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Priests or bankers?

Ecclesiastical credit in early modern Spain¹

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This paper examines ecclesiastical credit operations in early modern Spain and suggests that it is anachronistic to judge that Spain's underdeveloped modern banking system must have produced poor financial performance. The analysis of the governance and loan portfolios of a Spanish ecclesiastical order uncovers a sophisticated capital market for long-term loans called *censos*. The Spanish could do without banks as the country benefited from a highly-developed system of credit provision through religious institutions. Ecclesiastical credit became widely available, ranging from very small loans to farmers to large loans to the urban elite, cities, and merchant companies.

Spain is different. The perception of Spanish distinctiveness runs deep in its historiography. Spain, at least from the eighteenth century onward, and possibly earlier, was thought to be backward in economic, social, political, cultural, and intellectual terms. At that time, so one of the arguments goes, financial development stagnated in Spain while commercial banks were flowering in England. Most economic historians have thus focused on the absence of a modern banking sector when trying to trace the sources of slow market development in Spain, as an efficient network of financial institutions contributes to growth by reducing transaction and informational costs, mitigating risks, monitoring firms, mobilising savings and facilitating trade.² However, even the lowest estimate of the Spanish stock of mortgage debt is around 21

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² Tortella Casares, *Los orígenes del capitalismo*; North, 'Institutions and economic growth'; Levine, 'Financial development'; Sylla, 'Financial systems'.

per cent of GDP in 1750,³ a ratio which is remarkably similar to that observed in the mid-eighteenth-century France and that in the US in 1956.⁴ The Spanish stock of mortgage debt in 1750 was also equivalent to three times the revenue of the Spanish Treasury.⁵ If the Spanish capital market could not do without banks, how could the capital market be so deep?

Traditional credit has been relatively rarely studied, and the evidence that I put forward for Spain here highlights the problem that most researchers who try to compare financial performances consider incomparable financial systems. In particular, they underestimate the volume of traditional credit as they tend to look at financial markets in early modern Europe through the lens of the British case.

Even so, thanks to the research of some economic historians, we now have a clearer portrait of these financial markets, revealing alternative ways of financing the economy and a variety of unusual banking practices. In eighteenth-century France, for example, banks did not arrange most loans between private parties, which was the job of notaries. Hoffman, Postel-Vinay, and Rosenthal have already described the expansion of the private credit market, in which notaries played an important role, in the second half of the eighteenth century in Paris.⁶ Notaries, whose traditional function was to draw up contracts, participated in financial development by offering an expanding set of credit options and by matching borrowers and lenders who were previously unknown to each other. These notaries appear as the main actors in Paris's private credit market during the eighteenth century. Their success was due to their ability to solve asymmetric-information problems in financial markets. Transaction costs were minimized, as notaries knew both the borrowers and lenders and were the guarantors of the transaction, solving the fundamental problem of exchange. Much the same was true earlier in the Netherlands. In the seventeenth century, Amsterdam's financial system was definitely not bank-based. Local businessmen could do without banks thanks to a thriving market for short-

³ Mortgage debt interest amounted to 38.2 million vellon reals in 1750 (Grupo'75, *La economía del Antiguo Régimen*, tab. 30, p. 181. The vellon real was the main currency in Spain. Throughout most of the eighteenth century, one vellon real was worth a quarter of one French *livre* and a hundredth of one British pound). The per capita mortgage debt stock amounted to between 194 and 259 vellon reals (respectively 240 and 320 grams of fine silver) if we consider that the market interest rate fluctuated between 2.25% and 3% in 1750 (the population in 1750 comes from, *idem*, tab. 5, pp. 57-8; the equivalent of the vellon maravedi in grams of fine silver can be found in Hamilton, *War and prices*, tab. 3, p. 53). I estimate the ratio of mortgage debt to GDP with a 3% interest rate and the upper bound of GDP calculated by Álvarez-Nogal and Prados de la Escosura, 'The decline of Spain', tab. 3, p. 328.

⁴ For France, see Hoffman, Postel-Vinay, and Rosenthal, forthcoming; for the US, see Green and Wachter, 'The American mortgage', fig. 1, p. 94.

⁵ Merino Navarro, *Las cuentas de la administración*.

⁶ Hoffman, Postel-Vinay, and Rosenthal, *Priceless markets*; *idem*, 'What do notaries do?'; *idem*, 'Information and economic history'.

term loans that could easily be renewed.⁷ As in France and the Low Countries, it would then seem anachronistic to judge Spain's financial performance by the absence of banks that look like our modern banks.

In early modern Spain, atypical financial actors played a very important part in the financing of the economy, as the role of banker was carried out by ecclesiastical institutions. Monasteries, convents, religious orders, cathedral chapters, parishes, pious foundations, confraternities, and schools behaved like so many banks scattered across the country: this was Spain's financial sector. This paper asks how these institutions used their endowments to provide credit, how important this supply of credit was relative to other sources, and who benefited from it. Hispanic financial markets are poorly studied, as most financial historians have not analysed the extensive loan books of religious institutions, and most religious historians are not interested in banking practices (with a few exceptions regarding Spain and the Spanish empire).⁸

Integrating early modern Spanish history into the narrative of European financial development is a serious challenge. Spain does not fit most of the stylized facts put forward by the traditional historiography on financial development. The usual view of banks as the sole lenders may be too narrow though, and the exploration of the history of Spanish capital markets can teach us a great deal about our established models of European markets. Was Spain different? Spain was not different; Spain was simply not England.

I here explore the operation of the Spanish credit market through the detailed analysis of a single order. I focus on the governance and the credit operations of the Teresian Carmel Order during the eighteenth and beginning of the nineteenth centuries, when ecclesiastical credit was dominant. This religious order managed large portfolios of long-term loans, financed from donations, dowries and pious foundations. The analysis of its governance and the reconstruction of its lending activity bring out patterns of borrowing, lending, and pooling. They reveal an impressive credit institution that developed into a highly sophisticated three-tier system able to offer everything from small loans to farmers to substantial amounts to local treasuries, noble estates, officials, other ecclesiastical institutions, and merchants.

⁷ Jonker, *The Amsterdam money market*; Gelderblom, O., Jonker, J., and Kool, C., 'Direct finance in the Dutch golden age', unpublished paper (Utrecht University, 2015).

⁸ For Spain, see Álvarez Vázquez, *Rentas, precios y crédito*; Atienza López, 'El préstamo en la sociedad tardofeudal'; Barrio Gozalo, 'La proyección económica de la Iglesia'; Llopis Agelán, *Las economías monásticas*; López Martínez, *La economía de las ordenes religiosas*; and Marcos Martín, 'La actividad crediticia'. For the Spanish empire, see also Greenow, *Credit and socioeconomic change*; Lavrin, 'The role of nunneries'; Quiroz, 'Reassessing the role of credit'; and Wobeser, *El crédito eclesiástico*.

I

In early modern Spain, ecclesiastical institutions were not concerned only with salvation and eternal rest; they were also a significant source of long-term credit, and could count on a vast network of convents and parishes scattered across all of Spain. For example, in the middle of the eighteenth century, around 2,000 monasteries and convents for men were active alongside 1,000 monasteries and convents for women.⁹ All of these institutions required considerable, regular income to fund all kinds of ceremonies. In order to secure this income, they developed a highly-sophisticated system of credit provision.

