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Chapter 2. Castilian companies: between the medieval model and modern business (15th-16th centuries)

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Abstract: During the Late Medieval and the Early Modern period, Castile became one of the most powerful Kingdoms. The endogenous economic growth, the expansion of trade and financial activities, and the connection with international networks fostered a propitious environment to do business. Castilians and foreigners understood how convenient the creation of companies was: trade and financial companies were the best way to do business in a context of increasing competition. This chapter aims to explore the bases of these companies, since the establishment to the liquidation, and will analyze the importance of topics like the corporate and financial structure, the work management, the labor conflicts or failures. We'll provide an overview about companies in a period of changes and challenges like the expansion through Europe and America.

2.1. Introduction

In the late XV and early XVI centuries, the Castilian economy underwent a period of intense economic growth based on the expansion of production as well as mercantile and financial activities. This new situation forced economic agents to improve their organisational skills as well as the way in which they managed production resources. In response to these needs, Castilian companies were key players in promoting and expanding economic activity. Such an institution, which was founded on the basis of a practice that was well-known and widespread throughout the whole of Castile, proved vital when boosting the flow of goods and capital in Castile as well as in other European centres. Companies played a crucial role in the rise of local markets, where small corporations grew to be organisations that were able to compete on an equal footing with the leading overseas companies (Casado 2003, 2012).

Although there were various types of company at the time, this work seeks to explain different aspects linked to the "lifecycle" of Castilian companies. In particular, we look at the most important organisational aspects, from companies' foundation to their dissolution, spanning the choice of company structure, how funding was obtained or how the company organised its economic and work management, whilst not overlooking other issues such as the internal problems and conflicts that arose. In sum, our aim is to provide an overview of the Castilian "firms", showing how far it developed during a crucial period that was marked by the start of the economic and financial expansion of the Iberian Peninsula, Europe, and the Americas.

2.2. Castilian companies: business and strategy

The company was a free and voluntary association of two or more people who opted to pool their economic resources. As an institution it was similar to those which had been operating in other European centres, in particular, in Italian cities, since the XIII century (Le Goff 2004). Nevertheless, in Castile it was not until the XV century that such a business structure was to become widespread. This did not prevent the legal bases governing the foundations of the companies from sharing the same chronology as their European neighbours (De Ruysscher et al. 2017). Roman Law and *Las Partidas* (Castilian Statutory Code), which formed the cornerstone of Castilian law between the XIII and XIX centuries, offer us an early definition of the company, perceiving such associations as ones "*which merchants and other men create with one another in order to make profit*"[1]. This definition remained virtually unchanged for centuries, and placed trade at its centre.

2.2.1. The mercantile company as a model

The level of development of the Castilian economy and the range of commercial and financial activities they were involved in meant that Castilian companies stood out thanks to their ability to adapt to any kind of business. Nevertheless, when speaking of companies, it is first necessary to refer to the best-known model: the large mercantile companies. These companies, which were able to mobilise material, financial, and human resources between various points of Castile and Europe, provided the benchmark for companies at the time. Smaller corporations sought to emulate and adapt this model to all kinds of business.

Trading (of raw materials, finished products, and so on, at a local, regional, and international scale) was the main activity the major Castilian companies engaged in. These larger companies tended to focus their interests on the products that proved to be most profitable for export (wool or iron) and import (quality fabrics or luxury products). Another key business for the companies revolved around transport, linking markets and creating opportunities in coastal towns for seafarers such as Juanico de Cotillos from Guipuzkoa, a shipmaster, who set up a transport company through a charter agreement

[1] *Las Partidas*, Part V, Title X.

with Juan de Ansogarlo, who was also a shipmaster, to dispatch 150 barrels of wine from Bordeaux to Flanders around the year 1490[2]. Despite the appeal of international trade, the major companies did not ignore the potential of domestic trade and, in particular, the business that could be conducted in places such as Seville, Toledo, Valladolid or Burgos, and at the main fairs throughout the kingdom. Thanks to this broad array of interests, the primary characteristic of these major companies was their geographical dispersion. A second feature was their family nature. Important families of merchants from centres such as Burgos, Seville or Toledo were behind their setting up and running (Caunedo 1993; Otte 1996; Casado 2000). Thirdly, mention might be made of a complex organisation, grounded on the creation of intricate networks of *factores* (mercantile agents or managers) and representatives, as well as a wide-ranging financial network.

In addition to the large companies, the bulk of Castilian mercantile activity lay in the hands of hundreds of small and medium sized corporations who operated in nearby markets, trading in raw materials, livestock, fabrics, food and other products related to activities such as supplying the towns and villages. In this regard, we know of the important role that companies played in supplying meat to major towns such as Valladolid or Burgos, as well as small towns like San Martín de Valdeiglesias (Bonachía 1992; Carvajal 2020). Much the same was true of fish, although its transport and distribution meant organising more complex companies, located throughout the country, and linking the coast to the hinterland. One example may be found in 1524-25, in the company run by Lope de Medina, and which was entrusted with supplying the markets and fairs inland with fish from Galicia (Herrero and Díaz 2009)[3].

