J.D., ed. *The Rise of the Merchant Empires. Long-Distance Trade in the Early Modern World, 1350-1750* (Cambridge, 1990), Zanden, J.L.v., *The Rise and Decline of Holland's Economy. Merchant Capitalism and the Labour Market* (Manchester, 1994), Davis, R., *The Rise of the Atlantic Economies* (London, 1973), Kennedy, P., *The Rise and Fall of the Great Powers. Economic Change and Military Conflict from 1500 to 2000* (London, 1989), de Vries, J. and van der Woude, A., *The First Modern Economy. Success, failure, and perseverance of the Dutch economy, 1500-1815* (Cambridge, 1997).

² See e.g. Ringrose, D.R., *Madrid and the Spanish Economy, 1560-1850*, (Berkeley and Los Angeles, 1983) and more recently the excellent study by García Espuche, A., *Un siglo decisivo. Barcelona y Cataluña 1550-1640*, Historia y

structural change that can account for at least part of the regional divergence observed in the early modern period. The paper distinguishes two important levels of the commercial sector that were affected by the trade expansion. A macro-level describes the actual traded quantities, the structure of (inter-) regional integration and specialisation and the larger institutional framework. A micro-level defines the strategies of merchant organisations and individual firms within that larger framework. We develop an approach that integrates the examination of the macro-level of trade based mainly on more recent trade theory with that of a micro-level of trade that uses insights from new institutional economics. Macro-level changes are shown to have impacted upon and interacted with micro-level structures and processes of adaptation. It is shown that only through such an integrated analysis we can begin to understand the linkages between the 'commercial revolution' and the changes in the European economy.

Having developed the theoretical framework in section I, the paper scrutinises in section II the issues of the economic impact of commercial expansion on Europe's commerce on a regional level. It provides a better understanding of how the integration of Spanish regions into the wider Atlantic commercial world changed the trading patterns of these regions over the period of most intense commercial expansion, i.e. between the mid-sixteenth and mid-seventeenth centuries. As a case study serves the northern Spanish region comprising the Cantabrian coast and its hinterland, from the French border to the province of Asturias towards the West and from the coastline to the Cantabrian Mountains.³ The discussion is split into two sub-periods. During the first, 1550s-1620s the trade of the Cantabrian coast was closely integrated into a Northern Castilian network. This, in turn, came to depend increasingly on the supply of fresh liquidity from the Spanish colonies. In the second phase, 1620s-1650s, the Cantabrian networks changed towards integration into a triangular trade with England and its North American dependencies. For each of these periods the paper addresses in particular four questions. Firstly, how did the insertion into different commercial networks affect the existing trade relations of Cantabria within the European sphere? Secondly, how did changes in the trading patterns impact on the commercial agglomeration within the region and/or on the interregional trading relations between Cantabria and the rest of the Iberian Peninsula? Thirdly, which was the role played by the more important commercial institutions, in particular the merchant guilds and corporations in this process? Finally, how did the merchants individually and as participants in the larger international networks react to changes in their environment brought about by this Atlantic expansion? Section three contains some concluding remarks.

geografía. Ensayo, (Madrid, 1998).

³ The present day provinces of Guipúzcoa, Vizcaya, Cantabria and Asturias are understood as one economic region. While its political organisation was fragmented, its economy depended on a more or less uniform structure based on fishing, shipbuilding, iron production and maritime trade combined with a relatively poor agricultural base.

I

Surprisingly trade theory and the historiography of European expansion in the 16th and 17th centuries have only rarely found common ground in their respective analysis. In fact, they have been seen as largely contradicting each other. On the one hand, historians have rightly been suspicious about an older generation of trade theory models that predicted that trade was always beneficial for every region involved based on assumptions of perfect markets and information. The history of inequality clearly contradicted this strong theoretical assumption. On the other hand, economic historians have been struggling to explain the existence and persistence of commercial institutions that seemed to be sub-optimal. Yet, this seeming contradiction between neo-classical trade theory and historical reality can be easily resolved, if we distinguish analytically the various levels on which trade expansion impacts on the commercial sector and distinguish more carefully the market structures on each level.

1.1 New trade theory and history: the macro-level

On the macro-level the questions dealt with are about the functioning of the commercial sector within the wider economy and about the relative performance of state structures in providing a framework conducive to economic development. It addresses the issues of if, how and why the quantities traded and the directions of trade changed. And how did those changes affect a regional economy like the Cantabrian one as regards the relative prosperity of groups and towns in the area itself? What was the impact on the economic performance of the region on a larger comparative, interregional level?

The main problem in conceptualising the effects of the integration of one region into a more open new trade is that a concept of pure comparative advantage, which predicts improvements for all participants, seems to lack explanatory power. So while economists claimed that free trade is good for everybody, history seemed to teach us otherwise. Yet, when considering present day debates on the effects of an opening up of trade, it is conspicuous that all sorts of potentially negative results from the point of view of one or more countries involved are taken for granted. We are used to assume that differences in technology, wages (labour cost), endowments (factor costs), productivity, market size and demand-supply conditions determine the outcome of increased openness. In short, the formerly all-positive interpretation of increased openness and comparative advantage has been abandoned in favour of a more complex analysis. Yet, what seems to be commonplace when dealing with today's trade, has not been reflected in historical studies of the early colonial trades so far.⁴ What, then, are the insights

⁴ Prados de la Escosura, L., *De imperio a nación. Crecimiento y atraso económico en España (1780-1930)* (Madrid, 1988) has discussed some the general issues mentioned here in the context of Spain's economic performance in the

that can be obtained from modern trade theory for the purpose of developing a framework to understand the repercussions of American trade onto the European regions?

Firstly, and by no means trivial, trade is not a zero-sum-game. There are gains from increased trade. Many scholars of pre-industrial history have tended to look at the period as one where someone's gain is another one's loss. Although this notion is in most cases not explicit, it lies at the very heart of the concept of 'rise and decline'. It has a tendency to ignore the difference between relative and absolute growth. This in turn creates the picture of a largely static world. Looking at the evidence from the period examples of overall growth in some sectors can be seen as assured even from our present day base of scant knowledge. The very expansion into overseas territories and the resources bound in this trade are a vivid indicator of that growth. The increase in all-European shipping capacities between 1550-1650 is another one.⁵ This in turn seems to support those who argue that the newly opened America trades had lasting consequences for the European economy in general and transformed the intra-European trading networks in particular. If one accepts that there were potential gains from this trade and at the same time acknowledges that these were not quite as straightforward as the simple concept of comparative advantage would suggest, the question remains what these gains were in economic terms.

One very important distinction between two different types of gains from trade, which has been discussed more clearly in recent research on international economics, can help to understand this seeming contradiction.⁶ The first type is generally known as **gains from exchange**. The concept describes the (positive) effects of an increased factor endowment and product availability as a consequence of the opening up of new trades or the deepening of established ones. The discoveries and new trades of the 16th and 17th centuries are obviously part of such a process and the consequences are well known. The availability of new products, such as tropical foodstuffs or dyes, provided European consumers with a completely new variety of goods. At the same time the increased production of others reduced prices in the European market, as in the case of sugar. Most prominently, the expansion of economic markets increased the availability of bullion in the European economy. This additional resource served not only to enrich those involved in the industry, states and businesses alike, but also to supply the means of exchange for a growing economy. Finally, the expansion of the market furnished the economy with a new source of inexpensive (forced) labour, which played an important role in the rapid development of the mining and plantation industries.

19th century.

⁵ Hugill, P.J., *World Trade since 1431. Geography, Technology, and Capitalism*, (Baltimore and London, 1993).

⁶ See Markusen, J.R., Melvin, J.R., Kaempfer, W.H. and Maskus, K.E., *International Trade. Theory and Evidence* (New York et al., 1995), chapters 5.3 and 5.4.

Gains from exchange have captured much of the discussion about the expansion of markets beyond Europe most recently in the work of Williamson/O'Rourke and Stein/Stein.⁷ They also are the centre of arguments about unequal exchange developed by historians and economists, most notably the Wallersteinian model. Wallerstein argues that the way in which European countries extracted 'additional' wealth from the non-European territories determined their own economic performance, while leaving the newly discovered areas at the periphery. Many historians have used the additional resources from the overseas world as an explanation for both, the experiences of England as well as Spain. For the former it is argued that it benefited from the increased markets by developing her exports, especially in the cloth sector or more precisely the 'new draperies'.⁸ The story for the latter runs differently. It is argued that Spain concentrated excessively on pure resource extraction. This throttled economic activity in mainland Spain. In addition, the home economy suffered from an inflation that was set off by the extraction economy. Domestic production and commerce were severely hit and lost their international competitiveness. Economic collapse followed suit. The main argument is one of an early case of 'Dutch disease'. The concept of gains from exchange directs attention to the traded quantities or, from the point of view of European producers and consumers, to the rise in factor endowments in the respective European economies. However, when comparing this focus with the historical evidence two serious problems arise.

