COLLECTION MONETA • 156

THREE CONFERENCES ON INTERNATIONAL MONETARY HISTORY

Business with Money: Monetary Politics and Capital Flows in the Era of the First Globalization

Session of the European Business History Association and Business History Society of Japan,
Paris conference on Business enterprises and the tensions between local and global, 30 Aug - 1 Sept 2012

Small change: bronze or copper coins from Antiquity to 19th c.

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ÉCOLE DES HAUTES ÉTUDES HISPANIQUES ET IBÉRIQUES

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The role of copper money within the dynamics of sovereign debt and the perception of unsound fiat money in early 17th- century Castile

Claudia de Lozanne Jefferies[1]

The aim of the following paragraphs is to assess the role of fiat copper coins within the cycle of negotiations and approvals concerning sovereign debt in Castile during the first 3 decades of the 17th- Century. The perception of unsound fiat money will be studied using primary sources. The attitudes of contemporaries towards the transformation of coins from quasi- commodity money into unsound fiat money will be featured within the context of Castile's legal and political framework, highlighting alternatives to a devaluation and suggestions to introduce types of currency other than fiat money.

Introduction

In line with Natural Law principles, the political constitution Early Modern Castile stipulated against the introduction of any tax which had not previously been approved by the Towns council *Cortes de Castilla.* Representatives of the main 18 cities in the Kingdom had a seat in such council, which not only determined the level of taxation the Kingdom would be subjected to by the Crown, but it prevented the use of the fiscal system by the Crown for the purpose of financing sovereign deficit. Being in control of fiscal revenues, the Towns also had a stake in determining the level and composition of sovereign debt.

Using a discourse of contingency, the Crown managed to be granted permission by the Towns in 1597 to mint fiat money in the form of copper coins, which constituted an extension to the Crown's fiscal governance at the expense of the Towns and ultimately the subjects. The role of inflation tax as a source to finance an ever expanding sovereign debt will be assessed by taking into consideration the debt negotiating process between Towns, Crown and foreign bankers.

The transition from one form of money into another aroused controversy, and treatises were produced, which reflect the perception of a change from commodity money, or quasi-commodity money into unsound fiat money. A selection of those treatises will be featured in the following paragraphs. The suggestions as to how to go about with a new form of currency will be analysed within the context of Castile's legal and fiscal framework.

Castile's fiscal system and the bargaining power of towns

The Castilian Towns played a crucial role in the tax approval, introduction and collection processes. Given the expansive fiscal policy attempted by the Crown during the first half of the 17th- century, the Towns gathered political importance as the Crown needed the approval of the Towns Assembly to increase fiscal pressure. The political strength of the Towns as far as the localities were concerned, was in part a consequence of a precarious transport system that acted as an obstacle to the royal authority in establishing its presence in remote places. The Crown needed the Towns in order to reach through to the localities, therefore, the Town Councils dominated local politics. The Crown's main political scope of action was limited to overseas politics,[2] however, the financing of foreign wars depended on

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[2] In broad terms, it could be stated that the main forces determining Castilian politics in the first half of the 17th - century were the Towns and the Crown. The heavily indebted aristocracy was undergoing

the Crown's ability to obtain credits from its Genoese bankers, which was also determined by fiscal issues in line with Castile's internal fiscal capacity, as will be featured in further paragraphs.

After the death of Phillip II (1598), Spain faced a serious situation of fiscal deficit, as all the tax revenues with the exemption of the American metals had been committed to interest payments of Castile's consolidated debt. The Crown faced an increased need to look for ways of financing its expenses, and given the exhaustion of the tax revenues, the only way was to increase fiscal pressure on its subjects, through the route of forcing Towns to approve the expansion of consolidated sovereign debt, which was serviced through taxes.

