Decay or defeat ? : an inquiry into the Portuguese decline in Asia 1580-1645
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CHAPTER II

THE IBERIAN CROWN

The Iberian union

If one follows the arguments of the Portuguese historian Oliveira Marques, by the end of the 16th century there would have been few reasons, geographical, social, economical or even cultural, why Portugal should have remained a separate state.[1] The Portuguese and Castilian monarchs and their divided aristocracies, had, by means of war and strategic marriage policies, always vied with each other for the sole sovereignty over the peninsula and when *Cardinal Dom* Henrique, the *rei inquisitador*, died in 1580, Philip II of Spain's insistence on being recognized as his successor did not come as a surprise. At least in Portugal, he had the support of the majorities of the groups in power: the aristocracy, the higher clergy, the Portuguese Jesuits and the merchants in the big towns. Making his claims stick was however another matter and took considerable political manoeuvering and the use of military force.

It was only five years ago that the Castilian *Estado* had been declared bankrupt. In 1578 even Philip had admitted that the war against the infidels and heretics in northern Europe was consuming all the money and substance that came from the Spanish Indias.[2] However, with the drastic improvement of the Peruvian silver production in the second half of the 1570's and the peace with Turkey in 1580, Philip apparently felt that he had his hands free for additional initiatives and in the years 1579-83 a large part of the King's finances, to the amount of at least 1,2 billion *maravedís* (115 tons of silver), were spent on the Portuguese enterprise.[3] To pay the troops, he only needed to borrow the equivalent of 17.5 tons of silver from Tuscany,[4] just about half the annual remittances by his moneylenders to the *Pagaduría General* in Brussels.[5]

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[1] A.H. de Oliveira Marques, *Historia de Portugal* (Mexico 1983) Vol.I 306-309 puts forward following arguments for the unification between Spain and Portugal: for a long time it had been an ideal of the Spanish and Portuguese monarchs, which resulted in a number of inter-marriages between the two dynasties. Economically, from mid sixteenth century the Portuguese empire was the compliment of the Spanish empire: the Portuguese needed the Spanish silver, Sevilla became the most important Portuguese trading center, Portuguese merchants and ships were active between Spain and Northern Europe, Spaniards controlled part of the Portuguese commerce. Spain and Portugal had the same enemies. Castilian culture was represented at the Portuguese court by a Spanish queen, most authors and educated people were bilingual and at the time one could even speak of a certain castilianisation of Portugal.

[2] Henry Kamen, *Spain 1469-1714. A society of conflict* (London/New York 1996) 139.

[3] Modesto Ulloa, *La hacienda real de Castilla en el reinado de Felipe II* (Madrid 1986) 798, gives following expenditures. In the period 20/10/1580-21/6/1581 416.5 million maravedís plus additional naval expenditures, in the period 21/12/1581-31/12/1582 308 million maravedís and 62 million for naval expenditures.

[4] *Ulloa* 1986: 789.

[5] According to Geoffrey Parker, 'Spain, her enemies and the revolt' in *Spain in the Netherlands 1559-1659* (Glasgow 1990) 36, during the period 1580-1585 the amount of money received by the *Pagaduría General* in Brussels was equivalent to 179 tons

Finally, in April 1581, the Portuguese *Cortes* in Tomar acclaimed Philip II of Spain,[6] King of Portugal. He not only took the oath that he would respect the laws and customs of the country, but subsequently also ratified twenty-five articles which enabled Portugal virtually to continue as an autonomous state within the Spanish federation. Portuguese noblemen would obtain a position in the royal household and a Council of Portugal was established that would reside at the court and produce *consultas* for the King's decision. The tolls between Portugal and Castile were eliminated,[7] but Portugal kept its own coinage. Only Portuguese subjects would be considered for the administrative positions in Portugal and the *Estado da India* and also the trade with the Portuguese overseas settlements would remain exclusively in Portuguese hands.[8]

Philip II stuck to these promises and until the Portuguese *Cortes* of 1619 the attempts by Philip III to lay his Castilian hands on Portuguese State revenues were always thwarted. Only after Philip IV's succession to the throne did the Portuguese spend some revenues outside their own territories and even during the first two decades of his reign the Castilians still bore the brunt of the relief expeditions sent to rescue Brazil.[9]

In 1591 Philip replaced the *Vedores da Fazenda* by a *Conselho da Fazenda*, which he could man with Portuguese of his own choice. It has often been suggested that they transferred at least a part of the Portuguese revenues into the Castilian treasury. However, although they had jurisdiction over the *Casa da India,* conducted the day-to-day financial administration and made all routine decisions regarding the Portuguese empire, there appears to be no evidence that any substantial amount of money was ever diverted from the *Casa da India* to the Castilian *hacienda*. On the other hand, of course, their voice had a heavy weight in the decision, whether the funds, which were always scarce, should be invested in the defence of the *Estado da India* or rather in the recovery of Brazil. In the process of decision making in Portuguese affairs the Habsburg kings had a desk 'where the buck stopped' and letters to the viceroy could be signed on his behalf or by himself, but always upon recommendation or after consultation with his Portuguese councillors. This issue is more important than it looks at first sight. Most historians tend to use the words 'the king', 'the crown' or 'the king's treasury' when in fact, also during the time of the Habsburgs, the Portuguese *Estado*, the Portuguese treasury, or the Portuguese *Casa da India* are meant, who did their work in the name of the king, but not necessarily with his direct personal

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of silver. As already indicated by himself and confirmed by Maurits A. Ebben, *Zilver, brood en kogels voor de koning. Kredietverlening door Portugese bankiers aan de Spaanse kroon 1621-1665* (Leiden 1996) 22, table 4.3, Parker's data have to be handled with great care. Many months and years have not been included in the accounts and the paymasters made errors in their bookkeeping.

[6] Philip I of Portugal.

[7] The tolls were restored in 1593 [*Kamen* 1996: 127].

[8] J.H. Elliott, *Imperial Spain 1469-1716* (Harmondsworth 1990) 274.

[9] J.H. Elliott, *The revolt of the Catalans. A study in the decline of Spain (1598-1640)* (Cambridge 1963) 512. During the years 1619-1632 the Portugal estates voted direct subsidies of 5,250,000 *cruzados* (160 tons of silver) to the king, but they refused the still higher contribution to the Union of Arms [James C. Boyajian, *Portuguese bankers at the court of Spain 1626-1650* (New Brunswick 1983) 37].

involvement.

In hindsight, one may wonder why Philip and his councillors were so keen on the Portuguese throne and whether some of the consequences of the union of the two crowns could not have been foreseen. In the first place Philip was one out of three candidates; the other two were the Prior of Crato, an illegitimate member of the Portuguese royal family, and the Duchess of Bragança, who was apparently supported by the Princess of Eboli, no great friend of Philip.[10] Philip, of course, as the oldest male descendant of King Manuel, saw the acquisition of the Portuguese throne as his legitimate right:[11] it was after all the desired result of the matrimonial policies of the past. Secondly, many of his Spanish subordinates and also the clergy, were, at the same time, expressing imperialistic views, which included even an invasion of China and 'uniting the kingdoms of Portugal and Castile would make Philip the greatest king in the world'.[12] Thirdly, Philip had been under continuous pressure since the second half of the 1570s, from Pope Gregory XIII amongst others, to invade England[13] and one of the reasons often mentioned is the free access to the Portuguese shipyards and the Atlantic. The merchant fleets of Spain and Portugal together would be the largest in the world: 250,000 to 300,000 tons, against the 232,000 tons of the Dutch and 42,000 of the English fleet and furthermore, the Castilians would get access to ten Portuguese fighting galleons to defend the seaborne trade.[14]

All these arguments put together were sufficient to bring Portugal under the Habsburg crown. But when Granvelle insisted that Philip should use this advantage to obtain a long term preponderance on the Atlantic and advised him to move his government permanently to Lisbon,[15] where the action was and where he had already stayed until 1583, Philip decided to go into seclusion in Castile and to govern his empire by correspondence.[16]

It goes a bit far to conclude that when the Iberian naval superiority came to fruition in the *Armada* of 1588, the King's 'absence' was a direct cause of the failure of the whole enterprise. However, Geoffrey Parker has made it very plausible that Philip's management style contributed to a great extent to the lack of understanding and miscommunication that occurred between the *Armada* and the troops on shore.[17]

Furthermore, Philip's departure from Lisbon caused great disenchantment amongst those members of the Portuguese nobility for whom there was no place in Madrid and who lost their access to offices, honours and posts that used to surround the Portuguese

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[10] *Elliott* 1990: 267.

[11] J.H. Elliott, 'The Spanish monarchy and the Kingdom of Portugal, 1580-1640' in Mark Greengrass (ed.) *Conquest and coalescence. The shaping of the state in early modern Europe* (London 1991) 49.

[12] Geoffrey Parker, 'David or Goliath? Philip II and his world in the 1580s' in Richard L. Kagan, Geoffrey Parker, *Spain, Europe and the Atlantic world. Essays in honour of John H. Elliott* (Cambridge 1995) 248 and Geoffrey Parker, *The grand strategy of Philip II* (New Haven/London 1998) 166-167.

[13] *Parker* 1998: 165.

[14] *Elliott* 1990: 276 and *Parker* 1998: 167.

[15] *Kamen* 1998: 262-263.

[16] *Kamen* 1996: 144-147, *Parker* 1998: 20-21.

[17] *Parker* 1998: 236, 268.

monarchy. Royal absenteeism would lead to growing discontent[18] for which the Habsburgs had to pay dearly in the years thereafter. On the other hand, unless he would have followed the foot-prints of his father as the travelling king, he had no choice: a lengthy absence from Castile would probably have had more serious consequences.