On the one hand, two opposing developments are explained by reference to the same process. It is far from clear why England should have benefited so decisively from the new developments while Spain was affected negatively. On the other hand, the quantities involved in the new intercontinental trade in general were not very remarkable. One estimate is that as late as 1780 the share of intercontinental trade in Europe's GDP amounted to less than 2% of the total.⁹ The conclusion drawn from this is that changes induced through the increased volume of the American trade must have been limited in scope. Hence it would seem doubtful that this rather unspectacular trade can be held responsible for a major shift in the

⁷ O'Rourke, K.H. and Williamson, J.G., 'The Heckscher-Ohlin Model Between 1400-2000: When it Explained Factor Price Convergence, When It Did Not, and Why', in *Conference commemorating the 100th Birthday of Bertil Ohlin*, (Stockholm, 1999) and Stein, S. J. and B. H. Stein, *Silver, Trade, and War. Spain and America in the Making of Early Modern Europe* (Baltimore and London, 2000).

⁸ See Taylor, H., 'Trade, Neutrality, and the 'English Road', 1630-1648', *Economic History Review*, 2nd ser. 25 (1972) and Brenner, R., 'The Social Basis of Economic Development', *Journal of Economic History* 32 (1972), for a critique of the 'export led growth' interpretation.

⁹ O'Brien, P.K., 'European Industrialization. From the Voyages of Discovery to the Industrial Revolution', in *The European Discovery of the World*, edited by Pohl, H. (1990), pp. 154-177, p.171. See also W. Brulez's studies on Antwerp in the mid-16th century. With Antwerp on the height of its role as the entrepot for Europe a sizeable share of goods, which entered Europe from other continents, would go at some point through Antwerp. Yet, even for Antwerp Brulez arrives at an estimate of a mere 14% for colonial products. This includes East and West Indies, but it also includes those products from the East, which reached Europe via the traditional overland routes. Brulez, W., *Der Kolonialhandel und die Handelsblüte der Niederlande in der Mitte des 16. Jahrhunderts*, Kölner Vorträge zur Sozial- und Wirtschaftsgeschichte (Koeln, 1969).

European trading networks, the changing fortunes of English and Spanish commerce or the economic performance of particular European region such as Cantabria. From this point of view the repercussions of American trade seem to have been overestimated and it is difficult to see a convincing link between the structure of European commerce and the expansion of the overseas markets.

There are, however, also **gains from specialisation** as a result of the opening of new commercial contacts. Specialisation is widely acknowledged to be a potent agent of economic growth in the pre-industrial world. However, it has found little attention in the context of enhanced intercontinental trade. The concept is a simple one. Every country or region, which participates in trade, will use its comparative advantage in a fashion that allows efficiency gains without a change of the original factor endowment. It can increase its output without a rise in input. Specialisation is the centre of this process and it enables the trading partners to enjoy economies of scale and spill overs of knowledge and human capital. The position of human capital as a non-depreciating factor in the process of accumulation, or to use a different word, in growth has been strongly emphasised by the new growth theory.¹⁰ As a consequence not merely the traded quantities matter, but also what could be labelled the qualitative factors.

The important difference that distinguishes gains from exchange from gains from specialisation, or the more quantitative approach from the qualitative, is that the former is a static concept while the latter is dynamic. In a dynamic world a completely new set of possible variables have to be included. The dynamic welfare gains are based on several parallel effects of increased trade, which can cause important structural changes.¹¹ One effect is an increased competition, which arises once trade is opened. A more competitive market helps to reduce monopolistic rents and usually forces those in this market to increase their quality. In many cases, this results in pressure on individuals and groups to improve their organisational structures. It will be argued that the Atlantic trade, into which Cantabria became integrated over this period, had lasting influence on the organisational structure of the commercial sector in the region.

Another type of dynamic gains from specialisation are economies of scale, which were realised in the process of market extension. External scale economies, the diffusion of knowledge and the emergence of regional centres, which concentrated on a particular sector, are important factors in determining the location of European centres of economic activity in general. Interregional specialisation was not confined

¹⁰ See the two most important articles Romer, P.M., 'Increasing Returns and Long-Run Growth', *Journal of Political Economy* 94 (1986), pp. 1002-1037 and Romer, P.M., 'The Origins of Endogenous Growth', *Journal of Economic Perspectives* 8 (1994), pp. 3-22.

¹¹ For some discussions see Puga, D. and Venables, A.J., *The spread of industry: spatial agglomeration in economic performance*, Centre for Economic Performance, Discussion Paper 279 (London, 1996), Nunnenkamp, P., Grundlach, E. and Agarwal, J.P., *Globalisation of Production and Markets* (Kiel, 1994), Krugman, P., 'Increasing returns and economic geography', *Journal of Political Economy* 99 (1990), pp. 483-499, Venables, A.J. and Krugman, P., *Globalisation and the inequality of nations* Centre for Economic Performance, Working Paper 1015 (1994).

to the boundaries of Early Modern states; it was a process, which happened on a European scale and trade flows and centres played an important role in this. The relevance of this factor for a market in which information costs are as high as in sixteenth and seventeenth century can hardly be overestimated. The high degree of specialisation of regions or single ports on only a few products confirms this. However, there were not only external scale economies but also internal, i.e. economies which depended on the size of the individual trading firm, the partnership or the company. The problem with markets in which internal scale economies are present in the form of vertical integration is well known. They can enhance competition because of increased efficiency which forces high cost firms to exit. However, given a certain structure of the market they can also increase the possibility of one firm or organisation establishing itself as a monopolist in the market. Hence, internal economies of scale might work to the benefit of a trading sector as a whole or just that of a single company or organisation; the precise outcome therefore is far from clear. Generally, the main problem with these dynamic forces is that they may or may not work in the same direction. The increase in competitive pressure and the resulting decrease in monopolistic position might well be offset or even overcompensated by the fact that one firm or organisation profits hugely from internal economies of scale. Equally, if the pattern of specialisation is determined by scale economies rather than by comparative advantage it is arbitrary which region's respective sector establishes itself as a prime-mover in the market and reaps initial benefits which make it impossible for another regions economy to move into the same market.

The problem that we have to research therefore is not only whether there were gains from trade (there were) but how they were distributed. Given the potentially contradictory forces unleashed by an opening up of new trade, what kind of distribution of the gains from trade can be expected? Because markets were imperfect, the gains from trade would not have been shared equally between regions, between sectors within regions or, for that matter, groups within society. Instead the outcome depends on a variety of factors, among others the initial factor endowment of those participating in the trade, the organisational structure of the trade and all sorts of market imperfections. In this light the entirely distinct experience of Spain and England following the opening up of the America commerce does not look as puzzling, as it did when starting the analysis from the point of view of pure comparative advantage. The relation between commercial expansion and European regional economies is not a simple matter of quantities and resource extraction. In order to assess the repercussions of the American commerce on the commercial sector of Spanish regions the **qualitative** factors, i.e. changes in the structure of trade, are at least as important, and probably more important, than the **quantitative** expansion of the market. In order to study their lasting impact it is of crucial importance to research the European trade in depth and detail.

1.2 Institutional change and organisational adaptation: the micro-level

While trade theory can help to understand the distributive impact of trade on the macro-level, it is ill equipped to explain issues of institutional change and organisational adaptation on the micro-level. Trade theory supposes exchange to be frictionless and costless, but costs arising in a world of imperfect markets and imperfect information are precisely what requires institutional organisation. Incorporating these institutions and organisations is not to replace the neo-classical theoretical framework, but to make it more 'real' by introducing a discussion of the relationship between social institutions and economic performance. The institutional and organisational set-up determines how secure property rights are and how important transaction costs are.¹² These issues are addressed by focusing on two main themes. Firstly, how did the most important merchant institutions, the guilds, react to the changes in the structure of Cantabria's trade? Secondly, how did the merchants involved adapt their trading networks and practise?