Beyond what was merely trade, many entrepreneurs decided to set up companies linked to other businesses such as finance. When speaking of finance companies, we are broadly referring to two types of businesses: those founded by exchangers, whose activity was based on offering credit and financial services, and tax-farm companies. The former first came to prominence in the late XV century, when a process of specialisation commenced that would convert such institutions into something akin to modern-day banks. These companies proved key when it came to maintaining the financial network – involving businesses and fairs– during the XVI century (Al-Hussein 1986; Carvajal

[2] Archive of the Royal Chancellery of Valladolid – Archivo de la Real Chancillería de Valladolid (hereinafter ARChV), *Registro de Ejecutorias* (RE), box 64, 3.
[3] Valladolid Municipal Archive – Archivo Municipal de Valladolid, Fondo Hospital de Esgueva, box 404-78.

2019). Families such as the Santa María, the Cocón or the Castro family were well known for the exchange and financial services they provided during the first half of the XVI century. Tax farming was the other major financial business. Leasing the right to collect revenue or other benefits became a source of income for some companies (Vítores 2011; Ortega 2012; Ortego 2012). Their structures varied depending on their interests and on the kind of revenue in question: royal revenue or municipal revenue, not forgetting revenue from the church or the nobility. Towards the end of the XV century, the system of royal tax farming was an important business for many financiers, prominent amongst whom were the Jews or Jewish converts, whose large corporations dominated said business for decades. After 1496, the transformation of the system for administering revenue, which gradually shifted from tax farming to *encabezamiento* (whereby a town was committed to an annual lump sum payment for a period of time), led to the emergence of smaller local corporations who were commissioned with the levying and collecting of royal and municipal revenue. Changes in the system, coupled with the need to have financial resources available, meant that new families, such as the Santa Cruz, were able to gain a foothold in a business which in the late XV century was dominated by families such as the Coronel. The family network acted as a lever that enabled these new corporations to emerge, founding their businesses on the tax farming of small holdings (Carretero 1999, pp. 159-162)[4].

2.2.2. Diversification as a strategy

One of the most characteristic features of Castilian companies was their versatility. Under such a generic formula, many businessmen, producers, craftsmen and other people interested in joining together were able to operate in order to engage in a wide range of undertakings. In addition to trade, banking or other financial activities, there were many other businesses they could become involved in, ranging from companies dedicated to raising livestock[5] to those dedicated to leasing out inns and other establishments[6]. It was even common to find companies engaged in the "spiritual

[4] An agreement which enabled them to take control of handling revenue valued at 34.5 million maravedís in 1519.
[5] ARChV, RE, box 46, 49.
[6] ARChV, RE, box 51, 11.

business", through preaching and charging for the papal bulls and indulgencies granted in different bishoprics[7].

This business versatility was linked to corporations' ability to diversify. Broadly speaking, companies tended to specify the nature of the business they were to engage in from the outset, although some were not very clear on this point or later expanded their interests as fresh opportunities arose. In XV-XVI century Castile, it was common to find large corporations involved in a wide range of enterprises: trade, credit, tax collection, etc. One good example may be found in the company founded by Pedro del Campo, Gonzalo de Segovia and Álvaro de Soria, whose company deed cites some of the main transactions "*purchasing bread and wine, livestock, fabrics, silks and any other goods of whatever quality, and for purchasing bills of exchange or tax farming of any revenue derived from sales taxes and tithes, taxes and obligations, as well as any other revenues from their majesties […] and any other revenue from the church and laypersons*"[8]. The interests of these partners, who hailed from centres like Segovia or Medina del Campo, extended throughout the whole of the peninsula and, on the one hand, focused on trading in wool and textile products and, on the other, on administering revenue such as the export duties levied in Seville (1495-97) as well as the sales taxes from districts like Osma or Jerez de la Frontera (Casado 2000, pp. 135-156). These companies, which were able to move several million maravedís, provide a good illustration of Castilian merchants' ability to diversify.

2.3. The lifecycle of Castilian companies

2.3.1. The foundation: objectives and types

The main aim of the corporation was to make a profit by engaging in one or more business activities. With the exception of the leading commercial companies, who were highly specialised or who held commercial interests abroad, most companies confined themselves to limited business opportunities, which they sought to exploit over a short period of time. As a result, the corporation was not built to last. It was more of a flexible formula which adapted to the challenges posed by an ever-changing economy.

