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Citation

Cravo Bertrand Pereira, E. F. (2020, May 28). *A contractor empire : public-private partnerships and overseas expansion in Habsburg Portugal (1580-1640)*. Retrieved from <https://hdl.handle.net/1887/92348>

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Issue Date: 2020-05-28

Chapter 7: The Spanish Sojourn: a Portuguese Banker and Tax-Farmer at the Court of Spain

In 1661, precisely twenty years after the execution of his father, Manuel de Baeça, one of Pedro de Baeça's sons living in Spain, requested the Castilian *Consejo de Indias* to be compensated for what he claimed to be the unduly confiscation of seven silver bars brought several years before by the convoys of the *Carrera de Indias*, on consignment to his father. The Council explained that the bullion had been seized not because the late Pedro de Baeça was residing in Portugal following the Restoration coup of December 1640, and as such, was perceived by the Spanish authorities to be rebel. Instead, the Crown seized the bars because Pedro de Baeça did not possess a patent of naturalization, and since he was a natural of the kingdom of Portugal, the trade with Spanish America was formally off limits for him. When Manuel replied by mentioning his father's many services to the House of Habsburg, and his involvement in the conspiracy to reinstate Phillip IV on the Portuguese throne, the Council, perhaps cynically, retorted that it had no recollection of any such services. Moreover, even if his father had indeed been an *asentista*, like the petitioner claimed, the law still applied, and therefore he was not eligible to trade directly and on his own account with Spanish America.⁶²³ Despite this dismissive reply, the Council of the Indies deferred the matter to the Council of Portugal, which still functioned in Madrid, requesting a more qualified opinion about the claims made by Manuel de Baeça about his father. The Council of Portugal confirmed what had been said about the late Pedro de Baeça and recommended that the petition made by his son should be accepted on account of the father's many services to the Spanish Monarchy, although it also stressed the legal impediment of a non-natural to trade with the Indies of Castile.⁶²⁴

This posthumous episode involving Pedro de Baeça's progeny alludes to his participation in the Spanish imperial system by means of investments in the convoyed trade with America, but also of the royal contracts underwritten in Madrid with the Spanish *Real Hacienda*. The following section covers the second period of Pedro de Baeça's career, when he resided in Castile and was involved in short-term state lending, the so called *asientos de dinero*, and in other public-private partnerships with the Spanish financial institutions. His move to Castile occurred against the backdrop of a growing penetration of business-oriented Portuguese actors in Spain's overseas trade and royal finances. The context and the chain of events that lead to the Portuguese subjects of the House of Habsburg to be introduced to the inner-workings of the Monarchy's international is a well-known chapter in the history of the seventeenth century Iberian world. It is briefly outlined here to provide some context and put into perspective the business and political trajectory of Pedro de Baeça in the late 1620s and early 1630s.

As late as 1629, Baeça decided to follow in the footsteps of several fellow Portuguese portfolio-capitalists who had extended their businesses across the border separating the kingdoms of Portugal and Castile. On June 26, 1627, Phillip IV and several Portuguese merchant-bankers agreed on the terms of the so-called Edict of Grace. This agreement had been long in the making. Negotiations had commenced as early as 1621, when a series of prominent New Christian businessmen from Lisbon were first asked to come to the court to discuss a pardon for the community's alleged religious deviancy. It was during these conversations that the Crown first approached the Portuguese New Christians to take part

⁶²³ By this point, Pedro de Baeça's brother, the influential banker Jorge da Paz da Silveira, had already passed away, and thus a powerful ally to lobby with the Crown had been lost.

⁶²⁴ AGI, Indiferente General (IG), leg. 776. AGI, Contratacion 438, N. 3 R. 5.

in the short term loans to the *Real Hacienda*.⁶²⁵ Against a hefty financial compensation, the edict granted the Portuguese New-Christians a three year (later extended to six years) amnesty on past spiritual transgressions and freedom of movement within the territories of the Monarchy, except for Spanish America which law reserved for the monarch's Castilian subjects only. If in matters of faith the edict could be seen as a follow up to previous religious pardons negotiated in the reign of Phillip III, the Edict of Grace, or to be more precise, its financial trade-off, broke new ground in the financial and political relationship between the king and Portugal's business elite.⁶²⁶

Although Portuguese economic and demographic penetration was already occurring decades before the Edict,⁶²⁷ it allowed their businesses to be expanded and opened new avenues for socio-political promotion in Spain. Before 1627 they were, for the most part, relegated to a second tier of government contracts negotiated by the Castilian counterpart to the Portuguese Council of the Exchequer, the *Consejo de Hacienda*. Up until then, affluent Portuguese immigrants and their sons already born in Castile⁶²⁸ had been able to secure tax-farms of provincial rents and provisioning contracts to the royal navy and different branches of the army.⁶²⁹ Others earned a living as merchants and artisans in Castilian towns and in other parts of Iberia, or by investing in the trade with Spanish America.⁶³⁰ They had not,

⁶²⁵ Sanz Ayán, *Los banqueros y la crisis de la monarquía hispánica de 1640*, 54–56; Boyajian, *Portuguese Bankers at the Court of Spain, 1626-1650*, 17–24.

⁶²⁶ Sanz Ayán, *Los banqueros y la crisis de la monarquía hispánica de 1640*, 56–57; Maurits A. Ebben, 'Un triángulo imposible: la Corona española, el Santo Oficio y los banqueros portugueses, 1627-1655', *Hispania: Revista española de historia* 53, no. 184 (1993): 541–56; Boyajian, *Portuguese Bankers at the Court of Spain, 1626-1650*; João Lúcio Azevedo, *História dos cristãos-novos portugueses* (Lisbon: Clássica Editora, 1989).

⁶²⁷ For general literature on the immigration of Portuguese individuals and families to Castile in the sixteenth and early seventeenth centuries, with special reference to the New-Christians see: Juan Hernández Franco, 'Familias Portuguesas En La España Moderna', in *Sociedade, Família e Poder Na Península Ibérica. Elementos Para Uma História Comparada*, ed. Mafalda Soares da Cunha and Juan Hernández Franco (Lisbon: Edições Colibri-CIDHEUS, Universidade de Évora-Universidad de Murcia, 2010), 15–29; Studnicki-Gizbert, *A Nation upon the Ocean Sea*; Rafael Carrasco, 'Preludio al "siglo de los portugueses": la Inquisición de Cuenca y los judaizantes lusitanos en el siglo XVI', *Hispania: Revista española de historia* 47, no. 166 (1987): 503–60.

⁶²⁸ Some of these tax-farmers and monopoly leaseholders came from the ranks of the Lisbon business elite, whereas others were of much more modest background, coming from the back-lands of Portugal along the border with Spain. While some were blood-related to the Lisbon moguls, belonging to secondary branches of their families, others lacked any affiliation to the capital's merchant-bankers who dominated out the colonial contracts and collected the more substantial revenue streams of the Portuguese Crown. Whatever the case, these individuals emigrated to Spain still in obscurity and rose up the social ladder, first as a regional manufacturers and traders, and later as tax-farmers of provincial revenues and tariffs pertaining to overland or seaborne commerce. Some reached prominent positions in the Spanish tax-farmers, whereas a select few actually penetrated the select group of the Monarchy's *asentistas*, finally catching up with the Lisbon's elite and other Crown bankers. This was the case, for instance of men like Garcia de Ilhã or Manuel Cortiços. Ebben, 'A Merchant in Silver, Bread and Bullets and a Broker in Art, 1591-1655'; Carmen Sanz Ayán, 'Procedimientos Culturales y Transculturales de Integración En Un Clan Financiero Internacional: Los Cortizos (Siglos XVII y XVIII)', in *Las Redes Del Imperio. Élités Sociales En La Articulación de La Monarquía Hispánica, 1492-1714*, ed. Bartolomé Yun-Casalilla (Madrid: Marcial Pons Historia, 2009), 65–94; Carmen Sanz Ayán, 'Consolidación y Destrucción de Patrimonios Financieros En La Edad Moderna: Los Cortizos (1630-1715)', in *Fortuna y Negocios: Formación y Gestión de Los Grandes Patrimonios (Siglos XVI-XX)*, ed. Ricardo Robledo Hernández and Hilario Casado Alonso (Valladolid: Universidad de Valladolid, Secretariado de Publicaciones e Intercambio editorial, 2002), 73–98. Boyajian, *Portuguese Bankers*, p. 56

⁶²⁹ Sanz Ayán, *Los banqueros y la crisis de la monarquía hispánica de 1640*, 49–55; Carrasco Vázquez, 'La Minoría Judeoconversa En La Época Del Conde Duque de Olivares. Auge y Ocaso de Juan Núñez Saravia (1585-1639)'; Nicolás Broens, *Monarquía y capital mercantil* (Madrid: Ediciones de la Universidad Autónoma de Madrid, 1989); Enriqueta Vila Vilar, *Hispanoamérica y el comercio de esclavos: los asientos portugueses* (Seville: Estudios Hispanoamericanos de Sevilla, 1977).