Theoretically, the question here is how individual merchant houses or organisations and companies adapted to changes of the institutional structure on the one hand and market incentives on the other. The most important form of adaptation lies in how an organisation designs its contracts. Contracts represent the internal control, which can be exerted by the organisation while it usually will not be able to influence the sphere of external control, which is represented by the state.¹³ (Although the latter might be changed through collective action this will not be a viable choice in most decision processes.) Generally, in studies of structure and change of institutions on the micro-level it is assumed, that the contract structure reflects the most efficient way to organise business under the given conditions, i.e. it reflects economic rationality or at least bounded rationality.¹⁴

This is especially important when dealing with organisations which from the point of view of a neo-classical model without transaction costs would be judged to be economically inefficient. This is the case of most Early Modern trading companies and merchant guilds because their *raison d'etre* was usually to exclude non-members from certain trades and to build up monopoly power. The problem at the centre of a debate about the efficiency of those trading companies is the relationship between principal and agent. Given the inefficiencies of transport and information merchants had to rely on the accuracy of information provided by their factors, agents or trading partners in a foreign region. An effective surveillance of their

¹² See, e.g. Eggertsson, T., 'A note on the economics of institutions', in *Empirical Studies in Institutional Change*, edited by Alston, L.J., Eggertsson, T. and North, D.C. (Cambridge, 1996), pp. 6-24, North, D.C., *Institutions, Institutional Change and Economic Performance* (Cambridge, 1990), Williamson, O., *The Economic Institutions of Capitalism* (New York, 1985)

¹³ See Alston, Lee J., Thrainn Eggertsson, and Douglass C. North, ed. *Empirical Studies in Institutional Change*. (Cambridge 1996).

¹⁴ See Williamson, *The Economic Institutions of Capitalism*.

services was hardly possible or simply prohibitively expensive. In such a situation cheating on the principal promised high gains to the agent. From this point of view opportunistic behaviour was much more likely than an earnest relationship.

There were two ways of dealing with this problem. The first one is through formal institutions designed to reduce the risk, for example through contractual agreements with the traders, vertical or horizontal integration of businesses and investment into common enforcement by means of companies, merchant guilds etc. A second form of dealing with the threat of opportunistic behaviour are informal institutions, trust built on the membership of certain regional, religious, commercial groups, family or citizenship. The common problem in both cases was obviously the enforcement. It was one of the main purposes of the early modern mercantile bodies like the *Consulados* (Spanish merchant guilds) to limit opportunistic behaviour through formal institutions. However, these bodies could follow either one of two strategies. They could act as a “contractually efficient form for extracting monopoly rents” or as “transactionally efficient form for conducting long-distance trade”¹⁵

A rent-seeking strategy meant that the optimisation target was not efficiency but market power in order to achieve the highest possible gains for those involved in the company. However, it could also be argued that the *Consulados* built up a vertically integrated structure as a means to internalise information costs. The integrated structure allowed mercantile associations to reduce the cost of recurrent transactions, which were subject to all sorts of problems of asymmetric information. The companies might have developed this vertically integrated structure "not because a private market did not exist, but because operating by managerial fiat inside the hierarchical firm was less costly than using the market."¹⁶

The discussion illustrates the problems encountered when looking at the question of institutional adaptation on the micro-level. If an organisation can be considered efficient or not is not merely a consideration of its 'balance sheet', but about **what it tried to maximise** as a result of its internal organisational structure, the incentives provided by the wider institutional framework and the market structure. In the following, we will first look at the macro-level and then try to assess the way in which the insertion of the Cantabrian region into the Atlantic commerce impacted on the micro-level by looking at the main players involved, i.e. the merchants and their corporations.

¹⁵ Jones, S.R.H. and Ville, S.P., 'Efficient Transactors or Rent-Seeking Monoplist? The Rationale for Early Chartered Trading Companies', *Journal of Economic History* 56 (1996) 4, pp. 898-916, p.899.

¹⁶ Carlos, A/Nicholas, Stephen. 'Giants of an Earlier Capitalism: The Early Chartered Companies as an Analogue of the Modern Multinational.' *Business History Review*, 26 (3 1988), p.400.

II

II.1 Some Results: the macro level

1550s-1620s:

The structure of the Northern Spanish commercial sector in the second half of the 16th century is relatively well known and it is possible to summarise its main characteristics.¹⁷ Foreign trade was based largely on the exchange of a few staple goods. Northern Spain exported wool and iron via the Cantabrian ports in exchange for Northern European cloths and, to a lesser degree, foodstuffs (mainly grain). The business cycle of the valuable 'wool for cloth exchange' largely determined the fortunes of the trade as a whole.

The returns from a new wool tax introduced in the 1560s give an idea of the volume and distribution of this trade. Table 1 contains the returns paid in the more important ports of Santander, Bilbao, Deva, Laredo and San Sebastián.¹⁸ The overwhelming part of this wool was shipped to Flanders and only in the 1570s did French ports become the destination of a larger percentage of total wool exports. Albeit, by this time the total exports were falling rapidly.¹⁹

¹⁷ A few particularly important works can be mentioned here: Abed al-Hussein, F.H., 'Trade and business community in Old Castile. Medina del Campo, 1500-1575', unpubl. PhD (1982), Priotti, J.-P., 'Bilbao et le commerce europeen au XVIe siecle', unpubl. PhD (Toulouse 1997), Fernández de Pinedo, E., *Crecimiento económico y transformaciones sociales en el País Vasco (1100-1850)* (Madrid, 1974), Bilbao Bilbao, L.M., 'Crisis y reconstrucción de la economía vascongada en el siglo XVII', *Saioak* 1 (1977), pp. 157-180, Lapeyre, H., *El comercio exterior de Castilla a través de las aduanas de Felipe II* (Valladolid, 1981), Ulloa, M., *La Hacienda Real de Castilla en el reinado de Felipe II* (Rome, 1963), Casado Alonso, H., 'El comercio internacional burgales en el siglo XVI', in *Historia de Burgos*. (Burgos, 1992), pp. , Casado Soto, J.L., *Cantabria en los siglos XVI y XVII* (Santander, 1986), Azpiazu Elorza, J.A., *Sociedad y vida social vasca en el siglo XVI. Mercaderes guipuzcoanos* (Oiartzun, 1990), García Sanz, A., *Desarrollo y crisis del Antigua Regimen en Castilla la Vieja. Economía y sociedad en tierras de Segovia de 1500-1814* (Madrid, 1986), Fernández Albadalejo, P., *La crisis del Antiguo Régimen en Guipúzcoa 1766-1833. Cambio económico e historia* (Madrid, 1975), Yun Casalilla, B., *Sobre la transición la capitalismo en Castilla. Economía y sociedad en Tierra de Campos (1500-1830)* (Valladolid, 1987), Basas Fernández, M., *El consulado de Burgos en el siglo XVI* (Burgos, facsimil 1994 ed. 1963).

¹⁸ It should be noted that the data for San Sebastián is not strictly comparable since wool from Navarra (which usually left the peninsula through San Sebastián) for some time enjoyed preferential rates and the tax rates also varied by destination of the cargo. Lapeyre, H., 'Algunos datos sobre el movimiento del puerto de San Sebastián en tiempos de Felipe II', *Boletín de Estudios Históricos sobre San Sebastián* 5 (1971), pp. 181-191, p.186.

¹⁹ Casado Alonso, H., 'El comercio internacional burgales en los siglos XV y XVI', in *V Centenario del Consulado de Burgos*, (Burgos, 1995), p.194-195.

