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Cyril Milhaud. Interregional flows of long-term mortgage credit in eighteenth-century Spain. To what extent was the market fragmented? . 2018. <hal-01180682v3>

HAL Id: hal-01180682

<https://hal-pse.archives-ouvertes.fr/hal-01180682v3>

Submitted on 16 Apr 2018

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Interregional flows of long-term mortgage credit in eighteenth-century Spain.

To what extent was the market fragmented?

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ABSTRACT

Recently, new research has challenged the traditional narrative: Spain did not suffer from a ruler that threatened his subjects' property with excessive taxes and forced loans. Instead, Spanish economic development was held back by a decentralized and non-predatory governance, unable to solve the coordination problems in the way of more integrated markets. Through the analysis of the governance and loan portfolios of an ecclesiastical order, this paper examines to which extent mortgage credit markets were fragmented in early modern Spain. This order not only collected resources that it subsequently lent, but pooled them. Indeed, it developed into a nationally integrated organization able to offer everything from small loans to farmers to substantial amounts to the king and the Madrid elite.

Keywords: Market integration, Credit, Early modern Spain, Ecclesiastical institutions

JEL Code: N23, N33, N83

RESUMEN

Recientemente, nuevas investigaciones han cuestionado la narrativa tradicional: España no sufrió de un monarca absoluto que amenazó la propiedad de sus súbditos con impuestos excesivos y préstamos forzosos. En cambio, el desarrollo económico español fue frenado por un sistema de gobernanza descentralizado, pero incapaz de resolver los problemas de coordinación en el camino de mercados más integrados. A través del análisis de la gobernanza y de los préstamos de una orden eclesiástica, este artículo examina en qué medida los

mercados de crédito hipotecario eran fragmentados en la España moderna. Esta orden no sólo recolectó los recursos que posteriormente prestaba, sino que los agrupó. De hecho, se convirtió en una organización integrada al nivel nacional capaz de ofrecer todo, desde pequeños préstamos a los agricultores a importes considerables al rey y a la élite de Madrid.

Palabras claves: Integración de mercado, Crédito, España moderna, Instituciones eclesiásticas

1. INTRODUCTION

Spain is different. The perception of Spanish distinctiveness runs deep in its historiography, especially the Anglo-Saxon literature. Spain, at least from the eighteenth century onward, and possibly earlier, was thought to be backward in economic, social, political, cultural, and intellectual terms. At that time, so one of the arguments goes, financial development stagnated in Spain while commercial banks were flowering in England. The sources of slow market development in early modern Spain could be traced back in the absence of a modern banking sector as an efficient network of financial institutions which reduces transaction and informational costs, mitigates risks, monitors firms, mobilises savings, and facilitates trade.² Until the creation of the Banco de San Isabel in 1844 and the deepening of the banking system through the French banks in the 1850s, modern banks were inexistent.³

² For the new institutionalist economics, an efficient economic organization can only develop if institutions support property rights (North and Thomas, 1973). As opposed to constitutional England, the absolutist nature of the Spanish monarchy hindered the optimum development of markets (North, 1989). This literature, which attributes Spain's backwardness on absolutism, has been widely refuted though. See Yun Casalilla (1999) and most recently Grafe (2012). North himself recanted its claims in person on several occasions.

³ Tortella Casares (1973) argued that part of Spain's retardation in the Industrial Revolution was due to the underdevelopment of a modern banking system in the first decades of the nineteenth century. The first modern

However, just like France or the Netherlands, the Spanish capital market could do without modern banks because it relied on other ways to finance the economy.⁴ Public granaries (*pósitos*), public treasuries (*erarios*), pawnshops (*montes de piedad*), merchants and merchant companies, or *taulas* supported consumer credit and production providing mainly short-term credit.⁵ Other atypical financial actors played a very important part in the financing of the economy, as long-term credit was supplied by ecclesiastical institutions. Thanks to the research of a very wide and flourishing Spanish historiography on Hispanic financial markets, we have a better understanding of early modern financial development in Spain.⁶ Monasteries, convents, religious orders, cathedral chapters, parishes, pious foundations, and confraternities behaved like so many financial institutions scattered across the country. Then, Spain does not seem to have suffered from capital shortage.

Recently, research has focused on the role of jurisdictional fragmentation on slow market development in early modern Europe, especially on grain markets.⁷ Little is known however on the fragmentation of long-term capital markets. For public annuities, Álvarez-Nogal pointed the large differential between Spanish cities on *juros* yields between 1540 and 1740.⁸ For private annuities, studies on convents' credit activities confirmed that these markets were mainly local since they relied heavily on family ties and close relatives. For instance, the majority of the debtors of the monastery of Santa Catalina of Corbán in Cantabria lived in the surroundings of the monastery.⁹ In León, 92 per cent of the debtors of

bank was created in 1782, but the Banco de San Carlos was mainly devoted to public credit (Tedde de Lorca, 1988).

⁴ For France, Hoffman *et al.* (2000). For the Netherlands, Jonker (1996) and Gelderblom *et al.* (2016).

⁵ For a review of Spain's early modern financial development, see Ruiz Martín (2016). On the role of *pósitos* and *montes de piedad*, see Gómez Díaz and Fernández-Revuelta Pérez (1998) and Cuevas (2001).

⁶ On the role of ecclesiastical institutions in the financing of the economy, a wide number of contributions can be cited. Among them for Spain, see Álvarez Vázquez (1987); Atienza López (1987); Barrio Gozalo (1994-1995); Llopis Agelán (1980); López Martínez (1992); and Marcos Martín (1999). More research are cited later in the text.

⁷ See Epstein (2000). Regarding the institutional roots of Spain's fragmentation of markets, see Yun Casalilla (2001 and 2004, pp. 460-2). Recently, Grafe (2012) showed the fragmentation of Spain's market through a detailed analysis of the codfish market.

⁸ Álvarez-Nogal (2009).

⁹ Sánchez Gómez (1991, p. 76).

the monastery of San Benito el Real of Sahagún lived in the city of Sahagún or in the region.¹⁰ Indeed, these institutions were rather economically autonomous entities. This certainly favoured the fragmentation of supply of long-term credit since they provided the bulk of private credit at that time. But the question is, to what extent?

If we go to the extreme, ecclesiastical institutions did sometimes lend to other places further away. As we will see, the merchant Co. of the Cinco Gremios in Madrid borrowed a large number of loans from ecclesiastical institutions scattered all over Spain in the mid-eighteenth century.¹¹ The capital came from areas surrounding Madrid, such as Ávila, Alcalá, or Lerma, but also from those further away including Pamplona, or even Padrón and Santiago de Compostela. These credit operations that crossed borders and family ties raise the question of the extent to which these markets were fragmented. A close study of the economic governance and of the credit operations of some ecclesiastical institutions clearly shows that ecclesiastical institutions were not all economically fragmented between each other. Let us use here as a telling example the Theresian Carmelite Order. This order managed to circumvent jurisdictional and asymmetric information obstacles. It managed large portfolios of long-term loans, financed from donations, dowries and pious foundations, and in so doing, it was not different from the vast majority of ecclesiastical institutions. But, a closer look at its lending activity and a detailed analysis of its economic governance bring out an unexpected practice. The order not only collected resources but pooled them. Indeed, the order developed into a highly sophisticated and integrated three-tier system able to offer everything from small loans to farmers to substantial amounts to peasants, nobles, officials, merchants, local treasuries, and other ecclesiastical institutions across Spain. As we will see later on, the

¹⁰ García Martín (1985, p. 210).

¹¹ The Co. of the Cinco Gremios was the major merchant guild in eighteenth-century Madrid. Created in 1667, it consisted of the five main merchant industries: jewellery, silk industry, drapery, lingerie, and haberdashery (Capella Martínez and Matilla Tascón, 1957). On trade networks and the making of a national market, see also Perez Sarrión (2016).

practice of this order was certainly not exceptional. At this stage, let us assess how this institution used its endowments to provide credit and who benefited from it.