⁶³⁰ Ricardo Escobar Quevedo, *Inquisición y judaizantes en América española (siglos XVI-XVII)* (Bogotá: Universidad del Rosario, 2008); Studnicki-Gizbert, *A Nation upon the Ocean Sea*.

however, dabbled, at least not directly,⁶³¹ in what contemporaries called "the most important business of the Christendom", the *asientos de dinero*. These were government contracts for the remittance of money at which Genoese banking syndicates excelled.

In August 1626, almost a year prior to the promulgation of the Edict of Grace, a handful of Portuguese bankers underwrote their first short-term loan to Flanders. This an *asiento* worth 400,000 *escudos*. Then, on 11 June, 1627, just two weeks before the religious amnesty was announced, several of the Portuguese merchant-bankers that participated in the edict negotiations underwrote eight different contracts involving the disbursement of funds to the monarchy's theatres of war in the Low Countries, Northern Italy and Germany, amounting to 1,951,999 ducats.⁶³² These first *asientos de dinero* anointed the rise of Portuguese portfolio-investors to court-banking and international military brokerage for the Spanish Fiscal-Military State. The merchant-bankers hailing from Iberia's westernmost kingdom had thus transitioned from a second tier of business entrepreneurship (*pequeño capitalismo*) into the upper echelon of Iberian business-making (*gran capitalismo*), to borrow from the dual concepts coined by Felipe Ruiz Martín.⁶³³

Although he was not among the bankers to sign the initial international loans with the Olivares cabinet, Pedro de Baeça da Silveira started his transition to the Spanish court just two years later. In the course of several stays in Madrid between 1628 and 1631, Baeça became a Madrid court *asentista*, embarking on the highly demanding short-term loans and trans-Pyrenean funds' transferring operations. By ploughing through the records of the Monarchy's fiscal-financial institutions kept at the Archivo General de Simancas, I was able to bring to light the business dealings that Pedro de Baeça da Silveira had with the Spanish royal exchequer. It was possible to ascertain that during this second period of his career he negotiated at least four different public-private partnerships, even though not all came to fruition in the end. The following subsections will analyse each of these different ventures and place them in the context of Baeça's life, as well as against the political backdrop.

7.1 The *Asiento* for the Fleet of the *Mar Oceano*

The first public private partnership that Baeça underwrote at the Spanish court involved the financial provisioning of the Monarchy's Atlantic fleet, the *Armada del Mar Oceano*. In February of 1629, Baeça and the Castilian Council of the Exchequer (the *Consejo de Hacienda*) settled on the terms of a money remittance contract worth 12,000 ducats to be paid in *vellon*, that is copper coin, in Seville.⁶³⁴ This short term loan falls into the subcategory of domestic *asiento*, given that the funds advanced by the banker were to be deployed in the Iberian Peninsula.⁶³⁵ This was but one among several types of government contracts negotiated

⁶³¹ Ana Sofia Ribeiro, 'The Evolution of Norms in Trade and Financial Networks in the First Global Age: The Case of the Simon Ruiz's Network', in *Beyond Empires. Global, Self-Organizing, Cross-Imperial Networks, 1500-1800*, ed. Cátia Antunes and Amélia Polónia (Leiden-Boston: Brill, 2016), 12–40; José Gentil da Silva, *Marchandises et Finances. Lettres de Lisbonne (1563-1578)* (Paris: Armand Colin, 1959); José Gentil da Silva, *Stratégie Des Affaires à Lisbonne Entre 1595 et 1607. Lettres Marchandes Des Rodrigues d'Évora et Veiga* (Paris: Armand Colin, 1956).

⁶³² Carlos Álvarez Nogal, *El crédito de la monarquía hispánica en el reinado de Felipe IV* (Valladolid: Junta de Castilla y León, Consejería de Educación y Cultura, 1997), 126–27; Juan E. Gelabert, *La Bolsa Del Rey: Rey, Reino y Fisco En Castilla (1598-1648)* (Barcelona: Crítica, 1999), 77.

⁶³³ Felipe Ruiz Martín, *Pequeño capitalismo, gran capitalismo: Simón Ruiz y sus negocios en Florencia* (Barcelona: Crítica, 1990).

⁶³⁴ AGS, Contadurías Generales (CCGG), Contaduría de la Razon, leg. 123, "Pedro de Baeça. del Concierto tomado con el sobre la proviss[ion] que se a encargado de hacer de d[ucados] de vellon para la Armada pagandosele en juros de millones contados al en plata", unfoliated; *ibid.*, CJH, leg. 466, doc. 54.

⁶³⁵ Drelichman and Voth, *Lending to the Borrower from Hell*, 174.

between the *Real Hacienda* and one or more businessmen. As explained in this dissertation's introduction, one of the most basic distinctions I put forward was between contracts involving the supply of commodities and those dealing with the provisioning of monetary funds, the so called *asientos de dinero*. Leaving the commodity *asientos* aside, I will now focus on the *asientos de dinero*. These financial government contracts combined several operations: a short-term loan, transfer of funds and, depending on the destination of the remittances, a currency exchange. While some *asientos* combined all three operations, certain contracts only required two of these operations to be performed, and there were even cases when just one was necessary, that usually being the transfer of funds.⁶³⁶ For example, in certain *asientos de dinero* the Crown handed over funds to the *asentista* who then transferred them elsewhere, meaning that he did not have to advance cash himself and only had to bear with the costs of remitting the funds when and where they were needed.

The guiding principle underscoring any *asiento de dinero* was that the longer the distance separating the destination of the funds and Castile, the territory where the credit provisions were negotiated and where the large majority of the repayment revenues were to be found, the costlier it was to transfer the funds, and hence the higher the compensation demanded by the *asentista*. This made the disbursements to foreign conflict areas more expensive to service than the contracts involving the delivery of funds within Iberia. These 'domestic' *asientos* did not require cash to be transferred to places far away from the streams of revenue backing up the operation, nor did they entail currency conversion, simply requiring an exchange from copper to silver currency or vice versa.⁶³⁷ There were a series of standard terms and conditions that could be found in any *asiento de dinero*, including the amount to be transferred, the types of coins (copper or silver) in which the sums would be disbursed, the number of tranches and their respective dates.

In the case of Pedro de Baeça's first *asiento*, the loan's principal was a modest sum when compared to other domestic contracts for the remittance of funds, let alone to the *asientos* involving transfers to Northern and Central Europe,⁶³⁸ but it was within the normal parameters of a naval contract.⁶³⁹ The small amount involved in this advancement and transfer *asiento* is a testament to Baeça's position as a newcomer in the credit negotiations

⁶³⁶ In contracts involving the payment of several tranches, it was not uncommon for the Crown to hand over the sums which the contractors then disbursed to a different place. It was only in the subsequent instalments that the contractors were in fact lending the Crown the principal they transferred to the previously agreed destination. For an example of such an *asiento de dinero*, see the contract negotiated in 1595 between the Monarchy and the two merchant-bankers from Burgos, the brothers Francisco and Pedro Maluenda, for three disbursements in Lisbon. Carlos Álvarez Nogal and Christophe Chamley, 'Refinancing Short-term Debt with a Fixed Monthly Interest Rate into Funded Juros under Philip II: An Asiento with the Maluenda Brothers', *Economic History Review* 71, no. 4 (2018): 1100–1117; Drelichman and Voth, *Lending to the Borrower from Hell*, 173–78.

