

Technical Appendix to

LENDING TO THE BORROWER FROM HELL: DEBT AND DEFAULT IN THE AGE OF PHILIP II

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Appendix A. Supplementary network analysis

Table A1
Value of Repeat Lending (Millions of Constant Ducats)

Year	Repeat lenders	Sporadic lenders	% Repeat lending
1569	2.642	0.275	90.6
1570	1.851	0.036	98.1
1571	2.386	0.986	70.8
1572	4.374	0.764	85.1
1573	2.618	0.000	100.0
1574	5.007	0.000	100.0
1575	3.928	0.256	93.9
1576	0.781	0.000	100.0
1577	1.436	0.000	100.0
1578	2.286	0.000	100.0
1579	1.962	0.000	100.0
1580	0.459	0.205	69.2
1581	0.152	0.130	53.9
1582	0.954	0.617	60.7
1583	0.238	0.181	56.8
1584	0.000	0.277	0.0
1585	0.000	0.000	–
1586	1.644	0.401	80.4
1587	4.348	0.266	94.2
1588	1.276	0.209	85.9
1589	4.406	0.229	95.1
1590	3.584	0.092	97.5
1591	2.567	0.376	87.2
1592	0.587	0.000	100.0
1593	1.870	0.186	90.9
1594	3.418	1.804	65.5
1595	4.023	0.960	80.7
1596	2.728	0.414	86.8
1597	0.303	0.101	75.0
1598	0.000	0.000	–
1599	0.529	0.402	56.8
1600	1.764	1.837	49.0
Total	64.121	11.004	85.4

Source. Archivo General de Simancas, Contadurías Generales, Legajos 86–93.

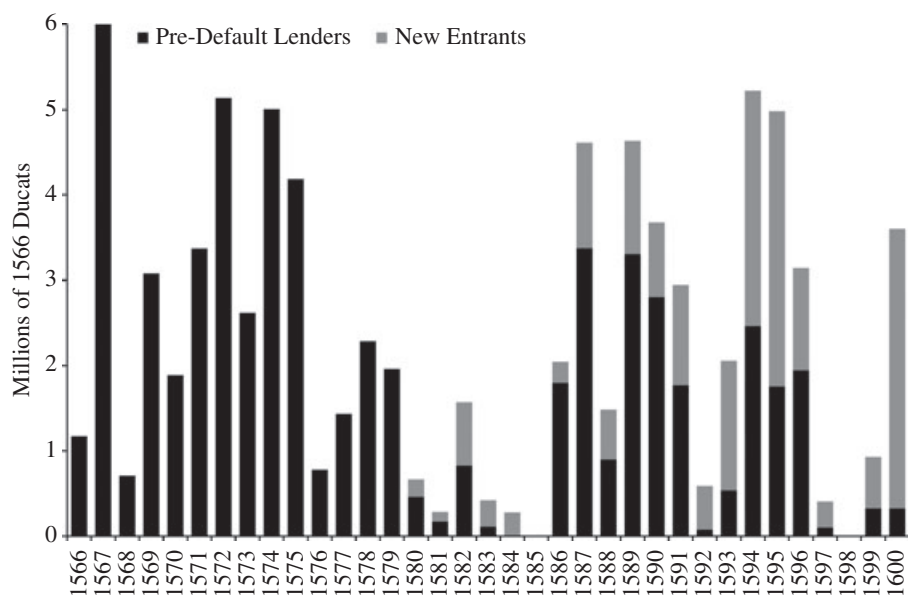


Fig. A1. Value of Lending by New Entrants and by Bankers with a Pre-default Relationship, 1566–1600