[7] Valladolid Provincial Historical Archive – Archivo Histórico Provincial de Valladolid (AHPV), Protocolos Notariales (PN), leg. 8434, ff. 70-72 (1517).
[8] ARChV, Pleitos Civiles, Pérez Alonso (F), box 103, 1

Although there are no clearly defined types of companies, law and actual practice do allow us to draw certain distinctions. According to the law, there were two kinds of company, bearing in mind on the one hand the involvement of the partners and, on the other, the purpose for which the companies were set up. The first type was the *comunal*[9], wherein partners held a share in the social capital from its creation until it was dissolved. This meant that the partners shared the losses or profit obtained, and were bound to respond jointly to any unforeseen or unexpected circumstances. The second type of company was set up *sobre cosa señalada (on a specified thing)*; in other words, its lifecycle was linked to a specific business. In line with other classification criteria based on how it was run (Caunedo 1993, pp. 42-43), we may speak of companies administered by a main partner who also acted as the principal manager, who was the visible part of the company, and who negotiated on its behalf. Such a format was common amongst merchants dedicated to the wool trade or amongst the major tax farmers. In contrast to this hierarchical and vertical company structure, we find other more horizontal structures where, in addition to putting up capital, the partners shared the management responsibilities. This was the most common type of association. One final criterion to be borne in mind when classifying companies concerns the nature of the business for which they were created. The versatility of these organisations made it possible to set up a vast array of companies, prominent amongst which were those dedicated to trade, finance as well as tax farming and administration.

Distinguishing the type of corporation or company was important for the partners, since the way they were run varied depending on their legal status as well as the business or management model. These and other aspects were reflected in the founding deed: the *capitulación* (agreement). This document, which was sometimes endorsed or countersigned before a notary, set out, amongst other matters, the following details: the partners involved and the capital put up, the aim and/or purpose, the duration, as well as details concerning administration. They also tended to detail particulars regarding how any profit or loss would be shared. The *capitulación* could also contain certain details as to the type of goods, the markets at which they would be traded, specific tasks to be undertaken or clauses concerning the corporation's extension or renewal. The *capitulaciones* were characterised as being short and binding documents, whose legal validity was fully recognised by the civil and mercantile authorities.

[9] Companies could be made up of free men, except those subject to severe handicaps, and those under 14 years of age. *Las Partidas*, Partida V, Title X, Law I.

2.3.2. The duration of the company

Most companies were founded on the basis of specific business areas and for the short term only –they did not tend to operate for longer than a year-, given the uncertainty that characterised many activities of the period. A good example of this situation is to be found in companies dedicated to providing supplies to those trading in raw materials, and who organised their activity in annual cycles. This was related to the cyclical nature of food, wool or wood production itself, for example. The cyclical component of such activities helped with company relaunch, an issue which tended to be broached once the partners had settled the accounts and concluded the period in question. Relaunching a corporation could be envisaged within the *capitulación* itself, although the issue could also be raised subsequent to the agreement of the partners who, in general, took into consideration factors such as how successful the previous company had been, future business prospects, and the absence of any internal conflicts. In this way, companies such as the one supplying meat at San Martín de Valdeiglesias were reconstituted on at least one occasion in 1517-1518, or the company which shipped wood along the river Tagus, which resumed activity on at least two occasions between 1496 and 1500 (Carvajal 2015, 2020).

Companies dedicated to fiscal matters were particularly subject to the seasonal nature of business. This was true of the tax business, which was renewed each year through procedures like auctions. In the larger domains of tax collection, namely at the local-municipal and royal level, annual companies were the norm, coinciding with the period established by the authorities for collecting revenue in the form of taxes, although many were restarted almost automatically if the business had proved to be successful. In some cases, they would eventually come to hold a monopoly over certain areas of tax revenue.

In contrast, the major trading companies were governed by the cycles imposed by the market, in particular by when the various fairs were to be held. The periods when fairs took place at Medina del Campo, Medina de Rioseco, and Villalón were used as a reference to set up the company as well as to dissolve or restart it. These markets and the institutional framework which surrounded them generated a certain degree of confidence among businessmen when it came to conducting transactions, seeking partners, obtaining credit, having notaries present and, ultimately, proceeding to the final settlement and closure of their companies. In contrast to others, these large companies tended to last longer, with the lifespan of the leading trade corporations and tax farming companies stretching over a number of years. This was understandable given the financial outlay required to arrange their activity and to set up a complex organisational and managerial structure. For example, the Burgos company Pesquera-Silos, whose main business was trading wool with Florence, was operational from its foundation in 1513 until 1525, although it was dissolved in 1519 (Casado 2015, pp. 76-77).

2.3.3. Dissolving the company

One the period established for the company had concluded or after its particular business had ended, the partners finally closed the company. The corporation could be dissolved before this point in one of the following cases: the death of a partner, unless otherwise stated in the *capitulación*; if one of the partners was banished, which the law interpreted as *civil death*[10]; over-indebtedness by one partner, who would then be forced to hand over his goods in order to settle his obligations and cede his share in the company; and, finally, if the reason for which the corporation had been created were to disappear or to radically change. Nevertheless, we should again highlight the prevalence of the *capitulaciones* and their clauses which could, amongst other matters, specify which instances might give rise to the cessation of the activity.