2. ECCLESIASTICAL INSTITUTIONS AND LONG-TERM CREDIT IN THE MORTGAGE MARKET

2.1. The multiple sources of ecclesiastical capital

In early modern Spain, ecclesiastical institutions were a significant source of long-term credit, and could count on a vast network of convents and parishes scattered across all of Spain. For example, in the middle of the eighteenth century, around 2,000 monasteries and convents for men were active alongside 1,000 monasteries and convents for women.¹² All of these institutions required considerable, regular income to fund all kinds of ceremonies and to maintain their members. They actually benefited from many sources of capital, which they could subsequently lend out to finance their daily spending.

The financial assets donated for the foundation of the institution, dowries, members' contributions, testamentary bequests, pious foundations were the main sources of ecclesiastical stock of capital.¹³ Pious works and chantries were the most popular ways of transferring capital. They differed from other sources since these were monetary trust funds established for specific purposes, for example in the case of chantries singing a stipulated number of masses over a certain time period for the spiritual benefit of a deceased person, generally the donor. In the case of a pious work, the proceedings were devoted for example to widows and orphans. These were endowed with real or financial assets donated by the donor. The ecclesiastical institution in charge then could lend the capital out or rent the house in

¹² Llopis Agelán (1980, p. 21). The share of ecclesiastics in the total population fluctuated between 1 and 2% during the eighteenth century (Barrio Gozalo, 1994-1995). This was twice higher than France at the same period.

¹³ Wobeser (1994, pp. 17-29).

order to generate the income needed for the purpose of the pious work or the chantry. The income stemming from these assets was ring-fenced for purposes specified by the donor and served strictly to accomplish the donor's will. The church managed this capital endowment but did not own it.¹⁴

All of these donations and pious foundations did not exist solely for the individual's salvation; they were also very important in Hispanic territories for many other reasons. First, ecclesiastical institutions became the keystone of social structure by developing social networks.¹⁵ Second, donations represented part of a strategy to preserve the family estate and to maintain a family member. The endowments bestowed to a foundation were inalienable, which allowed protecting the family estate from extravagant heirs while ensuring them with some revenues.¹⁶ When creating a pious foundation, the donor appointed an administrator and a beneficiary. Very often, the two persons were very close family members. Last, giving money to a convent and putting a family member there may sometimes have been a good way of obtaining access to credit.¹⁷

In short, as shown in Figure 1, ecclesiastical institutions received substantial amounts of capital from an array of sources, among which donations, dowries, pious works and chantries were the most important. They then lent this money to secure a steady income stream to support their members and fund all kinds of ceremonies. We now ask how large this supply of credit was.

¹⁴ Ibid (1994, pp. 30-45).

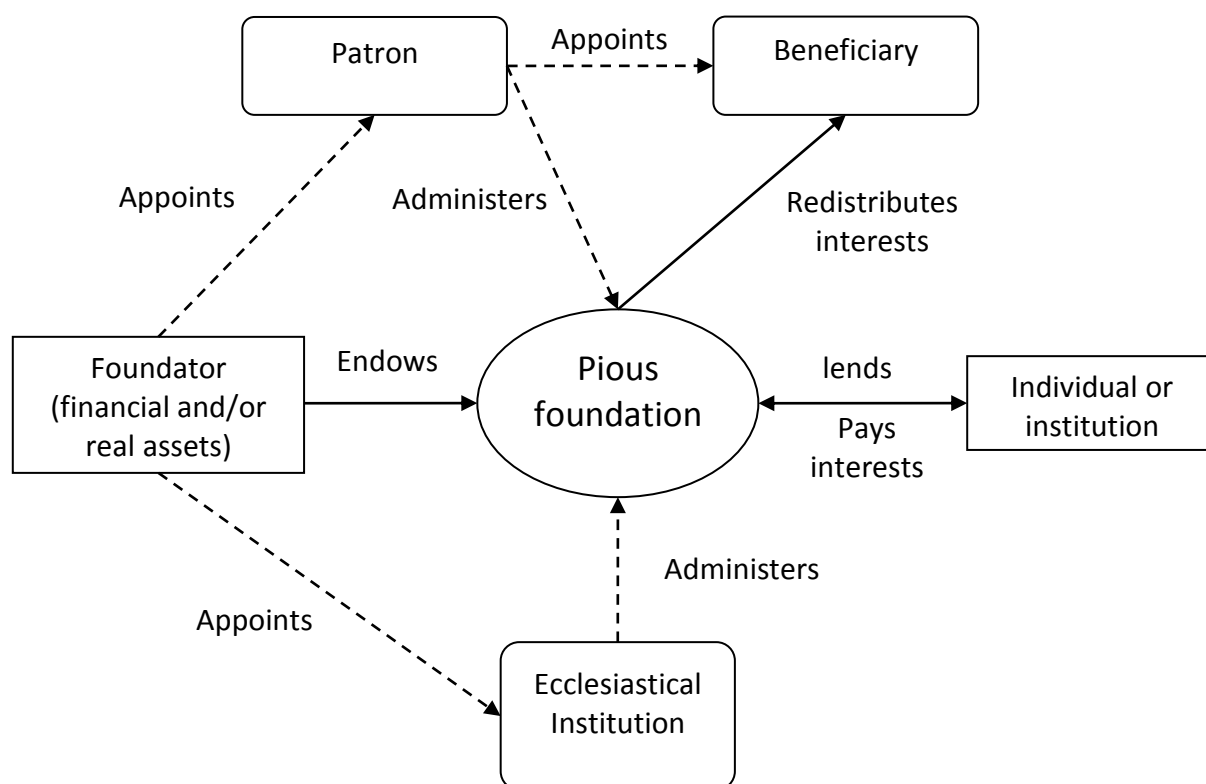
¹⁵ Izquierdo Martín and López García (1999); Pérez Sarrión (2007).

¹⁶ Montemayor (1996, p. 383-4); Tello Aragay (1994, p. 13).

¹⁷ Tello Aragay (2001, p. 66).

FIGURE 1

PIOUS FOUNDATIONS AND CREDIT PROVISION



Source: author's elaboration.

2.2. The contribution of ecclesiastical institutions to long-term private credit in the mortgage markets

Like many other regions in Europe, the predominant instruments of long-term private credit in Spain were redeemable annuities called *censos consignativos*.¹⁸ The *censo* was a

¹⁸ For example, this contract can be compared to the French *rente constituée* (Hoffman et al, 2001). Pereira Iglesias (1995) wrote the seminal work on the subject. Three types of *censos* co-existed in early modern Spain. The *censo enfiteútico* was a loan-lease contract. It was generally a lifetime or perpetual loan. Another legally defined *censo* was the *censo reservativo*, the sale of a property by credit. These were two forms of indirect credit. By the sixteenth century, a new form of *censo* became popular. It was the legally defined *censo consignativo* and the only one akin to a mortgage (Quiroz, 1994, p. 197). In the rest of the paper, I will use the

mortgage-backed loan supported by collateral that could be a real asset such as a land, a farm, a house, or another mortgage loan. One of the characteristics of the *censo* was that the lender could not demand the capital from the borrower: the latter repaid the capital whenever he wanted. The *censo* was drawn up in such a way that it represented a contract of sale of goods where the lender actually bought a rent sold by the debtor. It did not entitle the lender to recover the capital.¹⁹ The *censo* was thus the only legal way to draft long-term credit contracts that involved interest at the time of usury prohibitions, as long as this did not exceed a legally enforced maximum rate.²⁰

In the mid-eighteenth century, ecclesiastical institutions were largely dominant in the Spanish long-term mortgage credit market according to various historical studies and the Cadastre of Ensenada. In Castile, they received 72.9 per cent of the total rent generated by the *censos*, for an amount of 27.86 million reales.²¹ Since the legal maximum interest rate for the *censos* was 3 per cent at that time, and the market interest rate was even lower (between 2.25 per cent and 3 per cent), the capital lent by ecclesiastical institutions in *censos* ought to be between 890 and 1,080 million reales, which represented between 14.5 and 17.7 per cent of GDP.²² Studies on France show comparable results: in the second half of the eighteenth

word *censo* instead of *censo consignativo*. For the dominance of *censos* in the long-term credit market, see Tello Aragay (1994, p. 10 for a list of authors and pp. 13-5); and Ruiz Martín (2016).

¹⁹ Fiestas Loza (1993-4).

²⁰ The legal maximum interest rate had been constantly reduced throughout early modern times. In 1705, Philip V fixed it at 3% in Castile. However, it remained at 5% until 1750 in Aragon (Sánchez González, 1991, p. 286).