The *millones* tax was an extraordinary tax approved by the Towns in 1590, 8 years prior to the death of Phillip II. Originally, 8 million ducats (hence its name) were to be collected and paid to the Crown within a period of 6 years. Under expansive fiscal policy, the *millones* tax was repeatedly re- negotiated during the first half of the 17th- century reaching in 1638 the amount of 24 million ducats to be paid by the Towns to the Crown within the period of 6 years, after failing attempts by the Crown to introduce centrally managed taxes such as the controversial salt tax and the tax on stamped paper, both in the decade of the 1630's.[3]

At a local level, the *millones* tax was collected through *sisas,* consumption taxes imposed on wine, meat and oil.[4] The fact that it affected basic consumption goods made the *millones* tax particularly unpopular.[5] The taxes approved and collected by the Towns amounted to more than half of the Crown's total income in 1601.[6] Hence the importance of the Towns, and their ability to constitute an oppositional force.

There is little doubt about the fact that the *millones* tax was the main source of political opposition by both the Towns and by the Church during the first half of the 17th – century. The resilience from the part of the Towns to accept any further expansive fiscal measures was put down the magnitude of that extraordinary tax.

The dynamics of debt

In order to understand debt dynamics in 17th- Century Spain, it is necessary to explore the mechanisms governing the nature of the Castilian sovereign debt. As it has been pointed out in recent literature,[7] there are fundamental conceptual differences between early modern sovereign debt and foreign debt in more recent periods. The concept of state and its accompanying legitimating mechanisms play a very important role in defining the concept of debt.

The Crown' s ability to borrow short-term funds (*asientos*)[8] from the Genoese bankers, was determined by the possibility of converting that debt into long term debt (*juros*). Floating,

transformation. Nobles tended to abandon their estates and migrate either to the Court in Madrid or to urban centres, taking over the most profitable offices and posts in the Town Councils (Sanchez Belen, 1989: 175- 176). The aristocracy as a whole did not represent an oppositional political force at the time (Ruiz Martín, 1990,:20).

[3] Gelabert, 1998: 280.

[4] Niehaus, 1984:137- 138, Ruiz Martín, 1990: 490.

[5] The tax was originally conceived as a supplement to the *alcabala* tax, which was a 10% duty on purchases. The *alcabala* was collected by the town councils on behalf of the Crown. The introduction of the *millones* tax was justified by the fact that only a fraction of that 10% was actually collected. Taxes were paid on corporate basis and negotiated between group representatives (we refrain from using the word "guilds" to refer to such groups) and town councils (Ruiz Martín, 1994, 171). Amounts settled were paid in advance to the Crown (*encabezamiento*). This method allowed the Crown to perceive a steady income from the Towns, which was convenient for the Crown, despite the fact that the amount actually collected was in most cases higher than the one settled in advance.