Table 1
Tax returns from wool exports through several northern ports 1560-1626 (*maravedís*)

year	Santander	Bilbao	Laredo	Deva	San Sebastián
1560					
1561	3,439,155	1,827,437			1,200,000
1562	6,467,889	2,001,874			897,375
1563	4,722,186	1,435,312		723,927	1,203,107
1564	5,026,688	2,306,811			940,389
1565	7,281,841	2,138,964		1,338,750	1,069,999
1566	6,618,863	2,258,047		163,125	613,683
1567	12,302,561	2,410,665		1,778,613	1,165,865
1568	9,887,825	2,319,255			2,231,187
1569	1,278,934	881,999			493,856
1570	17,790,490	5,084,857		3,208,312	1,101,183
1571	4,229,351	4,091,352	1,694,341	2,749,266	45,857
1572	2,621,025	4,160,009	608,786	1,238,387	161,987
1573	2,170,598	4,863,711	375,206	2,848,008	612,049
1574	1,220,783	984,371	804,894	1,362,018	318,509
1575	748,654	4,381,298	465,034	2,795,176	345,966
1576	4,398,689	3,157,686	105,805	3,503,793	1,072,073
1577	4,666,735	2,752,994	56,839	2,495,803	1,270,494
1578	5,451,830	2,384,388	0	4,789,527	1,554,733
1579	6,283,661	1,227,594	5,393	8,295,401	1,565,390
1580	7,024,608	1,373,241	12,678	4,649,174	1,853,838
1581	6,229,764	2,301,234	484,017	4,912,491	2,113,133
1582	4,774,764	1,960,673		3,870,094	757,210
1586		2,416,004			
1587					
1588		566,770			
1589					
1590	101,612	99,217		835,840	515,135
1591	-	502,597	123,114	295,190	696,562
1592	-	821,842	326,451	180,030	494,925
1593	41,221	2,380,740	475,575	478,111	1,192,608
1594	44,900	3,377,932	465,039	910,093	1,513,694
1595					
1611		406,830			
1612					
1613					
1614	-	2,446,034	937,242	409,566	4,317,582
1615	-	1,871,088	1,265,802	2,292,810	3,940,024
1616	-	2,069,055	1,373,218	1,655,478	6,050,176
1617	1,918,000	1,318,000	0	433,860	5,822,358
1618	1,503,000	1,559,000		693,000	7,155,000
1619	-	916,344	0	1,594,848	8,679,932
1620	1,319,191	1,005,220	550,083	1,364,218	8,417,234
1621	1,362,600	1,681,052	695,592	1,179,210	7,147,276
1622	1,128,689	1,692,283	1,356	658,518	7,939,615
1623	2,658,301	1,937,569	4,032	1,100,160	5,636,564
1624	2,068,746	2,213,837	8,216	1,974,046	6,824,322
1625	-	2,166,404	420	1,273,153	2,809,303
1626	2,312,266	1,471,659	3,480	1,503,490	5,153,402

Source: Ulloa (1963); Fernández Albadalejo (1975); Priotti (1997); Israel (1980). There are some differences between the data by Fernández Albadalejo and Israel for 1614-26. The former have been used and completed with the latter.

The data shown in Table 1 allow some very general conclusions. Firstly, the trade was subject to strong volatility. Secondly, fluctuations of exports for each port were even wider than those of the export totals. No port managed to acquire a position of dominance for this main staple export in the 16th century. Santander had generally the largest share but, at least in some years, Bilbao and the small port of Deva challenged its position. The relative importance of Cantabrian ports in the wool trade contrasted strongly with the rest of commercial activity, in which Bilbao clearly had a leading role by the mid-16th century.²⁰ The surprising lack of economic concentration in the wool / cloth shipping business was largely a consequence of the governing structures of this trade. The state protected framework favoured a legal and institutional set-up that supported certain group interests. It also brought about a very unusual pattern of specialisation between trading places rather than between merchants.

The heart of the northern Spanish system were the Castilian fairs at Villalón, Medina de Rioseco and, most famously, Medina del Campo, which acquired a position of predominance within the Spanish economy when the Crown began to use them as points of entry for the receipts of bullion from its Latin American possessions.²¹ They functioned as both trade and payment fairs, and it was here that the monetary economy met the real economy. The enormous amounts of liquidity entering the Castilian economy at the fairs facilitated credit/banking enterprises and goods exchange.²² The fairs served as the point of contact and trading for the merchants, for most goods were not physically moved to the fair towns. By the 1550s, the fairs reached their apogee. The northern export and import trades were dominated by the powerful merchant guild of Burgos, the *Consulado de Burgos*. In Medina del Campo two out of three buyers of wool were from Burgos and they moved raw material directly from producing areas to Burgos.²³ From here, the *Consulado* merchants sent wool onwards to the Cantabrian ports, mostly Santander, Bilbao and Deva.

As a whole the Northern Castilian economy was a highly 'closed' system, i.e. one in which monopolies and privileges created high barriers to entry for any newcomer. Charters and royal grants protected the role of each town's merchant community and precluded easy access for non-members or non-citizens. Because of its role in crown payments, Medina enjoyed the privilege of being the main clearance centre for all commercial bills. This applied to both Castilian merchants and foreigners

²⁰ This is apparent if the tax returns for the general duty on all goods, the *diezmos*, are compared for the respective ports. The returns have been published by Ulloa, *La Hacienda Real* and Lapeyre, *El comercio exterior*. See also [Grafe, 1998 #526], chapter 3.

²¹ For a detailed discussion of the strong influence of crown payments paid out of Latin American silver shipments see in particular the very study for Medina del Campo by Abed al-Hussein, 'Trade and business community', part 3.

²² Yun Casalilla, B., *Sobre la transición*.

operating on the northern coast.²⁴ Equally, the export trade in wool was a monopoly of the merchants of the *Consulado de Burgos*. The guild also controlled the important import trade of cloth from Northern Europe, which constituted the return cargo for most *merino* shipments. Wool was shipped in convoys to the main markets in Bruges, Antwerp or Nantes where representatives of the Burgos merchant guild organised the unloading and factors, agents and correspondents of guild merchants sold wool and bought cloth and other goods.²⁵ The decision to favour one port or another belonged to the *Consulado de Burgos*, which was keen to foster competition between Cantabrian ports and its power allowed the merchant guild to play the merchants and shipping interests in the Cantabrian ports against each other.

In the 1570s this Castilian commercial 'system' started to decline. Both, the peculiar pattern of specialisation and the way in which Northern Spain had become dependent on to a constant supply of liquidity out of Spanish American bullion made it ill-equipped to weather internal or external shocks. The need for liquidity proved to be a recipe for disaster when bullion inflows became infrequent in the 1570s and the crown deferred the fairs or even cancelled them. The strong interdependence between fairs, on the one hand, and the fair system and the Burgos merchants on the other caused a domino effect of bankruptcies.²⁶

Additional external shocks such as the loss of the Dutch, Flemish and Brabant markets because of the 80 years war of Dutch independence hit the Burgos guild merchants directly and exposed the dangers of the prevailing interdependence between the towns. It also laid open the disadvantages arising from the large number of commercial functions - such as import-export trade, money lending and insurance - concentrated in the hands of a few individuals and *compañías*.²⁷ The intricate relationships

²³ Abed al-Hussein, 'Trade and business community', p.28.

²⁴ The classical study for Castile is probably still the introductory chapter of Ruiz Martín, F., *Lettres marchandes échangées entre Florence et Medina del Campo* (Paris, 1965), more recently republished as Ruiz Martín, F., *Pequeño capitalismo, gran capitalismo. Simon Ruiz y sus negocios en Florencia*. (Barcelona, 1990). See also Basas Fernández, *El consulado de Burgos*, chapter VII for Burgos, or more recently Priotti, J.-P., 'Bilbao' for the Flemish and French merchants resident in Bilbao. The same was true for English cloth merchants operating in Cantabria. See e.g. Archivo Foral de Bizkaia (hereafter AFB), Corr., Leg. 1040/050; Leg.1040/063; Leg.2232/043; Leg.2653/084; Leg.2653/121.

²⁵ Marechal, J., 'La colonie espagnole de Bruges du XIVe au XVIe siècle', *Revue du Nord* XXXV (1953), pp. 5-40, Phillips, C.R., 'Spanish Merchants and the Wool Trade in the Sixteenth Century', *Sixteenth Century Journal* 3 (1983), pp. 259-282, Phillips, W.D., 'Spain's Northern Shipping Industry in the Sixteenth Century', *Journal of European Economic History* 17 (1988) 2, pp. 267-301, Casado Alonso, H., 'La nation et le quartier des Castellans de Bruges (XVe et XVIe siècles)', *Genootschap voor geschiedenis handeligen* 133 (1996) 1-3, pp. 61-77, Casado Alonso, H., 'El comercio internacional burgales'.

²⁶ Ruiz Martín, F., 'El Consulado de Burgos y las ferias de pagos de Castilla', in *Actas del V Centenario del Consulado de Burgos (1494-1994)*, (Burgos, 1994) on the interdependence of both, Basas Fernández, M., *El consulado de Burgos*, p.218ff and Abed al-Hussein, 'Trade and business community', p.255ff. for the series of bankruptcies hitting the Medina del Campo market in the 1570s. However, it must be noted that the fairs' function as credit and banking centres was particularly hit. The survival and adaptation of the goods fairs showed that their *raison d'etre* had not ceased. This argument has been made in particular by Yun Casalilla, B., *Sobre la transición*.

²⁷ Phillips, W.D. and Phillips, C.R., 'Spanish Wool and the Dutch Rebels: The Middelburg Incident of 1574', *American*

between trading places and their institutions started to disappear until the famous Medina del Campo fairs ceased to exist in the early 17th century. The interdependence had exacerbated the crisis rather than protecting merchants and institutions.