Generally speaking, the *capitulaciones* specified when and where the settlement should take place. There was no established procedure governing company closure, and this depended on the type of corporation, its turnover, and so on. It was common for those running the company to present the related documents: accounts books, lists of income and expenditure, lists of creditors and debtors, stock inventories, etc. During this process, it was essential to present a balance sheet drawn up on the basis of the daybooks and the general ledgers detailing the company's rights and obligations with third parties, any expenses related to the activities undertaken, as well as the income obtained and an estimate of total profit or less.

[10] *Las Partidas*, Partida V, Title X, Law X.

Table 2.1. Balance of the Cota-de las Cuentas company (1507)

ASSETS			LIABILITIES		
ITEM	**VALUE (maravedís)**	**% TOTAL**	**ITEM**	**VALUE (maravedís)**	**% TOTAL**
Stock	151 743.5	4.7%	Interests (Profits)	414,060	12.8%
Companies	781,135	24.2%			
Revenue, payment rights	303,000	9.4%	Revenue, payment obligations	6,395	0.2%
Others	573,030	17.7%	Others	9,500	0.3%
Debtors	1 396,381.5	43.2%	Creditors	2 801,420	86.7%
Doubtful debts	26,085	0.8%			
TOTAL ASSETS	**3 231,375**	**100.0%**	**TOTAL LIABILITIES**	**3 231,375**	**100.0%**

Sources: ARChV, Pleitos Civiles, Pérez Alonso (F), box 664, 8.

Based on the financial information gathered from the partners and the balance, the company was wound up and the profit/loss generated was shared, in accordance with what was stipulated in the *capitulación*. The partners shared out the surplus stock amongst themselves, as well as the corporation's rights and obligations and remaining capital, thus winding up the association. If no such distribution were specified, the law established, as a general rule, proportional distribution, and forbade practices such as an *abusive company*, wherein one partner could accumulate all of the profits without taking his share of the losses, or the opposite, when one partner was forced to shoulder all of the losses without being able to obtain his fair share of the profits[11].

However, it did not always prove easy to reach an agreement amongst the parties vis-à-vis settlement. Any differences which emerged within a company, whether when winding it up or in the event of more serious cases such as bankruptcy, were dealt with through the various jurisdictions to which both Castilians and foreigners alike had recourse. Partners in mercantile companies tended to resort to mercantile jurisdiction, represented by guilds, brotherhoods and other institutions such as the Consulates of Burgos or Bilbao. These institutions contained a court made up of judges-arbitrators, and

[11] *Las Partidas*, Partida V, Title X, Law IV.

merchants with the capacity and technical knowledge to understand such conflicts. For example, merchants like Diego de Aguilar, Alonso de Medina, Pedro de Alcor and Rodrigo de Cieza sat as judges in lawsuits concerning company closures such as that of Fernando de Encinas and Pedro de Encinas, who clashed over a difference of 135,000 maravedís when winding up their company[12]. Cases could be taken to an appeal submitted to royal justice, before the Royal Chancelleries, where the judges would be presented with various kinds of evidence, accounting documents, expert opinions and testimonies in order to then rule on the liquidation of the company.

The final distribution was set out in an agreement known as the "letter of settlement". At that time, some companies, taking advantage of the success of their business venture, would decide to renew their commitment or would opt to found a new corporation. The company might be set up as a continuation of the previous one, undertaking the same commitments as in the original *capitulación*. In other instances, the newly-formed company might differ in terms of the number of partners, the capital that was put up, or the share of responsibilities, and so on.

2.4. Running the company: the partners and funding

In addition to actively founding companies, merchants and financiers brought about deep-rooted changes in organisation and administration thanks to improvements in accounting, information networks and other aspects. In the late XV century, many of the companies already displayed a significant level of expertise and knowhow, which was the result of dynamic professional activity that had embraced the knowledge and models from overseas into their management and administration techniques.

2.4.1. The partners

Setting up a company was linked to the common interest of a group of people who had the capacity to engage in contracting, who freely decided to share a business venture, and jointly assumed the benefits and risks involved. Aside from this, the diversity in terms of partners was immense although, as pointed out, they all shared a desire to engage in a common economic activity.

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[12] ARChV, RE, box 48, 24.

Each partner played a role in the company following what was established in the *capitulación*. A partner could contribute work, capital, or both and, depending on their contribution, the share in the profit or loss could vary. In addition, being a partner in a company entailed a series of rights, such as access to information on the company's business, although in corporations dominated and run by a principal partner this right was to a certain degree restricted, and lay at the discretion of whatever said partner might decide (Caunedo 1993, p. 45).