[6] Kamen, 1983, 319

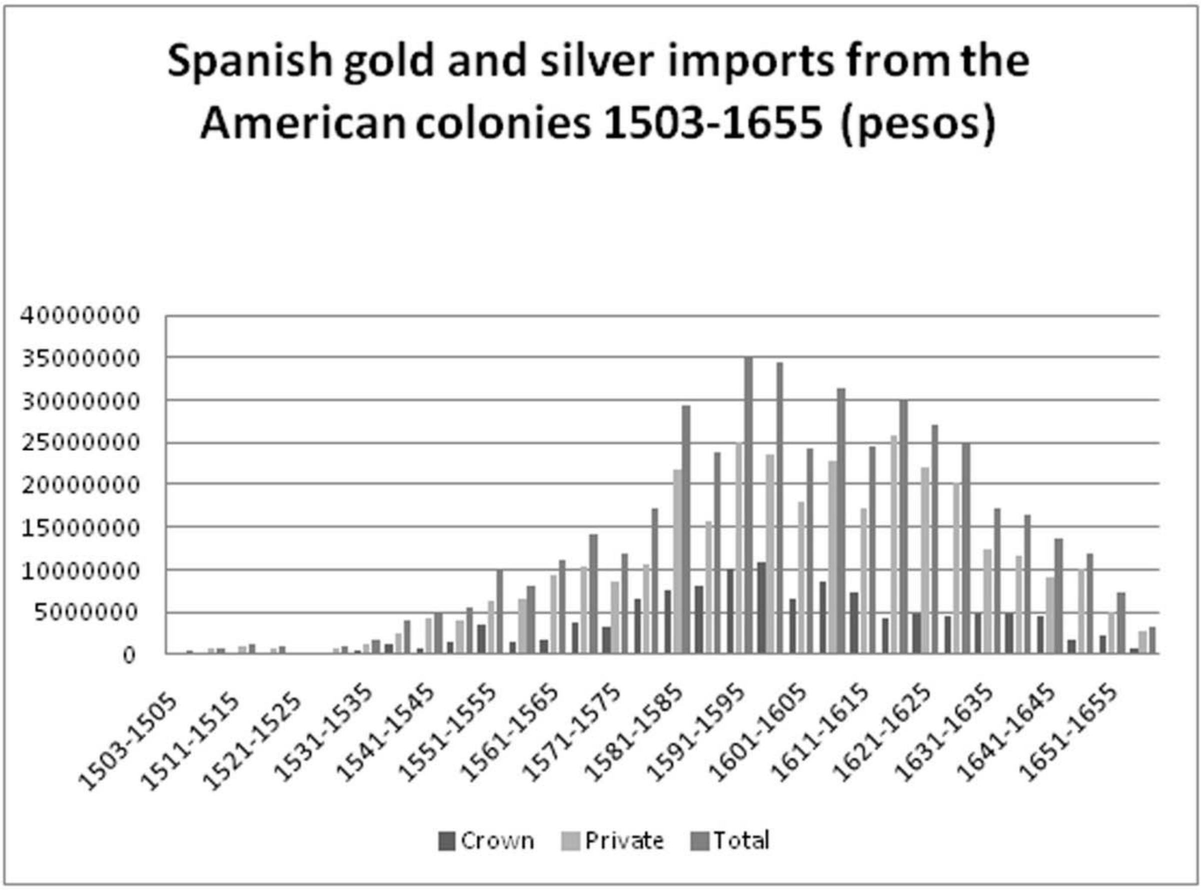
[7] See for instance Alvarez, 2003, p. 2-3,

[8] An interest of 12% was payable on *asientos* for the year, and 8% for every subsequent year.

short- term debt constituted only a proportion[9] of the total debt held by the Crown at any one time. There was an incentive from the side of the Crown to convert floating into consolidated debt, due to the fact that the interest rate on floating debt was almost twice as high as the one on consolidated debt.[10] Sovereign debt was served through tax collections carried out by the 18 towns composing the Towns Council (*Cortes de Castilla*). It was not centralized, being managed by the localities, as it was dependent on the Kingdom's fiscal capacity. Taxation was within the realm of the Towns.

Of course, the lower the arrivalsof precious metals from the American colonies, the higher the Crown s reliance on foreign debt, hence the importance of the Towns' willingness to convert foreign (floating) debt into sovereign debt. It should be added that the arrivals of precious metals were erratic and particularly low during the 17th Century (see fig1).

Fig 1:



Source: Hamilton, 1934.

Given Spain's involvement in the Thirty Year's War, most of the Crown's income was sent out of Spain to cover military expenses, increasing the importance of "short-term credits" issued by Genoese bankers. The issuance of those credits was based on expectations about volumes of precious metals arriving and about the Crown succeeding to negotiate with the Towns on tax matters. The whole meaning of state bankruptcies as signalling strategies is also

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[9] Alvarez, 2011., Gelabert, 1998.
[10] Interest on floating debt was about 12% pa., whereas interest on consolidated debt was about 5-7%. Ibid.

to be found within the rationale of this debt negotiating process, as it has been explained in the previously referenced sources.

Floating debt was converted into consolidated debt through an approval procedure by the Towns known as "*medios generales*". Foreign bankers were granted privileges, in addition to the yield of the debt certificates. Such privileges could take the form of preferential time in redeeming the debt certificates and/or "picking and choosing" which particular taxes should service the credit offered to the Crown. This procedure allowed the Crown to increase its capacity to obtain foreign credit, as once floating debt was turned into consolidated debt, there was room for the agreement of further debt contracts with the Genoese bankers.