Ecclesiastical institutions benefited from many sources of capital, which they could subsequently lend out to finance their daily spending. The tithes, tariffs, financial and real assets donated for the foundation of the institution, dowries, members' contributions, alms, testamentary bequests, pious works, and chantries were the main sources of ecclesiastical capital.¹⁰ Pious works and chantries were the most popular ways of transferring capital. These were monetary trust funds established for different purposes, for example employing one or more Catholic priests to sing a stipulated number of masses over a certain time period for the spiritual benefit of a deceased person, generally the donor. These could be endowed with real and financial assets donated by the donor, and the income stemming from these assets maintained the chantry priest. The donor could also bestow a certain amount of money (which could not then be withdrawn). The church managed this capital endowment but did not own it. The income from the endowment was ring-fenced for purposes specified by the donor. From the church's point of view, endowments constituted a safer source of income than capital deposited in a bank. The ecclesiastical institution in charge then had to lend the capital out in order to generate the income needed for the purpose of the pious work or the chantry. As a result, on one side, money was donated or pledged to pious works or chantries by other institutions or all kinds of individuals; on the other, it was lent out by the ecclesiastical institution in charge in order to generate a regular income and to accomplish the donor's will.¹¹

All of these donations and pious foundations did not exist solely for the individual's salvation; they were also very important in Hispanic territories for many other reasons. First, ecclesiastical institutions became the keystone of social structure by developing social

⁹ Llopis Agelán, *Las economías monásticas*, p. 21. The ecclesiastical population fluctuated between 1 and 2% during the eighteenth century (see the app.).

¹⁰ Wobeser, *El crédito eclesiástico*, pp. 17-29.

¹¹ *Ibid*, pp. 30-45.

networks.¹² Second, donations represented part of a strategy to preserve the family estate. A donation to or the creation of a pious foundation was a way of keeping some family members in a convent. Last, giving money to a convent and putting a family member there may sometimes have been a good way of obtaining access to credit.

In short, ecclesiastical institutions received substantial amounts of capital from an array of sources, among which donations, dowries, pious foundations and chantries were the most important. They then lent this money to secure a steady income stream to support their members and fund all kinds of ceremonies. We now ask how large this supply of credit was.

II

Like many other regions in Europe, the predominant instruments of long-term private credit in Spain were obligations (*obligaciones*) and redeemable annuities (*censos consignativos*).¹³ The *censo* was a mortgage-backed loan which can be compared to the English mortgage or the French *rente constituée*.¹⁴ This was the only debt instrument that could involve the explicit payment of interest, as long as this did not exceed a legal maximum rate.¹⁵ By contrast, the *obligaciones* were due in several months' or years' time, and did not stipulate the payment of interest (at least until the nineteenth century). It is nonetheless clear that interest was charged on the *obligaciones*, often at a rate above the legal limit on the *censos*.¹⁶ Another key difference between the two instruments refers to capital repayment. One of the characteristics of the *censo* was that the lender could not demand the capital from the borrower: the latter repaid the capital whenever he wanted. However with *obligaciones* the lender demanded repayment by a certain date.¹⁷ The *censo* was thus the only legal way to draft long-term credit contracts that involved interest at the time of usury prohibitions.¹⁸ This is one of the reasons why *censos* were much more popular than obligations, and were the dominant credit

¹² Izquierdo Martín, 'Así en la corte'.

¹³ Fernández de Pinedo, 'Del censo a la obligación', p. 298. In the rest of the paper, I will use the word *censo* instead of *censo consignativo* for convenience.

¹⁴ The contract was supported by collateral that could be a real asset such as a land, a farm, a house, or another mortgage loan.

¹⁵ The legal maximum interest rate had been constantly reduced throughout early modern times. Established at 7.14% under Philip II, the Spanish *Cortès* reduced it to 5% in 1609. Then, in 1705, Philip V fixed it at 3% in Castile. However, it remained at 5% until 1750 in Aragon. See Sánchez González, 'El crédito rural', p. 286.

¹⁶ The interest was included in the amount that had to be paid back. It was a way to negotiate outside the legal maximum interest rate. Tello Aragay, 'El papel del crédito rural', p. 14; Santonja Cardona, 'El clero regular', pp. 86-7.

¹⁷ Fiestas Loza, 'El censo consignativo'; Fernández de Pinedo, 'Del censo a la obligación', p. 299.

¹⁸ The *censo* was drawn up in such a way that it represented a contract of sale of goods where the lender actually bought a rent sold by the debtor. This rephrasing made it possible to circumvent usury laws. See Grafe, *Distant tyranny*, pp. 223-4.

instrument in early modern Spain.¹⁹ In addition, the difference in average duration between *censos* and obligations implies that the financial stock was overwhelmingly *censos* credit.²⁰ As a result, the analysis of *censos* contracts produces a broader picture of the early modern Spanish long-term credit market.²¹

In the mid-eighteenth century, according to the Cadastre de Ensenada, ecclesiastical institutions were largely dominant in the Spanish long-term credit market.²² In the kingdom of Castile, they received 72.9 per cent of the total rent generated by the *censos*, for an amount of 27.86 million vellon reals. Since the legal maximum interest rate for the *censos* was 3 per cent at that time, and the market interest rate was even lower (between 2.25 per cent and 3 per cent), the capital lent by ecclesiastical institutions in *censos* was between 890 and 1,080 million vellon reals,²³ which represented between 14.5 and 17.7 per cent of GDP,²⁴ and was more than what the Bank of England lent at the same time.²⁵

The Crown of Aragon is similar to Castile in this respect. In Girona, Congost shows that church-issued *censos* accounted for 75 per cent of the contracts in 1771.²⁶ In Navarra, ecclesiastical institutions received 75.5 per cent of the rent from *censos* in the municipalities of Cárcar, Guesálaz, and Estella between 1750 and 1759.²⁷ In the kingdom of Aragon (which is part of the Crown of Aragon), Pérez Sarrión notes that ecclesiastical institutions lent the largest share of the capital of the *censos* in the second half of the eighteenth century. In particular, he calculates that they received 82.3 per cent of the *censos* rent in Zaragoza in 1725.²⁸ However, ecclesiastical institutions were not always the main actors in the Spanish

¹⁹ Fiestas Loza, 'La doctrina', p. 640; Sánchez González, 'El crédito rural', p. 285; Tello Aragay, 'El papel del crédito rural', pp. 13-5; Fernández de Pinedo, 'Del censo a la obligación', pp. 299-300.

²⁰ We do not have a precise estimate of the average lifetime of a *censo*, but can make a guess based on the average lifetime of the French *rente constituée*, of around 17 years, which is the closest debt instrument to the *censo*. See Dormard, 'Le marché du crédit à Douai', p. 824. By contrast, the obligation fell due in several months or years, in general between three months and eight years. See Tello Aragay, 'El papel del crédito rural', p.13.

²¹ The vast majority of long-term loans were drawn up by notaries for jurisdictional reasons, avoiding unobservable contracts between two individuals. See Hoffman, Postel-Vinay, and Rosenthal, *Priceless Markets*, pp. 7-8.

²² The Cadastre de Ensenada allows us to assess the long-term debt stock of the Kingdom of Castile and, consequently, to evaluate the magnitude of ecclesiastical credit. In 1750, this was recorded through a series of forty questions regarding wealth in Castile. See Matilla Tascón, *La única contribución*.

²³ Marcos Martín, 'La actividad crediticia', pp. 71-2.

²⁴ See footnote 3.

²⁵ In Aug. 1778, public and private securities of the Bank of England amounted to £9,628 thousand, which are equivalent to 962.8 million vellon reals. See *The Charter of The Bank of England* (P.P. 1831-2, VI), app. 5.