Using the words of Geoffrey Parker: 'the union of the crowns in 1580 unleashed an international crisis'.[19] The Dutch Republic and England formally became the enemies of Portugal and competitors in the overseas' trade. Whether the Dutch merchants would have chosen to go and seek the Asian produce themselves, if Portugal had remained independent,[20] is a question that is interesting, but beyond history. In the present context it makes little sense: Philip and his councillors had no choice, given the weakness of the other candidates and the potential danger of others taking the Portuguese throne.[21] Once the die was cast, there was no way back, notwithstanding the fact that the Castilian treasury had to pay the greater part for the defence of the Portuguese empire. Honour and *reputación* simply did not allow the Castilians to withdraw voluntarily from their Portuguese interests.

The crisis of the 1590s

If the Portuguese did not share in the costs of empire, they certainly did, directly or indirectly, in some of the disasters that befell the Iberians during the 1590s. There were in the first place, of course, the recurring famines, which would set the social and economic scene for many years to come. Those of the years 1589-1592 and 1597-1601 were particularly severe and both were accompanied by epidemics.[22] During the first twenty years of the Dutch revolt the trade between the Republic and Portugal had continued without any interference, and imports from Northern Europe had been used to cover the shortages. But now that Portugal had been integrated into the Castilian maritime strategy, the seizure of Dutch ships in the Iberian ports in 1585, and in particular in 1595, caused short term, but severe, delays in the food supplies to the peninsula. The year 1597 saw even the beginning of two simultaneous plague epidemics: one coming from the northern Spanish ports and moving towards the Castilian towns, and the other one, first recorded in Lisbon [23] and moving through the South towards Andalusia. Together, in 1599-1600, they swept away almost 10% of the population.[24]

[18]*Elliott* 1991: 53-54, 57, 63.

[19]*Parker* 1995: 266.

[20]*Parker* 1995: 264-265.

[21]*Parker* 1995: 265, *Parker* 1998: 285.

[22]See on this subject Jordi Nadal, *La población española (Siglos XVI a XX)* (Barcelona 1984) 24, 36. Seventeenth century food crises occurred in the years 1629-1630, 1647-1652, 1684-1685 and 1694-1695. The first two were accompanied by epidemics.

[23]J. Gentil da Silva, *Stratégie des affaires à Lisbonne entre 1595 et 1607. Lettres marchandes des Rodrigues d'Evora et Veiga* (Paris 1956) 55, 60, 61, reporting on the pest epidemic in Lisbon with merchants dispersing to safe places.

[24]*Nadal* 1984: 36-37, Angel García Sanz 'The plague in Castile at the end of the sixteenth century and its consequences' in I.A.A. Thompson, Bartolomé Yun Casalilla,

Taking the other misfortunes of the chaotic 1590s in chronological order: in 1590, to compensate for the higher expenditures of the crown, new taxes were levied: the *millones*. They were to become the most hated form of taxation in Spanish history.[25] A political shock was the revolt of the Aragonese against the Castilian rule in the first two years of the 1590s and in 1595 the Castilians received the news of an alliance between the French, the Dutch rebels and the English.[26] As from 1596 a new *Armada* was assembled, which this time was scattered by storm. Shortly afterwards, the English waged a counter attack at Cádiz.[27] In the same year the Castilian *hacienda* declared a moratorium on repayments, causing bankruptcies amongst the Genoese bankers [28]: the new loans were insufficient to pay the interests on the outstanding debts and the reaction to a royal request for a national *donativo* had been very disappointing. Positive points were the considerably higher revenues sent over from Peru[29] and the treaty of Vervin in 1598, which put an end to the war with France,[30] but at the same time 'opened the way' to the final expulsion of the *Moriscos*.[31]

Obviously, the Iberian crisis of the 1590s had its effects in Portugal: amongst many Portuguese writers it was seen as the beginning of the downfall of the Portuguese *Estado da India*. It was also the beginning of a glorious time for the *arbitristas* in Portugal, who asked themselves the question what had gone wrong, put their ideas on paper and initiated many of the myths around the downfall of Portugal: the loss of many ships in the *Armada*, the corruption, the Spanish domination over Portugal, the heavy load of Portugal which the Spanish had to carry, the Counter Reformation etc.[32] It is noteworthy that the Portuguese always looked for some cause within themselves or within the Iberian social or administrative system. They never considered a greater strength of their North European enemies or a fatal coincidence of circumstan-

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The Castilian crisis of the seventeenth century, New perspectives on the economic and social history of seventeenth-century Spain (Cambridge 1994) 34-35.

[25]*Kamen* 1996: xi, 152, 166; *Elliott* 1990: 285-286.

[26]*Kamen* 1996: 135.

[27]*Da Silva* 1956: 47, quoting Simancas Estado, 434, fo 55, reporting that the nobility refused to fight outside the town of Cádiz. *Elliott* 1990: 285-286.

[28]*Da Silva* 1956: 51-52. *GAA* Not.arch. 76 fo. 6, 6v; 8, 8v; 204,204v; 223, 223v, 224. Not. J.F. Bruyningh. *Elliott* 1990: 287.

[29]See appendix 2.2.

[30]*Elliott* 1990: 290.

[31]*Kamen* 1996: 177.

[32]One of the best known Portuguese *arbitristas* was the chronicler of the *Estado da India*, Diogo do Couto. Besides being responsible for the volumes IV-XII of the *Décadas*, he spent a great part of his time describing disasters at sea and corrupt practices. It was largely on basis of his work that some Portuguese historians have explained the downfall of their Asian empire as the result of corruption. See e.g. C.R. Boxer (ed.), Diogo do Couto, *The tragic history of the sea, 1589-1622. Narratives of the shipwrecks of the Portuguese East Indiamen São Thomé (1589), Santo Alberto (1593), São Joã Baptista (1622) and the journeys of the survivors in South East Africa* (Cambridge 1959) and Diogo do Couto, *Diálogo do soldado prático* (Lisbon 1954). For an analysis of this work see G.D. Winius, *The black legend of Portuguese India. Diogo do Couto, his contemporaries and the Soldado Prático. A contribution to the study of political corruption in the empires of early modern Europe* (New Delhi 1985).

ces as a major factor.

In fact, as far as the Portuguese empire was concerned, the crisis of the 1590s was only a temporary setback, from where recovery was still possible.

The silver fleets

The Habsburg military ventures in the North consumed a considerable part of the South American silver that came to Europe. The crown's share of that silver represented not more than 10 to 20 per cent of the total annual budget: inland taxes and duties formed the major sources of income.[33] However, the most important feature of the American silver was that it represented ready cash that was accepted everywhere. Before arrival, the crown's part could be used as a security for additional loans anywhere in Europe and once it was in Sevilla, it could be used to pay at least part of the outstanding debts.

Ever since Hamilton's *American treasure and the price revolution in Spain* was republished in 1965, the quantities of South American silver produced, exported to Europe and registered in Sevilla[34] have been subject of continuing debate and investigation amongst historians. Because the flow of silver was like the bloodstream to the Iberian empire, and because silver played an important role in the Portuguese-Indian trade, one can not avoid discussing the quantitative information in the present context.

The silver cargoes originated from what we now call Mexico, Peru and Bolivia and consisted of royal revenues and private remittances.

The royal revenues comprised the *quinto* on the silver from the mines, the *tributos* from the Indians and the income from the sale of indulgences, fines, confiscations, profit on capital, the sale of merchandise and other sources of income. A part of the American public revenues were exported to Sevilla in the form of silver and gold, the rest were used to cover the costs of administration and military protection, including not only the American provinces, but also the Philippines.

The total royal revenues and the part that was retained in Mexico and Peru (including Bolivia), have been calculated from the data of Tepaske and Klein,[35] and are given in appendix 2.1. Their data suggest that the total public revenues in Mexico dipped in the years 1611-1630, but recovered temporarily in the 1630s. Total Peruvian public revenues remained relatively constant, with a peak in the 1640s.[36]

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[33] *Elliott* 1990: 286.

[34] Earl J. Hamilton, *American treasure and the price revolution in Spain, 1501-1650* (New York 1965) 34 (original edition 1934). During the 1930s his publication fitted nicely into Keynes' theory.

[35] John J. TePaske, Herbert S. Klein, 'The seventeenth-century crisis in New Spain: myth or reality?' in *Past & Present* 90 (1981) 116-135. John J. TePaske, 'New World silver, Castile and the Philippines 1590-1800' in J.F. Richards (ed.) *Precious metals in the later medieval and early modern worlds* (Durham N.C. 1983) 425-445.

[36] It is worth noting that the records they used were not always complete, which is one reason more to doubt that economic depression in the Latin Americas or shortage of Indian manpower would have caused a fall in the silver production.[See e.g. John Lynch, *The Hispanic world in crisis and change 1598-1700* (Oxford 1994) 241, 288-9,

The amount of revenues that was retained in the respective countries moved more or less with the total revenues, but as from 1641 an increasing percentage was apparently dedicated to the South American administration and defence.

Private silver was partly exported to Sevilla in the form of remittances by the emigrants, savings of the people who returned to Europe and as payment for the merchandise that was bought in Castile, Flanders, France or other countries for export to the American *Indias*. Another part went along the official route via Acapulco to Manila, for the purchase of oriental products. A considerable but unknown part of the private silver must have remained in South America as a lubricant for the growing economy or left the continent via the Caribbean, Rio de la Plata or from Callao (Peru) directly to the Philippines, routes that were considered illegal by the Castilian authorities.

The businessmen in Sevilla who were involved in the American trade were in the first place responsible for the outfitting and protection of the fleets to Mexico and South America. Beyond that they used the silver to buy foreign merchandise[37] and slaves from the Portuguese merchants in Lisbon, all for re-export to the West Indies and Middle and South America. The larger part of the silver was lent to the King via *asientos* (contracts) to pay for his wars in Northern Europe and Italy, on the promise that part of it would be paid back with interest when the next fleet arrived. Frequently the merchants waited for the arrival of the next fleet, just to make sure that funds would be available to equip the next one. Under Philip IV, when the financial bubble came close to bursting, as it frequently did, a part of the privately owned silver was simply sequestrated and *vellón*[38] or *juros*[39] were given in return.