The role of copper coins within the dynamics of debt and attitudes towards the changing nature of money

The issue of coin debasement within the context of foreign debt in early modern Castile has been explained as a means to support the process of expanding the Crown's capacity to obtain further foreign credit.[11] Seigniorage derived from specie, would take the form of a centralised tax. The increase in the Crown's credit capacity mentioned before applies in particular to the period after 1619, when new credit agreements were backed by monetary expansions carried out from 1617. As it is well known, the issuance of unsound money as continued throughout the following six decades, not without the resistance of the Towns. This was a reaction against changes in the nature of money, which marked a turning point in the way in which money was perceived. Table 1 depicts the alterations carried out to copper coins from 1566 to 1628, using the 4- *maravedi* piece as a representative coin. A reduction in the intrinsic value of copper money is observable, which manifested itself as a reduction of its value to weight ratio.

Table 1:

Evolution of the 4-Maravedi coins

	After 1566	1597-1602	After 1602	After 1628
name	cuarto	cuartillo	cuartillo	cuartillo (50% devalued)
Silver content	21%	3%	0	0
weight	1.35g	6.75g	3.29g	3.29g
Value/weight	2.96 mrv/g	0.6 mrv/g	1.21 mrv/g	0.6 mrv/g

The coins issued from 1597, whose value to weight ratio was remarkably lower than those minted in 1566 are the ones that triggered the first reactions against the practice of coin debasement in 17th- century Castile. The opprobrium met by such practices was in line with the concept of money as commodity money. This concept was in line with the system of Castilian political representation, as it prevented the introduction of an inflationary tax by the Crown without the approval of the Towns. In the following paragraphs, a reaction against

[11] Gelabert, 1998, p. 276-277.

debasement aiming at preventing the infiltration of central powers into the domain of the locality and, ultimately, the individual, will be presented.

a) Commodity money and Castile's political structure

Perhaps the best known manifestation against the abuse of the regal right to mint unsound money is found in Juan de Mariana's (1536-1624) plead against coin debasement in his ***De Monetae Mutatione***. His argument against coin debasement is scholastic in essence, similar to the one to be found in the writings of Nicolas d'Oresme (ca. 1328-1582):[12] The Prince does not hold ownership of his subject's possessions (money included). He argues that coin debasement has a tax character, and the introduction of taxes is only legitimate after its approval through a consensus. Mariana declares that the mint of coins with a low intrinsic value is illegal and contravenes Natural law.[13] He perceives a flaw in the system of Castilian political representation, which gave way to a breech in the legal procedure of tax approval. Town representation happened at two levels: Town representatives in the towns (*cabildos*) had delegates (*procuradores*), who would represent the Towns' interests at the Towns assembly (*cortes*). Mariana blames the *procuradores* for that breech and accuses them of greed and of serving their own interests before addressing the needs of the people.[14] In his rhetorical style, he warns his readers about the increasing power gathered by them, making reference to the "Cedars of Lebanon". The whole breech denotes a grey area: the discourse of contingency, which could be seen as a "leak" through which central power penetrated through representative political systems in the early modern period. Machiavelli's Discourses are perhaps the best known example of the use of the resource of "necessitas" as a strategic device which reinforces a monarch's central power.

It is in "*necessitas*" that the first issues of debased copper coins found a justification. To this respect, Mariana refers to Philippe de Commines (1447- 1511), stating that although the people should show willingness to help their Prince when the kingdom is in need, the Prince should listen to the people and determine whether or not there is enough "strength and substance" in the people to assist the Prince.[15]

Mariana agrees with the concession of the regal stamp to the monarch and with the right of the Prince to make use of it to issue coins in the shape and value he decides, as long as his subjects are not negatively affected by it. On the face of "*necessitas*", he agrees with the idea of the monarch minting coins with low intrinsic value as long as the length of such practice would be short and the subjects would be fully compensated for the damage they would potentially suffer as a consequence. Mariana enforces his argument to this respect by presenting the example of Emperor Frederick II (1194- 1250), whose army was under siege in Faenza during a winter. Lacking the means to pay his troops, he issued leather coins using his regal stamp. Mariana explains that being under siege, the Emperor was unable to hold an imperial diet and therefore, he engaged in the practice of issuing coins with no intrinsic value without adequate consultation. Mariana adds that the Emperor compensated his subjects in full as soon as the siege was over. After referring to other examples of siege currency, he concludes that it is in principle inappropriate not to consult the subjects before making use of the regal stamp to issue money with low intrinsic money, even in the case of a siege.