²¹ Marcos Martín (1999, pp. 71-2). The *real de vellón* was the main money of account in Spain. Throughout most of the eighteenth century, one *real de vellón* was worth a quarter of one French *livre* and a hundredth of one British pound. The summary figures of the Cadastre of Ensenada do not distinguish between *censos consignativos* and *censos enfiteúticos*. According to many authors, the former were largely dominant even if no precise answer is available. Since the sixteenth century, the extension of farming and the improvement of agricultural productivity were mainly financed by *censos consignativos*. See Fiestas Loza (1984, pp. 640-1 and 651), and Álvarez Vázquez (1987, p. 224).

²² Mortgage debt interest amounted to 38.2 million reales in 1750 (Grupo'75, 1977, p. 181). The per capita mortgage debt stock amounted to between 194 and 259 reales (respectively 240 and 320 grams of fine silver) if we consider that the market interest rate fluctuated between 2.25% and 3% in 1750 (the population in 1750 comes from Grupo'75, 1977, pp. 57-8; the equivalent of the *maravedí de vellón* in grams of fine silver can be found in Hamilton, 1947, p. 53). I estimated the ratio of mortgage debt to GDP with a 3% interest rate and the upper bound of GDP calculated by Álvarez-Nogal and Prados de la Escosura (2007, p. 328).

century, the stock of debt to GDP was between 15 and 20 per cent or more.²³ Aragon is similar to Castile in this respect. In Girona, Congost shows that church-issued *censos* accounted for 75 per cent of the contracts in 1771.²⁴ In Navarra, ecclesiastical institutions received 75.5 per cent of the rent from *censos* in the municipalities of Cárcar, Guesálaz, and Estella between 1750 and 1759.²⁵ In the kingdom of Aragon, Pérez Sarrión notes that ecclesiastical institutions lent the largest share of the capital of the *censos* in the second half of the eighteenth century. In particular, he calculates that they received 82.3 per cent of the *censos* rent in Zaragoza in 1725.²⁶

However, ecclesiastical institutions were not always the main actors in the Spanish long-term credit market that they had certainly become in the eighteenth century. For previous periods, we do not have as good information on wealth as that provided by the Cadastre. But in 1638, a partial inventory of the *censos* in Castile revealed that ecclesiastical institutions accounted for 45 per cent of the total rent received (which figure can be compared to that of 72.9 per cent in the mid-eighteenth century from Ensenada).²⁷ This predominance of ecclesiastical institutions in the long-term credit market seems to have developed in the second half of the seventeenth century to reach its peak in the eighteenth century, which will be our main period of interest.

Thanks to the research of many scholars, we now know how ecclesiastical institutions were involved in mortgage credit activities. For instance, García García studied the economic structure of the convent of San Juan y San Pablo de Peñafiel between 1318 and 1512.²⁸ In the early modern period, García Martín explored the economic activities of the monastery of San

²³ Hoffman, Postel-Vinay, and Rosenthal (forthcoming).

²⁴ Congost (2014).

²⁵ Floristán Imízcoz (1984, pp. 404-5).

²⁶ Pérez Sarrión (1984, pp. 201-3).

²⁷ Domínguez Ortiz (1960, pp. 364-70).

²⁸ García García (1986).

Benito el Real de Sahagún; Sánchez Gómez examined the monastery of Santa Catalina de Corbán in Cantabria; and Sánchez Meco the general evolution of the economy of the well-known monastery of El Escorial.²⁹ More recently, Maté Sardonil *et al.* scanned the eighteenth-century accounting of the monastery of Silos and Siles Guerrero *et al.* looked at the Franciscan convent of Caños Santos in Andalusia and its credit activity in the province of Cádiz.³⁰ Other studies focus on broader geographical areas. Some work is at the city level --- Atienza López especially looked at the credit activity of the convents of Zaragoza; Díaz López studied the city of Huéscar; and Marcos Martín looked at Medina del Campo --- while other research examines entire regions --- López Martínez evaluated the economy of feminine convents in the kingdom of Seville and Llopis Agelán studied the monasteries and convents in Extremadura.³¹ They all confirm the crucial role of ecclesiastical institutions in the provision of long- and mid-term credit in rural and urban areas.

Using the account books of these institutions, local credit operations can easily be reconstructed. For instance, in Medina del Campo, Marcos Martín observed that ordinary people represented 72 per cent of the borrowers but only 35 per cent of the capital lent.³² These could be farmers, small landowners, craftsmen, or merchants.³³ For these people, borrowing capacity was related to land and was therefore limited, as most farmers owned little land to use as collateral. Usually, they borrowed no more than two years of a labourer's wages.³⁴

²⁹ García Martín (1985); Sánchez Gómez (1991); Sánchez Meco (1985).

³⁰ Maté Sardonil *et al.* (1998) --- who also provide a good review of research on the accounting of particular convents; Siles Guerrero *et al.* (2010).

³¹ Atienza López (1987); Díaz López (2003); Marcos Martín (1999); López Martínez (1992); Llopis Agelán (1980).

³² Marcos Martín (1999). "Ordinary people" are defined as those who were not noble, civil servants, or members of the clergy.

³³ While the majority certainly worked in agriculture, the sources do not, in most cases, describe their professions.

³⁴ They borrowed 2,000 reales on average, a comparable figure to the average loan found by Congost (2014) in the region of Girona. A labourer in Madrid earned around four reales per day (Pinto Crespo and Madrazo

With regards to rural credit, ecclesiastical institutions were the main providers of agricultural loans.³⁵ Spread throughout Spain, including in the most remote parts of the country, they were able to address the basic credit needs of small landowners and farmers. All of the local convents were important credit centres for rural dwellers who ran short of capital. In his work on the province of Zamora, Álvarez Vázquez noted that the demand for agricultural credit in the absence of a modern banking system was satisfied by ecclesiastical institutions.³⁶ These loans, although usually small, were sufficient for the recipient to survive a storm or build a new house. Ecclesiastical institutions also participated actively in the agricultural improvement movement in early modern times. For instance, the large monasteries around Barcelona, the cathedral of Barcelona, as well as more scattered convents, such as the convent of Poblet, appear on the records of hydraulic establishments and participated in the construction of hydraulic infrastructures.³⁷

Usually, the two largest borrowers were the elite and the cities. They borrowed large sums of capital in Medina, almost three times the amount lent to the ordinary people in the case of the Don, and nearly 14 times for the high nobility or the cities.³⁸ The purpose of the loan was scarcely mentioned. For the elite, whenever it is specified, the loan served to get through some financial difficulties, to build a new house, or to refurbish an old one. In the case of the cities, these loans financed not only the donations to the king, but also the maintenance and construction of public infrastructure and the provision of basic public

Madrazo, 1995, p. 203). I follow Álvarez-Nogal and Prados de la Escosura (2007, p. 327), who assumed that day labourers worked between 180 and 250 days p.a. (for a complete list of sources, Álvarez-Nogal and Prados de la Escosura, 2013, p. 7), giving an average of 215 days. As such, a day labourer in Madrid would have earned around 860 reales p.a. in the eighteenth century.

³⁵ *Censos* were not the only source of agricultural credit at this time. *Pósitos* and *montes de piedad* also provided credit, but this was mainly short term as opposed to *censos* credit (Gómez Díaz and Fernández-Revuelta Pérez, 1998; Cuevas, 2001). The rise of merchant bankers came later in the nineteenth century (García López, 2000).

³⁶ Álvarez Vázquez (1987, p. 284).

³⁷ Vilar (1962, pp. 256-61).

³⁸ The "Don" were important people, for instance, in commerce or administration.

services.³⁹ For example, in Elorrio, almost 60 per cent of the amount lent between 1780 and 1789 (367,000 reales), was invested in the construction of roads.⁴⁰

Sometimes, the borrower was another ecclesiastical institution. In Medina, 10 per cent of the capital lent involved two ecclesiastical parties.⁴¹ In most cases, these loans allowed them to finance new infrastructures or confront financial difficulties.