⁶³⁷ Sanz Ayán, *Los Banqueros de Carlos II*.

⁶³⁸ One year later, in March 1630, several Portuguese bankers negotiated *asientos* worth 2,277,679 ducats, (854,129,625 *maravedis*). The greatest contributor to the Monarchy's credit among these men, Simão Soares, was responsible for disbursements worth 237,607,875 *maravedis*. The Genoese banker, Bartolomé Spínola, agreed to forward a much larger amount of funds: at least 249,750,000 *maravedis* (666,000 *escudos*). Álvarez Nogal, *El crédito de la monarquía hispánica en el reinado de Felipe IV*, 205.

⁶³⁹ To put the monetary value of this *asiento* in perspective, in 1627 the Monarchy contracted with the powerful Genoese banker, Octavio Centurione, the building of six new galleons for 12,120 ducats, practically the same value of Baeça's 1629 monetary *asiento* to the *Armada del Mar Oceano*. This was a much cheaper government contract than, for instance, the short-term loans and international disbursements negotiated with Centurione, but he still seized the opportunities to take part in less capital demanding deals with the Crown. In February 1632, the Crown contracted out the provisioning of the *Armada del Mar Océano* for five years (until the end of 1636) to the Genoese Alonso and Diego Cardoso Pallavicino. Every year the *asentistas* would have to deliver 300,000 ducats in copper coins worth in victuals and equipment at the different stores of this branch of Hispanic naval forces. This was far above the 12,000 ducats provisioned by Baeça in 1629, indicating that Baeça's *asiento* was just an extraordinary disbursement, contracted as answer to a sudden spending shock or an unforeseen shortage of funds. Álvarez Nogal, 128, 211.

conducted at the Spanish court. The Crown did not immediately entrust a merchant-banker who was new to the courtly circles with lending hefty sums to some distant battlefield right from the get go. Instead it had him start by procuring capital to bankroll the operations of a naval squadron based in the Iberian Peninsula. With the signing of this *asiento*, Baeça was nonetheless given the opportunity to make a steady and assured entrance into the world of the Spanish court banking. If he succeeded in this first financial operation, and in the other short-term loans he negotiated in the months that followed, he could expect to develop his financial and political relation with the *Real Hacienda*, and underwrite larger, more lucrative contracts.

Following to the banker's obligations, the *asiento's* clauses described how the lender was to be reimbursed for the credit and financial services he extended to the Monarchy. The compensation provisions included in the *asiento* contracts always specified in which coins the banker would be paid (whether in silver or copper) and which revenue streams, revenue-yielding assets (for instance the right to operate tax-farms and monopolies) or even government bonds were earmarked to service the contract. The schedule of repayment instalments was also addressed. Whenever the *asiento* did not give away the date when the earmarked revenue streams could start being collected by the *asentista's* agents, a time varying interest was assigned. The longer it took for the Monarchy to release the revenues servicing the contract, the greater the rates of interest accrued by the *asiento*. In addition to these terms, the contracts also specified the fringe benefits to which the recipient was eligible (i.e. symbolic grants and patents of naturalization, tax-breaks to the banker or people in his entourage). Because this first *asiento* was not particular large nor difficult to implement, and also because he was just starting to participate in the Monarchy's credit negotiations, Pedro de Baeça was not awarded with any of these side-rewards. For such grants to be attained, he had to prove to be reliable and expedient in the advancement and transfer funds for more than just few years.⁶⁴⁰

It was agreed in the contract that Baeça could start claiming the earmarked revenue streams, which were payable in silver coins, on December 1, 1629, ten months after the delivery of the agreed-upon funds. He would receive the money in question from the treasurer general of the town of Segovia. It was equally stipulated that the settlement of this *asiento* would be completed through the assignment of a government bond (*juro*) issued over Seville's *servicio de millones*,⁶⁴¹ a coveted royal streams of income,⁶⁴² although not as in demand as the *asentistas* preferred royal revenue, the *alcabalas*. The *alcabalas* was a sales tax collected by the municipalities and from whose output the Castilian cities provided an annual flat sum to

⁶⁴⁰ Drelichman and Voth, *Lending to the Borrower from Hell*; Sanz Ayán, *Los Banqueros de Carlos II*.

⁶⁴¹ The *millones* were a tax introduced in 1600 with the consent of the *Cortes*, the estates where representatives of the different constituting groups of the body politic of each of the Spanish realms sat. Created as a response to the Monarchy's financial emergency at the turn of the 16th century, the *millones* started out as a, temporary source of revenue, but since the *cortes* kept on authorizing the extension of the excise, it became a *de facto* regular source of income for the Monarchy. Moreover, although the urban elites represented at the *cortes* initially controlled the collection of the *millones* and determined how the yields were spent, in the course of the seventeenth century the Monarchy was able to gain control over the collection and expenditure of the tax, although the right to raise it continued to depend on the authorization of the *Cortes*. A. W. Lovett, 'The Vote of the Millones (1590)', *The Historical Journal* 30, no. 1 (March 1987): 1–20; Artola, *La Hacienda Del Antiguo Régimen*, 110–40.

⁶⁴² Government bonds issued over the *millones* were equally used to service the very first *asiento de dinero* contracted to the Portuguese New-Christians in the summer of 1626, except that in this case the interest on the loan was higher: 7,14% (or 14,000 *el millar*). They were equally used in the settlement agreed between the Crown and some of its main Genoese creditors after the decree of suspension of payments of 31 January, 1627. This time, the rate of interest on the *juros* was set at 5%. Álvarez Nogal, *El crédito de la monarquía hispánica en el reinado de Felipe IV*, 127–29.

the Crown, the *encabezamiento*.⁶⁴³ The bond in question was a *juro de veinte mil el millar*, meaning that it was issued at an interest rate of 5%.⁶⁴⁴

Although they were a different type of borrowing tool from the *asientos*, the *juros* were essential to the servicing of the *asientos de dinero*. Aside from contracting short-term and unfunded credit with bankers, the Monarchy also borrowed long term. It did so by issuing or selling consolidated public debt bonds, *juros*, whose interests were paid from the taxation yields of a particular revenue stream.⁶⁴⁵ The interests on these borrowing instruments were paid annually and the bond holders received their yearly payments from the local treasurer responsible for collecting and managing the revenue stream in a certain town.⁶⁴⁶ The two public debt instruments were linked because government bonds were used as security for the the short term *asiento* contracts, alongside the earmarked taxes and payments in Spanish American silver. The collateralization of *asientos de dinero* through consolidated government bonds was actively pursued by the Crown because it eased the debt servicing considerably. Rather than having to pay back the principal and the interest in a just a few years (two years was the average maturity date of the short-term loans), the Crown was able to spread out the payment of yearly interests through a much longer period and, hence, push the settlement of the debt forward in time. Alternatively, the banker could sell the *juros de reguardo*, as the collateralized bonds were called, on the market, using the proceeds to raise the capital needed for the *asiento*'s subsequent disbursements. However, if the Crown paid back the *asiento* in full by the time of the loan's maturity, the banker would have to reimburse the royal exchequer.