²⁶ Rosa Congost, 'Becoming richer through debt: the impact of a reduction of interest rate on humble people (Catalonia, eighteenth century)', paper presented at the *Tenth European Social Science Conference* (Vienna, April 23-6, 2014).

²⁷ Floristán Imízcoz, 'Crédito rural', pp. 404-5.

²⁸ Pérez Sarrión, *Agua, agricultura y sociedad*, pp. 201-3.

long-term credit market that they had certainly become in the eighteenth century. This predominance of ecclesiastical institutions in the long-term credit market developed in the second half of the seventeenth century to reach its peak in the middle of the eighteenth century. Merchants, civil servants, and the nobility had previously dominated the credit market, even though ecclesiastical institutions already played an important role. In 1638, a partial inventory of the *censos* in Castile revealed that ecclesiastical institutions accounted for 45 per cent of the total rent received (which figure can be compared to that of 72.9 per cent in the mid-eighteenth century from Ensenada).²⁹ Ecclesiastical institutions came to dominate the long-term credit market in the second half of the seventeenth century, and maintained this position throughout the eighteenth century, which will be our main period of interest.

I will here further explore the Spanish credit market at this time, via the detailed analysis of a single order, the Congregation of Spain of the Teresian Carmel, a Spanish order established during the Counter Reform.³⁰ There are good reasons for this kind of case study. The work mentioned above is of wide scope, but only analyses one convent or cathedral; they therefore do not show the way in which an entire institution (for example a religious order) functioned in terms of providing credit. In this respect, the Congregation of Spain of the Teresian Carmel developed a highly sophisticated three-tier system, divided between the General Curia, provincial houses, and local convents.³¹ In Madrid, the General Curia, located in the convent of *San Hermenegildo*, ruled the entire Congregation. Each province of the Congregation was then ruled by a provincial house, usually located in the provincial capital. Finally, each local convent was under the authority of its provincial house and, by transitivity, the General Curia. The analysis of the governance and lending activity at each level of this system (local, provincial, and the General Curia) reveals an impressive credit organization functioning almost like traditional banks, being able to lend, borrow, and pool capital. The specialization at each level of the system allowed the organization to offer everything from small loans to local farmers to substantial loans to the Madrid elite.

²⁹ Domínguez Ortiz, *Política y hacienda*, pp. 364-70.

³⁰ The main ecclesiastical orders were founded between the eleventh and thirteenth centuries. Franciscans, Dominicans, and others developed into impressive international networks. The Teresian Carmel Order was founded by Saint Teresa of Jesus in Avila in 1562 and developed both feminine and masculine branches.

³¹ In 1588, the Congregation was divided into six provinces plus Mexico (Old Castile, New Castile, Andalusia *la Baja* and *la Alta*, Aragon, and Portugal). The Order then expanded throughout Europe, with the congregations of Portugal and Italy being created, but the three congregations remained independent from each other.

III

The Teresian Carmel Order, like all ecclesiastical institutions, had to keep records of its incoming and outgoing cash and other goods.³² Every credit operation was recorded in the annual account book (*libro de cuentas generales*) and loan book (*libro de censos*) in each convent. We can then identify the Order's credit operations from the account books of the convents, provincial houses, and the General Curia. Finally, the provincial house was responsible for the accountancy of the convents that were under its authority. Each year, the provincial bursar and the provincial prior would visit every convent in the province and check the validity of both the procedures and the accounts.³³

The convent's monks or nuns met every week in the library to discuss and vote on the convents' daily decisions. In 1727, the Teresian Carmel Order decided that each convent had to take minutes of those decisions, and in particular economic decisions, in meeting reports (*libro de acuerdos*). Hence, the meeting report of the convent of Bolarque stipulates: 'Our Definitory decided that in every convent there be a special book where written down and noted are the decisions made during the conventual chapters concerning their rents and economy'.³⁴ These meeting reports explain that the ecclesiastics were informed three days prior to the vote, and then voted by secret ballot during the weekly meetings, as most of the decision retranscriptions state: 'On 18 June 1785, it has been decided unanimously during the chapter by secret ballot of the community, and preceded by three days, as the founding charter orders'.³⁵ In particular, decisions to lend or borrow money were recorded conscientiously. If a convent had excess capital, it could decide to lend money. On the contrary, if a convent ran short of capital, it could borrow from the Order, or other sorts of institutions or individuals, with the authorization of the provincial prior. This information can be used to shed light on the lending practices at the Teresian Carmel, as well as on the nature of the order and its customers.

³² Every three years, each convent of the Order had to elect a monk or a nun, a member of the convent, to be the accountant. This accountant (*procurador*) made records of the accounts. See Bibliothèque Nationale de France (hereafter BNF), *Règle et constitutions des religieuses de l'ordre de Notre Dame du Mont Carmel selon la réformation de Sainte Thérèse pour les monastères de son ordre en France*, Ordre des Carmes Déchaux, 1754, pp. 104-5.

³³ Ibid, pp. 104-5.

³⁴ Archivo Histórico Nacional (hereafter AHN), Libro 4191, OCD Bolarque, *Libro de determinaciones hechas por el capítulo conventual en orden a las rentas y economía del convento*. Meeting reports are still conserved for two convents of the Teresian Carmel Order, the convent of *San Elias* in Salamanca and the convent of the *Santo Desierto* in Bolarque.

³⁵ AHN, Libro 10710, OCD Salamanca San Elias, *Libro donde se anotan los acuerdos y determinaciones de los capítulos conventuales*.

Table 1 describes the first local level of the three-tier system that the Order developed and summarizes the outstanding loans in 1750 of the convents of Medina del Campo, a small city of around 5,000 inhabitants close to Valladolid.³⁶ Medina was on the decline in the seventeenth and eighteenth centuries, but had prospered in the sixteenth century thanks to the organization of well-known fairs.

Table 1. *Outstanding loans of the convents of Medina del Campo, 1750*

Borrowers	Number of <i>censos</i>	% of the total of <i>censos</i>	Amounts (vellon reals)	% of the total amount (vellon reals)	Average loan (vellon reals)
Ordinary people	380	71.97	745,132	34.86	1,960
Low nobility	68	12.88	375,360	17.56	5,520
High nobility	10	1.9	272,280	12.74	27,228
Members of the secular clergy	26	4.92	125,346	5.86	4,821
Offices	5	0.95	30,270	1.42	6,054
Ecclesiastical institutions	26	4.92	205,452	9.61	7,902
Cities	13	2.46	383,658	17.95	29,512
Total	528	100	2,137,498	100	4,048

Source: Author's own calculations based on Marcos Martín, 'La actividad crediticia', pp. 73-93.

³⁶ de Vries, *European Urbanization*, app. 1, p. 277.