In sum, ecclesiastical institutions received considerable amount of capital through donations, dowries, or pious foundations that they subsequently lent via *censos*. They came to dominate the mortgage market, representing 72 per cent of the capital lent in the mid-eighteenth century. This dominant position was certainly without equivalent in Europe. Studies on France, the Netherlands, or England do not show such a large share of ecclesiastical institutions in long-term credit.⁴²

3. THE THERESIAN CARMELITE ORDER: A CASE STUDY OF INTERREGIONAL FLOWS OF CAPITAL AND INFORMATION

In this section, I will further explore the credit operations of ecclesiastical institutions at this time, via the detailed analysis of a single order, the Congregation of Spain of the Theresian Carmelite Order, a Spanish order established during the Counter-Reformation.⁴³ There are good reasons for this kind of case study. As mentioned earlier, a vast number of studies show the contribution of ecclesiastical institutions in long-term local credit markets.

³⁹ Marcos Martín (1999, p. 92).

⁴⁰ Fernández de Pinedo (1985, p. 302).

⁴¹ Marcos Martín (1999).

⁴² For France, Hoffman *et al.* (2000); for the Netherlands, Gelderblom *et al.* (2016); and for England, Godwin James (1948).

⁴³ The Theresian Carmelite Order was founded by Saint Teresa of Jesus in Ávila in 1562 and developed both feminine and masculine branches.

Such research are extremely valuable, but they all analyse particular institutions as isolates.⁴⁴ They therefore do not show the way in which an entire religious order functioned in terms of providing credit --- throughout the different convents, monasteries, and other local institutions --- and are thus partial if one studies market integration. In this respect, the Congregation of Spain of the Theresian Carmelite developed a highly sophisticated three-tier system, divided between local convents, provincial houses, and, at its centre, the General Curia.⁴⁵ In Madrid, the General Curia, located in the convent of San Hermenegildo, ruled the entire Congregation. Each province of the Congregation was then ruled by a provincial house, usually located in the provincial capital. Finally, each local convent was under the authority of its provincial house and, by transitivity, the General Curia. The analysis of the economic governance and lending activity at each level of this system (local, provincial, and the General Curia) reveals an impressive credit organization, nationally integrated, and being able to lend, borrow, and pool capital. The specialization at each level of the system allowed the organization to offer everything from small loans to local farmers to substantial loans to city councils, the monarchy, the Madrid elite, and merchant companies.

I first studied the economic governance of the first tier of the order, namely local convents. The Theresian Carmelite Order, like all ecclesiastical institutions, had to keep records of its incoming and outgoing cash and other goods.⁴⁶ Every credit operation was recorded in the annual account book (*libro de cuentas generales*) and loan book (*libro de censos*) in each convent.

⁴⁴ Except, to a certain extent, Marcos Martín (1999).

⁴⁵ In 1588, the Congregation was divided into six provinces plus Mexico (Old Castile, New Castile, Andalusia la Baja and la Alta, Aragon, and Portugal). The order then expanded throughout Europe, with the congregations of Portugal and Italy being created, but the three congregations remained independent from each other.

⁴⁶ Every three years, each convent of the order had to elect a monk or a nun, a member of the convent, to be the accountant. This accountant (*procurador*) made records of the accounts. Bibliothèque Nationale de France (hereafter BNF), *Règle et constitutions des religieuses de l'ordre de Notre Dame du Mont Carmel selon la réformation de Sainte Thérèse pour les monastères de son ordre en France*, Ordre des Carmes Déchaux, 1754, pp. 104-5. For a detailed description of the accountancy and control procedures of an ecclesiastical institution, see Maté Sardonil *et al.* (2008).

The accountancy of the local convents was controlled by their respective provincial houses. Each year, the provincial bursar and the provincial prior would visit every convent in the province and check the validity of both the procedures and the accounts.⁴⁷ In addition to controlling for fairness and ensuring that the convent's economy was in good health, this denotes the desire of the General Curia to standardize practices within the order. These visits were also an occasion for the provincial house to exchange information with its local convents. Indeed, the study of the economic governance of the local convents of the order reveals the impressive attention given by the monks to their credit activities at their own level, as well as their connection to the rest of the order. As such, they were only a part of an activity which developed nation wide and contributed to a nationally integrated organization.

The convent's monks or nuns met every week in the library to discuss and vote on the convents' daily decisions. Each convent had to take minutes of those decisions, and in particular economic decisions, in meeting reports (*libros de acuerdos*). I could study two of these reports from two different convents of the Theresian Carmelite Order, which constitutes, to my knowledge, the first analysis of these types of sources.⁴⁸ These reports have been enlightening to understand the economic governance of each convent.

Hence, on the first page, the meeting report of the convent of Bolarque stipulates: "Our Definitory decided that in every convent there be a special book where written down and noted are the decisions made during the conventual chapters concerning their rents and

⁴⁷ Idem.

⁴⁸ Archivo Histórico Nacional (hereafter AHN), Libro 4191, OCD Bolarque, *Libro de determinaciones hechas por el capitulo conventual en orden a las rentas y economia del convento*; and AHN, Libro 10710, OCD Salamanca San Elias, *Libro donde se anotan los acuerdos y determinaciones de los capitulos conventuales*. I could only find two remaining meeting reports for two convents of the Theresian Carmelite Order, the convent of San Elias in Salamanca and the convent of the Santo Desierto in Bolarque.

economy".⁴⁹ The report added that this was a decision made by the General Definitory of the Theresian Carmelite on 17 September 1727, to fight against: "the serious inconveniences and disasters that our convents are enduring, that there is no special book in which to write down the agreements and determinations made in the conventual chapters concerning rents, economy, and well-being of the convents".⁵⁰ This means that the General Curia of the Theresian Carmelite not only controlled the good administration of local convents, but also produced some rules of good management. In particular, decisions to lend or borrow money were recorded conscientiously.

The report of these decisions accounts for the economic rationale of the ecclesiastics. Problems of asymmetric information were crucial in early modern credit markets, especially on the quality of the collateral. Local convents and churches knew almost everybody in the village and could check on the collateral in case of doubt. For example, the monks of the convent of Bolarque accepted to lend 5,850 reales to Juan de Burgos after having checked his mortgage and deemed that it was sufficient: "Juan de Burgos el Menor, resident of Almonacid de Lurita, came asking for a *censo* and, the mortgages being examined, he gave a well-sufficient guarantee, and the holy community offered and agreed to give to Juan de Burgos the said 5,850 reales via a *censo*".⁵¹ Before lending money, they analysed and examined the debtor's guarantees and decided during their weekly meeting whether these were sufficient. It was not difficult to check collateral, since the house or the farm was usually close to the convent. As we have seen in the case of Medina, local convents --- the first tier of the system -- provided credit mostly to agriculture, the city council, and the local elite. This credit was mainly local and involved small loans. Collateral was also very important to negotiate the interest rate with ecclesiastics. The high nobility and cities were offered lower interest rates

⁴⁹ Own translation. AHN, Libro 4191, OCD Bolarque.

⁵⁰ Own translation. Ibid.

⁵¹ Own translation. Ibid.

than ordinary people, in general below three per cent, which reveals the quality of their collateral compared to that of ordinary people.⁵²

More importantly, these reports show the way in which local convents were connected to the rest of the order relative to credit activities. A convent could either decide to lend money if it had excess capital, as we have just seen in the preceding example, or, on the contrary, it could borrow from the order, or other sorts of institutions or individuals, with the authorisation of the provincial prior, if it ran short of capital. The following example is particularly enlightening. The city of Almonacid asked the convent of Bolarque for a *censo* bearing a 2.5 per cent interest rate in order to pay off all the *censos* that the city had sold at 3 per cent. This was a mere debt restructuring operation in order to reduce the debt burden of the city. But the loan of the city of Almonacid also shows the economic links between the General Curia and local convents. The weekly report says:

On 14 September 1738, Our Father Joseph Thomas, Provincial of the Theresian Carmelite, granted license to this community so that it could take out a *censo* of forty or fifty thousand reales so that with them and other available portions that were in the three-key safe of this house, they could subrogate in this community and against the city of Almonacid all the *censos*, that in favour of different subjects had the said town bearing a three per cent interest rate, and now reduced to two and a half, whose reduction the said community deemed convenient ... And indeed, [this community] sold a *censo* of 2,000 ducats at the rate of two and a half to the General Curia of Madrid, as it appears in the deed signed by the said community on 10 January 1739. Br. Juan de Jesus Maria. Br. Diego de la Madre de Dios.⁵³

The convent of Bolarque had not enough cash to answer to the request of the city of Almonacid. However, it could borrow it from the General Curia at a low interest rate, and could as a result offer a lower interest rate to the city than its competitors. This example indicates that local convent were almost able to offer an unlimited supply of capital, even in

⁵² ÁlvarezVázquez (1987, p. 311).