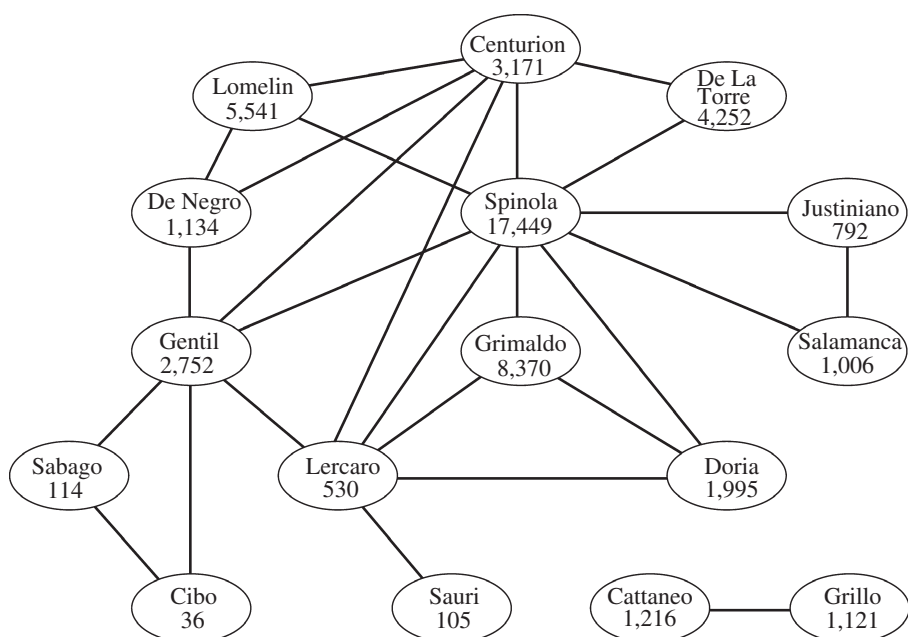


Fig. A2. Structure of the Network Based on Transactions Prior to 1575 Only

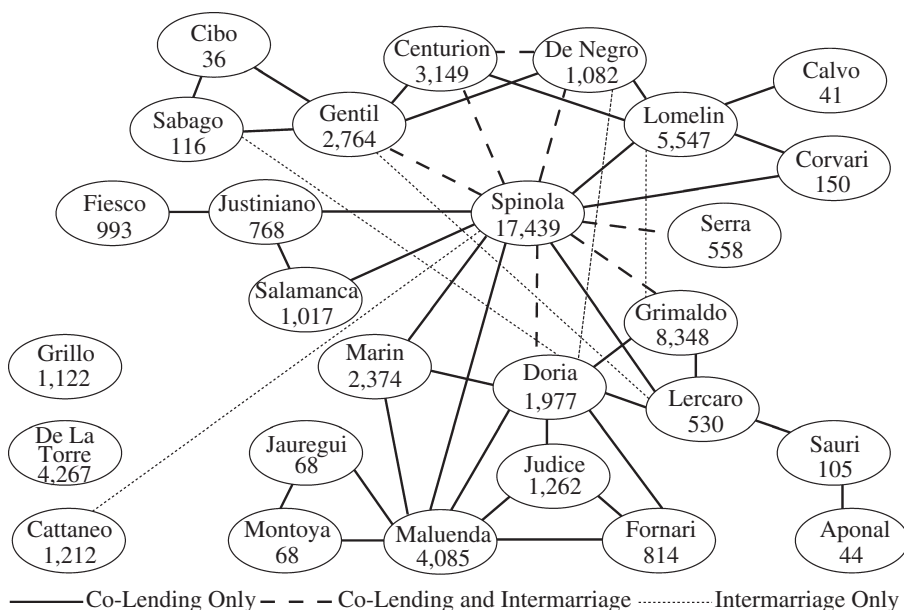


Fig. A3. *Structure of the Network Based Co-lending and Intermarriage*

Figure A1 examines how the composition of lending changed after the default of 1575. In the immediate aftermath of the settlement, all lending came from bankers who had made loans to the Spanish king beforehand. In the six years after 1576, 96% of funds were made available by lenders who had lent before the bankruptcy. As late as 1586, almost 9 of 10 ducats borrowed by the king came from the same bankers who had financed his previous ventures. As time went by, the same banking families continued to provide a high (albeit eventually declining) share of total funding. In 1596, more than 60% of funds borrowed in the short-term loan market still came from the same families that had been active before 1576.

Appendix B. Spanish mutinies and the sack of Antwerp

'Few fighting forces could boast of as many mutinies or of mutinies better organized than the Army of Flanders' (Parker, 1973).

The mutiny of 1576 that led to the sack of Antwerp was neither the biggest (in terms of the number of soldiers involved), the longest, nor the most costly to resolve (on the basis of the final settlement for the mutinous troops). It was more costly than preceding mutinies, but not by a large margin – the final cost was 633,000 escudos, some 89,000 greater than the previous one (also in Antwerp, in 1574). Many of the subsequent mutinies were larger, involving more men, rebelling for longer periods, and demanding more back pay. Thus, the pay owed to the men was not unusually large in 1576. The mutiny and the sack of Antwerp therefore do not reflect a unique, catastrophic shortfall of cash, caused by the bankruptcy of 1575. Instead, it was an ordinary case of soldiers 'on strike' that turned out to have devastating consequences.

Why did an everyday mutiny turn into a massacre and a major setback for Spanish ambitions in the Low Countries? As in many early modern armies, troops in the Army of Flanders often went unpaid for extended periods. At the mutiny of the garrison of Antwerp in 1598, for example, one man was owed back pay since 1584. Even if this was extreme, pay received was normally only a fraction of what was owed. For example, mutineers at Zechem in 1594 had received 66% of the promised wages during 1582–90 (Parker, 1972). In normal times, the mutinous troops would

elect a leader, expel all those who were not joining forces with them, and enter into negotiations with the government. Demands could include, in addition to back pay, a pardon for the mutineers, and a general muster (giving a chance to join another regiment), a hospital, religious care, and cheap provisions from government granaries (Parker, 1972). If resolving a mutiny took time, the government would normally move mutineers to a town of less military importance, and provide a minimum allowance (*sustento*) until enough money had arrived to pay off the men.