Appendix 2.2 (column 1-6) and figure 2.1 present the quantities of silver that were remitted as public revenues from Mexico and Peru and the public and private quantities that were officially registered after arrival in Sevilla.[40]

303-10, 329-33].

[37]In 1608 the Council of the Spanish Indies reported that foreign goods in the fleets sent to America accounted for two-thirds of the gold and silver brought back to Spain.

[38]Vellón was the name for silver-copper alloys used for coins. The silver content decreased with the increasing shortage of silver. It ended up with the name of 'black money', because of its colour; it was then no longer counted but weighed.

[39]In general: annuities guaranteed by the crown. For a description of the *juros* in different forms and their use, see Antonio Domínguez Ortiz, *Política y hacienda de Felipe IV* (Madrid 1983) 295-309.

[40]Hamilton's data have been under severe criticism, in particular by Klein and Tepaske, who did very good work on the public revenues in the South American treasuries and the part of it that was remitted to Castile and the Philippines [Herbert S. Klein, John J. TePaske, *The royal treasuries of the Spanish empire in America* (Durham, N.C. 1982) 3 vols.]. Similar criticisms against Hamilton's figures have been delivered from the production side, by Brading and Cross [D.A. Brading, Harry E. Cross, 'Colonial silver mining: Mexico and Peru' in *The Hispanic American Historical Review* 52 (1972) 545-579, and Harry E. Cross, 'South American bullion production and export 1550-1750' in J.F. Richards (ed.), *Precious metals in the later medieval and early modern worlds* (Durham N.C. 1983) 397-423, giving separate figures for the Vice Royalty of Peru and Slicher van Bath [B.H. Slicher van Bath, *Indianen en Spanjaarden. Latijns Amerika 1500-1800* (Amsterdam 1989) 144-159 and 'Het Latijns-Amerikaanse goud en zilver in

Until 1630 the royal silver registered in Sevilla tallied reasonably well with the quantities dispatched from Vera Cruz and Lima. Both royal income and private remittances increased markedly in the 1580s and were at their peak in the 1590s. The drop in royal imports between 1600 and 1630 reflect more or less the lower quantities that were exported from South America. As can be deduced from appendix 2.1 the lower remittances of the years 1611-1630 were caused by lower public revenues in Mexico and, simultaneously but to a lesser extent, by the higher percentage of the revenues that was retained in Peru.[41]

Figure 2.1: Public and private silver recorded in Spanish America and Sevilla.

As far as the private silver was concerned, the first thing that strikes the eye is the relative importance of the private silver compared to the volumes of public funds remitted, at least until 1631. After the peak of the 1590's the arrivals registered in Sevilla remained at a substantial level during the next thirty years. As from 1631, the Hamilton records suggest a dramatic drop.

From that same year the accounts of the royal American exports and the royal Sevillean imports began to show large differences. Such, that they can no longer be considered to be within the normal margin of error: between the two points of registration 272 tons 'disappeared' in 1631-1640, 192 tons in 1641-1650 and 210 tons in 1651-1660. These losses can be explained only to a minor extent by shipwrecks or Dutch and English privateering.[42]

In particular the deviations of the 1630's are of interest, because Hamilton's data suggest a major recession in the silver supply to Europe, whereas the data of Klein and Tepaske indicate that both in Mexico and Peru a major effort was made to increase the public revenues and remittances. Apart from the suspicion that Hamilton might have delivered incomplete work or that there were omissions in the records he used,[43] one of the suggestions has been

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de koloniale tijd' in *Economisch- en sociaal-historisch jaarboek* 47 (1984) 177-194] who has summarized all the work done until that date, including that of Klein and Tepaske. Regrettably he has done his calculations for lengthy periods of twenty years, so that it is difficult to relate his numbers to any short term economic trends or particular historic events that may have caused them. The same applies to the more recent article of Ward Barrett, 'World bullion flows 1450-1800 in James D. Tracy, *The rise of merchant empires. Long distance trade in the early modern world, 1350-1750* (Cambridge 1991) 224-254, who uses periods of twenty-five years.

[41] *Tepaske* 1983: table 3 and 4, 443-444.

[42] *Tepaske* 1983: table 2, 443. For the losses due to shipwrecks or privateering see *Dominguez Ortiz* 1983: 267-268 and Michel Morineau, *Incroyables gazettes et fabuleux métaux. Les retours des trésors américains d'après les gazettes hollandaises (XVIe - XVIIIe siècles)* (Cambridge 1985) 69, 107, 109.

[43] *Dominguez Ortiz* 1983: 318 and *Morineau* 1985: 42-119, have, in different ways, confirmed the data found by Hamilton in the records of the *Casa de Contratación*. Morineau also confirms Dominguez Ortiz's research into the original data. [*Morineau*

that the silver, before arriving in Sevilla was transshipped in Cádiz and disappeared in an illegal circuit.[44]

Indeed, already in 1535 Cádiz had been granted the right to unload American cargoes. By the end of the 16th century, because of their increasing size and the problems they had in passing the bar in the Guadalquivir, some of the ships destined for Mexico or *Tierra Firme* were loaded in Cádiz and as from 1630 the return fleets began to alternate their arrivals between San Lúcar de Barameda and Cádiz.[45] With the plague of 1648, Sevilla lost the competition with Cádiz and as from 1660 the population of Cádiz and San Lúcar began to rise at the cost of Sevilla, a sure sign that economic activities had moved to these places.[46] Although the deviations to Cádiz offered the possibility of fraud, the authors referred to were never able to prove that this actually happened already in 1630; it was only after 1650 that examples were found of ships which were 'caught in the act'.

Of course, the question one has to ask oneself is how it was possible that such large quantities of the royal and private silver could have disappeared illegally, decade after decade, without any action being taken. Foreigners, and therefore also the Portuguese merchants in Spain, were only allowed to participate in the legal South American trade after they had obtained naturalization on the basis of legal qualifications or against payment of a handsome amount of money.[47] It is therefore highly improbable that they would have taken the risk of engaging in such obvious illegal trade.

The answer to the question is simple: by far the larger part of these transshipments were not illegal at all, but officially approved, because they were the compensations for the *asientos* undertaken by the Portuguese bankers with the King of Spain, to pay for the war in Flanders. It is only surprising that until now this answer has not yet been presented in this context. Before discussing this matter in further detail, it will be necessary to review the history of the Portuguese merchant bankers, who became money-lenders to the King of Spain.

The Portuguese merchants

Immediately after Philip II had taken over the Portuguese throne he was confronted with the problem of the New Christians. Already in the *Cortes* of 1581 the *Estados da Nobreza e Povos* requested him, on the basis of the *leis de limpeza de sangue*, not to allow any converts into the judicial and financial positions or the government

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1985: 118].

[44] *Morineau* 1985:62-64; Artur Attman, *American bullion in the European world trade 1600-1800* (Göteborg 1986) 16, 23]. See also Antonio Domínguez Ortiz, *Historia de Sevilla. La Sevilla del siglo XVII* (Sevilla 1984) 124-139. *Kamen* 1996: 231. *Lynch* 1994: 240-241, apparently unaware of Tepaske and Klein's work, has described the registration at port and ways and means to avoid the royal *quinto*.

[45] Albert Girard, *La rivalité commerciale et maritime entre Séville et Cadix jusqu'à la fin du XVIIIe siècle* (Paris/Bordeaux 1932) 22-24.

[46] António Domínguez Ortiz, *La sociedad española en el siglo XVII* (Madrid 1963) 143.

[47] *Lynch* 1994: 245-246. The total numbers of naturalizations increased during the reign of Philip III and, with Philip IV, peaked during the 1620s. Discontent amongst Spanish merchants caused a backlash during the 1630s and 1640s.

of the towns or villages.[48] From their side, the New Christians asked him to abolish the distinction between the Old and New Christians and to give them equal access to offices and titles.[49] Philip's answer to the *Cortes* was evasive,[50] but of course he did nothing that would range the Portuguese aristocracy and townships against him.

From the strong actions of the Portuguese Inquisition during the years 1581-1600 one would assume that he or his councillors did very little to stop the hostilities against the Jews and Portuguese New Christians.[51] Already in the 1570s, before the unification of the two thrones, the Portuguese '*conversos*' had begun to move back from Lisbon to Madrid, first as bachelors, later on marrying Portuguese '*converso*' women coming from Portugal. In the 1580s some of them had become successful *nuevos ricos* and in the 1590s Castilian xenophobia, which had not so much a racial or religious as an economic origin, caused the Spanish Inquisition to take action against them.[52] In line with this development, in 1587, once again, the emigration of New Christians from Portugal was prohibited.[53] However, notwithstanding his apparent antipathies, Philip could not avoid that New Christians, in particular the Portuguese in Antwerp, should become involved in the provision of the necessary funds for the war against the heretics in the northern Netherlands.

In order to keep a steady pressure on the rebels, it was for the Spaniards of foremost importance to keep money, food and war equipment available in the right quantities and of the right specimen or quality, at the right time and on the right spot. For that purpose the crown engaged in *asientos* with Genoese bankers, against a reasonable reward such as an interest of 7 to 8, sometimes 10 to 12 per cent on *juros*, a licence for the export of silver from Spain, a *hidalguía* or the distinction of one of the chivalrous orders.[54] The agents of the Genoese in Antwerp, who took care of the deliveries, in turn obtained part of their money on the Antwerp exchange from smaller merchants, amongst them Portuguese.