⁵³ Own translation. AHN, Libro 4191, OCD Bolarque.

local and remote areas. This also shows that although ecclesiastical lending was mainly local, capital could flow across large distances and information gaps could be filled by these religious credit networks.

Another important fact derives from this example. Competition was indeed raging within long-term credit markets between lenders. The convent of Bolarque was competing with other residents and institutions of the surroundings. It offered a 2.5 per cent rate in order to win the tender. Not only ecclesiastical institutions competed with other individuals or institutions but they also competed between each other. For instance, in 1758, the city of Toro requested a *censo* of 140,000 reales to the cathedral chapter of Zamora, and specified that it was inclined to pay only 2 per cent adding that it already had an equivalent offer from another institution.⁵⁴ Interregional capital flows from the supply side actually fostered competition within local mortgage markets.

In short, analysis of the economic governance of the local convents of the Theresian Carmelite shows an impressive economic rationale for ecclesiastics. They competed with other ecclesiastical institutions and decided within the community whether to lend or not, and at what price considering the borrower's identity and collateral provided. In addition, meeting reports show that these local convents had economic links with their General Curia. If they ran short of capital because of financial difficulties or if they could not satisfy the demand for larger loans from a local individual or institution, they could borrow this sum from their order. This may appear obvious, but these intra-order and interregional capital flows have never been studied, resulting in an overly localised impression of the mortgage credit market.

⁵⁴ Álvarez Vázquez (1987, p. 314).

At the second level of the three-tier system of the Theresian Carmelite we have the order's provincial houses (*procuradurías provinciales*). One of these provincial houses was that of the province of Old Castile, located in Valladolid in the convent of San Benito el Real. This second level pooled all the excess capital earned by the convents in the province in one sole fund, which was then lent to other ecclesiastical or non-ecclesiastical institutions and all kinds of individuals with sufficient collateral.⁵⁵ As opposed to local convents, provincial houses lent only little to ordinary people and larger amounts to local nobility and to people and institutions further away.⁵⁶ Finally, the provincial house could also lend to cities or even sometimes to public monopolies such as the Tobacco Monopoly (*Renta de Tabaco*).⁵⁷ Capital was also lent to Theresian convents at this level, as no less than 25 per cent of capital was sent to the convents in the province.

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

⁵⁵ Marcos Martín (1999, pp. 97-9).

⁵⁶ For example, the average loan to high nobility was 74,461 reales from the provincial house, compared to 27,228 reales from the Medina convents. Ordinary people only represented 2.6% of the capital lent by the provincial house, whereas the analogous figure for the nobility was 12.1%.

⁵⁷ Marcos Martín (1999). For example, 15.2% of the capital lent by the provincial house went to provincial city councils, mainly that of Valladolid.

According to that public power of attorney, we Fr. Diego de San Rafael, General Prior of the Theresian Carmel Order, of the discalced Carmelite monks and nuns of Primitive Observance of the Congregation of Spain ... and in behalf of the ... definitors, prelates, and convents of monks and nuns of our Order ... together, consent and give our complete power, that which is needed and necessary, to Fr. Paulino de San Joseph, member of our Order, and General Prior.⁵⁸

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

Indeed, the General Curia could lend some capital on behalf of one particular convent. When a particular convent wanted to lend capital, it could choose between two options. It could either find a borrower nearby, within the city and its surroundings, or it could deposit the capital in the General Curia and charge it to lend this capital. In August 1791, for instance, the convent of monks of Medina del Campo deposited 8,000 reales in the General Curia and asked the mother cell to lend it: "Plus 8,000 reales that gave our Prior of Medina del Campo to be lent via a *censo*".⁵⁹ On 17 August 1791, the General Curia lent the said 8,000 reales of the convent of Medina del Campo to the pious schools of the San Fernando College in Madrid.⁶⁰ There are two striking facts here. First, Medina del Campo is 157 kilometres from Madrid, which means that the General Curia could easily act as a financial intermediary for distant areas. Without the General Curia, the deal could not have been made. Second, we can note the speed of the General Curia's actions. We do not have the exact day when the capital

⁵⁸ Own translation. Archivo Histórico de Protocolos de Madrid (hereafter AHPM), protocolo 17230, p. 204. I could identify in the loan books the General Curia's notaries in Madrid during the eighteenth century (in chronological order: Don Felipe del Campillo, Don Pedro del Campillo, Don Juan Manuel Miñon de Reynoso, Don Juan Manuel Gomez Guerrero, and then Don Juan Manuel Lopez Fando).

⁵⁹ Biblioteca Nacional (hereafter BN), MSS/3861, *Libro de cuentas de los Carmelitas Descalzos correspondiente a los años 1787-1802*, p. 76.

⁶⁰ BN, MSS/3644, *Libro de censos de los conventos de Carmelitas Descalzos*, p. 684.

was deposited in the General Curia, but we do know that it was between the 1st and the 17th of August. As a result, a maximum of two weeks separated the General Curia's receipt of the payment from Medina from its subsequent lending out.

The General Curia not only lent capital on behalf of a particular convent, but also pooled capital from a number of convents to meet the demand for larger loans. The example of the Marquis of San Juan de Tasso is particularly interesting.⁶¹ The Marquis lived in Madrid and was a member of the Council of Castile, which was basically the Spanish government. He asked the General Curia of the Theresian Carmelite for a *censo* of 400,000 reales, a tidy sum in an era when a local day labourer might earn little more than 860 reales a year. The General Curia had to pool, in Madrid, the capital from nine convents of nuns and monks throughout Spain and draw on the beatification fund, which is one of the investment funds of the General Curia. As Figure 2 shows, thanks to the action of the General Curia, capital could come from as far as the city of Padrón, which is 620 kilometres away from Madrid. By 1 March 1762, the General Curia was able to lend the amount requested by the Marquis. Capital thus did flow across the whole of Spain. In addition, the Marquis did not pay the rent to each convent, but rather in Madrid to the General Curia, which was much more convenient for him. The General Curia then redistributed the rent to each convent, since they had to meet their obligations, such as maintaining the chantry priest.

FIGURE 2

THE ORIGIN OF THE MONEY LENT BY THE GENERAL CURIA TO THE MARQUIS OF TASSO

⁶¹ Ibid, p. 210.



Note: The capital was divided between the Pastrana fathers, Segovia fathers, Medina de Rioseco fathers, Toro fathers, Palencia fathers, Fontiveros fathers, Batuecas fathers, Padrón fathers, Madrid fathers, Lerma mothers, and the beatification fund.

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

The General Curia also acted as a lender. It had at its disposal two main investment funds: the common fund (*caudal común*) which was used for the daily expenses and investments of the Curia, and the beatification fund (*caudal de beatificaciones*) which was used to support the beatification of the order's nuns or monks and which served as an investment fund. Table 1 shows how the lending activity of the General Curia was divided between its various funds and the particular convents' funds.

TABLE 1

INSIDE THE GENERAL CURIA: ORIGIN OF THE MONEY LENT, 1700-1807

	As unique lender	As part of a consortium of lenders	As an intermediary	Total
Number of				
<i>censos</i>	282	44	147	473
<i>consignativos</i>				
Capital (reales)	14,530,696	5,940,155	7,332,102	27,802,953

Sources: BN, MSS/3644, *Libro de censos de los conventos de Carmelitas Descalzos*; BN, MSS/12843, *Índice de los Censos y Escrituras de los Carmelitas Descalzos de España*.

The Curia alone lent 52 per cent of the capital through its two main funds --- the beatification and the common funds --- and two pious memories --- Santo Tomas' and Doña Maria de Torres' pious memories. It participated as well in a pool of lenders contributing 21 per cent of the total lending. Finally, the Curia was responsible for matching lenders and borrowers for the remaining 26 per cent. As a result, roughly half of the capital lent by the General Curia came from its own coffers and the other half was pooled from Theresian convents.