The number of partners in Castilian companies varied, although it tended to be between two and four. Partner participation in the initial capital also varied enormously. Being the majority partner was important since the company was usually associated to his name. This was the case, for example, amongst the leading merchants such as Diego de Soria from Burgos (Caunedo 1985), or the lessors rabbi Mayr and Luis de Alcalá (Ortego 2012), or Luis Cocón, the exchanger from Valladolid (Carvajal 2019). However, as pointed out, if there was one outstanding feature of companies it was the cooperation that existed between the members.

As regards the companies dedicated to tax farming, the situation was somewhat more complex since the *capitulaciones* system was by no means commonplace, or at least we do not have the same type of documentation available as we do for mercantile companies. On occasions, the term company was not clear, although sources do contain numerous references to the term "*compañeros*" (Ortega 2012, pp. 268-269), both at a national level as well as between corporations dedicated to farming local taxes (Carvajal and Bonachía 2014, pp. 187-188). One distinguishing feature of these companies was the need to present backers, since it was necessary to ensure the lessees were paid. The emergence of these figures led to the appearance of a complex network around companies based on relations with family, professionals, and neighbours.

There were many different types of secondary partners; in other words, minority partners, ranging from investors, who were only keen to make a profit, to others who assumed all kinds of responsibilities such as representing the company at national and overseas markets, involving themselves in the day-to-day running, helping to convey information, seeking out and negotiating with clients, suppliers, moneylenders, and money-borrowers, etc. Such tasks were set out in the *capitulación* or were recognised through powers granted for such purposes. In this way, many Castilian companies were able to efficiently pool their financial resources and available human capital so as to conduct their business in the best possible conditions and in such competitive centres as Italy and Flanders (Casado 2003) or other like the Portuguese (Medrano 2007).

Partners could request to leave the company, provided that they notified their colleagues of the decision, assuming the possible costs, and provided that the *capitulación* allowed them to do so. The law envisaged at least four acceptable instances for leaving the company. The first concerned the issue of harmony and concord. It was possible to opt out of the company if there was a lack of understanding or if a partner was felt to be so "*aggressive or such a bad partner*" that his continuing in the corporation would pose a problem. The second case involved a partner entering the service of the monarch or taking up public office. Third, a partner could ask to leave if they felt that the conditions or clauses included in the *capitulación* were not being met and that this could be proved. Finally, the partner could leave the company if the product which the company had been set up to trade in was embargoed; for example, if a company dedicated to exporting wool had its stock embargoed[13].

In general, partners tended to be already linked in some way prior to the company being set up. Family ties proved crucial at centres like Seville, Toledo or Burgos, where many merchants were neighbours or shared interests in urban institutions–the local council and University of Merchants-. The company was a powerful vehicle that was able to strengthen strategic alliances amongst the large families; unions which in the best cases ended up being crystallised through marriage (Carvajal 2014; Carvajal and De la Torre 2019). In financial companies, the situation was similar, and it was common for partners to share family links, a local neighbourhood and the same trade (Ortega 2012, pp. 275-276). In addition to the cooperation, it should be remembered that rivalry and competition between families/companies was a feature of the mercantile world in Castile and exerted a decisive influence on the formation of trade alliances.

Previous relations between partners were also a vital element amongst the more modest companies; with family ties, the neighbourhood and the trade proving to be key features. It was common to find cases such as that of Catalina de Escobar, a resident of Trujillo, who ran a "livestock company" with her brother, Álvaro de Escobar, whose death triggered a lawsuit between Catalina and her sister-in-law[14]. Other factors such as mutual acquaintance –through having shared a business or having dealt with one another in the past– coupled with a good reputation also helped to forge alliances such as the one

[13] *Las Partidas*, Partida V, Title X, Law XIV.
[14] ARChV, RE, box 46, 49.

established in 1520, by the merchant Alonso de Palenzuela and the cobbler Sebastián de Villamayor, to engage in the salt business in Medina de Rioseco[15]. In sum, we see a wide range of relations which, through social capital, enabled many to form part of a company; even those who lacked the reputation and skills to be great merchants.

2.4.2. Capital and funding

When setting up a company, it was necessary to have sufficient funding for a business venture that would be beyond many people were they to undertake it alone. Theoreticians at the time advocated the idea that the greater the capacity to raise capital, the greater the profit[16], and encouraged people to invest in companies. The contributions made by the various partners was vital since it meant injecting credit and liquidity into the company.

Partners' contributions enabled initial expenses to be met: acquiring a lease or a right, the financial outlay, purchasing and procuring goods, paying travel expenses or the first salaries. The initial investment could be made in at least one of three ways: furnishing a sum of money, providing goods to an amount proportional to the share in the company, or by actually working for the company and giving over part of the salary.