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[48] A.M. Hespanha, 'La "Restauração" Portuguesa en los capítulos de las Cortes de Lisboa de 1641' in J.H. Elliott, R. Villari, A.M. Hespanha, B. Anatra y otros, *1640: La monarquía hispánica en crisis* (Barcelona 1992) 141. The cortes was divided in three estates: the *clero* with the archbishops and bishops, the *nobreza* with the higher nobility, the councillors, the big landowners and the important mayors, and the *povo* which consisted of representatives of about 90 towns, villages and small councils.[*Idem*: 129].

[49] To the *conversos* lineage and 'blood' were just as important as to the Old Christians: 'The antiquity of those mythical lineages lost in the past was what transmitted the honour, respect, and reputation which the Old Christians claimed exclusively for themselves' [Jaime Contreras, 'Family and patronage: the Judeo-converso minority in Spain' in Mary Elisabeth Perry, Anne J. Cruz (eds.), *Cultural encounters. The impact of the Inquisition in Spain and the New World* (Berkeley, Los Angeles, Oxford 1991) 133].

[50] *Hespanha* 1992: 141 note 51.

[51] *Ebben* 1996: 112.

[52] Henry Kamen, *The Spanish Inquisition. An historical revision* (London 1998) 288, R. Carrasco, 'Preludio al "siglo de los Portugueses". La inquisición de Cuenca y los judaizantes Lusitanos en el siglo XVI' in *Hispania* 47 (1987) 540-546.

[53] *Israel* 1989: 59, *Ebben* 1996: 112, 116.

[54] Hans Pohl, *Die Portugiesen in Antwerpen (1567-1648) Zur Geschichte einer Minderkeit* (Wiesbaden 1977) 219-220.

The Portuguese community, or 'nation', in Antwerp was relatively small: in 1570 it consisted of 80 families and 17 single persons.[55] Their most important activity was the bulk trade in cereals, but they also had a share in the more risky, but more profitable, trade in sugar, spices, dyes, diamonds and pearls. The first time that they were directly involved in the financing of the Spanish *pagaduría* was in 1575. During the late 1560s and the 1570s the Dutch rebels and the Turks in the Mediterranean alternated in drawing the attention of the Castilians, inducing them to spend large sums of money on their war efforts. Borrowed money could fill the gap between expenditures and revenues, until the Genoese bankers refused to lend any further.[56] In 1575 this resulted in the bankruptcy of the Castilian treasury, which played havoc with the Genoese credit system and stopped the delivery of silver and money in Antwerp. This gave the Portuguese Simón Ruíz the chance to arrange his first *asiento*, to the amount of 44,000 *escudos* (equivalent to about 1.5 ton of silver), backed up by merchants in Lisbon and paid out by Portuguese in Antwerp. A similar *asiento* in 1576 fell into disarray due to the 'sack' of Antwerp and after he had settled the matter with some delay, Simón Ruíz withdrew for some time from this business.[57]

The role of Antwerp as a centre of finance somewhat diminished but it was fully re-established again in the early 1580s,[58] after the Genoese financiers in 1579 transferred the Besançon fairs to northern Italy, from where they had a better control on the transfers of the annual subsidies to Flanders and on their clearances against Castilian revenues.[59]

After the recapture of Antwerp in 1585 by Alexander Farnese, Duke of Parma, the Dutch initiated the so-called blockade.[60] Many of the Portuguese left for Cologne. Those who stayed behind remained involved in small-volume, high-value commodities such as sugar, pepper, spices, precious stones and diamonds. Goods destined for the South Netherlands found their way to Antwerp via the ports of northern France; goods with other destinations could be shipped via Middelburg or Flushing.[61] However, the *asientos* and remittances from Spain's financiers were for them the main reason to stay.[62] Just as with the *asientos* of Simón Ruíz, they acted as correspondents for the richest merchants in Lisbon, like the Ximenezes who since 1587 also participated in the contract of the *Carreira da India*.[63] The Ximenez family could count on good credit in Antwerp because of their imports of Indian pepper and spices, via Calais, or through the Portuguese who were resident in Amsterdam and who had a Dutch free conduct for trade on the Iberian peninsula and the port of

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[55] Jan Albert Goris, *Etude sur les colonies marchandes méridionales à Anvers de 1488-1567* (Leuven 1925) 53-56.

[56] Geoffrey Parker, *Spain and the Netherlands 1559-1659* (Glasgow 1990) 30-33.

[57] Henri Lapeyre, *Simon Ruiz et les "asientos" de Philippe II* (Paris 1953) 21-24.

[58] *Pohl* 1977: 352.

[59] James C. Boyajian, *Portuguese bankers at the court of Spain, 1626-1650* (New Brunswick N.Y. 1983) 2.

[60] See chapter 6.

[61] Victor Enthoven, *Zeeland en de opkomst van de Republiek. Handel en strijd in de Scheldedelta c. 1550-1621* (Leiden 1996) 109-112.

[62] *Boyajian* 1983: 80.

[63] See chapter 3, note 37.

Antwerp.[64] As a result they were able to draw bills of exchange on Antwerp and offer those to the Spanish crown in exchange for silver money that was eventually brought to Lisbon, whereas the bills of exchange were paid in Antwerp. Of course using this financial circuit carried some risks: a sudden departure of the merchants from Antwerp, an arrest by the Inquisition in Portugal, disappointing returns from the East Indies, delays in the arrival of the silver fleets from Mexico or South America or bankruptcies of the Genoese bankers could totally disrupt the chains of outstanding debits and credits.[65]

In 1588, to have a better control of the *asientos*, Philip concentrated their repayment, in the form of money or privileges, in Spain. As a consequence, some of the Portuguese living in Spain also became involved. A typical example has been investigated by Gentil da Silva: Ruíz Embito who stayed in Medina del Campo and did business with almost the whole of Europe, amongst others with the brothers Rodrigues d'Evora, who were stationed in Lisbon and Antwerp. Da Silva's chapter 'Calendrier de la conjuncture' gives a good impression of the nervousness of the financial markets, dependent as they were on the arrival of the fleet from America. Would the royal silver be enough to repay at least a part of the debts and if not, what was the monarchy going to do about it?[66]

In the meantime the Portuguese merchants in Lisbon were able to strengthen their financial position further. The slave trade eliminated the main constraint on the cultivation of sugar in Brazil whereas also in Spanish America there was a growing demand for black labour in the silver mines. By the end of the 1590s 4,000 blacks were annually dispatched to Brazil and 4,000 to 5,000 to Spanish America at a price of 100 *cruzados* apiece. In total this trade yielded at least 800,000 *cruzados* (24 tons of silver) per year, which were partly used for the purchase of wheat and hardware for the Brazilian sugar economy. Additionally, they became involved in military and naval supplies and in the collection of revenues, both in Portugal and in Castile.[67] In 1609 they made an estimated 2 million *cruzados* (60 tons of silver) in the illegal trade of Rio de la Plata and the Caribbean.[68]

After Philip's death on 13th September 1598 his twenty-year-old son Philip III succeeded him. He introduced a new life style and a new style of management. In contrast to his father, he did not govern on his own, but via councils and *juntas*, consisting of groups of confidants amongst whom the favourite of the king, the *privado* or *valido*, played the prime role.

The first step under Philip III was to end the shortage of money by minting copper. In the period 1599 to 1606 about 22 million ducats were brought into circulation in the form of copper coins. If one would look for a reason behind the price rises in Castile; it would be this one! Their equivalent value would have been 777 tons of silver, or say in that period, more than ten years royal

[64]See chapter 6.

[65]*Pohl* 1977: 220-225.

[66]J. Gentil da Silva, *Stratégie des affaires à Lisbonne entre 1595 et 1607. Lettres marchandes des Rodrigues d'Evora et Veiga* (Paris 1956) 31-92.

[67]I.A.A. Thompson, *War and government in Habsburg Spain 1560-1620* (London 1976) 225-228.

[68]*Boyajian* 1983: 10, 13-14.

income from the Americas. Copper money had the disadvantage that it was only accepted in Castile and that it could be counterfeited cheaply, so that the Dutch were also able to add a considerable portion of *vellón*[69] to the Castilian economy. As a result of the copper injection, silver began to disappear from the Castilian market and its premium, expressed in *vellón*, would in 1626 increase to 50 per cent.[70]

The Portuguese New Christians used the accession of Philip III to repeat their request for equal rights and offered him an amount of 675,000 *cruzados* (20 tons of silver), besides a loan of 500,000 *cruzados* (15 tons of silver) for the ships to India, to be paid back in pepper.[71] But from different corners their proposals were vehemently opposed and they did not help to improve their social and legal position in Portugal. Nevertheless, under the influence of the Dominican Augustín Salucio who in 1599 wrote a *discurso* against the *leyes de limpieza de sangre*, public opinion in Castile and that of Philip III began to change.[72] Madrid and Rome were even considering a general pardon, but the Portuguese government counter-acted by offering Madrid 800,000 ducats (equivalent to 28 tons of silver, which were never paid in full). In 1601 all objections against emigration of the *conversos* from Portugal were lifted against the payment of 200,000 ducats (7 tons of silver).[73] Furthermore, in 1604 Pope Paul V agreed to an indulgence for 6,000 Portuguese families, who had sinned against the true faith and which included the New Christians who were at that time in the hands of the Inquisition. In exchange they would pay 1,860,000 ducats (66 tons of silver) into the royal treasury.[74] On the day that the papal decree was published, 16 January 1605, the Portuguese Inquisition released 410 prisoners.[75]

The move was well timed: the amount of *vellón* by now had doubled and a new offensive against the northern Netherlands had considerably increased the volume of financial transactions and thereby, in terms of silver, also the outstanding debts of the crown. In 1605 the Genoese were only willing to give more credit against an interest of 16 per cent[76] and in 1607 the Castilian *hacienda* had to call for a moratorium on the repayments. This resulted in the bankruptcy of many of the Genoese banks.