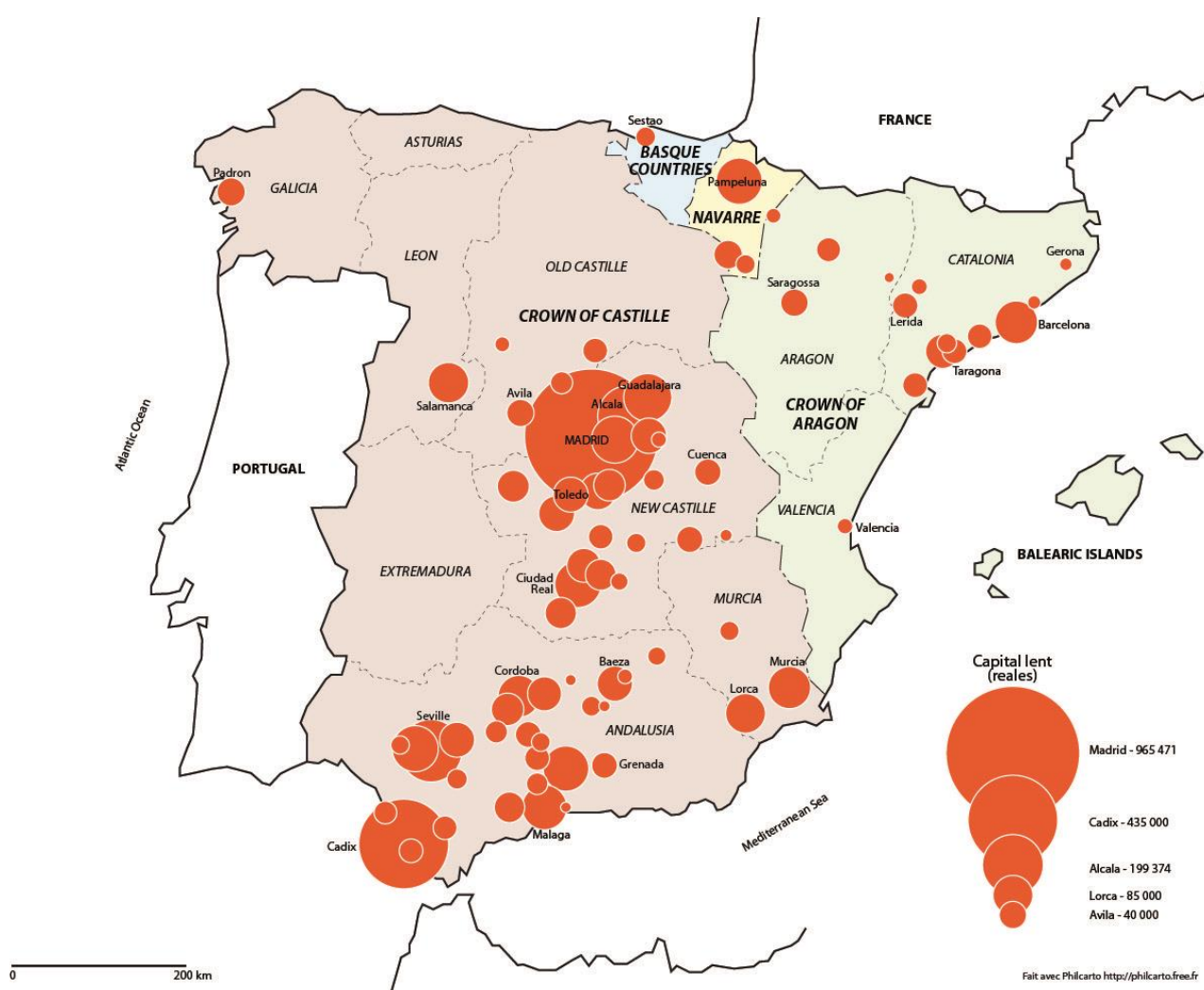
The General Curia not only used these funds for its lending activities in Madrid, but also mobilized them to send capital to its local convents, as we have seen through the local meeting reports. Whenever a convent needed money, it could take out a loan from one of these funds. Clearly, local convents were not limited by their own resources. At any time they could, if they wished, obtain supplementary resources from the General Curia as the convent

of Bolarque did for the loan of the city of Almonacid. In this respect, they were able to offer their neighbourhood (and in particular rural dwellers) an almost unlimited supply of capital.

For the General Curia, lending to its local convents scattered across different historic territories was also a method for circumventing jurisdictional obstacles. Figure 3 shows the amounts lent by the General Curia to its local convents.

FIGURE 3

GENERAL CURIA'S CROSS-BORDER LENDING TO ITS LOCAL CONVENTS,
1700-1807



Sources: BN, MSS/3644, *Libro de censos de los conventos de Carmelitas Descalzos*; BN, MSS/12843, *Índice de los censos y escrituras de los Carmelitas Descalzos de España*.

Over 196 convents, 101 borrowed from the Curia across Spain. In New Castile, they received almost half of the capital lent by the Curia (44.3 per cent), among which 43 per cent remained in Madrid. Andalusia was the second main recipient of the General Curia's resources (34.3 per cent) but also counted the largest number of convents (26.9 per cent).⁶² Figure 3 also provides evidence that the General Curia's lending crossed strong jurisdictional borders. Almost 13 per cent of the capital lent was sent to historic territories that were not part of the Crown of Castile: Catalonia, Aragon, Valencia, Navarre, and the Basque Countries. Thanks to its network of convents, the General Curia could therefore lend in the whole Spain despite jurisdictional barriers.

4. THE POSSIBILITIES OF THE INTERREGIONAL MARKET: BIG LOANS, BIG CREDITORS

Without any doubt, the possibilities of forming interregional capital flows also allowed for the potential of meeting the credit needs of what we might call the big *censos* market. Thanks to these capital flows, large corporations --- cities, *mayorazgos*, etc. --- and little by little big merchants who needed large amounts of money could take out very big loans and reduce the costs of a small local market, which in principle could lead to a multiplication of small *censos* with high transaction costs. This type of activity was not new. Since the sixteenth century, the great merchants had made this type of credit --- first as loans in the

⁶² The geographical breakdown of Theresian Carmelite convents can be found in Sáez Marín (1975, pp. 181-2 and 249).

form of obligations that were consolidated as *censos* on the *mayorazgos*.⁶³ The interesting thing for us here is how consortia formed through religious orders, which in turn reduced transaction costs, could carry out that same function.

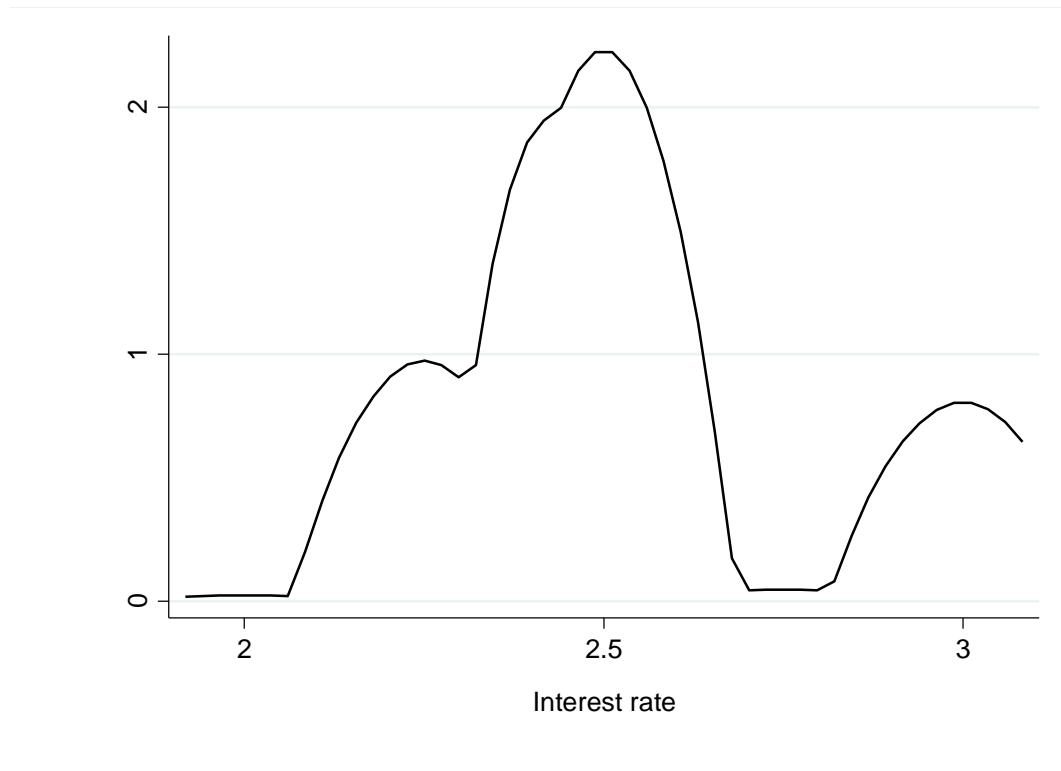
The account books provide detailed information on individual loans with the date of the contract, the borrower's name, and the involved Theresian convents. The interest rate and the redemption date are provided in many contracts, but not systematically.⁶⁴