In this small city, ordinary people represented 72 per cent of the borrowers.³⁷ These could be farmers, small landowners, craftsmen, or merchants. While the majority certainly worked in agriculture, the sources do not in most cases describe their professions. Only 20 per cent of the capital was lent to inhabitants of Medina, whereas more than 30 per cent flowed to cities in the surrounding areas. It seems that most of these latter loans played an important role in the development of vineyard farming at the end of the seventeenth century and across the eighteenth century, especially in the northern part of the Medina region where peasants were concentrated.³⁸ For these people, borrowing capacity was related to land and was therefore limited, as most farmers owned little land to use as collateral. Peasants account for only 35 per cent of the capital lent by the convents of Medina and borrowed 2,000 vellon reals on average, a comparable figure to the average loan found by Congost in the region of Girona,³⁹ and was equivalent to two-years of a labourer's wages in Madrid.⁴⁰

All of the other categories are overrepresented compared to their population share. The high nobility shows considerable borrowing capacity, with average loans of 27,000 vellon reals, nearly 14 times the amount lent to ordinary people. The high nobility were also offered lower interest rates than ordinary people, in general below 3 per cent, which reveals the quality of their collateral compared to that of ordinary people. Interest rates did not vary much for customers, even if some exceptions applied. The low nobility, who are recognizable by the title '*Don*', represented 13 per cent of the contracts but 17.5 per cent of the amount lent.⁴¹ Other people borrowed substantial amounts in order to buy an office.⁴² The second largest borrowers were cities. They represent only 2.46 per cent of contracts but 17.9 per cent of the capital, with an average loan of 30,000 vellon reals. They usually borrowed in order to comply with the fiscal needs of the King, but also to finance public infrastructure, grain provisions, or lawsuit costs.⁴³ Finally, the convents of Medina lent to each other as well, which represents 10 per cent of the capital. They usually borrowed in order to build new infrastructure, such as a chapel or a new altar piece, or repay debts.

³⁷ Defined as those who were not noble, civil servants, or members of the clergy.

³⁸ Marcos Martín, '*La actividad crediticia*', pp. 73-93.

³⁹ Congost, '*Becoming richer through debt*'.

⁴⁰ A labourer in Madrid earned, on average, around four vellon reals per day (Pinto Crespo and Madrazo Madrazo, *Atlas histórico*, p. 203). I follow Álvarez-Nogal and Prados de la Escosura, '*The decline of Spain*', p. 327, who assumed that day labourers worked between 180 and 250 days p.a. (for a complete list of sources, idem, '*The rise and fall*', p. 7), giving an average of 215 days. As such, a day labourer in Madrid would have earned around 860 vellon real p.a. in the eighteenth century.

⁴¹ The title '*Don*' does not necessarily refer to the nobility but can also refer to important people, for instance, those in commerce or administration.

⁴² They usually used their office as collateral.

⁴³ Marcos Martín, '*La actividad crediticia*', p. 92.

Ecclesiastical lending here was mainly local. For instance, of the 380 individuals who were not members of the clergy, civil servants, or from the nobility, 312 lived in Medina and its surroundings, and the remaining 68 lived in the regions around Medina. The local nature of ecclesiastical lending in rural areas was not particular to Medina del Campo. For example, the majority of the debtors of the monastery of *Santa Catalina* of Corbán in Cantabria lived in the surroundings of the monastery.⁴⁴ In León, 92 per cent of the debtors of the monastery of *San Benito el Real* of Sahagún lived in the city of Sahagún or in the region. However, they did sometimes lend to other sectors of the economy, like the Co. of the Cinco Gremios in Madrid, which was the largest merchant company in eighteenth-century Spain, and heavily involved in international trade.⁴⁵

In short, ecclesiastical lending in rural areas mostly involved agriculture, the city council, and the urban elite. It was mainly local and concerned small loans, no more than two years of a labourer's wages.

IV

At the second level of the three-tier system of the Teresian Carmel we have the Order's provincial houses (*procuradurías provinciales*). One of these provincial houses was that of the province of Old Castile, located in Valladolid in the convent of *San Benito el Real*.

This second level pooled all the excess capital earned by the convents in the province in one sole fund, which was then lent to other ecclesiastical or non-ecclesiastical institutions and all kinds of individuals with sufficient collateral. Capital was also reallocated at this level, as no less than 25 per cent of capital was sent to the convents in the province. As opposed to local convents, provincial houses lent only little to ordinary people and larger amounts to local nobility and to people and institutions further away. For example, the average loan to high nobility was 74,461 vellon reals from the provincial house, compared to 27,228 vellon reals from the Medina convents. Ordinary people only represented 2.6 per cent of the capital lent by the provincial house, whereas the analogous figure for the nobility was 12.1 per cent. These figures show that provincial houses did not lend massively to farmers or craftsmen, but rather to the elite. Finally, the provincial house could also lend to cities or even sometimes to public monopolies such as the Tobacco Monopoly (*Renta de Tabaco*). For example, 15.2 per

⁴⁴ Sánchez Gómez, 'Una aproximación', p. 76.

⁴⁵ García Martín, *Monasterio de San Benito*, p. 210. The Co. of the Cinco Gremios was the major merchant guild in eighteenth-century Madrid. Created in 1667, it consisted of the five main merchant industries: jewellery, silk industry, drapery, lingerie, and haberdashery. See Capella Martínez and Matilla Tascón, *Los Cinco Gremios*.

cent of the capital lent by the provincial house went to provincial city councils, mainly that of Valladolid.⁴⁶

In short, provincial houses lent larger amounts than local convents. They could pool money in order to satisfy the demand for larger loans, which mainly went to high nobility, cities, and other institutions. They could also reallocate capital from convents with excess capital to those with a capital shortage.

V

The last level of the three-tier system pushes the logic a step further. I here consider the account books of the General Curia. Two of these are of central importance: the annual account book of the General Curia, and the loan book recording all of its *censos*. These reveal that the General Curia was the keystone of the credit institution. They also provide details on an important national institution that was present over the whole of Spain and was organized as a proper bank. Capital flowed from the top to the bottom and from the bottom to the top. Every four years, all the provincial priors of the Congregation of Spain had to sign a power of attorney before a notary in Madrid in favour of the general prior. This gave the general prior the ability to take out a loan and redeem it on behalf of any of the convents of the Congregation or represent them at court. Below is the proxy established in 1747 by the notary Don Manuel Miñon de Reynoso:

According to that public power of attorney, we Fr. Diego de San Rafael, General Prior of the Teresian Carmen Order, of the discalced carmelite monks and nuns of Primitive Observance of the Congregation of Spain ... and in behalf of the ... definitors, prelates, and convents of monks and nuns of our Order ... together, consent and give our complete power, that which is needed and necessary, to Fr. Paulino de San Joseph, member of our Order, and General Prior.⁴⁷

With this power of attorney from the Order's convents, the General Curia had complete authority to act for the whole community. In particular, it could act as a financial intermediary for the Order, reallocate capital within the Order, and lend capital.

⁴⁶ Marcos Martín, 'La actividad crediticia', pp. 97-9.

⁴⁷ Archivo Histórico de Protocolos de Madrid (hereafter AHPM), *protocolo* 17230, p. 204.

First, as a financial intermediary, the General Curia could either lend some capital on behalf of one particular convent or pool capital from several convents in order to meet the demand for larger loans. When a particular convent wanted to lend capital, it could choose between two options. It could either find a borrower nearby, within the city and its surroundings, or it could deposit the capital in the General Curia and charge it to lend this capital. In August 1791, for instance, the convent of monks of Medina del Campo deposited 8,000 vellon reals in the General Curia and asked the mother cell to lend it: ‘Plus 8,000 vellon reals that gave our Prior of Medina del Campo to be lent via a *censo*’.⁴⁸ On 17 August 1791, the General Curia lent the said 8,000 vellon reals of the convent of Medina del Campo to the pious schools of the San Fernando College in Madrid.⁴⁹ There are two striking facts here. First, Medina del Campo is 157 kilometres from Madrid, which means that the General Curia could easily act as a financial intermediary for distant areas. Without the General Curia, the deal could not have been made. Second, we can note the speed of the General Curia’s actions. We do not have the exact day when the capital was deposited in the General Curia, but we do know that it was between the 1st and the 17th of August. As a result, a maximum of two weeks separated the General Curia’s receipt of the payment from Medina del Campo from its subsequent lending out.