The 5% interest rate assigned to Pedro de Baeça's bonds was in line with the nominal interest rate of most Castile's government bonds issued during the 1620s and 30s. The fact that the majority of the new bonds issued during those decades were *veinte el millar*, that is 5%, shows how successful the Crown had been in its attempts to lower the nominal interest rates of its *juros* below 7,14% (*quatorze el millar*). The lowering of the face value interest rates went hand in hand with the redeeming of old *juros*, which freed revenue streams for new *juros* to be sold at lower interest, enabling the Crown to service greater amounts of debt without having to expand the revenue base.⁶⁴⁷ However, the deflation of the (nominal) interest rates achieved during the 1620s and 1630s, and their stabilization for the rest of the century hides the fact that the actual rate of these consolidated debt instruments was much higher in the secondary market, where *juros* were traded incessantly at rates between 7,4 and 8,6%.⁶⁴⁸

In order to fulfil his contract and remit the 12,000 ducats to Seville, Pedro de Baeça issued bills of exchange over the local factor of the tax-farmer of Castile's pepper monopoly. The choice of this individual as agent of the *asentista* is explained by Baeça's involvement in the Lisbon pepper trade, which was the main supplier of the state monopolized Castilian

⁶⁴³ Carlos Álvarez Nogal and Christophe Chamley, 'Debt Policy under Constraints: Philip II, the Cortes, and Genoese Bankers', *The Economic History Review* 67, no. 1 (2014): 197–98.

⁶⁴⁴ AGS, CCG, Contaduría de la Razon, leg. 123, "Pedro de Baeça. Del Concierto tomado con el sobre la proviss[ion] que se a encargado de hacer de d[ucados] de vellon para la Armada pagandosele en juros de millones contados al en plata", unfoliated.

⁶⁴⁵ For an introduction to the *juros* and an overview on the role played by consolidated and long term debt in Spain's public finances; Drelichman and Voth, *Lending to the Borrower from Hell*, 24, 89–91; Pilar Toboso Sánchez, *La deuda pública castellana durante el Antiguo Régimen (Juros) y su liquidación en el siglo XIX* (Madrid: Instituto de Estudios Fiscales, Ministerio de Economía y Hacienda, 1987); A. Castillo Pintado, 'Los Juros de Castilla. Apogeo y Fin de Un Instrumento de Crédito', *Hispania* 23 (1963): 43–70.

⁶⁴⁶ Álvarez Nogal and Chamley, 'Debt Policy under Constraints', 192.

⁶⁴⁷ Carlos Álvarez Nogal, 'La Demanda de Juros En Castilla Durante La Edad Moderna: Los Juros de Alcabalas de Murcia', *Studia Historica: Historia Moderna* 32 (2010): 47–82; Regina Grafe, *Distant Tyranny: Markets, Power, and Backwardness in Spain, 1650-1800* (Princeton: Princeton University Press, 2012), 14–15.

⁶⁴⁸ "juros al quitar de veinte mil el millar de los quinientos mill ducados de renta e se situaron en el servicio de los diez y ocho millones contados a razon de diez y seis mill el millar". *Juros al quitar* are were government bonds "redeemable at par", meaning that "the Crown could repay the principal at any time", and assign the revenue stream to the interest payments of a new government bond". Álvarez Nogal and Chamley, 'Debt Policy under Constraints', 195.

market. Through these bills, a series of monthly disbursements were made in Seville, until the total value of the principal was reached.⁶⁴⁹

This government contract for the remitting of money to one of the royal armadas gave Pedro de Baeça a taste of what it was to contract at the Spanish court, as opposed to the exchequer of one of the Monarchy's 'peripheral' kingdoms, such as the one based Lisbon. A few months later, Baeça would conclude the negotiations for a second, and more demanding and lucrative, financial dealing with the *Real Hacienda*, this time involving the transfer of funds outside Iberia.

7.2 A Contract for remitting funds to the Southern Low Countries

On 23 May 1629, Baeça and the Spanish exchequer agreed on the terms of an *asiento de provision de dinero* for 40,000 *escudos* of 57 *placas* to be delivered in Flanders for the payment and sustenance of the Habsburg armies in the region. The deliveries could be made in Antwerp, Dunkirk, Namur and Lille, and other cities of the Habsburg Low Countries.⁶⁵⁰

As stated above, an *asiento de dinero* combined a short-term loan with financial services, such as the transfer of funds across long distances and also currency exchange when the destination of these funds was outside Iberia.⁶⁵¹ Although local revenues were also used to bankroll Spain's military campaigns in Italy and Flanders,⁶⁵² without the money disbursement contracts negotiated by the Spanish exchequer, the punctual payment and the regular provisioning of the troops could not be ensured.⁶⁵³ The main reason behind the royal exchequer's reliance on the *asentistas* was that a large share of the Monarchy's revenues were collected annually within Iberia, primarily in Castile, whereas the majority of the troops were serving outside the Peninsula and had to be paid on a monthly basis. As mentioned before, the stable cash outflows ensured by the bankers were contracted against a litany of taxes, financial subsidies, and revenue-yielding assets, such as monopolies, which the royal administration normally preferred to lease out.

The *asiento de dinero* underwritten by Baeça came at a time of great strain for the Monarchy's finances. In 1628, Spain was dragged to yet another conflict, this time in Mantua, in order to prevent these imperial fiefdoms from falling under France's influence. Besides Northern Italy, the Monarchy was still fighting in the Eighty Years' and the Thirty Year's wars, and, to add insult to injury, the annual Spanish American silver fleet of 1628 was captured by Piet Heyn at the Bay of Matanzas, raising great doubts over the Monarchy's ability to negotiate the next years' general credit provision with its bankers.⁶⁵⁴ According to James Boayjian, in 1629 the Portuguese bankers remitted on behalf of the Hispanic Monarchy, 984,285 ducats (369,106,875 *maravedis*), of which 768,972 ducats (around 78% of the total amount) were directed towards Flanders.

⁶⁴⁹ AGS, CCG, Contaduría de la Razon, leg. 123, "Pedro de Baeça", unfoliated.

⁶⁵⁰ AGS, CCG, Contaduría de la Razon, Leg. 123, "Dho Pedro de Baeça. ass(iento) tomado con el en el iij de may"; *ibid*, CJH, leg. 466 (Antiguo 656), photo 47. Letter 18th May 1629, "Sobre o prov[imento] de 40 [000] [escudos] en flandes que se encarga P[edro] de Vaeza a los plazos y en la conformidad del pliego q a dado y va aqui, 18th May 1629".

⁶⁵¹ Artola, *La Hacienda Del Antiguo Régimen*, 67–68.

⁶⁵² Alicia Esteban Estríngana, *Guerra y finanzas en los Países Bajos católicos: de Farnesio a Spinola, 1592-1630* (Madrid: Laberinto, 2002).

⁶⁵³ Drelichman and Voth, *Lending to the Borrower from Hell*, 107; Geoffrey Parker, *The Army of Flanders and the Spanish Road, 1567-1659: The Logistics of Spanish Victory and Defeat in the Low Countries' Wars* (London-New York: Cambridge University Press, 2004), 139–57.

⁶⁵⁴ Gelabert, *La Bolsa Del Rey: Rey, Reino y Fisco En Castilla (1598-1648)*, 78–81.

Taking into account the timing of the contract's signature, half way through the year, as well as the relatively small amounts involved, this financial operation should be considered an extraordinary *asiento*, contracted-out to bridge last minute budget gaps. The funds advanced by Baeça were probably related to an extraordinary remittance of 100,000 *escudos* that was negotiated in the spring of 1629 along with three other Portuguese bankers, Manuel da Paz, Duarte Fernandes and Simão Soares. The destination of their *asientos* was the same as Baeça's, although the schedule of the instalments was different (August, September, October).⁶⁵⁵ Like with the naval *asiento* contracted just the previous month, the terms and schedules of this government contract were also clearly stated. Baeça was required to deliver the agreed upon sums in three instalments payable at the end of the months of June, July and August. This meant that Baeça and his correspondents had to have the first tranche delivered in the Southern Netherlands a mere one month after the *asiento* was signed. This would require him to raise capital from within his own credit networks on short notice, at least until the first *libranças* started being surrendered to him by the royal treasurers in Spain. The contract also specified the revenue streams that paid for the the *asiento's* principal, interests and other additional compensation. These were the so called *libranças* or *consignaciones*, compensatory mechanisms that also existed in Portugal for the supplying and logistics contracts analysed in the previous chapters. In Lisbon, the Portuguese Council of the Exchequer and contractors also agreed over the revenue streams (taxes, proceeds of monopolies or revenue-farms, or even public debt bonds) used to pay for the contracts, and the timing and location of their payment. In this regard, provisioning contracts, be it the more sophisticated financial *asientos* negotiated by the Spanish *Consejo de Hacienda*, or the *asientos* for produce, manufactured goods and specie leased by the Portuguese *Conselho da Fazenda* operated under a similar principle.