FIGURE 4

DISTRIBUTION OF INTEREST RATES, 1705-1807

⁶³ Yun Casalilla (2002).

⁶⁴ The archives of the General Curia of the Theresian Carmelites are conserved in the Biblioteca Nacional, an unusual location given that most of the archives relative to the economy of ecclesiastical orders have been transferred to the Archivo Histórico Nacional --- the same was true for Theresian convents. I reconstructed the General Curia's lending activity during the eighteenth century (1700-1807). I collected all the *censos consignativos* recorded in the two available loan books of the General Curia and I removed duplicates (which represented only 1.8% of the loans). One of these two books is available at <http://www.bne.es/es/Inicio/index.html> (BN, MSS/3644, *Libro de Censos de los Conventos de Carmelitas Descalzos*), but the other is not digitalized (BN, MSS/12843, *Índice de los Censos y Escrituras de los Carmelitas Descalzos de España*). Over 473 contracts, I have information on the interest rate for 172 contracts (36%) and on the redemption date for 154 contracts (32.5%). Data is available upon request. Despite all its merits, this source misses two information. First, the information on the collateral would be available in the notarial contracts themselves. Second, information on the use of the *censos* is always missing in the loan books and almost always in the notarial contracts.



Note: Epanechnikov kernel estimation.

Sources: BN, MSS/3644, *Libro de Censos de los Conventos de Carmelitas Descalzos*; BN, MSS/12843, *Índice de los Censos y Escrituras de los Carmelitas Descalzos de España*.

Up to 1705, the Theresian Carmelite offered loans at the usury limit (5 per cent) or not at all. Figure 4 plots the distribution of loans by the interest rate charged after the reduction in interest rates in 1705. One peak is at the legal maximum for the period --- 3 per cent --- but the bulk of borrowers payed interest below the legal maximum, around 2.5 per cent. The amount of the loan did not seem to have been a clear determinant of the interest rate charged, unlike the type of borrower. Of those borrowers paying lower interest, ecclesiastical institutions borrowed on average at 2.5, whereas the nobility payed 2.75.

TABLE 2
LOANS OF THE GENERAL CURIA, 1700-1807

Borrowers	Number of <i>censos</i> <i>consignativos</i>	Amounts (reales)	% of the total capital	Average loan (reales)
Ordinary	10	556,530	2	55,653
Nobility & Don	88	8,847,401	31.9	100,538
Ecclesiastical institutions	344	14,211,110	51.2	41,310
Merchant companies	11	2,214,500	8	201,318
Cities	11	473,741	1.7	43,067
State	8	1,345,662	4.6	168,207
Unknown	1	154,000	0.6	154,000
Total	473	27,802,953	100	58,780

Sources: BN, MSS/3644, *Libro de Censos de los Conventos de Carmelitas Descalzos*; BN, MSS/12843, *Índice de los Censos y Escrituras de los Carmelitas Descalzos de España*.

Table 2 summarizes the General Curia's lending activity between 1700 and 1807. Lending concentrated in the second half of the eighteenth century and then declined following the *desamortización* laws which started in 1798. By way of comparison, the General Curia

was of similar size as the Hoare's Bank, a small goldsmith bank in London studied by Temin and Voth.⁶⁵

We first note the small number of ordinary people. They borrowed on average 55,653 reales which makes think that they were not so “ordinary”. Unfortunately, there is no information on the purpose of the loan or the borrower’s profession. On the contrary, Dukes, Counts, Dones, and Doñas are at the top of the list, accounting for 31.9 per cent of the capital lent, for an average amount of 100,538 reales. These individuals represented the high nobility, lived in Madrid, and had important official positions. Some were also part of Spain's commercial and financial elite. Examples are Don Andres Diaz Navarro, a former minister, the Duke of Medina Sidonia, Pedro de Alcántara Pérez de Guzmán y Pacheco, a member of one of the most important and oldest families in Spain and fellow of the Royal Society from 1749, and Don Joseph Ignacio Goyeneche, a former Secretary of State.⁶⁶

Ecclesiastical institutions accounted for a large part of the loans of the General Curia, with 51.2 per cent of the amount lent, divided between Theresian Carmelite institutions, with 18.4 per cent of the loans, and other ecclesiastical institutions for the other 32.8 per cent. This reflects the substantial role of the General Curia to send capital to convents that were short of it, confirming its central position within the order.⁶⁷

⁶⁵ Over one century, the General Curia lent four times what Hoare's Bank lent between 1700 and 1724. Hoare’s lent a total mortgage amount of £72,526, around seven million reales (Temin and Voth, 2008, figure 2). Indeed, the average duration of a *censo consignativo* of the General Curia was 19 years. Like the Hoare’s, the Theresian Carmelite Order was a rather small institution, it represented 6% of the total number of convents in Spain (Sáez Marín, 1975, 34-5).

⁶⁶ See Aquerreta (2001) and Dedieu (2011).

⁶⁷ These credit operations between parties belonging to the same order (Theresian Carmelite) were not notarized, as I could see in the account books of the General Curia. Whenever a credit contract concerned two members of the same order, they would draw up contracts “According to the Order's fashion”, meaning that they did not use notary services. Own translation. “*Al estilo de la Orden*”, BN, MSS/12843, *Índice de los Censos y Escrituras de los Carmelitas Descalzos de España*.

Another 7 per cent of the capital was lent to cities and to the state. The cities were often close to Madrid, such as Vicálvaro or Colmenar Viejo, but some were quite far away such as Rus (province of Jaén) or Salmeroncillos (province of Cuenca). Royal monopolies such as the Tobacco Monopoly and the Mail Monopoly also were the destination of various loans. These were long-term loans provided to the government, like the *censos* secured on the Tobacco Monopoly sold in late eighteenth century to finance warfare during the American Independence War and the French Wars.⁶⁸

Last, I noted from the account books of the Theresian Carmelite that the order lent massively to merchant companies such as the Royal Co. of Trade of Toledo, the Co. of the Cinco Gremios, or the Co. of Buena Fe of Craftsmen & Silversmiths (*Compañía de la Buena Fe de Artífices y Plateros*). Indeed, a notable share goes to these companies, with a striking average amount lent of 201,318 reales. For instance, the Royal Co. of Trade of Toledo took out seven loans recorded here. This was created in 1748 to encourage trade in the Toledo region. It borrowed large amounts of capital from the Theresian Carmelite Order at the time of its creation, with 520,000 reales in 1749, 1,045,000 in 1750, and 200,000 in 1751. The General Curia pooled the capital needed by the company from no less than 19 convents scattered across Spain from Salamanca to Santiago de Compostela and Pamplona, the beatification fund, the common fund, and Doña Maria de Torres' pious memories.⁶⁹ Later, the General Curia provided 202,700 reales in two loans in 1754 and 1758 to the Co. of the Cinco Gremios. This shows that the Theresian Carmelite three-tier system managed to pool the necessary capital from everywhere in Spain up to Madrid, to finance merchant companies. As

⁶⁸ Torres Sánchez (2013).