The next year the remaining Genoese *asentistas* moved from Medina del Campo to Madrid.[77] From there they initiated direct correspondence with Lisbon's merchants, in order to arrange funds for Antwerp at the Lisbon exchange. In 1609 the bullion shipments

[69] Frank C. Spooner, *The international economy and monetary movements in France 1493-1725* (Cambridge Mass. 1972) 48.

[70] *Kamen* 1996: 215.

[71] J. Lucío d'Azevedo, *História dos Christãos Novos Portugueses* (Lisbon 1921) 149.

[72] *Ebben*: 1996, 112-115.

[73] António Domínguez Ortiz, *Los judeoconversos en España y América* (Madrid 19xx) 61-65.

[74] *Domínguez Ortiz* 19xx: 65, *Ebben* 1996: 115-117. Against an apparently existing consensus that the New Christians were not able to bring this large sum of money together, *Boyajian* 1993: 94-96 states quite firmly that of the total sum collected, 1.1 million *cruzados* were used for the Portuguese *Carreira da India*.

[75] *Kamen* 1998: 289-290.

[76] *Pohl* 1977: 233.

[77] In fact, the Genoese followed the court, that moved from Valladolid to Madrid.

to Lisbon, for transfer to Flanders, amounted to 200,000 ducats (7 tons of silver), or about one-tenth of the total subsidies to Flanders that year. This was the very time that the Mediterranean economy was beginning to give way to the Atlantic circuit. By 1625 that amount had risen to 1 million ducats (35 tons of silver) or about one third of the subsidies to Flanders of that year.[78]

The position of the Portuguese merchants as potential full-fledged *asentistas* was hereby considerably strengthened and apparently, on various occasions, the Portuguese merchants made suggestions in that direction, but until 1622 without any degree of success.[79] Their proposals were in particular resisted by the Portuguese Council in Madrid and the Portuguese Inquisition and in 1610 legislation even became more severe. Especially for New Christians, the freedom of travel out of Portugal was made subject again to permission by the King or a security of at least 500 *cruzados*, to be paid back if the person concerned returned within one year. In view of the relatively small amount, this measure must have been directed mainly against the poorer New Christians.

The Portuguese view on the New Christians became crystal clear when in 1619 Philip III visited Lisbon and called the *Cortes* together, to request their financial support and to obtain recognition of his son Philip as his successor to the throne.[80] In exchange, the three estates now called for the expulsion of the New Christians with, in practical terms, confiscation of their possessions. They also demanded their prohibition from having access to the academies of literature and to positions as judge, lawyer, medical doctor, chemist, contractor or any other position in the state; from completing university studies or occupying positions therein; from travel to the colonies and the rebuke of people who married New Christians. At the same time, the *clero* and the *povo* insinuated that the representative of the Pope and the administ-ration of the church were dominated by people of 'that nation'.[81]

Obviously, Portugal was far from ready for change, nor were the Portuguese councillors in Madrid: the *alvará* that finally came out still referred to the laws of Dom Sebastião of 1567 and 1568, which prohibited New Christians to leave for India, at the penalty of the loss of all property.[82] It would be 1623, before the limitation of 'pure blood' as a criterion for state employment and other rewards was lifted.[83]

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[78] *Boyajian* 1983: 16.

[79] *Ebben* 1996:117, 120.

[80] *Elliott* 1991: 57. During the years 1619-1632 the Portugal estates would vote altogether the amount of 5,250,000 *cruzados* (160 tons of silver) as direct subsidies to the king, but they refused the still higher contribution to the Union of Arms [*Boyajian* 1983: 37].

[81] *Hespanha* 1992: 141-142, 141 note 52.

[82] J.H Elliott, José F. de la Peña, *Memoriales y cartas del Conde Duque de Olivares. Política interior 1621-1645* (Madrid 1978-1981) Vol.I: 91, note 52. The prohibition to leave for India was repeated a few times in the royal letters sent to Goa. [*DR*: II,215-218 and *DR*: III, 510-511].

[83] Stuart B. Schwartz, 'The voyage of the vassals: royal power, noble obligations and merchant capital before the Portuguese restoration of independence, 1624-1640' in *The American Historical Review* 96 (1991) 755.

After the Twelve Years' Truce

In March 1621, at the age of sixteen, Philip IV succeeded his father. Although he may have had a more independent character, he still needed the support of a favourite: Gaspar de Guzmán, Count of Olivares, who was determined to take strong action and to push through the necessary reforms. From now on a combination of traditional and economic warfare was going to be the strategy to bring the United Provinces on their knees.

On 14 April 1621 the Iberian peninsula was officially closed for Dutch ships.[84] As will be shown in chapter 6, this was the first time that the banning of Dutch trade from the Iberian coasts had success. In July 1621 Philip IV obtained the full support of the *Consejo de Estado*, for sending a first contribution of 900,000 ducats (about 32 tons of silver) to Antwerp to reinforce the troops. By that time the Spanish had also begun to revitalize their *Armada de Flandes*,[85] the royal squadron, reinforced with privateers, that would use Dunkirk as its base and was given the task to destroy the Dutch trade and fishery. Lack of artillery, wood and finance caused delays in the build-up of that fleet, because most of these resources were spent on the *Armada del Mar Océano* and the construction of a base and fleet near Gibraltar. In 1623 the monthly subsidies to the *Armada de Flandes* were increased to 70,000 ducats (equivalent to 30 tons of silver per annum), but they were always late in arriving. The small Flemish port of Sint-Winoksberge offered therefore to prepare twelve men of war to be used against the rebels and their fisheries, but in 1624 the fleet was weakened again because some of the royal ships were dispatched to the Mediterranean.[86] Finally, its first success came in 1625 with the destruction of the Dutch herring fleet near Great Yarmouth.[87] In the same year the

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[84] Jonathan J.Israel, *The Dutch Republic and the Hispanic world 1606-1661* (Oxford 1982) 94-95.

[85] Zuñiga, uncle of Olivares had been the great driving force behind the reconstruction of the navy already since 1617 [R.A.Stradling, *Philip IV and the government of Spain 1621-1665* (Cambridge 1988) 39].

[86] R.A. Stradling, *The Armada of Flanders. Spanish maritime policy and European war, 1568-1688* (Cambridge 1992) 25-36.
A.P. van Vliet, *Vissers en kapers. De zeevisserij vanuit het Maasmondgebied en de Duinkerker kapers (ca. 1580-1648)* (Leiden 1994) 179-207. The effort must also have suffered from considerable manpower constraints. Already in 1620 the Gentlemen XVII of the VOC wrote to Coen that the Spanish fleet for the Philippines was suffering from manpower shortages. A crew returning with the silverfleet from the West Indies was arrested upon arrival and transferred to the fleet to the Philippines without having set feet on land [*Coen* IV: 475; Gentlemen XVII to Coen, letter dated 12/12/1620].

[87] *Stradling* 1992: 44-46, *Van Vliet* 1994: 191. Until 1648 Spanish attacks on the herring fleets remained a continuous concern for the Dutch. In the years 1631-1640 on average 35 ships were taken or destroyed annually, with a peak of 60 in 1636. Their only defense was to have the fleets sailing under admiralship and under convoy or, if there was enough money, blockading the Flanders coast [*Van Vliet* 1994: 189, 319]. Notwithstanding these losses, with a total fleet estimated at something like 500, Dutch herring fishery appears to have been at its peak in the years around 1630. However, during the years 1620-1639 the amount of Dutch herring brought through the Sound remained around ten per cent below 'normal'.[Jan de Vries, Ad van der Woude, *Nederland 1500-1815. De eerste ronde van moderne economische groei* (Amsterdam 1995)

fall of Breda became one of the most glorified Spanish military successes and also Bahia was recaptured from the Dutch.[88]

Another approach that formed part of the new strategy was the establishment in 1624, at least on paper, of the semi-public *Almirantazgo*. The idea was to bring together the Flemish, German and Hanseatic nations in Sevilla in order to set up a convoy system that would protect their commercial sea routes against the English and Dutch privateers.[89] Alternatively, it would bring their hometowns together in a trading company (taking the Dutch VOC as a model) that would have the monopoly of the import of Baltic merchandise into the Iberian peninsula. The ultimate purpose was the destruction of the Dutch trade, fishery and navigation.[90] The idea failed on all counts and in 1626 the *Almirantazgo* was extinguished.

Another idea taken on board by Olivares was the establishment of a Portuguese India Company, for which in 1625 he began to secure support from the New Christians and which began operating in 1629. It was the one scheme of the Great Project that survived, but only for a few years. From the side of the Portuguese merchants the idea received little enthusiasm.[91] Nevertheless, amongst the directors there were a few New Christians and the *Heeren XVII* of the VOC wrote to their governor general Coen: 'The king of Spain has given the equipment of the Portuguese fleet to India in the hands of New Christian merchants, who are the biggest traders, under several rules and conditions which, in order to gain credit, they do their utmost to adhere to'.[92] The company concentrated overwhelmingly on the pepper trade of Kanara and Malabar and it collapsed in 1633.[93]

Obviously the additional war efforts were not possible without extra money and the first budget under Philip IV called already for more than 8 million ducats in *asientos*.[94] A part of the expenditures could be paid in *vellón* and minting more of this specimen was therefore an answer, to such an extent that in February 1622

300-301].

[88]For the effects of the Spanish offensive on the Dutch economy see Jonathan I. Israel, *The Dutch Republic. Its rise, greatness and fall 1477-1806* (Oxford 1998) 478-479.

[89]António Domínguez Ortiz, 'El Almirantazgo de los paises septentrionales y la política económica de Felipe IV' in *Hispania* 7 (1947) 272-290.