The initial effects of these disruptions for Cantabria were severe. Trade in goods fell to unprecedented lows. The *Consulado de Burgos* had exported around 25,000 sacks of Castilian wool yearly through Cantabrian ports between 1530-60. In the 1560s the average fell to about 14,000, and to less than 5,000 in 1580-85.²⁸ As a consequence, import trade declined sharply as well. This situation continued into the first decades of the 17th century.²⁹

1620s-1650s

At some point in the 1620s the situation changed profoundly. Although the deep recession in the northern Castilian towns continued, commercial activity in the Cantabrian region began to pick up. A clear indicator for this are the *averías* levied by the Consulado of Bilbao, an ad valorem duty that illustrates the commercial upswing in this most important port on the coast.³⁰

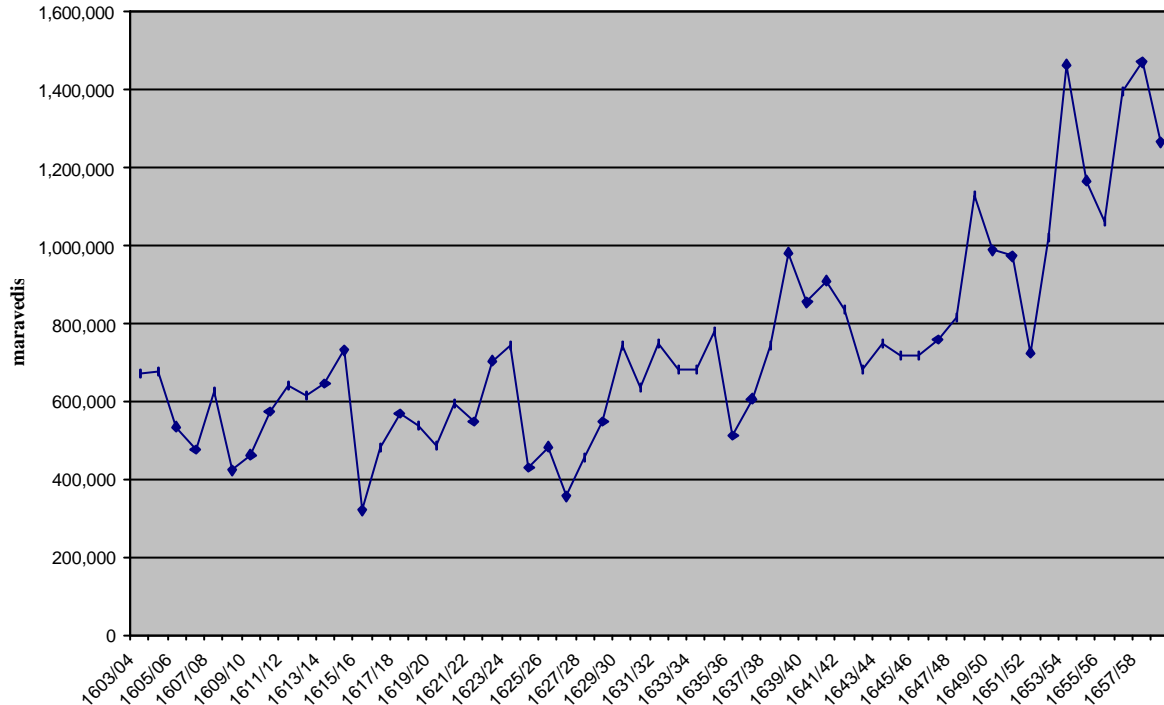
Historical Review 82 (1988), pp. 312-330

²⁸ Averages derived from Casado Alonso, H., 'El comercio internacional burgales', cuadro II, p.194/195.

²⁹ García Sanz, A., 'Castile 1580-1650: economic crisis and the policy of "reform"', in *The Castilian crisis of the seventeenth century. New perspectives on the economic and social history of seventeenth century Spain*, edited by Thompson, I.A.A. and Yun Casalilla, B. (Cambridge, 1994), pp. 13-31.

³⁰ The *averia* was not entirely uniform in its structure but the effective rate of taxation was very similar over all goods, for more detail see Grafe, R., *American Trade and the Cantabrian Economy, 1550-1650* Harvard University, International Seminar on the History of the Atlantic World, 1500-1800, Working Paper 99-22 (Cambridge/MA, 1999). It should be noted that the duty was increased in 1648/49, so that the increase after that year is overstated. However, the trend clearly did not change.

Graph 1: Bilbao's trade 1603-1658: returns of the *Averia* (nominal)



Source: AFB/CB, Libro 208, Nr. 1-11, Libro 210, Nr.13-21, Libro 211, Nr.22-33, Libro 212, Nr.34-36 and P. Ezkiaga, Bilboko.

An analysis of the commodities traded shows the nature of this revival of trade. The Bilbao *libros de averías* do not provide information on the quantities exported or imported but a plain frequency measure can be used as a proxy: the percentage of larger ships (*navíos*) entering or leaving the port with a certain good aboard.³¹ Table 2 and 3 show the change in the composition of trade from the early 1620s, still in the depression, towards the mid 1640s, well into the general recovery.

³¹ The absolute numbers of loads are: exports: 1620/21 (158); 1621/22 (142); 1622/23 (189); 1632/33 (97); 1633/34 (76); 1635/36 (116); 1636/37 (141); 1637/38 (145); 1638/39 (193); 1640/41 (172); 1641/42 (160); 1642/43 (165); 1643/44 (152). Imports: 1620/21 (342); 1621/22 (218); 1622/23 (274); 1632/33 (137); 1633/34 (103); 1635/36 (152); 1636/37 (156); 1637/38 (167); 1638/39 (180); 1640/41 (167); 1641/42 (202); 1642/43 (164); 1643/44 (127). For a more detailed analysis and data on a longer period see Grafe, R., 'Northern Spain Between the Iberian and Atlantic Worlds: Trade and Regional Specialisation, 1550-1650', unpubl. PhD, London 2001, chapters 4 and 5.

Table 2
Bilbao exports 1620-1644: cargoes and goods registered in the *libros de averías* (%)

	1620/ 21	1621/ 22	1622/2 3	1632/ 33	1633/3 4	1635/3 6	1636/3 7	1637/3 8	1638/3 9	1640/4 1	1641/4 2	1642/4 3	1643/4 4
iron and steel	43.8	60.5	57.3	1.5	11.5	8.4	59.1	44.9	58	63.6	63.2	67.6	73
wool / lambswool	1.9	4.5	4.2	23.1	26	21.4	47	44.9	48.9	39.5	28.1	37.8	42.6
tar and pitch	0.6	3.5	0.4	-	-	-	-	-	-	-	-	-	-
manufactures	0.3	0.5	0.4	-	-	-	-	-	1.7	3.7	2.3	4.7	8.2
unspecified	0.6	2	10.4	50	41.7	58.8	16.5	8.8	-	-	-	-	-
misc. exp	0.3	-	-	-	-	-	-	-	1.1	-	-	1.4	0.8
empty	46.9	28	28.1	-	7.3	8.4	5.2	12.2	16.5	18.5	21.6	14.5	6.6
n.a.		4.5	3.0			7.6	4.3	7.5	0.6				
multiple	1.2	5	4.2	0.8	1	4.6	33	17	28.4	24.7	17.5	29.1	28.7

Source: AFB/CB, Libro 211, No.24, No.38, No.39, No.40, No.41 and AHPV, Leg.3117s.f., Leg.3119s.f., Leg.3120s.f., Leg.3121s.f., Leg.4726s.f., Leg.4727s.f., Leg.4728s.f., Leg.4729s.f., Leg.4730s.f., Leg.4731s.f., Leg.5017s.f., Leg.5018s.f., Leg.5019s.f., and AFB, Corr., Leg.1119, f.1-122.