"*Necessitas*" was, according to Mariana, no justification for debasing the currency. This point is of great relevance, as it reflects the argument used by the Crown and accepted by the *procuradores* representing Towns, when the intrinsic value of *vellón* was reduced. Mariana argues that monarchs are compelled to devalue following the issue of coins with low intrinsic value and he opposes to the principle of a devaluation. He provides examples of

[12] Oresme's *Tractatus de Origine, Natura, Jure et Mutationibus Monetarum* (1360?) does not figure amongst Mariana's sources.
[13] Mariana, 1609 (1987), p. 69.
[14] Mariana, 1609 (1987), p.36.
[15] Mariana, 1609, p. 36.

devaluations carried out by Elizabeth I (1551) and Henry VII (1526 and 1542) in England and points out the unpopularity of such measures. He adds that the Florentine poet Dante Alighieri called Philippe IV "le Bel" (the fair) (1285-1314) "*falsificatore di moneta*" (coin counterfeiter) for that reason.[16]

b) The transition from the belief in sound fiat money into the acceptance of unsound fiat money

The first issues of *vellón* did not upset the monetary system, as there was a relatively scarcity of currency of small denomination. Additionally, the expectation prevailed that there would be the possibility of exchanging the debased coins for the equivalent of their face value in silver. The money circulating had acquired the character of sovereign credit or sound fiat money. Faith in being reimbursed is the essence of preserving the purchasing power of fiat money, due to its credit nature. That faith depended, in the case of *vellón*, on the levels of arrivals of precious metals from New Spain and Peru, which determined the levels of silver in circulation and the proportion of silver currency in respect to *vellón*. As the arrivals of precious metals had been at their highest towards the turn of the 16th into the 17th century, expectations of the volumes that would arrive were higher than the actual volumes arriving, as these last ones showed a downward trend throughout a great part of the century.

Towards the end of the second decade, there was still the hope for a monetary reform to take place, which would up to some point revert the effects of coin debasement. This is manifest in treatises such as the one by Pedro López de Reyno,[17] who issued a stabilisation proposal in 1618, in which he presented a plan that consisted of a monetary reform carried out and financed by the Crown. His work was entitled: *Discursos Políticos Cristianos*, and, as a self- confessed devote Christian, his prescriptions were in line with notions of Christian justice, as the ones found in Mariana's and the influential Christian political philosopher Pedro de Ribadeneira (1527- 1611). López de Reyno's proposal includes a monetary reform through the introduction of a new currency with silver content. Since silver was scarce, he suggests to melt down the existing silver coins which still circulated in the Kingdom in order to get the silver necessary to produce the alloy that the new coins would consist of. Those new coins would then be exchanged for the copper coins, however, the subjects would incur in a loss, as they would not get the full amount corresponding to the nominal value of the copper coins they possessed.

The problem was not solved in 1618, and the issuance of unsound coins continued. As a consequence, the silver premium kept soaring and the likelihood of the Crown being able to take full responsibility for the solution to the problem wore increasingly thin. The question arose amongst authors of stabilisation proposals of who should cover the costs of a monetary reform. This question was accompanied by ethical considerations. The issue about the Crown carrying out a devaluation and the ways in which this could be justified according to different concepts of justice became centrepiece in the discussion about the monetary situation.

In the various ways to either justify or reject the idea of a devaluation, different interest groups took particular stances when it came to either rejecting or justifying such measure. The production of treatises of this kind mark a separation from the mere point Mariana was arguing for in his *de Monetae*: the contradiction between the legal way of introducing a tax, this would be with the subjects' authorisation; and imposing such tax by royal decree without consulting the subjects, which implies the illegal penetration of central power through the realm of local power.

One group was formed by authors who believed that the Crown should carry out a devaluation without offering any compensation to the subjects.[18] These authors use the

[16] Mariana, 1609, p. 73.

[17] López de Reyno, Pedro, *Discursos pulíticos (sic) cristianos para el bien destos (sic) reinos,* 1918-30. Handwritten copy, Mss. 1092, fol. 223r-316-bis r.