[90]Rafael Rodenas Vilar, 'Un gran proyecto anti-Holandes en tiempo de Felipe IV. La destruccion del comercio rebelde en Europa' in *Hispania* 22 (1962) 542-558. Because of the lack of records of this institution it is not quite clear what exactly its objectives were. Dominguez Ortiz has even suggested there were two distinct *Almirantazgos* [António Dominguez Ortiz, 'Guerra economica y comercio extranjero en el reinado de Felipe IV' *Hispania* 23 (1963) 71-110]. For a good discussion of the history, intentions, politics and international diplomacy behind the *Almirantazgo* see M.E.H. Mout,"'Holendische Propositiones'. Een Habsburgs plan tot vernietiging van handel, visserij en scheepvaart der Republiek (ca. 1625)" in *Tijdschrift voor Geschiedenis* 95 (1982) 345-362.

[91]*Boyajian* 1983: 21; A.R. Disney, *Twilight of the pepper empire. Portuguese trade in Southwest India in the early seventeenth century* (Cambridge Mass./London 1978) 82-83.

[92]Letter from Gentlemen XVII of 28/8/1629, *Coen*: V, 846.

[93]See chapter 3.

[94]Antonio Domínguez Ortiz, *Política y hacienda de Felipe IV* (Madrid 1983) 14.

the mint could no longer keep up with the demand.[95] However, the payments outside Castile had to be done via the silver circuit, 3.5 million ducats or 124 tons of silver being required for the Army of Flanders, two to three times the royal income from the silver fleet.

By 1625 the *asientos* and the forced loans of private silver in exchange for *vellón* and *juros* had become insufficient to cover the debts, but, as always, Olivares still saw a way out: in 1626 the first Portuguese bankers were accepted as *asentistas* to the Castilian crown to an amount of 400,000 ducats (14 tons of silver).[96] In 1627 the new government saw its first bankruptcy, repayments to the Genoese bankers were suspended and *juros* were given instead. Thereafter, in a number of steps, Olivares went forward to weaken the position of the Genoese further. In 1628 the minting of copper was stopped, the payments to the bankers were suspended and 50 per cent of the *vellón* was taken out of circulation. The resulting deflation caused a loss of 14 million ducats to the Genoese businessmen, but alleviated the financial position of the crown considerably.[97] For the Castilian government the whole situation was of secondary importance anyway: they saw the economy as an instrument of their policies and as Antonio Domínguez Ortiz wrote: 'the king and Olivares only thought in terms of victories and glory as their objectives'.[98]

After 1628, fortune turned in favour of the Dutch and their allies.[99] In the first place, as soon as the financial future of the crown seemed to become brighter, *el Conde Duque*, as Olivares was called after 1625, decided to intervene in the duchy of Mantua, involving Castile in another costly war in Italy.[100] On top of that, in January 1629 came the news that the fleet from New Spain had been destroyed by '*el general Prieto Pietersen Alián y su Almirante Enrique Jory*',[101] whereas the return fleet from *Tierra Firma* of 1628 had decided to remain wintering in Havana. As a consequence, Castile remained without any supply of silver from November 1627 until April 1629.[102] When the long awaited bullion finally arrived, most of it had to be used to cover the costs of wintering and to pay off old debts.[103] After lengthy negotiations 1 million ducats (equivalent to more than 35 tons of silver) were taken away from the merchants as a compulsory loan, to be shipped straight to Italy. They were again compensated with *juros*.[104] Not surprisingly, silver

[95] *Domínguez Ortiz* 1983: 15.

[96] *Boyajian* 1983: 24, *Domínguez Ortiz* 1983: 31.

[97] *Elliott* 1990: 334, *Domínguez Ortiz* 1983: 37.

[98] *Domínguez Ortiz* 1983: 32.

[99] *Kamen* 1996: 207-208.

[100] *Elliott* 1981: 334-335, *Kamen* 1996: 203, 208.

[101] This was the way the responsible capitán general Juan de Benavides described the Dutch commander Piet Heyn and his second in command. [Huguette & Pierre Chaunu, *Séville et l'Atlantique (1504-1650)* Vol.V 'Le trafic de 1621 à 1650' (Paris 1956) 168-169].

[102] *Chaunu 1956*: Vol.V 149 note 7, 178. The fleet also brought 41 big crates with Chinese silk, which had been seized in Lima as contraband 182 note 6. In this case the amount of silk was unusually high, but similar reports did occur from time to time. See e.g. *Idem*, 149 note 11, reporting two crates, caught in Guayaquil.

[103] *Chaunu* 1956: Vol. V 174.

[104] *Domínguez Ortiz* 1983: 272-273.

began to disappear from the market. The Genoese were prepared to provide the metal, but this would have raised its premium still further. Finally, Olivares convinced the Portuguese to be satisfied with 15 per cent instead of the usual 24 to 30 per cent premium on silver.[105]

It does not require much imagination to see a connection between the flexible Portuguese attitude towards the financing of the Spanish crown and the law announced by proclamation of November 1629, allowing New Christians to leave Portugal freely.[106]

As from 1570, but certainly throughout the years 1580-1630, the Portuguese merchants had developed a world-wide trading network. This included the North Sea ports of Hamburg, Amsterdam and Antwerp, the Atlantic with the French ports of Rouen and La Rochelle, the smaller ports in Portugal, West Africa, Brazil and Rio de la Plata. Furthermore, they were involved in the trade between Spanish America and the Philippines and Macao and last but not least the Asiatic trade between Nagasaki, Manila, Macao, Malacca, Cochin and Goa, which was connected with Portugal via the *Carreira da India*.[107] As long as they paid the duties and taxes and did not interfere with the king's monopolies or stayed within the limits of the royal contracts, their trade was encouraged.[108] However, as the repeated royal orders and prohibitions to counteract the non-tax-paying trade certify, the step from legal to illegal was only a small one. Apparently quite a few Portuguese were willing to risk their capital on the direct routes from Lima to Rio de la Plata,[109] from there via Brazil or directly to Angola and even further to India,[110] or from Acapulco and Callao[111] via the Philippines to Macao and China.

The new law of November 1629 fully opened the gates for a new diaspora. Portuguese merchants and bankers, such as Duarte Fernandes, Nuno Dias Mendes de Brito, Fernando Tinoco, Duarte Dias Henriques, Manuel de Paz, Jorge de Paz, Simão Soares, Manuel Rodrigues d'Elvas, Juan Núñez Saraiva and others who saw greater liberty and better prospects on the other side of the border, left for the Spanish court in Madrid where they negotiated new *asientos*, or Sevilla and Cádiz, where, after obtaining the necessary naturalization, they were allowed to participate in the legal and protected trade with Spanish America and the Indies. Members of their families and other associates followed.[112] Others found a place somewhere else in the Castilian empire, such as Peru, Mexico, or elsewhere in South America and in the Philippines. In 1630 the emigration

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[105] *Domínguez Ortiz* 1983: 41. *Kamen* 1996: 215 suggests a 4% premium in 1620 and 50% in 1626.

[106] *Ebben* 1996: 100, *Boyajian* 1983: 41.

[107] Sanjay Subrahmanyam, *The Portuguese empire in Asia 1500-1700. A political and economic history* (London/New York 1993) 117.

[108] António Brásio, *Monumenta Missionaria Africana. Africa Ocidental* (Lisbon 1952-1956) Vol.VI no.12 dated 9-11-1611, 47, no.50 dated 4-2-1614, 171-172, no.138 of 1620, 477; Vol.VII no.22 of 1622, 67-74.

[109] Alice Piffer Canabrava, *O comércio Português no Rio da Prata (1580-1640)* (São Paulo 1984).

[110] *Brásio* 1952-1956 Vol.VI no.8 dated 22-9-1611, 34-35.

[111] *Canabrava* 1984: 147, 169.

[112] *Boyajian* 1983: 22-35.

began to take on such proportions that the Portuguese authorities, in an attempt to stop it, began to put guardians at the Spanish border, to prevent the emigrants from taking their gold or silver[113] and in 1633 Tomas de Calderon, the envoy of the Spanish king, wrote from Lisbon to Madrid: 'in this city, all trade has stopped and all businessmen of substance have gone to your court and to Sevilla...'.[114] In the process, the amount of bullion brought to the Portuguese mint was cut from more than 21 tons of silver at its peak in 1628 to less than two by the mid-1630s.[115] According to Boyajian[116] the New Christians that had left were replaced by new merchants coming from the interior of Portugal, who in turn became involved in Lisbon's Atlantic and Far Eastern trades and were active on the Lisbon exchange. However, except for a short revival in the 1640s, the Portuguese *Carreira da India* would never again recover from this blow[117] and as will be shown hereafter, also the Lisbon exchange lost its importance after 1630.