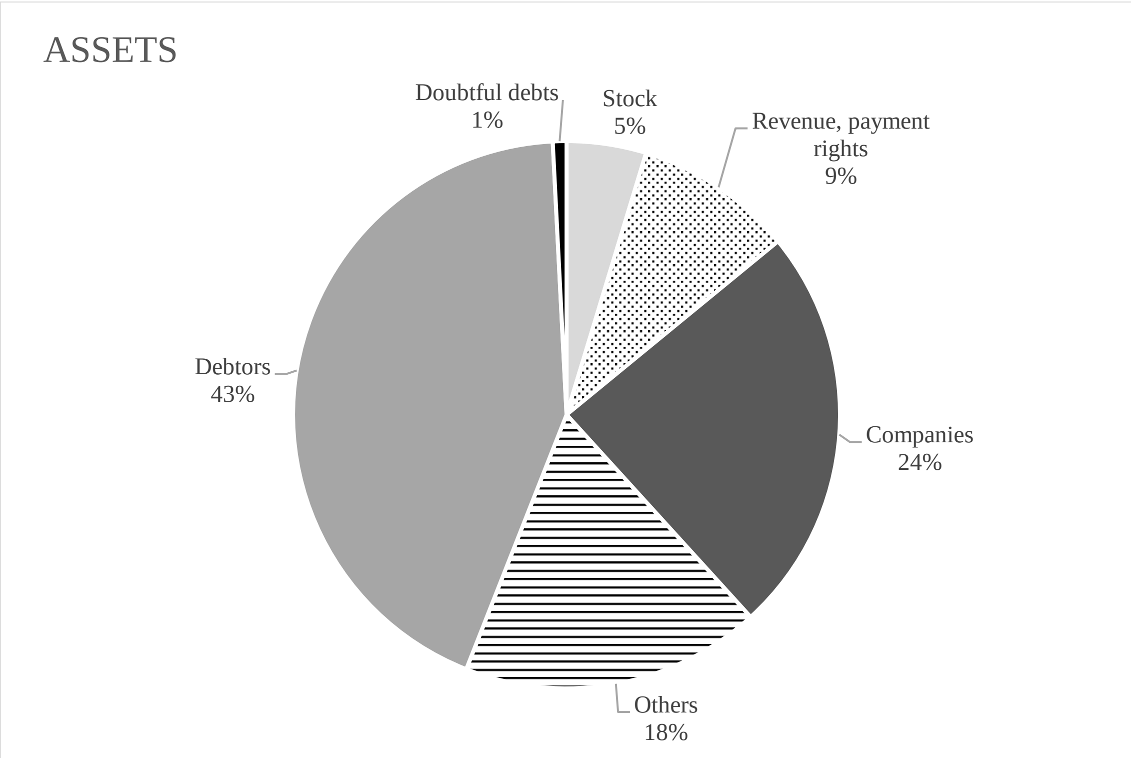
The initial contribution could vary substantially and mainly depended on the type of business. The financial needs of an international trade company were not the same as those of a small company focusing on the local market. The initial worth of the major companies, such as those of Francisco de Orense and other similar enterprises, could reach 10-12 000,000 maravedís (Caunedo 1993, p. 53), or close to the 8 695,556 maravedís held by the Pesquera-Silos company (Casado 2015, p. 79). More modest companies, like the Cota-de las Cuentas corporation in Toledo, would have been set up for something approaching three million maravedís (Carvajal 2012, p. 62). Lower down the scale, there were enormous variations, ranging from the company founded in the town of San Martín de Valdeiglesias to supply meat, which began with 130,000 maravedís, or the company that shipped wood along the Tagus, in 1500, founded by three partners who put up a total of 30,000 maravedís (Carvajal 2015), to corporations with a value of barely

[15] AHPV, PN, leg. 8434, 299r-300r.
[16] Mercado, Tomás de. 1569. *Suma de Tratos y Contratos*, Book II, Chapter IX (edited by N. Sánchez-Albornoz, 1977, IEF, Madrid).