[18] A good example of an author belonging to this group is Manuel López Pereyra (1627?), BNM, Mss.6731, fol. 72v-73r.

"common good" as a justification for such action. They believe that, as prices would decrease after the devaluation, and the intrinsic value of money would increase, the subjects would benefit in that way. The opinion that any damage to subjects can be compensated through an enhancement of the Kingdom's "public utility" was issued by the representative of the Supreme Council of Italy in 1626.[19]

There were other authors who, despite being in favour of the Crown carrying out a devaluation, lobbied in favour of a "mild" stabilisation policy. A good example is the Milanese merchant Gerardo Basso, author of the stabilisation programme put into practice in 1627. Basso opposes to the idea of a devaluation without offering the subjects compensation for their losses and designs a sterilisation mechanism through which the subjects would deposit their unsound money in exchange for debt certificates that would yield an interest of 5% p.a. The money collected by the Crown would be used to produce a new currency with a higher intrinsic value using silver arriving from America and other funds originated from tax revenues. This plan held the Crown as principal financing source for the stabilisation policy, although the subjects would indirectly contribute through taxes. Basso opposes to a devaluation without compensation based on justice as well as religious considerations: He makes direct reference to the idea of a "Christian Prince" by highlighting the incompatibility between a devaluation and such an ideal.[20]

The underlying idea in Basso's proposal, however, was a "swap" of inflation tax against other, locally collected taxes.

A further interesting writing which presents a secular view of the currency crisis is the one issued by Francisco de Arizmendi (1627?). This author opposes to a devaluation and proposes instead a straight- forward monetary reform carried out by the Crown. He does detect the problem of silver shortage in the hands of the Crown to carry out his plan, so he suggests using the Silver that would potentially arrive from America as one of the sources for the monetary reform. He also designs a plan through which the subject's silver would be exchanged against certificates of sovereign debt (*juros*) in order to obtain silver for the newly created currency. A third source of silver is seen by him in the treasures held by the Church, and finds it as "licit" to dispose of the silver on altars for purposes of monetary reform.[21]

Arizmendi adds that only the silver that is necessary for the practice of liturgy should be left in churches, the rest should be used to mint the new currency.[22] This suggests a transfer of resources from the Church to the Crown, putting the needs of the state before not only the Church´s wealth, but before sacred objects as well. His stance is secular and in line with the idea of a reason of state.

Both of the stabilisation proposals described above resulted in the expansion of sovereign debt to be financed by taxation in one way or the other.

As it has been already mentioned, Gerardo Basso´s "mild" plan was put into practice in 1627 as a stabilisation attempt. The project was abandoned 9 months afterwards, and a devaluation of 50% was carried out by decree. The nominal value of all copper coins was reduced by half, without any compensation for the subjects.

Many stabilisation proposals were produced between March and December 1627, time during which the plan was put in practice. Those proposals can be seen as a reaction against the scheme described above, as the Towns assembly, *Cortes de Castilla* had not been consulted previous to the introduction of such policy. According to Castilian law, the

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[19] *"…y cuando haya algún daño de particulares, es cierto que ha de ceder al útil público del reyno (sic)…",* Caimo, 1625, BNM, Mss 6731 fol.61 v.

[20] *"…y si a caso, se hiciera la baja, se les quita a los vasallos en un día quince millones, según esto, cómo podrían cumplir con los servicios Reales, y a sus tratos y comercios, no es posible que se pueda creer haya cristianos que lo digan.",* Basso, 1626, BNM, VE 195-2 fol. 5r.

[21] *"Sería lícito despojar los altares de que se saca la importancia de esta materia…",* Arizmendi, BNM, Mss. 6731, fol. 106r.

[22] Arizmendi, BNM, Mss. 6731, fol. 109r

introduction of the stabilisation plan had been illegal. The same argument about the need for taxes to be approved by the Towns, applied to putting into practise stabilisation policies.

The writings mentioned above came mainly from *arbitristas* representing local interests and they differed from the stabilisation programme put into practice by the Crown mainly in the way it should be administered. Many of those stabilisation proposals included banking schemes in one way or the other,[23] with the general characteristic of opposing to the idea of subjects bearing the cost of a devaluation.