As a financial intermediary, the General Curia not only lent capital on behalf of a particular convent, but also pooled capital from a number of convents to meet the demand for larger loans. The example of the Marquis of San Juan de Tasso is particularly interesting. The Marquis lived in Madrid and was a member of the Council of Castile, which was basically the Spanish government. He asked the General Curia of the Teresian Carmel for a *censo* of 400,000 vellon reals, a tidy sum in an era when a local day labourer might earn little more than 860 vellon reals a year. The General Curia had to pool, in Madrid, the capital from nine convents of nuns and monks throughout Spain and draw on the beatification fund, which is the investment fund of the General Curia.⁵⁰

As figure 1 shows, capital could come from as far as the city of Padrón, which is 620 kilometres away from Madrid, thanks to the action of the General Curia. By 1 March 1762, the General Curia was able to lend the amount requested by the Marquis. Capital thus did flow across the whole of Spain. In addition, the Marquis did not pay the rent to each convent,

⁴⁸ Biblioteca Nacional (hereafter BN), MSS/3861, *Libro de cuentas de los Carmelitas Descalzos correspondiente a los años 1787-1802*, p. 76.

⁴⁹ BN, MSS/3644, *Libro de censos de los conventos de Carmelitas Descalzos*, p. 684.

⁵⁰ *Ibid*, p. 210. The capital was divided between the Pastrana fathers, Segovia fathers, Medina de Rioseco fathers, Toro fathers, Palencia fathers, Fontiveros fathers, Batuecas fathers, Padrón fathers, Madrid fathers, Lerma mothers, and the beatification fund.

but rather in Madrid to the General Curia, which was much more convenient for him. The General Curia then redistributed the rent to each convent, since they had to meet their obligations, such as maintaining the chantry priest.



Figure 1. *The Marquis of Tasso's conventual lenders*

Source: BN, MSS/3644, *Libro de censos de los conventos de Carmelitas Descalzos*, p. 210.

The General Curia could also reallocate capital between convents with excess capital and those short of it, either as an intermediary or as a lender. As an intermediary, the General Curia matched two convents, one with excess capital and one short of it. Each convent had to first ask the General Curia via its provincial house for the authorization to lend or to borrow, following which the General Curia could match them. In March 1806, for instance, it matched the convent of Malagón to the convent of Consuegra which lent it 1,500 vellon reals.⁵¹ The two convents are 45 kilometres apart, and would not have made the deal without the General Curia.

The General Curia also acted as a lender. It had at its disposal two investment funds: the common fund (*caudal común*) which was used for the daily expenses and investments of the Curia, and the beatification fund (*caudal de beatificaciones*) which was used to support

⁵¹ *Ibid*, p. 709.

the beatification of the Order's nuns or monks from and which served as an investment fund. Whenever a convent needed money, it could take out a loan from one of these two funds. On 20 August 1788, for example, the nuns of Bujalance took out a loan from the common fund of 10,000 vellon reals.⁵² Clearly, local convents were not limited by their own resources. At any time they could, if they wished, obtain supplementary resources from the General Curia. In this respect, they were able to offer their neighbourhood (and in particular rural dwellers) an unlimited supply of capital.

The analysis of workings of the Teresian Carmel yields some insights into the global functioning of the Order as a credit institution. A more detailed analysis of the global financial activity of the General Curia will now help us to understand the characteristics of the Spanish long-term credit market.

Table 2. *Outstanding loans of the General Curia, 1752*

Borrowers	Number of <i>censos</i>	Amounts (vellon reals)	% of the total capital	Average loan (vellon reals)
Cities	15	1,597,548	14.9	106,503
Merchant companies	7	1,768,207	16.5	252,601
Nobility	48	2,286,078	21.4	47,626
Ecclesiastical institutions	78	5,056,721	47.2	64,829
Total	148	10,708,554	100	72,355

Sources: BN, MSS/3644, *Libro de censos de los conventos de Carmelitas Descalzos*; BN, MSS/6558, *Libro de entrada y recibo de caudales del convento de Carmelitas de Madrid desde 1752 a 1805*; AHPM, records of Don Juan Manuel Miñon de Reynoso, *signaturas* 17225-48 and records of Don Juan Manuel Gomez Guerrero, *signaturas* 18543-7.

⁵² *Ibid.*, p. 251.

Table 2 lists part of the outstanding loans of the General Curia in 1752, and provides an overview of its lending activity during the eighteenth century.⁵³ The mortgage-debt stock of the General Curia amounted to almost 11 million vellon reals (and the Teresian Carmel represented only 6 per cent of convents in Spain).⁵⁴ This is more than what Hoare's Bank lent in London between 1700 and 1724 (which lent a total mortgage amount of £72,526, around seven million vellon reals).⁵⁵ Who were the lucky borrowers who were lent money by the General Curia of the Teresian Carmel in the eighteenth century? We first note the absence of ordinary people such as farmers, craftsmen, and small landowners. On the contrary, Dukes, Counts, Dones, and Doñas are at the top of the list, accounting for 21 per cent of the loans, for an average amount of 47,626 vellon reals. These individuals represented the high nobility, lived in Madrid, and had important official positions. Some were also part of Spain's commercial and financial elite. Examples are Don Andres Diaz Navarro, a former minister, the Duke of Medina Sidonia, Pedro de Alcántara Pérez de Guzmán y Pacheco, a member of one of the most important and oldest families in Spain and fellow of the Royal Society from 1749, and Don Joseph Ignacio Goyeneche, a former Secretary of State. Interest rates were almost always the same across customers: members of the aristocracy were not particularly privileged in terms of their cost of borrowing.

Ecclesiastical institutions accounted for a large part of ecclesiastical credit, with 47 per cent of the amount lent by the General Curia (divided between Teresian Carmel institutions, with 21.5 per cent of the loans, and other ecclesiastical institutions for the other 25.7 per cent). This reflects the substantial role of the General Curia in reallocation between convents with excess capital and those which were short of it. Another considerable percentage of the capital was lent to cities. These were often close to Madrid, such as Vicálvaro or Colmenar Viejo, but some were quite far away such as Rus (province of Jaén) or Salmeroncillos (province of Cuenca). Last, a notable share goes to merchant companies, with a striking average amount lent of 252,000 vellon reals. It was the Royal Co. of Trade of Toledo that took out the seven loans recorded here. This was created in 1748 to encourage trade in the Toledo region. It borrowed large amounts of capital from the Teresian Carmel Order at the time of its creation, with 520,000 vellon reals in 1749, 1,045,000 in 1750, and 200,000 in

⁵³ The loan book for that particular year does not exist anymore. I reconstructed the outstanding loans of the General Curia in 1752 by matching three different sources. First, the loan book of the General Curia that summarizes part of its loans from the seventeenth and eighteenth centuries, which I matched to the loans recorded in the account books of the General Curia between 1752 and 1756. Finally, I cross-checked these loans with the new loans and redemptions recorded in the records of the General Curia's two notaries between 1745 and 1755 (Don Juan Manuel Miñon de Reynoso and Don Juan Manuel Gomez Guerrero).

⁵⁴ Sáez Marín, *Datos sobre la Iglesia*, pp. 34-5.

⁵⁵ Temin and Voth, 'Hoare's Bank', fig. 2, p. 547.

1751. The General Curia pooled the capital needed by the company from no less than 19 convents scattered across Spain from Salamanca to Santiago de Compostela and Pamplona, the beatification fund, the common fund, and Doña Maria de Torres' pious memories.⁵⁶ Later, the General Curia provided 202,700 vellon reals in two loans in 1754 and 1758 to the Co. of the Cinco Gremios.⁵⁷ This shows that the Teresian Carmel three-tier system managed to attract the necessary capital from everywhere in Spain up to Madrid, to finance merchant companies and sometimes international trade.