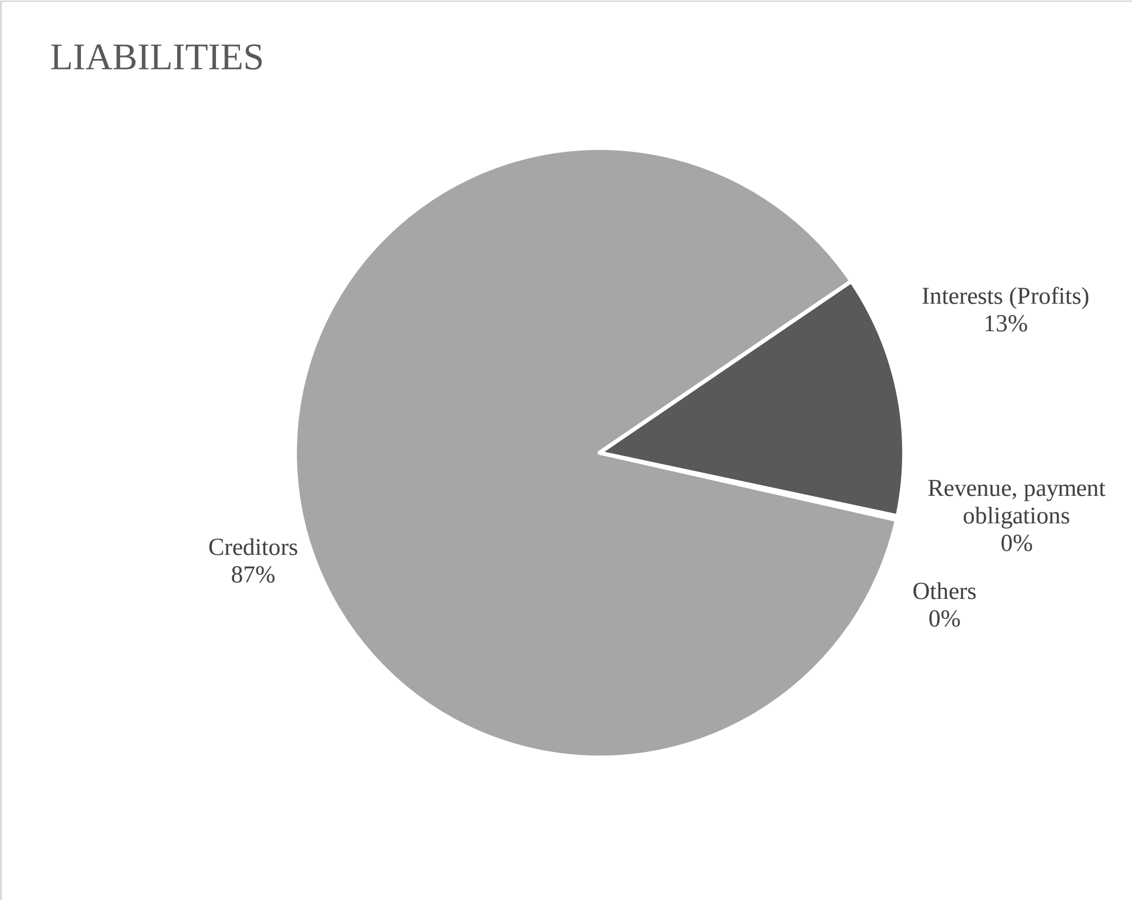
13,600 maravedís, such as the one formed by the previously mentioned Alonso de Palenzuela and Sebastián de Villamayor for trading in salt[17].

However, a company's financial requirements did not end once it had been set up; quite the opposite. Throughout its lifecycle, a company's financial needs could increase considerably, and the Castilian economy offered a wide array of possibilities for securing funding. In the case of mercantile companies, for example, the most common formula was to purchase goods on credit. Thanks to such transactions, companies were in a strong position to enhance their business capacity since they could boost their stock without having to pay for it until it was sold. Other finance methods were based on loans or transactions involving bills of exchange and other such mechanisms. These credit transactions played a key role in companies' balance books. Nevertheless, the difficult and dangerous juggling act between payment obligations and collection rights was one of the main causes of the lack of liquidity and ultimate bankruptcy of some companies.

Figure 2.1. Balance distribution of the Cota-de las Cuentas company (1507)



[17] AHPV, PN, leg. 8434, 299r-300r.



Sources: ARChV, Pleitos Civiles, Pérez Alonso (F), box 664, 8.

2.4.3. Managing the company

Running a company meant controlling tasks that required the daily attention of the partners. Such a duty was normally set out in the *capitulación*, which specified in greater or lesser detail the tasks that needed to be carried out to ensure the company ran smoothly. We can mention three such tasks: 1) taking charge of the economic-financial management of the corporation, which meant directing the main operations, stocks, finances, etc.; 2) organising the work, in other words, the staff as well as the various tasks to be dealt with, and 3) representing the company by contracting and negotiating on its behalf. This was paid work, either through a salary or a share in the company's profits, depending on the *capitulación*.

Managing a company was a demanding task, both because of the workload it entailed as well as the need to possess a knowledge of mercantile techniques and accounting skills. The model of mercantile companies provides us with an insight into what management involved. Merchants were at an advantage because since childhood they had been acquiring basic knowledge (reading, writing, and arithmetic) and during their youth had gained further training as apprentices in other companies. During this stage, learning was based on practice, although their training did not overlook theoretical aspects acquired through the *manuals on trading* and by studying matters such as accounting, starting by embracing the principles of double-entry bookkeeping (Caunedo 2012). Such knowledge was required if a company's business was to be run with any degree of skill.