Considering Baeça's 1629 *asiento de dinero*, the compensation rate was set at 398 *maravedis* per *escudo*, payable in silver currency. This meant that the compensation could reach up to 15,920,000 *maravedis* payable through the issuing of government bonds (*juros*) on the *servicio de millones*.⁶⁵⁶ These reimbursements would be completed throughout the course of a calendar year. In the seventeenth century, the short term credit contracts involved an interest rate around 8%, a compensation for the costs involving the transfer of the lent capital worth 6% of the principal, plus a 4% share for the so called *adebaldas*.⁶⁵⁷

There was an important caveat regarding the way these *asientos* were run. Not unlike some of the Portuguese Crown contracts analysed in previous chapters, in practical terms, the *asentistas* were not expected to raise the value of their loans in their entirety by borrowing, accepting deposits or by using to their own (or the family firm's) capital. Because the first repayment instalments were due just a few months after the first delivery dates, the bankers were, in theory, only effectively advancing money from their own pocket for the first instalments. From then onwards, they drew on the repayment instalments put at their disposal to raise the amounts they had to deliver at the designated locations. Therefore, these subsequent shares were in practice transfers of the Crown's own receipts (which were coming from the fiscal agency where the *asentista* collected his *consignaciones*) to the place where the sums had to be delivered. As soon as the *consignaciones* started being surrendered, the credit

⁶⁵⁵ Álvarez Nogal, *El crédito de la monarquía hispánica en el reinado de Felipe IV*, 198.

⁶⁵⁶ The principal advanced and remitted by the *asentistas* to the Crown, and the reimbursements owed later to the banker were negotiated in different currencies. The former in *escudos* and the later in *maravedis*. The exchange rate varied with each negotiation and was settled before the start of each of these credit and remitting contracts. As a result, the profit margins of these contracts varied greatly, making their calculation is extremely complicated.

⁶⁵⁷ The *adebaldas* were a share of the repayments for the lent principal that served as both an incentive for financiers to advance funds to the Crown willing and diligently (it was meant to reward those who were quick to answer the monarchy's appeals for credit), but also as a reimbursement of unforeseen expenses. Sanz Ayán, *Los Banqueros de Carlos II*, 36.

was in practice being fuelled by the Crown's own revenue streams, except that the costs of transferring it fell on the *asentista*, who became a financial intermediary or a remitter of funds than strictly speaking a money lender. The analysis of the inner workings of these *asientos* reveals that the crux of the matter in the Monarchy's dealings with the bankers was not the availability or lack of receipts to service public debt, but rather the costs of transferring funds abroad and coordinating the timings and destinations of the transfers with the schedules and locations of the revenue base. Concomitantly, an *asentista's* greatest asset was the possibility to fall back on a network of correspondents to whom he could remit funds from Iberia and who could make disbursements on his name, whenever and wherever the Crown needed.

In addition to the government receipts assigned to him, Baeça was also given a *licencia de saca* (a license to extract bullion from Castile to other territories) of 15,920,000 *maravedis* and 5,306,606 additional *maravedis* in silver to Portugal, free of charge. The mechanism put in place by the Spanish authorities to regulate the transfer of bullion abroad were the *licencias de saca*. These were permits granted by the Spanish monarch, which allowed for silver to be legally exported from Castile to other peninsular kingdoms, but mainly outside Iberia, notwithstanding Castilian law not allowing for bullion to be taken out of the kingdom. Although most scholars agree that the prospect of being paid back in silver and being allowed to ship bullion out of Castile was a big incentive for bankers to take part in the *asientos de dinero*, they disagree on the extent to which reimbursements in bullion were used to service the short-term debt. Recent contributions have argued that its importance in paying back for the *asientos* has been overblown. Its role was that of added incentive, but by no means the main lure.⁶⁵⁸

How was Baeça planning to bring to fruition this financial contract? Despite years of experience in contracting rents and provisions for the Portuguese Crown, the *asientos de dinero* posed challenges even to seasoned veterans of the Monarchy's banking schemes, let alone to fresh faces in the Spanish court finances. The greatest hurdle was how to transfer money as swiftly and safely as possible, making sure that remittances were ready to be paid in the cities in question. This was normally achieved through bills of exchange. Baeça was no exception in this regard, drawing bills on a series of correspondents who resided at the places where the remittances were due. Among the documents he present to the *contaduría*, the accounting office that computed the accounts of the government contracts, Pedro de Baeça enclosed copies of the bills he drew on his correspondents in Flanders, João da Paz and André de Azevedo, two Porto born merchant-bankers in Antwerp, who served as financial brokers to several Portuguese bankers.⁶⁵⁹ Baeça also turned to Diogo Teixeira de Sampaio, an important figure in the Portuguese business community of Antwerp, with connections beyond the Hispanic Monarchy, namely in Scandinavia and the Northern German cities.⁶⁶⁰ On 20 May 1629, that is already three days before the signature of the contract, Pedro de Baeça drew bills of exchange over these men, instructing, Azevedo and da Paz to hand over the sum of 29,000 *escudos* concerning the payment of the three tranches to the paymaster of the Spanish armies in Flanders. The remaining 11,000 *escudos* were entrusted to Teixeira de Sampaio.⁶⁶¹

⁶⁵⁸ Sanz Ayán, *Los banqueros y la crisis de la monarquía hispánica de 1640*.

⁶⁵⁹ AGS, CCG, Contaduría de la Razon, leg. 123, "P. de Baeça, letra que dio de que pagaria en los estados de flandes", unfoliated. Both men were notorious correspondents for the Portuguese bankers. They were relatives of the Oporto sugar trader, turned into Brazil wood contractor, Álvaro de Azevedo, who was arrested and trialled by the Inquisition during the dismantling operation of the Oporto sugar trade networks, which was orchestrated in 1618.

⁶⁶⁰ AGS, CCG, Contaduría de la Razon, leg. 123, "P. de Baeça, letra que dio de que pagaria en los estados de flandes". For Diogo Teixeira de Sampaio's multifaceted business career in Antwerp and beyond see: Stols, Eddy, *De Spaanse Brabanders of de handelsbetrekkingen der Zuidelijke Nerderlanden met de Iberische wereld, 1598-1648*, (Brussels: Palais der Academiën, 1971): 329, 330, 348, 367; Pohl, Hans, *Die Portugiesen in Antwerpen*, 71, 86, 158, 180, 347;

⁶⁶¹ AGS, CCG, Contaduría de la Razon, leg. 123, unfoliated.

Bills of exchange, such as the ones that Baeça promised to send to the Southern Low Countries, worked, more often than not, as a mechanism to secure credit from the correspondent bankers rather than mere orders of payment that were executed directly on the *asentista's* account. Without these bills it would be impossible to generate a web of credit flows that allowed for the gradual and delayed settlement of the debts incurred between private entrepreneurs. To prolong these flows in time, the bills of exchange were “spun around”, endorsed to a third party and passed on from hand to hand. But even with these credit and payment instruments being spun around, at some point the web of debt had to be cleared, even if partially. This was done primarily through the transfer of bullion from Spain abroad, or by returning the bills to Spain, via commercial credit to be discounted there.