As Table 4 showed, transfers were high, but were they sufficient? A closer look at the correspondence between the king and high-ranking officials in the Low Countries demonstrates that the turn towards violence in 1576 did not reflect a shortage of transferred funds. Philip II sent large sums to satisfy the mutineers' demands. The amount of money made available was several times larger than the back pay owed to the mutineers. As the letters between the king and local officials make clear, the Council of State, dominated by Dutch nobles, failed to employ these funds because it saw the mutiny as an opportunity to end the war by thwarting Spain's military ambitions.

In August 1576, Spain's total debt with the mutineers stood at 123,000 ecu.¹ Between May and August 1576, Philip II had sent 400,000 ecu to Flanders, 300,000 of which were earmarked for the mutineers. On the 27 August 1576, the king wrote to Council of State (Gachard 1861): 'In an attempt to remedy matters as much as possible, we [the king] have sent a few days ago a bill of exchange for 200,000 ecú, in addition to the other 100,000 ecú already sent, so that you have the means to satisfy the demands of the soldiers ...' [doc. 1699]. By mid-September, the Fugger alone had transferred 600,000 escudos to the Netherlands on Philip's behalf. The total transferred after the bankruptcy, and before the sack of Antwerp, amounted to 732,000. This is approximately five times more than the debt at that time with the mutineers.

What, then, caused the disastrous attack by mutinous troops on a loyal city? In August, the king urged the caretaker government to deal generously with the mutineers. He insisted that 'it is necessary to avoid this [further conflict with the mutineers] by all possible means, as we expect you will do, by negotiating with one and the other, as well as using the money that we have sent to you in the past days'. [doc. 1699] However, on the 17 August 1576, the Council of State wrote to the king, telling him that all attempts to subdue the rebellious provinces fighting under the lead of the Prince of Orange had failed. The only way forward, they urged, was to settle with the rebellious regions. If the king did not agree, they asked to be dismissed [doc. 1692]. In addition, the representative assembly of Brabant had authorised the raising of local troops to defend against the mutineers. Led by a local nobleman, Jacques de Glimes, these troops then proceeded to arrest the Council of State, and expelled the Spanish members. This destroyed all hope of containing the mutiny, as the new Council declared the mutineers outlaws who could be killed at will.

By mid-September, the King was in despair. He complained to the Council of its lack of 'obedience and good intelligence, which ministers should have' because the mutiny had not yet been settled with the funds sent. He then commanded the Council to use the 200,000 ecu already provided with the express purpose of satisfying the mutineers [doc. 1712]. In a letter to Gerónimo de Roda, one of Philip's officials in the Low Countries, he emphasised that there was no problem in transferring funds.² Money had been available from 21 August, and it should finally be used to pay off the Spanish and Walloon mutineers.

Again, the Council of State failed to do as it was told, and did not use the fresh money from Spain to pay off the mutineers. By 18 October, Gerónimo de Roda reported that the mutineers had received no more 43,000 ecú, and that without a further 80,000 plus the two months pay

¹ The eventual cost of settlement was larger, since the mutineers were joined by others and because they received back pay for the months of the mutiny.

² In his letter from August 27th, the king emphasised that he would 'try and find other sources of funds, to send via the same (said) person, in order not to leave anything undone, so that with divine kindness it will be possible to achieve the true pacification of our good country over there'. Clearly, the king's ability to obtain money was the key difficulty – transferring was not. The king explicitly emphasized that he had good ways of transferring funds, through a trusted intermediary with all the right qualities.

since August, they were unwilling to return to the colours [doc. 1744]. Instead of following the king's orders, the Council renewed its ban on the mutinous soldiers. The estates of Flanders and Brabant published an edict declaring the Spanish mutineers outlaws, which must be put to death [doc. 1729]. This left the mutineers with no choice but to continue their armed struggle.

The correspondence between Philip II and his ministers in the Low Countries shows that political events – the untimely death of the Governor General, and the independent agendas of the local assemblies and noblemen – determined why a run-of-the-mill mutiny was not quelled quickly. Philip II repeatedly tried to get his officials to use the standard remedies to mutiny in the Army of Flanders – kindness to the soldiers, disbursement of back pay, an avoidance of conflict. All financial means necessary for a settlement were available from August 1576, three months before the sack of Antwerp. Instead, the Council of State and the Estates of Flanders and Brabant used the pretext of the mutiny, and the death of the Governor General, to pursue their own agenda – making peace with the rebels in Holland and Zeeland while expelling the Spaniards altogether. Deprived of a chance to seek redress from the government in the normal way, the troops began to sack loyal cities violently – first Aalst, then Antwerp.