The General Curia's lending activity did not change much throughout the eighteenth and the beginning of the nineteenth centuries. The loan book of the General Curia for 1830, which records all the outstanding loans of the Curia for that year, gives an exhaustive idea of the scope of the General Curia credit activities (tables 3 and 4).⁵⁸

Table 3. *General Curia outstanding loans, 1830*

General Curia	Fund	Number of <i>censos</i>	Total amount (vellon reals)	Average loan (vellon reals)
As a lender	Common fund	147	8,210,178	55,852
	Beatification fund	84	7,060,969	84,059
As an intermediary	Convent funds	101	5,861,061	58,030
Total		332	21,132,208	63,651

Source: BN, MSS/12843, *Índice de los censos y escrituras de los Carmelitas Descalzos de España*.

⁵⁶ The 19 convents were Alba de Tormes mothers, Avila fathers, Budia fathers, Consuegra mothers, Cuerva mothers, Madrid mothers, Manzanares fathers, Medina de Rioseco mothers, Ocaña mothers, Palencia fathers and mothers, Pamplona mothers, Pastrana fathers, Salamanca fathers, Santiago de Compostela mothers, Segovia fathers, Soria mothers, Toledo fathers, and Yepes mothers.

⁵⁷ BN, MSS/3644, *Libro de censos de los conventos de Carmelitas Descalzos*.

⁵⁸ The loan book of 1830 is the only one remaining for a particular year for the whole General Curia. It provides an idea of all the outstanding loans of the Curia for that year. The suppression of all the masculine orders in the Nineteenth century and the Spanish Civil War of 1936-9 seriously damaged ecclesiastical records.

In 1830, the capital managed by the General Curia amounted to 21 million vellon reals. By way of comparison, the Bank of Barcelona, one of the first private banks founded in 1844, started with a capital of 20 million vellon reals (five million *pesetas*).⁵⁹ This figure is also more than double the mortgage lending by Hoare's Bank. This demonstrates that ecclesiastical credit in Spain was not just an epiphenomenon, considering that the convents in the Teresian Carmel Order represented only 6 per cent of the total number of convents.

Table 4. *General Curia borrowers, 1830*

Borrowers	Number of <i>censos</i>	Total amount (vellon reals)	Average loan (vellon reals)
Teresian Carmel institutions	161	4,075,477	25,157
Other ecclesiastical institutions	64	6,739,114	105,298
Nobility	79	7,608,425	96,309
Merchant companies	7	361,232	51,604
Cities	8	825,400	103,050
Others	12	1,522,560	126,880
Total	332	21,131,208	63,651

Source: BN, MSS/12843, *Índice de los censos y escrituras de los Carmelitas Descalzos de España*.

Notes: 'Others' covers hospitals, the Tobacco Monopoly (*Renta de Tabaco*), the Mail Monopoly (*Renta de Correos*), and the Amortization Fund (*Caja de Amortización*).

We find similar patterns of lending to those in the eighteenth century (table 4). Ordinary people (farmers, craftsmen, or small merchants) are, as in 1752, totally absent from the loan portfolio. The nobility accounted for 36 per cent of the capital lent by the General Curia, with an average loan of 96,000 vellon reals. The Order lent more than 11 per cent of its capital to cities and other public institutions such as hospitals, the Tobacco Monopoly (*Renta*

⁵⁹ Tortella Casares, *Los orígenes*, p. 36.

de Tabaco), the Mail Monopoly (*Renta de Correos*), and the Amortization Fund (*Caja de Amortización*). Likewise, ecclesiastical institutions represented broadly 51 per cent of the amount lent. Teresian Carmel convents received an average loan of 25,000 vellon reals, with the analogous figure for other ecclesiastical institutions being an astonishing 105,000 vellon reals. These numbers again confirm that the General Curia played an important role in the reallocation of capital within the Order. In addition, the share of ecclesiastical institutions seems to have been underestimated. Almost all credit operations between parties belonging to the same Order (Teresian Carmel) are not notarized, as I could see in the account books of the General Curia. Whenever a credit contract concerned two members of the same Order, they would draw up contracts ‘According to the Order's fashion’, meaning that they did not use notary services.⁶⁰ As we can see in table 4, almost 20 per cent of the volume of loans went to other ecclesiastical institutions from the Teresian Carmel. These loans are not contracts drawn up by a notary. We do not know the exact magnitude of the underestimation, but taking into account that ecclesiastical institutions dominated the market, and that intra-order lending represented 20 per cent of the total capital lent, then the Cadastre de Ensenada must have underestimated the amount of outstanding long-term debt.

There are however some differences over time. The share lent to merchants is far lower than in 1752. In 1830, the Co. of the Cinco Gremios had an outstanding debt of 119,249 vellon reals from the General Curia, and that of the Co. of Buena Fe of Craftsmen & Silversmiths (*Compañía de la Buena Fe de Artífices y Plateros*) of 241,983 vellon reals. Compared to 1752, the amount lent to merchant companies fell by 80 per cent. This may reflect the collapse of the Spanish empire at the beginning of the nineteenth century.

The analysis of the loan portfolio of the General Curia underlines some of the latter's particularities, in addition to its traditional roles of financial intermediary for the Order, reallocation, and lender. First, the General Curia lent much larger amounts of capital as compared to provincial houses and local convents. It specialized in large loans, since it could pool capital from all the Spanish convents in the Order to meet the demand for larger loans. Second, its reallocation role seems to have redirected a large share of the amount lent towards other ecclesiastical institutions.

On the whole, the analysis of the Teresian Carmel shows that an important credit institution existed, one that was organized into a highly sophisticated three-tier system acting at a national level. This particular organization was even better than English banks since it

⁶⁰ ‘*Al estilo de la Orden*’, BN, MSS/12843, *Índice de los censos y escrituras de los Carmelitas Descalzos de España*.

could provide credit to all population categories everywhere on Spanish soil. The General and provincial houses were in charge of pooling and lending on a large scale, while the convents were more focussed on local credit. This is even more surprising if we consider that the Teresian Carmel lent more than Hoare's Bank in London, even though it was only a small credit institution in that particular financial sector in Spain, as compared to the Franciscans for example. In the end, the people did not need banks, since ecclesiastical institutions were ideally placed to offer everything from small loans to peasants to substantial amounts to local treasuries, the urban elite, and noble estates.

VI

In contrast to many traditional banks that focused on only a small category of the population, the credit activity of the Teresian Carmel Order covered the whole range of potential borrowers, from very small loans in rural areas, mainly to farmers, to a few large loans to the urban elite.