Table 3
Bilbao imports 1620-1644: cargoes and goods registered in the *libros de averías* (%)

	1620/2 1	1621/2 2	1622/2 3	1632/3 3	1633/3 4	1635/3 6	1636/3 7	1637/3 8	1638/3 9	1640/4 1	1641/4 2	1642/ 43	1643/4 4
fish total	25.9	46	38.1	48.5	21.9	70.2	58.5	61.9	69.9	60.5	67.8	57.4	59
fat	5.2	10.5	6.5	3.1	5.2	6.9	16.1	15.6	6.8	9.9	11.1	13.5	7.4
grain / beans	38.9	16	15.8	18.5	31.3	13.7	8.5	6.8	4	2.5	7.6	4.1	1.6
raw materials	9.6	15	8.8	7.7	6.3	8.4	19.5	10.2	8	7.4	8.2	5.4	8.2
manufactures	12.7	9.5	20.4	20	28.1	11.5	16.9	12.9	9.7	13.6	21.1	16.2	23
wine	4	5.5	3.8	0.8	-	3.8	6.8	4.1	3.4	6.8	1.8	3.4	1.6
colonial	1.2	2	1.9	0.8	-	-	-	0.7	-	0.6	-	5.4	2.5
'balotes'	3.4	3	1.9	-	-	-	-	-	-	-	-	-	-
unspecified	-	-	-	3.8	10.4	-	-	-	-	-	-	-	-
misc.	4	1.5	7.7	2.3	2.1	1.5	5.9	1.4	0.6	1.9	0.6	5.4	0.8
n.a.	2.2	3	3.8	1.5	1	-	-	-	-	-	-	-	-
empty	0.6	2	2.3	0.8	1	3.1	-	2	5.7	13	5.8	9.5	8.2
multiple	16.4	21	20	11.5	13.5	19.8	33.9	27.2	14.8	17.3	23.4	28.4	12.3

Source: see Table 4.2

The trade revival was driven on the one hand by an upturn in wool exports. On the other hand a large increase in fish imports accounted for the surprising improvements in imports. Both products were not new in Northern Spanish trade. But a closer examination shows that the structure of this trade had changed substantially. Wool demand now came not from the Netherlands or France, but for the first

time from England. Data derived from around 1,200 individual wool tax bills, payable six months after the shipment, illustrate this point.³²

Table 4
Bilbao wool exports 1632-1644:
Annual tax returns (*maravedís*), total exports (kg) and destinations (in%)

Year	wool tax	wool exports	To France %	To England %	Other %
1632	*(3,300,000)	*(268,400)	38.9	60.3	0.8
1633	*(4,500,000)	*(366,000)	69.9	30.1	0
1634	6,069,028	493,614	51.2	48.1	0.7
1635	3,753,030	305,246	36.6	63.4	0
1636	***6,902,182	561,377	0	100	0
1637	9,831,601	799,636	0	99	1
1638	12,386,307	1,007,420	0	100	0
1639	13,402,956	1,090,107			
1640	10,448,618	849,821			
1641	10,101,916	821,623			
1642	7,338,894	596,897	2.2	93.4	4.4
1643	11,696,626	951,326			
1644	** (12,000,000)	** (976,000)			

* Rounded lower bound estimate on the basis of data for individual tax bills for the year.

** Rounded lower bound estimate on the basis of data for individual tax bills for four months.

*** Taxes paid in the dry port of Valmaseda in this year were 64,430 *maravedís vellon* = ca. 48,320 *maravedís* silver, AHPV, Leg.3121, s.f.

Source: AHPV, Leg.3117s.f., Leg.3119s.f., Leg.3120s.f., Leg.3121s.f., Leg.4726s.f., Leg.4727s.f., Leg.4728s.f., Leg.4729s.f., Leg.4730s.f., Leg.4731s.f., Leg.5017s.f., Leg.5018s.f., Leg.5019s.f., and AFB, Corr., Leg.1119, f.1-122.

The strong demand for high quality Spanish wool in England, amounting to between 8-10 % of the English domestic wool production³³, changed the pattern of trade in the traditional Cantabrian – Northern European trades. However, more importantly English merchants paid for their purchases not in cloths, demand for which had fallen dramatically in the Castilian hinterland. Instead they imported vast quantities of the single important ‘colonial’ good from English America: dried and salted cod. *Pescado de la Birginia* became around the later 1630s the most sought after import good on the Cantabrian Coast. Most of it came from New England and the term ‘Birginia’ was simply a generic description for the English settlements in the New World.³⁴ Cantabrian and French Basque fishermen had since the mid-sixteenth century delivered Newfoundland-cod to the northern ports. Yet, this fishing sector declined as it was replaced and considerably expanded by imports from the merchant-organised trade in dried cod from the new Anglo-American mainland colonies. This structural change in the

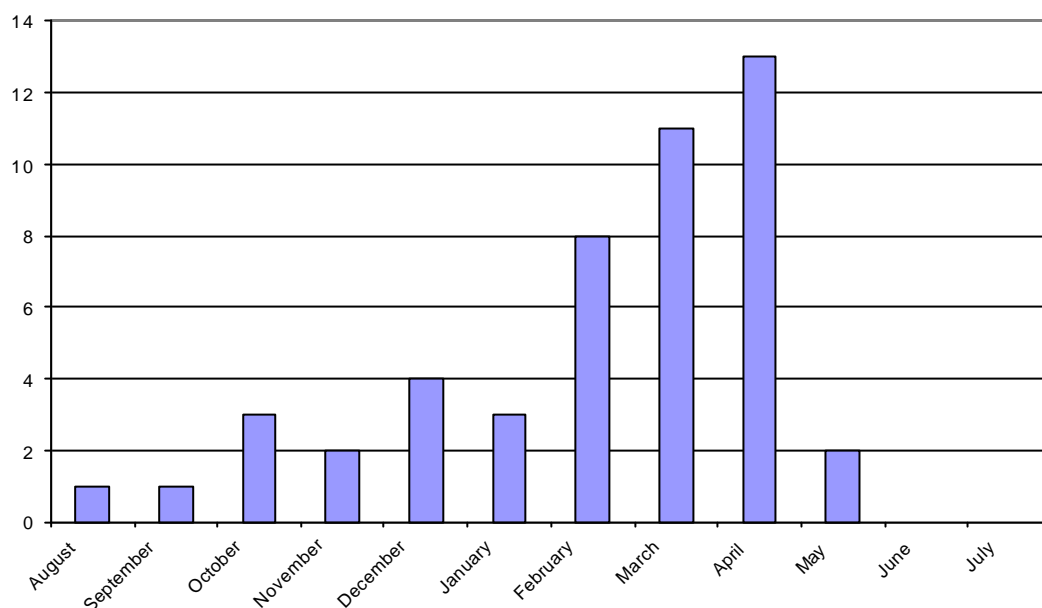
³² See Grafe, *American Trade* for a detailed description of this source.

³³ Based on production estimates in Bowden, P.J., *The Wool Trade in Tudor and Stuart England* (New York / London, 1962), p.37ff.

³⁴ In the accounts between the English merchant resident at Bilbao Anthony Watts and the Bilbao merchant Domingo de Semper ‘bacalao de la Birginia’ is the main item trade in the later 1640s. AFB, Corr., Leg. 0165/016. The term also

supply of the single most important imported foodstuff becomes apparent when looking at the seasonality of cod deliveries.

Graph 2
Seasonality of Bilbao cod imports, 1635/36 (number of ships)



Source: AFB/CB, Libro 212, No.36.

Up to the 1620s local fishermen entered the northern ports with Newfoundland cod between September and early December at the end of a hectic and short summer fishing season. However, by the mid-1630s most of the increasing amounts of fish entered the Bilbao port between February and April, when demand was particularly high because of Lenten fasting (Graph2). Only the fisheries off the North American mainland could supply fish around the year and in particular has an important fishing season in spring. Thus the seasonality shows clearly that the local fishing sector had all but disappeared in comparison to a new triangular trade set up by English merchants who shipped English products to the new colonies, fish to northern Spain and wool back to England.

appears recurrently in the libros de averías.

Within the Cantabrian region the revival of some of the core trades had a distinctly positive impact on the iron-producing sector.³⁵ Iron was in high demand in England and the increased shipping activity and the presence of a large English merchant community presumably eased access to foreign markets for iron, which had been almost lost during the worst moments of crisis. In fact, demand was so high that English exporters at times fought over shipping space and the price of iron compared favourably (for the producer!) with late 16th century prices.³⁶ Thus, the shift in commercial integration was accompanied by a marked shift in the performance of different sectors on the Cantabrian coast. It favoured local merchants strongly, who established strong contacts with the new foreign community, and it strengthened the proto-industrial iron sector. At the same time, the region's shipping and shipbuilding sector did not profit at all from the upturn in trade, since shipping was entirely foreign. It certainly helped consumers with a cheap and abundant supply of one of the important staple foods, *bacalao*.