7.3 The Castilian Tax-Farm

During his stay in Madrid Baeça also tried to seize and make the most out of other contracting opportunities, spreading risks by diversifying his investments in public-private partnerships. In tandem with his *asiento* for remittances abroad, he tried to secure a tax-farming contract to levy duties in the *Puertos Secos de Portugal y los vedados*, that is, the customs at the border between Castile and Portugal on the Castilian side.⁶⁶² Tax-farming was by comparison a less complex contracting venture, because it did not require the allocation of funds outside the Iberian Peninsula and normally demanded a much lower investment from the contractor, as the concession fees were usually inferior to the principal advanced for the loans abroad. Furthermore, these contracts were normally not repayable in bullion, while, politically speaking, tax-farming was not held in the same regard as the *asientos de dinero* and did not make their recipients eligible for the same degree of honorific grants that were extended to the *asentistas*.⁶⁶³

On 4 December 1628, Baeça offered to take on the overland customs' farm under the following terms: He proposed a ten-year long concession starting on the first day of 1631 and ending on the last of 1640, against an annual lump-sum of 30,384,037 *maravedis* for the customs, and 3,240,903 *maravedis* for the *vedados*, which was less than what the current farmers, the also Portuguese Marcos Fernandes Monsanto and Lopo Cardoso da Fonseca, paid for them. Running behind in their payments, these tax-farmers were on the brink of being terminated and seeing the tax-farm revert to Pedro de Baeça. Aware of the likelihood of a premature termination, Baeça informed the royal exchequer that he was available to take on the tax-farm one year earlier.⁶⁶⁴ The Crown must have been unimpressed with his proposition, for a few months later the two parties settled on an annual lump sum of 36,500 *maravedis* per year.⁶⁶⁵ However, in a last-minute turn of events, the Crown changed its mind

⁶⁶² The Portuguese Crown had set up her own custom agencies on her side of the border. These were also farmed out to private entrepreneurs.

⁶⁶³ Tax Farming in early-modern Spain is addressed in Agustín González Enciso, ‘La historiografía y los arrendatarios de impuestos en la España del siglo XVIII’, *Mélanges de la Casa de Velázquez*, no. 46 (2016): 65–75; David Alonso García, ‘Poder financiero y arrendadores de rentas reales en Castilla a principios de la Edad Moderna’, *Cuadernos de historia moderna*, no. 31 (2006): 117–38; Carmen Sanz Ayán, ‘La Figura de Los Arrendadores de Rentas En La Segunda Mitad Del Siglo XVII. La Renta de Las Lanasy Arrendadores’, *Hispania* 47, no. 165 (1987): 203–24.

⁶⁶⁴ There seems to have been some confusion regarding the worth of Monsanto and Cardoso da Fonseca's contract. In his initial bid, Baeça said to be offering the same in yearly concession fees than his predecessors, however according to a later assessment by the *Consejo de Hacienda*, every year they paid 33 631 819 *maravedis* for the Portugal customs and 3 242 463 for the *puertos vedados*. The contract was meant to last between 1621 and 1630. AGS, CJH, leg. 466, unnumbered doc.

⁶⁶⁵ AGS, leg. 466, unnumbered doc.

and the tax-farm was granted to its former recipient, Marcos Fernandes Monsanto.⁶⁶⁶ Moreover, in addition to the tax-farm, Marcos Fernandes Monsanto offered to take over the *asiento de dinero* to Flanders that the Crown had recently negotiated with Baeça. Upon hearing about the counter-offer made by Fernandes Monsanto, Baeça agreed to step down from both the *asiento* and the tax-farm, allowing the monarchy to acknowledge the more favourable terms offered by his fellow *asentista* for both contracts.⁶⁶⁷ In a written statement from 2 June 1629, he asked to be released from all contractual obligations and to be discharged from the collateral bonds that the Crown asked leaseholders to pledge before taking on these public-private partnerships.⁶⁶⁸

It seems clear that the financial *asiento* and the tax-farm contract were linked, since Baeça ended up dropping out of both simultaneously to the benefit of Fernandes Monsanto. The settlement of both contracts is addressed in the same *consultas* of the Castilian Exchequer Council (*Consejo de Hacienda*) or addressed jointly in the reports prepared by its auditing board (the *Contaduría Mayor de Cuentas*). It is reasonable to contend that the tax-farm contract was being used as an implicit security for the *asiento de dinero*, although the clauses of the contract only refer to the government bonds, the *servicio de millones* and the silver export permits as the revenue streams earmarked to the *asentista*.⁶⁶⁹ Pedro de Baeça did not accept to drop out of the *asiento de dinero* and the border customs' farm for free. In the settlement he reached with the Crown, it was decided that the compensations payable by the royal treasury would amount to 1,000,000 *maravedis*.⁶⁷⁰

Ironically, however, Monsanto did not hold on to the contract of the *Puertos de Portugal* for long. A memorandum penned by a certain Pedro de Moraes, persuaded the Spanish royal exchequer to revert the tax-farm to another notorious Portuguese contractor, the captain Luís Vaz de Resende, who like Baeça made a career between Lisbon and Madrid.⁶⁷¹ As far as the *asiento de dinero* was concerned, Fernandes Monsanto went on to take part in the negotiations for extraordinary credit that took place in the first trimester of 1630.⁶⁷²

⁶⁶⁶ Marcos Fernandes Monsanto was a merchant-banker who made a fortune in the Brazilian sugar trade (the family owned three sugar mills in Guarapari, in the captaincy of Espírito Santo). Together with his brother-in-law, Simão Soares, himself a Portuguese banker at the Spanish court farmed the Seville almojarifazgos, the city's customs). Antonio Domínguez Ortiz, 'Marcos Fernández Monsanto y Los Almojarifazgos de Sevilla', in *Los Extranjeros En La Vida Española Durante El Siglo XVII y Otros Artículos* (Seville: Diputación de Sevilla, 1996), 275–88; José Gonçalves Salvador, *Os Cristãos Novos. Povoamento e Conquista Do Solo Brasileiro (1530-1680)* (São Paulo: Pioneira, 1976).

⁶⁶⁷ As was often the case with bidders who thought to be in an advantageous position and closing in on a governmental adjudication, Pedro de Baeça made a final bid under the condition that was declared the winner of the auction with immediate effect, and the guarantee that the Crown would not consider any more bids.

⁶⁶⁸ The agreement reached between the royal exchequer and Baeça to suspend the contract can be found at AGS, CMC, 3a época, leg. 123, "el dho P[edro] de Baeça, del concierto q se tomo con el sobre que separtase del arrendam[iento] que tenia hecho de la renta de puertos secos de portugal"

⁶⁶⁹ Nogal and Chamley draw attention to the fact that "domestic public debt provided collateral, either implicit or explicit, for the short term debt, the *asientos*". This security mechanism was made effective by converting those floating, short-term loans into long term government bonds, the *juros*. It can be argued that the same principal applied for governmental revenue farms.

⁶⁷⁰ AGS, CMC, CCG, Contaduría de la Razon, leg. 123, "el dho P[edro] de Baeça, del concierto q se tomo con el sobre que separtase del arrendam[iento] que tenia hecho de la renta de puertos secos de portugal".

⁶⁷¹ AGS, CJH, leg. 664, "Sobre el Arrendamiento delas Rentas de puertos secos de entre Castilla y Portugal y vedados dellos quen estan rematadas de primer remate en el cap[itan] Luys Vaz de Resende por diez anos contados desde el de 631 en adelante en precio de 46 q[uentos] 100 \$ m[aravedis] cada ano con las fiancas en la forma referida en esta consulta y lo que se ofrece y parece al consejo en razon de todo y de que el postier remate se haga a 40 dias despues del primero, y enquanto a los desp[achos] que a pedido p[era] administrar y cobrar las dhas rentas desde principio del dho ano"

⁶⁷² On March of 1630, Fernandes Monsanto agreed to allocate, on his own account, 61 million *maravedis* abroad, for which he was paid back, partially, from the *caudales* of that year's *Carrera de Indias* returning voyage. For the general provisions of 1631, he advanced and remitted almost 113 million *maravedis* to destinations in Flanders, Northern Italy and Iberia. Álvarez Nogal, *El crédito de la monarquía hispánica en el reinado de Felipe IV*, 205–7.