A plead for representative money

Out of all proposals produced in 1627, one stands out for its sophistication, as it develops the idea of the introduction of a national banking system and circulation of paper money with legal tender. The treatise in question is an anonymous manuscript.[24] The manuscript is undated, but its content suggests that it was written between March and December 1627. According to Carrera Pujal,[25] the author could be Tomas Cardona, an army captain from Seville, who issued other stabilisation proposals, the best known one dated in 1619.[26]

As part of his alternative proposal, the author suggests the introduction of copper coins with high intrinsic value in order to carry out a monetary reform. The reason for him to suggest copper coins and not silver or gold was the fact that at that point in time, copper, imported from Sweden, was the only metal that the Castilian Crown had access to. The author is against coins that consist of alloys because, according to him they are easy to counterfeit and difficult to count. He proposes therefore coins made out of copper only. The anonymous author shows awareness of the disadvantages that the weight of those coins would bring with them in terms of transport costs. He acknowledges the unsuitability of such coins for small trade transactions and puts forward the idea of avoiding the circulation of such coins. Instead, the coins should be kept in banks and banks should issue paper certificates that would circulate in lieu. Departing from this principle, the author develops a plan based on the introduction of paper money in order to avoid transport costs.

In addition, this author's plan contains further features that are in line with those of a central bank: The newly created bank's activities were to be directed by governors, who would at the same time act as representatives to the Crown. It was the responsibility of the governors to keep an established reserve and to prevent the over- issue of copper coin certificates. A detailed accountancy system was also to be followed by them. The banks would be outside the reach local legislation, since the governors should be given juridical powers regarding bank's affairs. The governors should also have representatives in every Castilian town, what would give this scheme a ubiquitous character within Castile. This anonymous manuscript contains what might be one of the earliest designs of a national bank in Spain, as Carrera Pujal already observed.[27] The author of this proposal sees in representative money the solution to Castile's monetary problems. According to his plan, the Crown was the only entity responsible for covering the cost implied in the implementation of his plan however, the fact that the bank's governors were to act as representatives to the

[23] Analytical literature on this topic goes back to the 1940's. Earl Hamilton's[23] work focuses mainly (but not exclusively) on schemes proposing the establishment of credit- issuing institutions. Carrera Pujal[23] provides an overview of various treatisies (including the ones featured in this paper) that present what could be identified as both commercial and/ and national banking schemes.
In more recent years, Anne Dubet[23] has analyzed 16th and 17th- Century projects that feature the introduction of pawn houses in Castile, many of which are linked to stabilisation proposals.
[24] Anonymous, untitled, undated, Biblioteca Nacional, Madrid, Mss.6731 fol.115r- 128r
[25] Carrera Pujal, 1943: 572-574
[26] Cardona's Proposicion was published in Alonso Carranza's Aiustamiento in Madrid, 1629.
[27] Carrera Pujal, 1943: 572-574

Crown, allowed for the Crown to gain control over the currency, which was not in line with the Towns' interests.

The devaluation of 1628 marks the eventual forced acceptance of fiat money, which was 50% unsound. Further manipulations, a as coin re- stamping with higher face values, followed in later years, as well as recurring devaluations, until a monetary reform was carried out between 1682 and 1686.[28]

Conclusions

Under the existence of a fragmented fiscal system in a given area, and in the absence of a generally accepted institution guaranteeing the soundness of such currency, a solution is to opt for commodity money. Given the political structure prevailing in 17th- century Castile, in which the Crown's capacity was limited by the borders of the Towns' realms, and given the limited options of currency types available at that time, commodity money was the only type of money in line with the Kingdom's political structure. The existence of commodity money gave control to the Towns over the introduction of an inflation tax, which, as the introduction of any tax, was considered as illegal under Castilian law. A flaw in the representative system described by Juan de Mariana in his *de Monetae,* allowed the Crown to make use of the regal stamp to help finance the Crown's deficit. As the monetary system showed the first signs of instability, stabilisation proposals show the perceptions of the transition through which Castilian monetary system underwent: from commodity money to sound fiat money and finally to unsound fiat money. As it was pointed out, monetary reforms designed in stabilisation proposals imply the introduction of a tax in one way or the other. That tax could take the form of using silver owned by the subjects as a means of financing the stabilisation project, or increasing the actual number of taxes collected locally. All those proposals indirectly accepted the inflation tax and suggest a "swap" of inflation tax against another form of taxation.