Following the breakdown of the late 16th century northern Spanish commercial 'system' centred around Burgos and Medina, the Cantabrian Coastal region also experienced finally the process of commercial agglomeration that had been absent in the later 16th century. Bilbao emerged as the by far most important trading centre supplying the commercial services that a growing foreign merchant community needed. The wool trade had been freed largely of the earlier monopoly structure and the fish import trade grew not at least because no regulation was in place to restrict foreigners access. The town became the distribution centre for cod imports not only for the northern coast but also for the Castilian hinterland, particularly Madrid.³⁷ In the 1640s an English observer stated that

"Bilbao is a Town that send more English Manufacture and fish, then any one Port in Christondome for tis the Inlet to all Castele, and serves all the Coast along the Westward, as far as the Borders of Portugall [...]"³⁸

At the same time all other ports on the northern coast lost international trade in favour of Bilbao, whereby the smaller ports stopped competing for foreign trade altogether.³⁹

The integration into the English colonial networks also changed the patterns of integration between the Cantabrian region and Castile. The cutting out of Castilian traders from the profitable wool

³⁵ It became general practise that English merchants advanced the capital needed for the production of high quality bar iron, see e.g. Archivo Histórico Provincial de Vizcaya (hereafter AHPV), Leg.3121/Enc5/s.f. 19.10.1637.

³⁶ AFB, Corr., Leg. 1121/101, prices compared with Barkham, M.M., 'Shipowning, shipbuilding and trans Atlantic fishing in Spanish Basque ports 1560-1630: Motrico and Zumaya', unpubl. PhD (Oxford 1991).

³⁷ This becomes apparent from the contracts between English merchants and *arrieros*, muleteer traders, see e.g. AHPV, Leg. 2556/s.f. varios and Grafe, 'Northern Spain', chapter 6.

³⁸ British Museum (hereafter BM), Manuscripts 712.g.15/9

³⁹ See Echevarría Alonso, M.J., *La actividad comercial del puerto de Santander en el siglo XVII* (Santander, 1995), see also the report of the *Veedor de contrabando* 1629 in AFB, Corr., Leg.1296/022.

and fish trades reduced transaction costs in these sectors. Merchants from the Cantabrian coast and mainly from Bilbao ventured directly into the hinterland to establish contact with suppliers of wool and consumers of fish. The previously highly institutionalised commercial contacts gave way to a trade with lower barriers to entry, where newcomers did not have to comply with the rules of the game established by the monopoly organisations, such as the Consulado de Burgos. However, the collapse of this ‘closed’ trading networks and the decline of towns such as Burgos and Medina del Campo was not a sign of disintegration of a national market. Instead integration took now place in a much less formalised way, without the protection of the state sponsored merchant organisations, but also without their restrictions of access. Direct trade between the main commercial centre of the coast, Bilbao, and Castile increased rather than decreased.

II.2 Some Results: the micro level

1550s-1620s

Within this institutional setting of monopoly-company trade merchants attempted to internalise problems arising from principal - agent relations and other sources of risk through networks of kinship and reputation both within their group and in the ports of destination. The most important European port in the mid-16th century was Antwerp, and the Spanish community was the single largest group of foreigners in the city. Spanish guild merchants were closely integrated into the native society, acquiring property, forging family links through marriage and ‘exchanging apprentices’ with other Spanish and local merchant houses.

The role of Cantabrians in this trading network was largely confined to transport, although some moved from being mere factors and correspondents of bigger Castilian merchants to being important traders in their own right.⁴⁰ The existing institutional and social barriers did not make it impossible for a newcomer to enter the commerce, but they did force new entrants to play according to the rules of the game established by the governing institutions and their monopolies. Only a growing

⁴⁰ See one example of a very important Bilbao family illustrated by Priotti, J.-P., *Los Echevarri: Mercaderes bilbainos del siglo de oro. Ascenso social y economico de una familia* ([Bilbao], (1996)). Barkham, M.H., 'Mercaderes, comercio, y finanzas en el norte de España: Seguro marítimo en Burgos y su desarrollo en San Sebastian y Madrid (1500-1630)', in *Actas del V Centenario del Consulado de Burgos (1494-1994)*, (Burgos, 1994) shows the same for the maritime insurance business, which - although clearly dominated by Burgos up to 1580 - was not alien to Basque merchants either. The earlier view as stated e.g. by Bilbao Bilbao, 'Crisis y reconstrucción', p.160 that in the at least Basque towns native merchants had no market share at all is overstated although their share was definitely small in the most lucrative trades.

trade offered chances for outsiders, when stagnation struck the defensive strategies possible under the monopoly rules kept the ranks closed.⁴¹

The situation of foreign merchants resident in the Cantabrian ports was similar to that of locals. Antwerp and Nantes merchants enjoyed particular privileges and preferential trade agreements and tried to appropriate their share of rent from the monopoly structure. The others, like a limited number of English or Irish, found their particular niche in the commercial sector, while being marginalized from the main trade flows. They relied on the representations of their consuls for protection in Cantabria. Close integration with the local community by way of property deals and family bounds seemed to be the most promising ways of overcoming the potential dangers of being an outsider.⁴²

The strategies of the two most important merchant guilds, the *Consulados* of Bilbao and Burgos in this institutional setting are revealing. Their policies are apparent in their long lasting power struggle over the right to organise the big wool fleets.⁴³ In this conflict both *Consulados* assumed a strategy typical of regulated or chartered companies rather than of a traditional merchant guild, namely to guarantee the monopoly right to exclude members of the other organisation. Each tried to acquire monopoly status over at least a part of the staple business (in the case of Bilbao), or even the entire business (in the case of Burgos). Shipping constituted an area of overlapping spheres of influence and was the main point of friction in the system.

In 1553 the Bilbao merchant guild cancelled an agreement with Burgos that had given Bilbao a monopoly over part of the exports with the argument that ‘freedom of shipping’ was more beneficial for the town. The Bilbao *Consulado* did not mean freedom of the wool trade since it continued to press for a more advantageous monopoly share in this sector. However, the agreement had obliged Bilbao merchants to forego trade with merchants from other places such as Vitoria and the Bilbao guild came to the conclusion that the share of the monopoly Burgos had been offering simply did not compensate for the loss of other trade which affected Bilbao shipping. In the event Burgos successfully maintained its influence over the transport business. Within the existing state protected framework a strategy aimed at market power promised the highest potential returns for the merchant corporations.

⁴¹ Mathers, C.J., 'Family Partnerships and International Trade in Early Modern Europe: Merchants from Burgos in England and France, 1470-1570', *Business History Review* 62 (1988) autumn, pp. 367-397, p.395ff.

⁴² Croft, J.P., 'English trade with peninsular Spain 1558-1625', unpubl. PhD (Oxford 1970), p.392ff. The English consul in Bilbao in the 1550s and 60s was John Cuerton, for some of his trading activities see AFB, Corr., Leg.0893/115.

⁴³ Guiard-Larrauri, T., *Historia del Consulado de Bilbao y Casa de Contratacion de Bilbao y del comercio de la villa (1511-1699)* (Bilbao, 1913) and Basas Fernández, *El consulado de Burgos*, chapter 1. For Bilbao's reasons to oppose an earlier agreement with Burgos see AFB/CB 061, Num 2 (1553) and a typical mercantile conflict arising out of this situation regarding the payment of *averías* (the guild imposition) AFB/CB 061, Num 3 (1555).

1620s-1650s

The strategies employed by individual merchants and their representative bodies changed drastically when the economic centre of gravity began to move from Burgos – Medina del Campo towards the coast itself. The newly established group of English merchants adopted strategies that could not have been more different from those of their predecessors. Documents reveal that at least 90 English merchants lived for a longer period of time in Bilbao in the 1630s-50s. The real figure is presumably higher and the number of foreigners in itself was a sign of a more open commercial structure. Many of these stayed for years, some can be followed over a period of 10 to 15 years.

However, only two are known to have been married to local women. Instead the documentation indicates that the merchants, agents and factors almost invariably lived in guesthouses and rarely had brought any family with them. Only three Englishmen applied for citizenship in Bilbao, two of them in 1661 when Anglo-Spanish relations had soured decisively and insurance strategies became more important again. One was also the son of an English merchant and his Spanish wife.⁴⁴ Citizenship brought advantages, in particular the right to acquire property in Bilbao. However, it does not seem that the English resident in Bilbao even tried to do so. In fact, there had always been ways to avoid the restriction. Three English factors met no resistance when they rented a plot of land in the centre of town, presumably as a storage space.⁴⁵ But no other cases of hiring or buying houses or land are known. Evidently, the English felt no need to employ the classical means of insurance during this period.