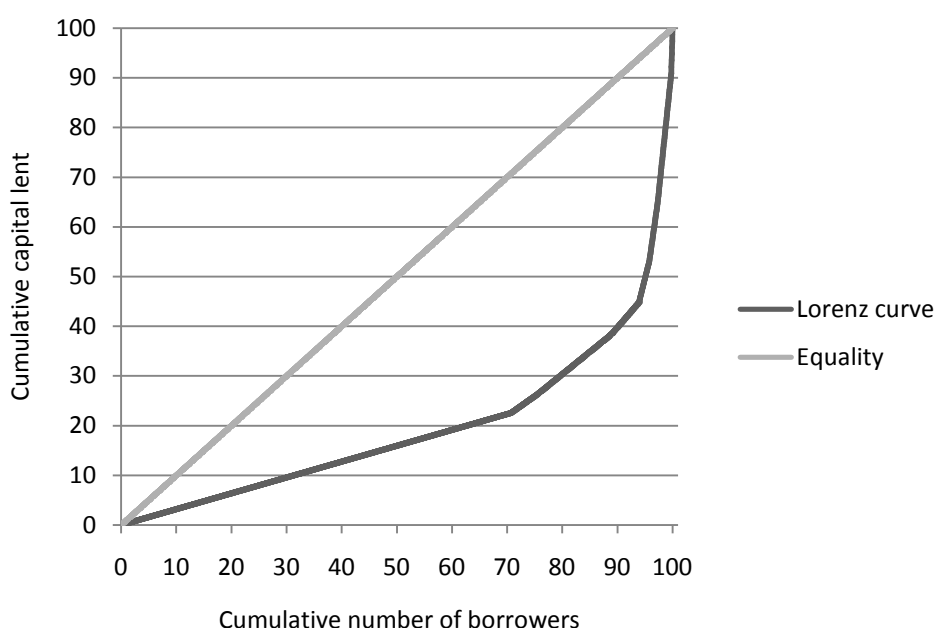


Figure 2. *Distribution of the amounts lent in 1750 by the Teresian Carmel, Spain*

Sources: BN, MSS/3644, *Libro de censos de los conventos de Carmelitas Descalzos*; BN, MSS/6558, *Libro de entrada y recibo de caudales del convento de Carmelitas de Madrid desde 1752 a 1805*; AHPM, records of Don Juan Manuel Miñon de Reynoso, *signaturas* 17225-48 and records of Don Juan Manuel Gomez Guerrero, *signaturas* 18543-7; Marcos Martín, 'La actividad crediticia', pp. 73-93; Sáez Marín, *Datos sobre la Iglesia*, pp. 34-5. See tab. 1 and 2.

I consider the distribution of the capital lent by the Teresian Carmel in the mid-eighteenth century on the basis of the outstanding loans of the convents of Medina del Campo in 1750 (table 1) and those of the General Curia in 1752 (table 2).⁶¹ Figure 2 plots the Lorenz curve for the amounts lent by the Teresian Carmen, and reveals lending that is highly concentrated, as in many other parts of Europe. The large majority of the borrowers represent only a small part of the total amount lent, and the rich received the majority of ecclesiastical lending: around 75 per cent of borrowers received only 25 per cent of the amount lent in 1750. Spanish society is not an exception compared to other European countries during early modern times. In London, Hoare's Bank had the same lending patterns at the beginning of the eighteenth century, as the 'bottom three-quarters of loans did not even account for 25 per cent of all loans'.⁶² Spanish society was polarized, and credit was mainly provided to urban elites, and more generally to the upper class, since access to credit reflected the kind of collateral offered, rather than an inherent bias in the General Curia's lending decisions.

This cleavage can be seen by examining the development of two methods of providing the information needed in credit operations. On the left-hand side of the Lorenz curve, information was mainly local. The vast majority of these loans were small, and the lender and the borrower were within 20 kilometres of each other. Local convents and churches knew everybody in the village and could check on the collateral in case of doubt. For example, the monks of the convent of Bolarque accepted to lend 5,850 vellon reals to Juan de Burgos after having checked his mortgage and deemed that it was sufficient: 'Juan de Burgos el Menor, resident of Almonacid de Lurita, came asking for a *censo* and, the mortgages being examined, he gave a well-sufficient guarantee, and the holy community offered and agreed to give to Juan de Burgos the said 5,850 vellon reals via a *censo*'.⁶³ This account shows the economic rationale of the ecclesiastics. Before lending money, they analysed and examined the debtor's

⁶¹ I inferred the distribution of capital lent by the convents of the Teresian Carmel in Medina from the data on the local convents of Medina del Campo in 1750 (see tab. 1). In 1787, in Spain, there were 115 convents of monks and 81 convents of nuns from the Teresian Carmel Order out of 3,189 convents in total (Sáez Marín, *Datos sobre la Iglesia*, pp. 34-5). On this basis, I assumed that the Teresian Carmel Order represented 6% of the credit activity of Medina del Campo (there were actually two convents from the Order out of 18 convents in Medina). Assuming that the other convents in the Order had the same distribution, I could then deduce, from the distribution of the capital lent by the local convents in the Order in 1750 and that of the General Curia in 1752 (see tab. 2), the distribution of the capital lent by the whole Order in 1750. I excluded the loans taken out by cities and other public institutions; the distribution is even more unequal if these are included.

⁶² Temin and Voth, 'Hoare's Bank', p. 547.

⁶³ AHN, Libro 4191, OCD Bolarque, *Libro de determinaciones hechas por el capitulo conventual en orden a las rentas y economia del convento*, p. 2.

guarantees and decided during their weekly meeting whether these were sufficient. It was not difficult to check collateral, since the house or the farm was usually close to the convent.

The situation on the right-hand side of the curve was different. People did not know each other well, but if they did, they did not know each other's exact financial situation. Large amounts of money were at stake; one could not lend without serious guarantees. At least two sources of information were available at that time. Firstly, a mortgage registry, available to the whole public community, was there to confirm that the collateral was not already charged with thousands of mortgages. However, this registry might not have been entirely sufficient, since not all *censos* were perfectly recorded, especially in Castile.⁶⁴ At least in Castile, the registration system was mainly dedicated to large mortgage loans, and was therefore definitely oriented towards the rich part of the population who borrowed substantial amounts of money. Secondly, it may appear that notaries, similar to those in France, played an important role in the pooling of information.⁶⁵ On 11 April 1769, for example, the Teresian Carmel lent 300,000 vellon reals to Don Juan Ignacio Goyeneche before Don Juan Manuel Gomez Guerrero, who was the notary of both the Teresian Carmel and Don Goyeneche.⁶⁶ Spanish notaries may have matched borrowers and lenders as well, and have acted as intermediaries, but this is a separate question.

VII

One major issue here is whether ecclesiastical credit contributed to the Spanish economy. Many contemporaneous Spanish economists concur that ecclesiastical credit actually had detrimental effects. The economists blamed the ecclesiastics for the decline of Spain, since wealth was indeed in mortmain hands, as proposed by Vicente Vizcayno Perez in his 1766 book.⁶⁷ They described a lazy society of *rentiers* driven by conspicuous consumption. Capital was not earmarked for productive investment that would have fostered economic growth. This view is also held by some economic historians, who deem that ecclesiastical institutions are

⁶⁴ Serna Vallejo, *La publicidad inmobiliaria*, pp. 270-83.

⁶⁵ Hoffman, Postel-Vinay, and Rosenthal, *Priceless markets*.

⁶⁶ BN, MSS/3644, *Libro de censos de los conventos de Carmelitas Descalzos*, p. 198. The Teresian Carmel Order always had its loan contracts signed at Guerrero's office and I discovered many other loan contracts involving Goyeneche and the notary Guerrero. On 24 July 1773, for example, Goyeneche lent 2.3 million vellon reals to the Royal Academy of San Fernando before Don Gomez Guerrero. Archivo Registro de la Propiedad de Madrid, *Contaduría de Hipotecas de Madrid*, Manzana 290, Calle Alcalá, no. 5.