In the meantime, in July-August 1629, the next fleet of twenty-six galleons had left Castile, all loaded with the merchandise that had been destined for the fleets of the previous and the current year. Eight of them were to bring back the silver, the rest formed part of the *Armada de la Guardia* or the *Armada Real del Mar Océano* which were to accompany the silver fleet. Speed was of major importance and the smaller ships of the Sevillean merchants were not even allowed to go.[118] This fleet of galleons returned in the second half of 1630, together with the ships that had left in 1628, causing a *hausse* in the silver supply, which quickly dwindled away again into a shortage of some 180,000 ducats (6.3 tons of silver).[119]

In 1631 another disaster struck: the captain-general of the fleet from New Spain died and on their way back the *capitana* and *almiranta* wrecked along the coast of Campeche. The rest of the fleet thereafter returned to Vera Cruz, while the galleons of the *Armada* were waiting for them in Havana. They decided to winter there and finally arrived in Sevilla in the spring of 1632. The silver was immediately used to pay off the debts with the merchant bankers, who needed the money to prepare the next fleet[120] which left again for New Spain in July 1632, accompanied by three galleons of the Portuguese squadron, which formed part of the *Armada del Mar Océano*. It was the first time that Portugal took part in the protection of the silver fleet.[121]

With the declaration of war against France in 1635 the foreign *asientos* had to be increased further. During the account year of 1637/1638 2.9 million *escudos* (of 10 Spanish *reals*) had to be placed in Antwerp, 1.1 million in Milan, and almost 1.2 million in Genoa, the total being equivalent to 166 tons of silver. The royal silver was obviously far from sufficient and the bankers apparently had difficulty in obtaining silver on the free market, so that between

[113] *Domínguez Ortiz* 1983: 126.
[114] *Chaunu* 1956: Vol.V 238.
[115] *Mauro* 1983: 607.
[116] *Boyajian* 1983: 58.
[117] See chapter 3.
[118] *Chaunu* 1956: Vol. V 175.
[119] *Domínguez Ortiz* 1983: 274.
[120] *Chaunu* 1956: Vol.V 221.
[121] *Chaunu* 1956: Vol.V 221-222, note 10.

1635 and 1637 private silver was again sequestrated in exchange for *vellón* to the amount of 2 million ducats (71 tons of silver). In 1637 the merchants were forced to give another loan of half a million ducats in the form of silver, this time paid back in 1639 in the form of *juros*. In 1640, because there were no galleons returning from South America, a penalty was imposed upon the private traders, to be paid in silver, allegedly because in the previous year they would have received non-registered silver. No wonder that councillor Ramírez de Prado remarked that the traders preferred to give away 250,000 ducats, rather than lend 500,000.[122]

According to Domínguez Ortiz, the compulsory loans against *juros* were one of the major causes of the downfall of the Sevilla trade.[123] They caused the bankers 'to leave the stormy ocean of trade for the gilded comfort based on the possession of annuities (*juros*) and real estate'.[124] However, after the fall of Olivares in 1643 there were other reasons why many of the Portuguese bankers began to disappear from the Spanish scene. In the 1630s the *'conversos'* amongst them had been far from safe,[125] but after they had lost their protector Olivares, they became, with some delay, fully vulnerable to attack by the Spanish *Consejo de Hacienda* and the Inquisition. The suspension of payments in 1647 was directed against the Portuguese[126] and the 1650s, with a series of arrests and trials, were the beginning of a reign of terror:[127] as from 1649 the number of trials in Toledo and Cuenca increased dramatically.[128] They remained active in the supply of *vellón*, but in the years 1653 and 1659 their *provisiones* in the form of silver came almost down to nil, thus giving room to the Spanish money lenders to handle the supply of silver.[129] In the years 1650-1659 the number of Portuguese leaving for Amsterdam increased to thirty-six from a very modest number of ten during the years 1630-1639 and this was exactly what the *Consejo de Hacienda* intended to happen.[130] During the 1680s the Portuguese *asentistas* were almost wiped out of their business and replaced by Spaniards, but in the 1690's they were back again, still able to play a role, albeit a minor one.[131]

The silver fleets revisited

Around 1630 it was not only in Madrid, but also in Lisbon, that business took a turn down. More or less simultaneously with the decline of the Portuguese *Carreira da India*, which will be discussed in chapter 3, the position of the Lisbon exchange weakened, but for different reasons.

After 1626, the year that they had become real *asentistas*,

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[122] *Domínguez Ortiz* 1983: 274-275.

[123] *Domínguez Ortiz* 1983: 269-278.

[124] *Domínguez Ortiz* 1983: 274.

[125] *Ebben* 1996:209-212.

[126] Rafael Valladares, *La rebelión de Portugal 1640-1680. Guerra, conflicto y poderes en la monarquía hispánica* (Valladolid 1998) 69.

[127] Kamen 1998: 292-299.

[128] *Ebben* 1996: 214-217, 292.

[129] Carmen Sanz Ayán, *Los banqueros de Carlos II* (Valladolid 1988) 169, 163 graph 5, 486 table III, 168 graph 7, 487 table IV.

[130] *Ebben* 1996: 238, *Valladares* 1998:69.

[131] *Sanz Ayán* 1988: 496 table XXI, 497 table XXII.

the Portuguese merchants in Seville had continued the Genoese practice of sending bullion from Seaille or Cádiz to the Lisbon exchange as a compensation for the payments to Antwerp. During the years 1626-1630 Lisbon had provided 87 tons of silver or about 13 per cent of all the bullion that was required for final clearing of the *asientos'* remittances, which were shipped to Flanders via Dunkirk.[132]

After the peace between Spain and England in 1630 the English took over the transmission of bullion from Cádiz to Antwerp, via the Dover entrepôt and the London exchange[133] and from there via Dunkirk, Calais or other French ports where the Portuguese *asentistas* had their correspondents. Part of the compensations was routed to Amsterdam, Middelburg and Hamburg, where the *pagaduría* had incurred debts because of grain deliveries and other supplies. Thus, Lisbon's intermediate role diminished until, in 1640, the shipments via Lisbon were completely abolished.[134]

Appendix 2.3 gives the total quantities of bullion required for the compensations and an impression of the relative importance of the silver flows in the direction of the Atlantic and the North Sea. The remaining part went through the Italian exchanges. In the 1630s the Italian exchanges were still responsible for 941 tons of silver, or 52 per cent of the total compensations. In the 1640s this had diminished to 327 tons of silver, or only 23.5 per cent.

Comparing these figures with the data of the silver fleets (appendix 2.2), some interesting conclusions can be drawn.

In the first place, the total quantities of silver that were dispatched for compensation of the *asentistas*' remittances in the 1630s and 1640s were exceeding by far the total quantities of silver that were recorded in the *Casa de Contratación* in Sevilla. Therefore there can hardly be any doubt that a considerable part of the royal and private silver coming from South America was not registered in Sevilla because it was already transshipped in Cádiz onto English vessels and sent to the entrepôt in Dover. The shortages of the 1630s and 1640s in the Sevilla records of the royal silver (272 respectively 192 tons of silver) are easily explained by the quantities sent to England.

In the second place, these transshipments were strictly legal[135] and in England no distinction was made between royal and private silver. If any Spanish records of these shipments still exist, they will have to be found somewhere else, but not in Sevilla.

Assuming that for the periods 1621-1630, 1631-1640 and 1641-1650 one can use the total public revenues of Tepaske, the records in Sevilla of Hamilton and the data of Boyajian for the quantities sent via the Atlantic and the North Sea, it is possible to make a reconstruction of the total flows of silver towards Europe,

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[132] *Boyajian* 1983: 92-94, 212 Appendix F.

[133] J. D. Gould, 'The royal mint in the early seventeenth century' in *The economic history review 2nd series*, 5 (1952-53) 240-248, *Valladares* 1998: 53-54.

[134] *Boyajian* 1983: 96-98.

[135] Admittedly, some cases of illegal silver transport by private merchants have been noted; their discovery was often coincidental and they cannot explain the large quantities which are missing from the Sevilla records.[J.S. Kepler, *The exchange of Christendom. The international entrepôt at Dover 1622-1641* (Leicester 1976) 68-70].

over those periods, divided in public revenues and private remittances, as shown in appendix 2.2 (columns 7-10). The results of this exercise fit very well with the general trend of the quantities registered before 1621, as demonstrated in figure 2.2.

Of growing importance was the Dutch competition in the transport of bullion. In 1637 it was reported that the Dutch were obtaining licenses to sail their ships as vessels belonging to the king of Poland.[136] After 1648 the Amsterdam gateway was fully open for the American silver: already in 1649 four ships arrived in Amsterdam from Cádiz, with more than 3 million ducats of bullion (106 tons of silver) on board[137] and in the early 1650s money for the Spanish troops was delivered via an entrepôt in the Netherlands.

The Portuguese *Restauração*

With Castile carrying the main financial burden for the defence of the Iberian empire, it is not surprising that already in an early stage Olivares dreamt about better relationships with the Portuguese and a more positive contribution from their side to the war effort. In 1624 he wrote his *Gran Memorial*, trying to convince Philip IV to spend some time in Lisbon, stressing the fertility of the earth, its favourable position for the trade and the many similarities between the two societies with their *fidalgos* and *hidalgos*. About the *povo*, the third estate, he had little to say: their main characteristic was their submissiveness and homage towards the aristocracy. A final recommendation was to improve the fate of the New Christians and to do everything to put an end to the disorderliness, the greed and the ambitions of the Portuguese ministers and their disobedience to royal orders. He ended his letter with a hopeful thought: 'The Portuguese are basically loyal by heart. If they show any discontent it is for love for their kings. They are people with spirit and fancy (*presunción*) which causes them to make an unsteady impression. They are vassals who merit high appreciation, but also some attention, besides the usual channels of jurisdiction and public administration, in the way they are being governed.'[138]

Logically, he found great satisfaction in the combined Portuguese/Castilian reconquest of Salvador de Bahia in 1625, in particular because of the enthusiastic response of the Portuguese nobility. The *jornada dos vassalos* was the last enterprise in the Iberian world, where the crown could mobilize feudal obligations and military values, thanks also to the anti-Semitic feelings, which the nobility of both countries had in common.[139]

The *Conde Duque* often referred to this example of co-operation[140] when he spoke of unity and integration under the Spanish monarchy. Rumour had it that he was even thinking in terms of '*Un*

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[136] *Kepler* 1976: 59.

[137] Alvaro Castillo Pintado 'Les banquiers Portugais et le circuit d'Amsterdam' in *Annales Economies Sociétés Civilisations* <u>19</u> (1964) 314.

[138] *Elliott* 1978-1981: 89-92.