It is particularly interesting that the institution of an English consul, which had existed earlier in Bilbao, was not revived. The suggestion to re-instate a consul in Bilbao and regulate English trade with the Cantabrian coast was strongly contested by some of the Bilbao traders themselves in the 1640s and nothing came of it. They argued that there was no need for a consul since the peace treaty and Spanish/Vizcayan law provided a sufficient legal basis for most problems of trade. In fact, the reply defended strongly the efficiency and impartiality of the Northern Spanish judicial bodies. At the same time, it voiced strong doubts that a consul would only be a vehicle of a few important merchants to monopolise the trade.⁴⁶

⁴⁴ AFB, Municipal, Leg. 0378/001/004 Thomas Sargent and Leg.0378/001/013 Carlos Down Zabala. William Francqlin/Guillermo Francolin was one of the two merchants married to a Bilbao woman. In 1636 the scriveners omitted his citizenship AHPV, Leg. 3119/s.f. but after 1638 he appears as *vecino* in the documentation, AFB, Corr., Leg. 0165/022 (1638) and Leg. 0699/009 (1650).

⁴⁵ AHPV, Leg. 4331, f.283 R+V, Thomas Pauley, John Trelawny and John Jermyn rented a *huerta* for five years.

⁴⁶ BM 712.g.15/9. For a complete list of English merchants at Bilbao, Grafe 'Northern Spain', chapter 7 and Appendix 3.

Just as the English merchants resident in Bilbao rejected attempts to regulate the trade in any way, the strategies adopted by the Bilbao merchant guild changed as well. Institutionally, both the Bilbao and Burgos guilds were identical since Bilbao's had been founded on the blueprint of the Burgos *Consulado*. As mentioned above, throughout the 16th century both *Consulados* were constantly struggling over the monopoly right of wool exports and the rights to organise the wool fleets. When the network centred on Medina del Campo and Burgos started to crumble, the crown made several attempts to assist both towns in re-establishing their pre-eminence without success.⁴⁷

In 1616 the *Consulado de Burgos* appealed to the crown, San Sebastián, Bilbao and the western ports around Laredo and Santander in support of a new scheme. It suggested that all foreigners should be forced to move 20 *leguas* (ca.120km) inland, i.e. to Burgos, and not be allowed to reside in the ports. In addition, the six-month wool tax bills should not be payable in the ports but as well in Burgos. The Crown had already tried the latter rule in 1612 when it apparently 'allowed' merchants to pay the 6-months bills in Medina del Campo. The main argument then was that it had been general practise for the merchants to pay in Medina throughout the 16th century.⁴⁸ Furthermore, Burgos' new plan included that foreigners should not be allowed to sell imported fish in the ports but were to transport it to Burgos. The Burgos merchant guild sent a letter to its Bilbao counterpart trying to convince the Bilbao merchants of the usefulness of the scheme. In principal, it suggested nothing different from what had been the basis for the treaties between the two institutions 60 years earlier: a 'fair' division of monopoly rents. Just as the obligation to reside in Burgos would have increased business there, it also would have forced the foreigners to employ Cantabrians as their agents in the ports. Notably, Burgos argued that the measures would slow down foreigners' trade, therefore creating a new demand for storage in Bilbao and benefiting the local community.⁴⁹ In short, Burgos was suggesting to increase transaction costs for foreigners to the levels that had been common in the 16th century and to appropriate those as rents for Burgos' and Cantabria's merchants.

⁴⁷ A royal commission from 1582 onwards was supposed to suggest ways of restoring Medina's and Burgos' wealth. The initial answer was a harmonisation of the fair schedules, which had some success for a few years but could not stop the further decline. In 1601, in a big scheme to revive the Northern Castilian towns, the royal court was moved from Madrid to Valladolid, the main court of justice of Castile, the *Chancilleria*, from Valladolid to Medina del Campo and the fairs from Medina del Campo to Burgos. This attempt to help the towns by letting them live on the rents of some of the major state institutions failed totally and by 1606 the royal court was back in Madrid. For this Odyssey, see Ruiz Martín, F., 'El Consulado de Burgos y las ferias de pagos de Castilla', in *Actas del V Centenario del Consulado de Burgos (1494-1994)*, (Burgos, 1994).

⁴⁸ AFB/CB 066, Num 78. This is a lawsuit of 1658 about the arrangements for the payment of wool tax bills. It encloses a series of previous regulations, royal pragmatics etc.

⁴⁹ The full deliberations with several letters from the *Consulado de Burgos* to its Bilbao counterpart are contained in AFB/CB 065, Num 50.

Bilbao rejected the proposal but there is not much evidence for the reasons. From a defence of the proposal issued by the Burgos guild, it is clear that Vizcaya/Bilbao had argued that its trade would be seriously diminished. It could be possible that the Bilbao merchant guild simply had bad memories of similar agreements with Burgos. However, there was little local shipping interest left in Bilbao in the early 17th century, which would have defended the interests of shipping against those of wool and fish merchants. It is more likely that the Bilbao merchants were even then only too aware that the presence of the foreigners in itself was their main business and that this was under threat from Burgos. Even if the foreigners had accepted a move to Burgos, the Cantabrians would presumably have lost their share in supplying them with export goods and organising the sale of imports to Castilian merchants. This, however, was what most Bilbao merchants were engaging in.

In 1616, the very same year in which Burgos had first issued the proposal (negotiations continued until 1624), Bilbao was once again reminded that the conditions of trade had changed. In a law suit filed by some merchants from Burgos against the *Consulado de Bilbao* the Crown Council had issued a preliminary decision that only the members of the Bilbao guild should pay the local tax, the *averías*.⁵⁰ Graph 1 shows the repercussions. The slump shown for the year is not a fall in actual trade but a loss that occurred in the collection of the imposition. Foreigners stopped paying *averías* during a few months in 1615/16 and the returns from that duty fell almost 60 per cent within a year.

Bilbao's merchants and the whole town had more to gain from free trade with foreigners and from foreigners residing in the town who enabled them to participate in the wider European and American trade flows than from any commercial monopoly. At the same time within the new networks in northern Spain, there was little need for merchants to use Burgos as any sort of commercial centre. The English in Bilbao got their wool and iron directly from the producing areas via their Cantabrian partners and left it to these Cantabrians to distribute imported fish and manufactures in Castile. For Cantabrian merchants, Burgos and Medina del Campo had outlived their usefulness. Refusing to go back to the rent-sharing agreement of the 16th century in 1624 proved to be far sighted for the commercial development of the coastal region.

III

This paper argued that we can only understand the impact of commercial expansion on the regional economies of Europe in the early modern period, if we combine the study of the actual traded

⁵⁰ AFB/CB 065, Num 49.

goods, quantities and direction with that of structural changes. By including the existence gains from specialisation in our approach, it becomes clear that the gains that resulted from increased trade did not benefit every region, sector or individual in the same way. How the gains were distributed depended crucially on the existing market structures and information costs. Changing opportunities for trade changed the distribution of gains between regions, within regions and between sectors of the regional economy. Merchants adapted to the existing structures through forms of organisation. Hence, it was shown that only by including the study of changes to the actual goods trade, their impact on regional agglomeration and the strategies of adaptation of merchants and their organisations the full consequences of commercial expansion are revealed.

The paper has shown how such a shift in trading networks between the mid-16th century and the mid-17th century brought about a lasting economic transition in the Cantabrian region. During a first phase between 1550-1620 the region's commercial sector was closely integrated into the wider Northern Spanish networks through which it also got immersed indirectly into the Spanish colonial world. During a second phase after 1620 this link broke and instead the region forged stronger mercantile links with the English Atlantic. The opening of this new Atlantic trade prompted important structural change for the region.

On the macro-level it redistributed the gains of trade between sectors within the region, favouring merchants and iron producers and food consumers, but leaving behind shipping interests. The distributional impact of these changes was strongly felt by the northern Castilian towns, which suffered at the expense of relative prosperity on the Coast itself. However, even in the coastal region proper the pattern of commercial specialisation changed with the emergence of a dominant trading centre and the decline of activity in the smaller ports. While the region as a whole was undoubtedly on the winning side, the more detailed discussion shows the importance of distributional changes through increased trade.

On the micro-level the strategies of institutional change and organisational adaptation are equally evident. The Bilbao *Consulado* abandoned its earlier strategy of market power maximisation and embraced a new more open approach. Although its constitutional set-up did not change its policies changed dramatically; one could argue that it developed from a 'regulated company' into a 'chamber of commerce'. The merchants itself adapted as well to the new world. While kinship remained important within the individual business, it became possible to trade on an individual basis rather than as a member of a specific group.

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