In addition to the skills inherent to a merchant, the manager needed to have a knowledge of financial and mercantile legislation. He needed to be able to draw up documents related to administering his business and to conveying information through letters. Probably the greatest demands placed on the managers concerned accounting matters. Managers were entrusted with compiling, updating, and keeping the main books: the daily book –daybook, the ledger -cash- and, in certain cases supplementary books that contained the minutes, accounts, inventories of documents and goods, etc. The managers were also in charge of drawing up other documents such as the company's balance sheets and provisional accounts, which were used when winding up the company. In short, the manager's job involved attending to a wide range of duties yet was one which required dedicating a great deal of time and work and, above all, a certain degree of specialisation and knowledge.

Small-scale merchants and craftsmen also made for efficient managers. For instance, in the *capitulación* of his salt trading company, the cobbler Sebastián de Villamayor agreed to keep the books in which he would note down the people, days, amounts and prices of the company's operations in addition to keeping a record of the profits or losses[18]. Martín Ruiz, a butcher, was able to handle his company's financial affairs through the accounts book and other documents which were fully recognised before the authorities who were to rule on a case concerning the results of the company (Carvajal 2020)[19].

With regard to organising the work, we know that in mercantile companies this task meant controlling the times and deadlines needed to gather the stocks and to sell them, and which required a knowledge of what nowadays might be termed logistics. The managers contacted the suppliers, taking into account the production periods of the raw

[18] AHPV, PN, leg. 8434, 299r-300r. Agreement.
[19] ARChV, Pleitos civiles, Fernando Alonso (F), box 13, 14.

materials or goods they aimed to sell and also made sure these were available on time at the markets and fairs where their products were to be offered, such as those at Medina del Campo, Villalón or Medina de Rioseco. Information networks proved vital in this system, and thanks to the correspondence between the company's partners and workers, managers were able to keep up to date with demand and prices, the most sought-after products as well as other unforeseen issues (Casado 2008).

This latter function, representing the corporation, was key in commercial companies where, in addition to the partners, the *factor* (mercantile agent) played a leading role. This employee represented the company at various national and European centres, where the company needed to be constantly present. The profile of the mercantile agent was that of a young merchant who was seeking to gain further training through a unique experience which, in addition to endowing him with knowledge, would provide him with a salary and the chance to earn a share of the company profits, and even to become involved in future enterprises (Caunedo 1998). Although the figure of the *factor* was confined to a known young person from a merchant family, discrepancies were not uncommon and the relations with the partners could spark conflicts. Such was the case between the Burgos merchants Diego de Castillo and Francisco de Santa Cruz and their shipping clerk in Flanders, Álvaro de Aguilar, who was denied payment of 50,000 maravedís for five years' service[20].

In financial companies, the work of the mercantile agent was different: exchange companies needed hardly any staff, whilst the tax farming companies, who stood out because of their geographical dispersion, made use of sub-leasing collection rights in order to manage their interests. These companies developed complex organisation systems involving many people who served the company either directly or indirectly: lower-ranking lessors, and collectors charged with directly collecting the taxes (Ortega 2012; Ortego 2012).

For the other small and medium-sized companies, organising and managing the work could prove to be a real challenge. Certain businesses were particularly labour intensive and required painstaking work management. The three partners of the company of Martín and Juan Marroquín, and Juan Sánchez de Toledo, dedicated to the wood trade along the river Tagus, took charge of running the company, in addition to employing their servants –who acted as messengers– and as many as 22 labourers who undertook a wide

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[20] ARChV, RE, box 51, 40.

range of jobs: transporting the wood, controlling the flow of the river by setting up and removing weirs and mills, etc. (Carvajal 2015).

2.5. Conclusion

Between the XV and XVI centuries, the Castilian business world experienced a time of development and splendour. Companies evidenced their enormous capacity to adapt to ever-changing economic conditions. From the leading commercial and financial companies down to the smaller corporations that were devoted to supplying local markets, it can be said that it was a time of progress on a wide range of fronts.

Companies formed the backbone of local, regional, and national mercantile activity in addition to fostering the internationalisation of Castilian trade towards Italian, Flemish, French or English centres. Companies were an example of cooperation between partners, and showed the potential of business collaboration. Likewise, companies became instruments for investing capital, thereby encouraging the flow and movement thereof.

From the organisational perspective, companies developed rudimentary management and administrative structures which, at least in basic terms, call to mind modern day practices. Partners in Castilian companies, particularly the mercantile companies, displayed an admirable knowledge of mercantile techniques, which were learnt through theory and practice. For their part, the managers had certain clear priorities, such as the economic-financial control of the company through the accounting and by safeguarding the company's mercantile documentation, not forgetting other aspects such as providing information. Finally, mention should be made of the partners' other main priorities; work management (processes and employees).

In sum, the ability of Castilian companies to adapt and diversify led to these structures becoming a solid pillar on which one of the periods of greatest business success in the history of Castile was founded.

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