7.4 The 1630 *Asiento* for a Naval Expedition to Brazil

While taking part in the short-term loans of the Spanish exchequer, Pedro de Baeça did not turn his back on the public-private partnerships pertaining to Portugal and its overseas empire. Baeça was at the court when news of the loss of Recife and Olinda to the WIC, in February-March, 1630 reached Iberia.⁶⁷³ Unlike 1624, when the Dutch capture of Salvador da Bahia was answered with the swift and decisive counter-offensive known as the “Voyage of the Vassals” (*Jornada dos Vassalos*), in 1630 the Hispanic Monarchy struggled to launch a counter-attack of the same magnitude.⁶⁷⁴

The *Real Hacienda* was by the turn of the decade under considerable strain, while taxpayers in the different polities of the Hispanic Monarchy were exhausted following years of mounting fiscal pressure to sustain the many international of the house of Habsburg.⁶⁷⁵ As far as the military situation was concerned, matters certainly had not improved with the turn of the decade. While a new war front was opened in Portuguese America, the Monarchy was embroiled in a seemingly never ending war against the Dutch Republic, and suffered major setbacks on the Northern German front at the hands of Gustavus Adolphus’ Sweden, which was now championing the protestant cause in the Thirty Years’ War. In Northern Italy, on the other hand, French interference indicated that a Bourbon-Habsburg war was brewing.⁶⁷⁶

A setback such as the loss of Pernambuco, as damaging as it was for the morale and the international prestige of the Monarchy, as well as being a major economic blow to the Portuguese empire, presented the Madrid court bankers with further opportunities to pledge their financial resources and organizational capabilities. Baeça was one of the merchant-bankers to answer the Crown’s call for financial aid in the second semester of 1630.⁶⁷⁷ With Lisbon and Madrid seriously strapped for cash, Baeça offered to advance the much needed funds for the Iberian counter-attack on the Brazilian Northeast. By September of 1630, he and Madrid’s *Consejo de Hacienda*, who had taken over the negotiations over its Portuguese counterpart, agreed on the terms of an *asiento* for a naval expedition that would oust the Dutch from Olinda and Recife as swiftly as six years before in Salvador da Bahia.

This *asiento* entailed the provision of 60,000 *escudos*, that is, 20,400,000 *maravedis* in Lisbon for the purpose of assembling a fleet that would be dispatched to Pernambuco to oust the WIC.⁶⁷⁸ Starting in September and continuing until the end of the year, Baeça was required to hand over 15, 000 *escudos* or 5,100,000 *maravedis* every month to the paymaster of the *Armada del Mar Oceano* and of the Spanish troops dispatched to Lisbon, Jerónimo

⁶⁷³ Max Justo Guedes, ‘As Guerras Holandesas No Mar’, in *História Naval Brasileira*, ed. Max Justo Guedes, vol. 2 (Rio de Janeiro: Serviço de Documentação Geral da Marinha, 1990), 112; Charles R. Boxer, *The Dutch in Brazil, 1624-1654* (Oxford: Clarendon Press, 1970), 41–42.

⁶⁷⁴ Marques, ‘L’Invention Du Bresil Entre Deux Monarchies. Gouvernement et Pratiques Politiques de l’Amérique Portugaise Dans l’union Ibérique (1580-1640)’, 81–121; Stuart B. Schwartz, ‘The Voyage of the Vassals: Royal Power, Noble Obligations, and Merchant Capital before the Portuguese Restoration of Independence, 1624-1640’, *The American Historical Review* 96, no. 3 (1991): 735–62.

⁶⁷⁵ Gelabert, *La Bolsa Del Rey: Rey, Reino y Fisco En Castilla (1598-1648)*, 100–101.

⁶⁷⁶ Boxer, *The Dutch in Brazil, 1624-1654*, 41–44, 54, 61.

⁶⁷⁷ He was not, however, the only one. See the contract negotiated with two court bankers, the Portuguese Simão Soares and the Genoese Lelio Ibrea, for the provisioning of copper and fire-arms for the first expedition bound for Brazil. AHU, CU, cod, 476, fl. 107, 109.

⁶⁷⁸ AGS, Contaduría Mayor de Cuentas (CMC), 3a epoca, legajo 3139, doc. 3, “Asiento tomado con Pedro de vaeza sobre la provision que se encarga de hazer de 60\$ r de 10 r en lisboa para el apresto de los navios que andey a pernambuco y el socorro dela gente que t? La que ultimam[ente] a venido delas yndias”; AGS, CCG, leg. 124; AGS, CJH, leg. 664. The treasurer major of the Portuguese Crown (*tesoureiro mor da Coroa*), António Paiva Giralte confirmed the signing of this *asiento* before Lisbon’s Inquisition, confirming that the revenues streams committed to servicing this contract were the Cruzade Bull of the Crown of Aragon. ANTT, Santo Ofício, Inquisição de Lisboa, processo 11559 (Pedro de Baeça da Silveira), fl. 52v-53.

Vitória. The exchange rate for of the 60,000 *escudos* advanced by Pedro de Baeça da Silveira varied with each repayment instalment. With regards to the remuneration of the interests, the premium on silver (the exchange from copper currency to silver), the transfer costs of the disbursements, Baeça would be paid a total of 24,820,000 *maravedis* raised from several revenue streams. In exchange for the delivering these funds, the *asentista* was allowed to withdraw Spanish American bullion from Seville's outports and other Spanish port-cities.

Table 23. Revenue streams assigned to Pedro de Baeça with regards to the 1630 *asiento* for the Pernambuco relief fleet

<i>Consignaciones/Assigned revenue streams</i>	Metallic currency	Place of Payment	Amounts (in <i>maravedis</i>)
Spanish American bullion in the galleons of Don Fradique de Toledo Osorio. The sum in bullion should be delivered to Baeça on 15 September, 1630. ⁶⁷⁹	Silver or gold	Seville	3.740.000
From the <i>excusado</i> of December 1631, levied in <i>Valencia, Aragon, Catalonia, Navarre</i>		Different locations	10.030.000
Bull of <i>cruzade</i> (to be paid in the months of October and November of 1630. If the funds could not be paid on those two months, than the <i>asentista</i> should be paid on December 1631	Plata doble (silver)	Madrid	10.300.000
			23.800.000

Source: AGS, Contaduría Mayor de Cuentas (CMC), 3a epoca, legajo 3139.

As table 23 demonstrates, Baeça's contract was to be paid from two of the so called the "Three Graces", ecclesiastical revenues firstly allocated to the Spanish Crown by the Holy Seat in 1565. The first of these was the bull of *Crusade*. The *excusado*, on the other hand, was the full amount of the tithes of the second-richest parishioner in each parish. The fiscal dues levied by the Church on the Crown's behalf reached between 13 and 18% of the royal revenues in the second half of the 1500s.⁶⁸⁰ The revenue streams allocated to service this naval *asiento* involving Brazil came entirely from Castile, but not from Portugal. These included regional taxes and interests on government bonds, while only a residual share consisted of Spanish American silver. The way this *asiento* contract was to be serviced is a testament to the importance given by the Hispanic Monarchy to the events in Brazil, not only because Castilian tax income was involved, but also Spanish American silver. The fact that bullion was among the forms of repayment that court bankers desired the most and that the Spanish Monarchy reserved its use for to the most politically sensitive contracts confirms Madrid's concern for the defense of Portugal's territories in South America. Not even the residual importance of silver in servicing this short-term loan is enough to invalidate this statement, because, as scholars like Carlos Álvarez Nogal or Carmen Sanz-Ayán have contended, even in the *asientos de dinero* involving transfer of funds outside the Iberian Peninsula, Spanish American bullion comprised only a minor share of repayments. Silver was used first and

⁶⁷⁹ The convoy carrying of the annual silver remittances from Spanish America, under the command of Don Fradique de Toledo arrived to Spain on August of 1630. This fleet, one of the three contingents that comprised that years returning voyage of the *Carrera de Indias*, carried 532,000 *maravedis* worth in silver, that were in its totally due for private investors, but which the Crown confiscated due to its precarious financial position. In total, according to Álvarez Nogal calculations, the silver remittances from the return voyage of 1630 reached 2 117 259 354 *maravedis*. Álvarez Nogal, *El crédito de la monarquía hispánica en el reinado de Felipe IV*, 194, 380, 384.