⁶⁷ BNF, *Discursos políticos sobre los estragos que causan los censos, felicidades y medios de su extinción. Comercio fomentado y general abundancia de comestibles en España*, Vizcayno Perez, V., 1766.

passive annuitants and consumers of wealth; they therefore did not inject capital into productive investments and did not encourage entrepreneurship.⁶⁸

There are, however, a number of reasons to believe that ecclesiastical institutions did play a role in Spanish development. I do not have systematic evidence, but they participated in the financing of at least three important fields of the economy. First, the share of ecclesiastical institutions' lending that went to cities is striking. These institutions had always been an important source of public credit. Starting with the well-known *juros*, ecclesiastical institutions lent prodigiously to the cities in early modern Spain. From the middle of the Seventeenth century, they became the main source of funding for public institutions through the *censos*, since the devaluation of both *juros* and *efectos de villa* (another public bond that circulated in the seventeenth century) led cities to borrow almost exclusively via *censos*. Furthermore, the growing capital needs of cities in the second half of the seventeenth century in order to fund their donations to the King (*donativos*), as well as the economic crisis at that time that pushed lay creditors out of the market, reinforced the position of ecclesiastical institutions in the long-term public credit market. For example, between 1537 and 1597 in Seville, merchants and the urban elite owned almost half of the *censos* taken out by the city council. Between 1665 and 1736, the ecclesiastical institutions were the main creditors of the city council, and the share of the merchants fell from 11.6 per cent to 3.5 per cent.⁶⁹ In Valladolid, the share of ecclesiastical institutions in the capital lent to the city council rose from 32.3 per cent in 1618 to 56 per cent in 1688.⁷⁰ A contemporaneous testimony, a memorandum on the maximum legal interest rate borne by the *censos* in 1691, put forward that ecclesiastical institutions were the main credit providers of municipalities and cities.⁷¹ These loans financed not only the donations to the King, but also the maintenance and construction of public infrastructure and the provision of basic public services.⁷² For example, in Elorrio, almost 60 per cent of the amount lent between 1780 and 1789 (367,000 vellon reals), was invested in the construction of roads.⁷³

As far as trade is concerned, ecclesiastical institutions participated in the financing of commercial activities and international trade. The memorandum on the reduction of the interest rate borne by the *censos* written in 1720 by the Cathedral of Valencia for the Council of Castile bears perfect testimony. The cathedral chapter wanted to protect the development of

⁶⁸ Quiroz, 'Reassessing the role of credit', p. 200.

⁶⁹ Martínez Ruiz, *Finanzas municipales*, pp. 205-6 and p. 294.

⁷⁰ Gutiérrez Alonso, *La ciudad de Valladolid*, pp. 389-90.

⁷¹ Álvarez Vázquez, *Rentas, precios y crédito*, p. 280.

⁷² Marcos Martín, 'La actividad crediticia', p. 92.

⁷³ Fernández de Pinedo, 'Del censo a la obligación', p. 302.

manufacturing, stating that: ‘Via the *censos*, so many manufacturers of silk and wool would find considerable funds for their desired development’.⁷⁴ Later in the document, the Cathedral defended the *censo* arguing that: ‘With the *censos*, driving capital towards lay people, and supporting trade with this money’.⁷⁵ For the cathedral chapter of Valencia, there is no doubt that the *censo*, by lending to merchants and fostering trading activities, was one of the keystones of Spanish commercial activity. Furthermore, we note from the account books of the Teresian Carmel that the Order lent massively to merchant companies such as the Royal Co. of Trade of Toledo, the Co. of the Cinco Gremios and the Co. of Buena Fe of Craftsmen & Silversmiths, as well as to royal monopolies such as the Tobacco Monopoly and the Mail Monopoly. These connections between ecclesiastical institutions and economic activities should not come as a surprise since ecclesiastical institutions and ecclesiastics could be very successful merchants. This can be illustrated by the case of the Jesuits. The Jesuits were well known for their agricultural activities, especially in New Spain. Until their extinction in 1767, they traded goods between Spanish America and Spain and established contacts with other merchants across the whole of Europe.⁷⁶

Regarding rural credit, there is also no denying that ecclesiastical institutions were the main providers of agricultural loans. Spread throughout Spain, including in the most remote parts of the country, they were able to address the basic credit needs of small landowners and farmers. All of the local convents were important credit centres for rural dwellers who ran short of capital. In his work on the province of Zamora, Álvarez Vázquez notes that the demand for agricultural credit in the absence of a national banking system was satisfied by ecclesiastical institutions.⁷⁷ These loans were usually small, at around one or two years of a labourer's wages, and were sufficient for the recipient to get through the storm or build a new house. Ecclesiastical institutions also participated in the agricultural improvement movement in early modern times. For instance, the large monasteries around Barcelona, the Cathedral of Barcelona, as well as more scattered convents, such as the convent of Poblet, appear on the records of hydraulic establishments and participated in the construction of hydraulic infrastructure.⁷⁸

⁷⁴ Depósito Académico Digital Universidad de Navarra, Fondo Antiguo, *Reflexiones, que el cabildo, y canonigos de la Santa Metropolitana Iglesia de Valencia, exponen a los señores del Real Consejo de Castilla. Sobre el precio de los censos de aquel Reyno*, Catedral de Valencia, 1720, p. 8. See <http://dadun.unav.edu/handle/10171/30903>.

⁷⁵ *Ibid*, p. 10.

⁷⁶ López Martínez, ‘Los jesuitas’.

⁷⁷ Álvarez Vázquez, *Rentas, precios y crédito*, p. 284.

⁷⁸ Vilar, *La Catalogne*, vol. 2, pp. 256-61.

VIII

Throughout early modern times, ecclesiastical institutions became the most important providers of long-term credit. They acted almost like traditional banks by pooling, lending, and borrowing money. In this paper, I considered the case of the Teresian Carmel Order during the eighteenth century and the beginning of the nineteenth century, when ecclesiastical credit was largely dominant and characterized the functioning of that particular credit market. I found that ecclesiastical institutions acted through a vast network of convents and monasteries, supplying everything from small loans to farmers in a local market to substantial amounts to merchants, officials, local treasuries, and noble estates across the whole country and beyond. Their three-tier system, with the General Curia at the top in Madrid and then the provincial houses and the local convents scattered over all of Spain, allowed them to address all kinds of demands and cover the whole range of possible borrowers. However, the distribution of the capital lent by the Teresian Carmel reveals an unequal and polarized society, where three quarters of the borrowers received only a quarter of the capital lent. This resulted in a split market that developed with different systems of information provision. Not only was ecclesiastical credit the keystone of the long-term Spanish credit market, but it also participated in Spanish economic development through the construction of public infrastructure, credit to the agricultural system, and credit to merchant companies and entrepreneurs.

As credit institutions were widely spread-out in the seventeenth, eighteenth, and nineteenth centuries, Spain did not then suffer from capital scarcity. Instead, available sources of capital chased rare investment opportunities. The problem was not on the supply side, but on the demand side. These findings underline that the rise of Britain's financial system should not be taken as a norm. Britain was more the exception than the rule, and should not act as the benchmark for understanding the dynamics of financial modernization.

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APPENDIX: *The ecclesiastical population*

Year	Secular clergy	Regular clergy	Total number	Index	% of the total population
1591	40,599	50,486	91,085	100	1.12
1700	Unknown	Unknown	160,000	175.66	2
1752	66,691	95,134	161,825	177.66	1.74
1768	65,687	82,118	147,805	162.27	1.46
1787	70,170	73,430	143,600	157.65	1.31
1797	70,840	73,372	144,212	158.33	1.25
1835	41,151	52,906	94,057	103.26	0.81

Source: Barrio Gozalo, 'La proyección económica de la Iglesia', tab. 1, p. 11.