[139] *Schwartz* 1991: 743. The myth of treason by the New Christians leading to the easy capture of Bahia by the Dutch, rather than the incompetence of its clerical commander can still be found in Iberian historiography [*Schwartz* 1991: 752].

[140] *Schwartz* 1991: 749.

rey, una ley, y una moneda',[141] but his proposal for a Union of Arms, where Portugal would have to contribute 16,000 men, like Catalonia, met with no success.[142] His next attempt was, in 1631, without convocating the *Cortes*, to establish a fixed Portuguese annual contribution of 500,000 *cruzados*, but because of the resistance from the well-to-do Portuguese subjects and the townships, he had to abandon this idea.[143] In 1634 Princess Margarida of Savoy, a member of the royal family, was appointed Governor of Portugal and she was given the task to try and lay hand on Portuguese church property and to establish a registry for land owned by the nobility. In 1637 an additional tax on the consumption of wine and meat and a 25 per cent increase of the *sisas*[144] led to a 'popular' revolt in Evora, which was supported by the priests and the Jesuits, whereas the Portuguese ruling class did nothing.[145]

By that time Olivares had completely lost contact with Portuguese reality. When the tax riots broke out he was still convinced of a Portuguese-Castilian solidarity.[146] In 1640, however, the Portuguese middle aristocracy, the *fidalgos*, refused to assist the Castilians in the Catalonian revolt, even when Olivares offered in exchange assistance in the recapture of Pernambuco and São Jorge da Mina.[147] In separating themselves from the Castilian crown they found the support of the Portuguese townships, the Old Christian merchants and the church. According to Stradling one of the motivating factors was 'the unifying hatred against the New Christians and the belief that they grew fat and powerful upon the proceeds of the Portuguese taxes and the funds exhorted by Olivares from the Portuguese church'.[148] Many other motivations and pushing factors have been given for this revolt which brought a Bragança on the Portuguese throne.[149] The analysis, made by Hespanha, of the *capítulos* from the three estates, which were put forward during the *Cortes* of 1641 as possible action points in exchange for a financial contribution to the war with Spain and the proclamation of João IV as King of Portugal, is revealing. This occasion was of course a unique chance to break away from the past and to make big political changes. Instead, the proposals and complaints were largely related to the restoration of official jobs that had been sold and of titles and privileges, the resolution of old disputes, the abolishment of tributes, the restoration of titles to the higher nobility which had been in Madrid during the revolt, and in particular to the penetration of New Christians and Jews into '*limpia*' families, the official positions, the church, the religious orders and the various orders of knighthood. In general terms, the deputies wanted a return to the division of power that had existed during the ancient regime and no experiments.[150]

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[141] One king, one law, one currency.

[142] *Elliott* 1990: 330-333.
[143] *Elliott* 1991: 61, *Valladares* 1998: 22-23.
[144] *Valladares* 1998: 24-25.
[145] *Elliott* 1991: 61, *Stradling* 1988: 184.
[146] *Elliott* 1978-1981: Vol. II, 154.
[147] *Elliott* 1963: 516, *Schwartz* 1991, 745 note 26.
[148] *Stradling* 1988: 183.
[149] *Hespanha* 1992: 123-127.
[150] *Hespanha* 1992: 136-161.

For the Portuguese economy and the empire overseas the *Restauração* led to a complex situation: the war with Castile prevented the supply of wheat and bullion to Portugal and the Castilians attempted to maintain their foothold in Brazil, because of the potential danger it could present under Portuguese rule to the Spanish empire. Similarly, the Castilians were anxious to ensure the continuous supply of slaves from Angola and Guinea, but very soon the colonies recognized Bragança as their ultimate ruler. On the other hand, the Castilians feared that the Portuguese might attempt to take over New Spain and the Plata estuary, anti-Portuguese feelings burst out in Cartagena and it took until spring of 1642, before the capital of the island of Terceira of the Azores changed its name from San Felipe to São João.[151] In the mean time, the armistice between Portugal and the Republic had been signed in June 1641. Beginning in Europe with the ratification of the treaty, the hostilities between the two countries would be suspended for a period of ten years. In the East Indies the truce would commence one year after the ratification by the King of Portugal had been presented in The Hague or earlier, if public proof of it arrived there sooner. In the lands and seas of the Dutch West India Company the treaty would begin six months after public proof of the ratification had reached there.[152] João IV ratified the treaty on November 18th. For the Dutch it re-opened the trade with Portugal, whilst it left them sufficient time for belligerent manoeuvres overseas (see chapter 8).

Summary

The unification of the Portuguese empire with that of Castile in 1580 made basically very little difference in the way it was administered. Any suggestion that the unification in itself would have caused the downfall of the Portuguese empire in Asia can be discarded: financially Portugal and the *Estado da India* remained independent, the costs of war were paid by the Castilian *hacienda*. If anything, the Castilian demand for ships should have caused a boost to the Portuguese economy.

On the other hand, the Portuguese suddenly became the enemies of the United Provinces and their allies. After 1621 the embargoes on the Dutch-Iberian trade became so serious that they must have had an influence on the supply of food and the Portuguese economy. In Asia, it would still take many years before the hostilities became severe enough to cause any real damage. In fact, most damage was done there after the *Restauração* of 1640.

The Iberian crisis of the 1590s caused many *arbitristas* to contemplate the downfall of the Portuguese empire due to the loss of ships in the Spanish *Armada*, the corruption, the Castilian domination over Portugal, the heavy load of Portugal carried by Spain or the Contra Reformation. In fact, as chapter 3 will demonstrate, with the exception of the royal pepper and spice trade, in the 1590s very little was lost that could not be recovered and the crisis was only a temporary setback.

As discussed in chapter 1, in 1580 the majority of Portuguese

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[151] *Valladares* 1998: 32-37.

[152] Edgar Prestage, *The diplomatic relations of Portugal with France, England and Holland from 1640 to 1668* (Watford 1925) 179.

emigrants had already demonstrated a strong preference for Madeira, the Azores and Brazil. Whether the Habsburgs and the people surrounding them responded to this preference is doubtful. In the time of Philip II the ambitions were of a political and religious nature, but already under his reign the Castilian right to rule the two halves of the world became severely frustrated. As a consequence, under his successors, maintaining the Castilian honour and reputation became the main objectives. This explains for instance, besides the wish to protect the South American interests, the Castilian involvement in the recovery of Bahia. Also the first reaction to the capture of the silver fleet by Piet Heyn was, again, that of 'loss of reputation'.

The stream of South American silver to Europe kept the Habsburg ambitions alive. It would however be wrong to conclude that the Habsburgs and their advisers were interested in the acquisition of money as an end in itself: economy and finance were nothing but instruments to achieve their political objectives. Forthcoming arrivals of silver could be used as a security for contracts that ensured the timely delivery of food, materials and payments to the soldiers in the Netherlands, France or Italy. The quantities of silver available for that purpose could be enlarged by borrowing or sequestration from private merchants, the introduction of copper money for inland use in Castile and by repaying the loans with copper money or with annuities which were paid in copper money.

The financial system for payments abroad underwent severe shocks when by the end of the 1620s and early 1630s the flow of silver was interrupted by a number of coincidences, such as the capture of the silver fleet by Piet Heyn and bad weather conditions which caused a few fleets to winter in Havana and in Mexico.

It goes too far to conclude that these events caused the Habsburg crown to accept Portuguese merchants as full-fledged *asentistas*. Through quick action the incurred losses could be almost fully recovered, but it was the delays in the arrival of the silver which put the necessary pressure on the Castilian crown to allow New Christians to leave Portugal freely in exchange for relatively low-interest loans.

For the New Christian Portuguese merchants the unification had many positive aspects. It allowed them, at least temporarily, to escape from prosecution by the Inquisition, to find a place in the Castilian economy and to establish world-wide trading networks. Already in the 1570s the Portuguese merchants, backed by their connections in Lisbon, played a role in the financing of the Genoese *asientos* in Antwerp. Besides, on several occasions and from time to time successfully, the New Christians offered money to the Castilian crown in exchange for the right to leave Portugal. However, until 1623 the Portuguese authorities and Inquisition thwarted the demands for equal access to offices and titles.

Increasing financial debts and the rising premium on silver caused the Iberian crown in 1626 to accept the first Portuguese bankers as *asentistas* and 1629 saw the proclamation of a new law, allowing the New Christians to leave Portugal, in exchange for an *asiento* against a premium on silver of only 15 per cent.

The new legislation caused an exodus of New Christian Portuguese. The merchants and bankers amongst them settled near the Spanish court as financiers of the Spanish treasury and in Sevilla or Cádiz as merchants participating in the American trade.

In 1630 their emigration was at its peak and in 1633 there was hardly anybody of substance left in Lisbon. They were soon to be replaced by others, coming from inland Portugal, but they needed time to set up their operations.

It was in the same period that the Portuguese *Carreira da India* almost collapsed. During the time that the Castilian crown was negotiating with the Portuguese merchants on their involvement in the *asientos*, it was simultaneously trying to raise their financial interest for the Portuguese India Company. The reasons why the Portuguese showed little interest for the latter venture will be discussed in chapter 3, but the *asientos* factor was one of them.

Hamilton's data for the public and private flows of silver registered in Sevilla, and the data of TePaske and Klein on the exports of royal revenues from Mexico and Peru are not in contradiction with each other. The gap that exists between the two after 1630 can be explained by completely legal transshipments onto English vessels in Cádiz, which were not recorded in Sevilla, but in Dover. Soon thereafter similar transshipments were undertaken by Dutch vessels, first under foreign, and after 1648 under their own flag. As a consequence of these changes, as from 1630, Lisbon also lost its role as an important financial centre.

In a political and social sense, for the Portuguese the *Restauração* of 1640 meant indeed a restoration: a return to the ancient regime from before 1580. For the majority of the population and the New Christians nothing changed.