⁶⁸⁰ Drelichman and Voth, *Lending to the Borrower from Hell*, 83, 217; Artola, *La Hacienda Del Antiguo Régimen*, 1606–108.

foremost as an extra incentive to lure entrepreneurs into taking part in government debt contracts.

Despite Baeça's interest in taking this government contract and the advanced stage of the negotiations with the *Real Hacienda*, it ended up falling through due to the Crown being unable at the time to allocate revenues to service a new *asiento*. Out of the estimated 60,000 *escudos*, the Monarchy was only able to commit 11,000 to the preparation of the expedition.⁶⁸¹ The most direct consequence of the failure to go through with this contract was that only a modest expedition, more or less improvised at the last minute, was fitted-out. It should, therefore, come as no surprise that the Pernambuco bound fleet that left the Tagus in 1631 was poorly assembled, suffering from overall shortage of supplies and equipment and lacking the number of war vessels and manpower to oust the Dutch from Pernambuco.⁶⁸² The fleet was led by the Spaniard Don António de Oquendo, who sailed from Lisbon at the helm of the armada in the early months of 1631. Brazilian historian Evaldo Cabral de Melo defined this fleet (and the ones that followed), not as a recapturing fleet launched from Iberia to engage directly with WIC forces and expel them, but rather as an expedition aimed at transporting reinforcements and material relief to the resistance troops fighting on the ground.⁶⁸³ After disembarking new contingents of Portuguese, Spanish and Italian soldiers at Paraíba, and subsequently leaving a few hundreds of troops at Bahia, the armada headed to Cuba, from where it escorted the Spanish American silver fleet safely back to Andalusia.⁶⁸⁴ The inability to undertake a more decisive expedition allowed the WIC to hold sway over the coast line of Northeastern Brazil and ultimately, in the course of a string of successful military incursions, to extend the areas under its control towards Itamaracá, Paraíba and Rio Grande do Norte.⁶⁸⁵ After the disappointing outcome of the *asiento* negotiations, Pedro de Baeça was nonetheless approached by the Lisbon authorities for financial and logistical help, to which he replied by fitting-out two merchant-ships and acquiring naval wares at his own expense for the fleet in just a few months. He also advanced 3,200,000 *réis* free of interest at the request of Dom Diogo de Castro, one of the governors of Portugal at the time, certainly hoping to capitalize from his good will in the future. This was indeed the case, since it was this interest free loan that secured him the a knighthood of the Order of Christ, an annual pension from the Crown worth 4,000 *réis*, as well as the granting of a royal estate, a *comenda*.⁶⁸⁶

⁶⁸¹ Álvarez Nogal acknowledges that the Monarchy intended to raise 60,000 *escudos* for the recapture of Pernambuco, but provided no mention of any *asiento* specifically negotiated for that purpose, nor does he mention Baeça's involvement. Álvarez Nogal, *El crédito de la monarquía hispánica en el reinado de Felipe IV*, 205–6.

⁶⁸² Evaldo Cabral de Melo, *Olinda restaurada: guerra e açúcar no Nordeste, 1630-1654* (Rio de Janeiro: Topbooks, 1998), 31.

⁶⁸³ Melo, 32, 47–48.

⁶⁸⁴ Marques, 'L'Invention Du Bresil Entre Deux Monarchies. Gouvernement et Pratiques Politiques de l'Amérique Portugaise Dans l'union Ibérique (1580-1640)', 378–79; Guedes, 'As Guerras Holandesas No Mar', 120.

⁶⁸⁵ Melo, *Olinda restaurada*, 28.

⁶⁸⁶ ANTT, Santo Ofício, Inquisição de Lisboa, processo 11559 (Pedro de Baeça da Silveira).

7.5 An Assessment of the Spanish Sojourn

In the two years when Pedro de Baeça da Silveira enjoyed access to the Spanish court and engaged first-hand with the business scene of Madrid, he actively pursued and took part in government contracts. These ranged from the financing of armies fighting abroad, or for naval expeditions assembled within the Iberian Peninsula, as well as one tax-farm. Baeça, like his countrymen, relished the prospect of underwriting *asientos* with the royal treasury due to the high premiums of these sizeable short-term loans and contracts for the remittance funds. The returns of these business deals with the Monarchy were secured in reliable and stable state streams of revenue, and to a lesser, but still appreciated extent, in silver. The bankers were also bestowed with fringe benefits, like patents of naturalization and, knighthoods of the royal household and of the military orders, which Baeça finally obtained in 1631.

Unfortunately for Pedro de Baeça, his attempts at court banking were met with mixed results and it cannot be said that his sojourn in Madrid was an astounding success. In the end, Baeça's Spanish intermezzo was defined by the remittance of funds within Iberia, particularly for naval squadrons, as he ultimately failed to kick-start a career in the international payments system of the Monarchy, and even the prospect of becoming a tax-farmer in Castile did not come to fruition. Unlike fellow country mates, such as Manuel da Paz, Duarte Fernandes or Nuno Dias Mendes de Brito, he was never invited to take part in the Monarchy's annual credit negotiations, the *Provisiones Generales*, meaning that he took a back seat to other Portuguese *asentistas*, not to mention to the Genoese bankers or the Fugger, all of whom underwrote *asientos* involving much higher sums.

His short-lived involvement with the *asientos de dinero* is reminiscent of other Castile-based Portuguese businessmen who cut their teeth in the Lisbon contracting scene, such as the Dias Henrique-Coronel Henriques house.⁶⁸⁷ What truly sets Pedro de Baeça apart from other members of the Lisbon business establishment who moved to Spain, was that he relocated back to Portugal after a brief period at the Habsburg court. The case that, perhaps, bears closer resemblance to his is the main branch of the Mendes de Brito-Elvas clan, whose members returned to Portugal before 1641. However, unlike the Silveiras-Lopes de Lisboa, the Mendes de Brito-Elvas pledged allegiance to the Braganzas and pursued a strategy of social upward mobility in post-Restoration Portugal.

Compared to other Portuguese bankers, Baeça's transition from the Portuguese royal finances into the core of the Hispanic Monarchy's finances can be considered to have been left incomplete. Following his clash with the Portuguese Inquisition, he remained in Portugal and restricted his public-private partnerships to dealings with the Portuguese exchequer in Lisbon, whereas several of his counterparts remained in Madrid, involved in the Castilian and international payments system that fuelled the Habsburg wars in Italy, the Low Countries and in Germany. Considering the brief period when he resided in Castile, only three years, his sojourn pales in comparison to the achievements of his brother, Jorge da Paz da Silveira, in the two decades that followed. Jorge da Paz, despite being a relatively late-comer into the Spanish banking schemes, went on to become one of the main financiers of Phillip IV, second to none among his Portuguese peers, while Pedro de Baeça retrieved back to Portugal and continued his career as a merchant-banker in Lisbon. The events that kept this merchant-banker and royal contractor in Lisbon and put an end to his run into the Spanish royal finances will be analysed in the last chapter of this dissertation.⁶⁸⁸

⁶⁸⁷ Broens, *Monarquía y capital mercantil*, 58–59.

⁶⁸⁸ AGS, Contadurías Generales, legajo 129, asientos y factorías, 1630, Pedro de Baeza.