The suggestion by an anonymous author featured in previous paragraphs, consisted of the introduction of representative money on the basis of copper deposits, a metal he thought the Crown had easy access to, despite having to import it. Although the anonymus author held the opinion that the Crown should be responsible for the financing of his project, through his proposed monetary reform, the subjects would not be fully compensated via exchange rate for their losses incurred as a consequence of debasement. From a political point of view, his proposal implied a distortion of the existing balance between Towns and Crown similar to the one accompanying the introduction of fiat money, as the convertibility of the paper currency in his plan would have been in the hands of an "independent" body of governors, who reported to he Crown.

The introduction of fiat money in 1602 was justified by *necessitas*, and the convertibility of such money relied on expected future arrivals of precious metals. This justification allowed the penetration of the Crown's fiscal governance through the realm of Towns. The central character of the inflation tax gave way to opposition, in an attempt by the Towns to regain their control over tax matters.

The trust in fiat money was breeched in1628, when, by decree, the Crown reduced the nominal value of fiat money by 50%. The acceptance that fiat money was unsound and that subjects would not be compensated for devaluations became a recurrent issue throughout 17th- century Castile: the Crown had taken control over the inflation tax, which was used to finance its deficit. The Towns' approval was no longer necessary.

[28] Garcia de Paso, José I, “La Estabilización Monetaria en Castilla bajo Carlos II”, Revista de Historia Económica, vol. 18, no. 1, 2000, pp. 49-77. Garcia de Paso, José I, “La Estabilización Monetaria en Castilla bajo Carlos II”, Revista de Historia Económica, vol. 18, no. 1, 2000, pp. 49-77.

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Contents

Part 1
Business with Money: Monetary Politics and Capital Flows in the Era of the First Globalization,
Session of the *European Business History Association* and *Business History Society of Japan*,
Paris conference on *Business enterprises and the tensions between local and global*,
Aug. 30 – Sept. 1, 2012

Part 2
Small change: bronze or copper coins from Antiquity to 19th c.,
Round Table of the "Silver Monetary Depreciation and International Relations" program
(ANR DAMIN, LabEx TransferS), Paris, École Normale Supérieure,
May 13-14, 2013

Part 3
***Transfers of precious metals and their consequences, 16th – 19th*,**
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The specific interaction between the local and the global, but also between the national and the private, demonstrating the globalisation's mechanisms during the last decades of the 19th century, was the central questions examined in the Session "Business with money: monetary politics and capital flows in the era of the first globalisation" organised by C. Brégianni in the framework of the XVI EBHA Conference, Paris, EHESS, 29 August - 1 September 2012. In this Session we tried to apply a comparative approach concerning monetary systems and numismatic activity; we attended to investigate the past experiences of monetary cooperation but also the cultural transfer and the economic asymmetry that coin's fabrication often represents.

The round table "Small change: bronze or copper coins from Antiquity to 19th c.," was organized by Georges Depeyrot in Paris at the École Normale Supérieure in 2013 (13 - 14 May) in the framework of the ANR DAMIN program and of the LabEx TransferS. During this meeting, the participants tried to understand the role of the small coins (copper, bronze, brass, etc.) in the economy, in the monetarisation of societies and the relation between small change and gold and silver coins.

The last round table "Transfers of precious metals and their consequences, 16th – 19th" took place in Madrid at the Casa de Velázquez on 16 - 17 May 2013. It was organized by Georges Depeyrot and Marina Kovalchuk in the framework of the ANR DAMIN program and of the LabEx TransferS with the support of the Casa de Velázquez. The aim was to compare the consequences of the two main arrivals of precious metals in history, during the 16th century and during the 19th century. The choice of Madrid was linked to the role of Spain and Portugal in relation with the first arrival of gold and silver.

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