⁶⁹ The 19 convents were Alba de Tormes mothers, Avila fathers, Budia fathers, Consuegra mothers, Cuerva mothers, Madrid mothers, Manzanares fathers, Medina de Rioseco mothers, Ocaña mothers, Palencia fathers and mothers, Pamplona mothers, Pastrana fathers, Salamanca fathers, Santiago de Compostela mothers, Segovia fathers, Soria mothers, Toledo fathers, and Yepes mothers. BN, MSS/3644, *Libro de censos de los conventos de Carmelitas Descalzos*.

far as trade is concerned, ecclesiastical institutions participated in the financing of commercial activities and international trade. The memorandum on the reduction of the interest rate borne by the *censos* written around 1720 by the cathedral of Valencia for the Council of Castile bears testimony. The cathedral chapter wanted to protect the development of manufacturing, stating that: "[the interest rate reduction] would cause difficulties to the desired development of so many manufacturers of silk and wool, that flourish in this kingdom: via the *censos*, [these manufacturers] would find considerable funds". Later in the document, the cathedral defended the *censo* arguing that: "With the *censos*, driving capital towards lay people, and supporting trade with this money".⁷⁰ For the cathedral chapter of Valencia, there is no doubt that the *censo*, by lending to merchants and fostering trading activities, was one of the keystones of Spanish commercial activity. These connections between ecclesiastical institutions and economic activities should not come as a surprise since ecclesiastical institutions and ecclesiastics could be very successful merchants. This can be illustrated by the case of the Jesuits. The Jesuits were well known for their agricultural activities, especially in New Spain.⁷¹ Until their extinction in 1767, they traded goods between Spanish America and Spain and established contacts with other merchants across the whole of Europe.⁷²

To sum up, in contrast to many traditional banks that focused on only a small category of the population and thanks to the flows of capital based in the trust among different institutions belonging to the same order, the credit activity of the Theresian Carmelite Order covered the whole range of potential borrowers, from very small loans in rural areas, mainly to farmers, to a few large loans to the urban elite. The analysis of its economic governance shows that an important credit institution existed, one that was organized into a highly

⁷⁰ The memorandum is available at <http://dadun.unav.edu/handle/10171/30903>, *Reflexiones, que el Cabildo, y Canonigos de la Santa Metropolitana Iglesia de Valencia, Exponen a los Señores del Real Consejo de Castilla sobre el Precio de los Censos de Aquel Reyno*, pp. 8 and 10 (own translation).

⁷¹ On the economic activities of the Jesuits, Galán García (1995), Riley (1976/1977), and Mörner (1953).

⁷² López Martínez (2000).

sophisticated three-tier system acting at a national level. The General and provincial houses were in charge of pooling and lending on a large scale, while the convents were more focussed on local credit. The General Curia lent much larger amounts of capital as compared to provincial houses and local convents. It specialized in large loans, since it could pool capital from convents of the order all over Spain. Finally, thanks to its intra-order flows of capital, the order circumvented jurisdictional barriers and certainly reduced resource misallocation.

5. THE THERESIAN CARMELITE ORDER: A COMPARISON WITH THE JESUITS

Was the Theresian Carmelite Order representative of other ecclesiastical institutions? The integrated multi-tiered economic structure described in this paper was indeed very sophisticated and contrasts with what is commonly observed for the secular clergy. Secular clergy entities --- parishes and bishoprics --- seem to have been more autonomous. Studies on cathedral chapters' lending activities do not reveal interregional credit relations between bishoprics or between parishes and bishoprics.⁷³ For example, Vazquez Lesmez gives the full list of debtors of the cathedral chapter of Cordoba between 1701 and 1758.⁷⁴ The cathedral lent to all kind of individuals and institutions. However, unlike the Theresian Carmelites, this list does not show any capital flow between the cathedral and one of its parish in order to circumvent jurisdictional barriers. All of its debtors lived in the region of Andalucia, and 70 per cent of them lived in Cordoba and its immediate surroundings. No national institution coordinated Spanish dioceses and the economic structure of this clergy was thus rather

⁷³ There are only a few studies providing the list of creditors and debtors of the cathedral chapters. Among them, Quintana Andrés (1998); Álvarez Vázquez (1987, pp. 292-337); and Vázquez Lesmes (1987, pp. 195-8).

⁷⁴ Vázquez Lesmes (1987, pp. 195-8).

horizontal. It might be the case that recent orders, born during the Counter-Reformation, developed modern management techniques.⁷⁵ At the same time, another order --- the Society of Jesus --- developed the same modern management techniques as the Theresian Carmelites.

The Jesuits, certainly the richest order in the first half of the eighteenth century, performed the same financial roles as the Theresian Carmel Order. The Spanish Congregation of the Jesuits was divided in five provinces: the Province of Toledo, the Province of Old Castile, the Province of Andalucia, the Province of Aragon and that of the Indies. Each province was ruled by a provincial house located in the province capital. Like the Theresian Carmelites, Jesuits provincial houses could pool money in order to satisfy the demand for larger loans, administer college's capital, and also send capital to colleges short of it. The loan book of the Jesuits' provincial house of Old Castile bears testimony.⁷⁶ Table 3 records all the outstanding *censos* in 1764 and reveals a similar economic structure to the Theresian Carmelites.

TABLE 3

OUTSTANDING LOANS OF THE JESUIT PROVINCIAL HOUSE OF CASTILE, 1764

	As unique lender	As part of a consortium of lenders	As an intermediary	Total
Number of	17	12	12	41

⁷⁵ Unfortunately, up to now, I could not find any historical archives relative to the economy of the General Curia of older orders, such as the Franciscans, the Dominicans, or the Carmelites.

⁷⁶ This loan book is the only one that I could find relative to the economy of provincial houses and the General Curia of the Jesuits.

censos

consignativos

Capital (reales)	1,383,720	1,069,806	717,129	3,333,383
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Sources: AHN, Sección Clero-Jesuitas, Legajo 941.

First, as a lender, the provincial house lent to the city council of Salamanca 200,000 reales whereas it was located in Valladolid. Second, it was pooling capital from colleges all over the province. For example, on 5 September 1752, it pooled 110,000 reales from the college of Santiago, 84,000 from that of Segovia, 4,906 from that of Vittoria and 2,740 from its own fund to lend to the Count of Ribadavia 201,646 reales. Segovia, the closest city, is 116 kilometres away from Valladolid, and Santiago 450 kilometres. Third, the provincial house could act just as a financial intermediary, which means that it lent capital deposited by a college belonging to the province to a third person or institution. For example, on 24 April 1761, it lent 50,000 reales on behalf of different colleges of the province to the college of Arevalo located 90 kilometres away from Valladolid.

In short, if there is no doubt that the majority of ecclesiastical institutions engaged in mortgage lending, we cannot affirm that the multi-tiered economic structure was the rule for the regular clergy. However, the economic structure of two of them -- the Theresian Carmelite Order and the Jesuits -- already contradicts the common belief that regular institutions were autonomous.⁷⁷

⁷⁷ Wobeser (1994, p. 19).

6. CONCLUSION

During early modern times, ecclesiastical institutions became the most important providers of long-term credit in Spain. Although they only engaged into mortgage lending and benefited from a particular kind of deposits since the depositor could not withdraw it, the monks and the nuns acted almost like traditional bankers by pooling, lending, and borrowing money. In this paper, I considered the case of the Theresian Carmelite Order during the eighteenth century, when ecclesiastical credit was largely dominant and characterized the functioning of that particular credit market. I found that ecclesiastical institutions acted through a vast network of convents and monasteries, supplying everything from small loans to farmers in a local market to substantial amounts to nobles, merchants, officials, and local treasuries across the whole country and beyond. Their three-tier system, with the General Curia at the top in Madrid and then the provincial houses and the local convents scattered over all of Spain, allowed them to address all kinds of demands, to solve asymmetric information problems, and to circumvent the strong jurisdictional barriers inherent to these markets.

Indeed, like the majority of its European counterparts, Spain suffered from coordination problems in the absence of a centralized state. As a second best, some ecclesiastical institutions overcame these obstacles in the long-term capital market. Compared to modern banks, they had their own purposes and constraints which certainly had an impact on their economic efficiency. However, the interregional flows of capital that they performed undoubtedly alleviated misallocation at the time.

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