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Chapter 2. Entrepreneurship, strategy and networks: the development of commercial and financial companies in Early Modern Castile

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Abstract: In the mid 16th century, the commercial and financial companies of Castile managed to firmly establish themselves as one of the most prosperous entrepreneurial networks of Europe. Their presence in the principal European cities and trade fairs (Antwerp, Bruges, Lyon, Florence, etc.) is an example of the capacity achieved by the Castilian merchants beyond their own frontiers. Similarly, commercial businesses were growing during the first half of the 16th century in the Iberian Peninsula, boosting economic integration and commercial networks. The objective of this work is to know the principles upon which the commercial and financial companies of Castile were built, the reasons that enabled this institution, in just over half a century, to become powerful organizations; and also to know the strategies developed by the merchants and bankers in order to be able to grow in a regional and international environment where competition was continually on the increase.

1. The commercial and financial world at the end of the 15th and start of the 16th centuries

In the mid 16th century it was common to find Castilian merchants trading in the principal European markets and trade fairs. Antwerp, Bruges, Lyon, London, Florence or Rome were just some of the centers where those who managed or represented large Castilian companies settled and played a relevant role. Such companies as that of Simón Ruiz, or those of the Astudillo, the Bernuy or the Quintana dueñas are examples of the acquired relevance (Lapeyre 1955; Casado 2003). The Castilian presence and the success of their businesses, even though in many cases it was short-lived, was the result of a long process of consolidation and expansion of their commercial activity, encouraged by several companies and families of merchants for over a century and a half.

From the end of the 14th century onwards, in addition to a commercial and financial recovery, Western Europe started on a path to economic recovery which was particularly important in the centers of Northern Europe (Flanders) and the North of Italy. Having overcome the effects of the many crises that rocked the old continent during the 14th century, these centers continued to enjoy a privileged position and the benefits of the commercial revolution spearheaded by the great Italian companies, the great dominators of the Mediterranean and the main commercial and financial circuits. Given their success, the Italian companies became the model to imitate.

In the case of Castile, the presence of foreigners, especially Italians, was notorious in the great commercial centers, such as Seville, and in those territories yet to be conquered, such as the Nazarí kingdom of Granada or the Canary Islands, where the expectations of profit were high (Otte 1996; González Arévalo 2012; Bello 1994). In any case, the foreign merchants and companies took advantage of the favorable climate throughout the 15th century and they were soon followed by the Castilian initiative. The Castilian merchants found a favorable economic context to develop their activities, expand their businesses and start up new companies. The population passed the threshold of 4 million towards the end of the century and continued to grow over the first few decades of the 16th century; the territory increased after the incorporation of Granada and other possessions in the Atlantic and North Africa (Aznar 1983); the ratios of urbanization were around 8%, only lower than Flanders and the North of Italy; the renaissance of the urban markets and the appearance of great fairs favored the creation of commercial circuits that also took advantage of the boost in agricultural and artisanal production. All these elements are characteristic of a strong process of endogenous growth which, in addition, was accompanied by a continued opening up to abroad.

Castile was a geographically large and disperse territory in which some regions, such as the north-west coast, had remained traditionally isolated from the rest of the territory. Nevertheless, the expansion of internal trade during this period and the progressive integration of the local, regional and peninsular markets, improved the conditions so that many merchants felt they could assume the risk of doing business beyond the urban markets or the nearby trade fairs. The dense network of urban and rural markets, as well as the network of trade fairs that took place throughout the year in diverse places belonging to the crown, were a great opportunity for those who wished to progress in their business. This phenomenon permitted groups of merchants from such cities as Burgos to act together and become known in such centers as Seville where the local community and the Genoese had traditionally dominated the market (Otte 1996; Palenzuela 2003). To the expansion in interior trade must be added the increase in financial activities. The movement of money, the expansion of credit and the frequent use of diverse financial instruments and operations acted as a support to promote commercial activity and, without a doubt, were also vital for encouraging investment in and the foundation of companies.

During the last decades of the 15th century, with an expanding economy and a relatively quiet institutional situation following the reforms of the Catholic Monarchs, the

merchants knew how to take advantage of a favorable situation to create new companies, a process that came to fruition in the 16th century. The change of century supposed a strengthening of businesses that had been going on for decades, instigated by the Castilian merchants in other territories of the Iberian Peninsula, as well as in European centers, where the great merchant families and their companies finally managed to become integrated (Casado 2003).

2. The company in Castile: a multiform institution

The sources of the period link the term merchant to all those who trade goods. Having said that, the diversity of the merchants to be found in Castile is therefore immense. From the small rural merchants and shopkeepers to the great merchants dedicated to international trade, variety is the common characteristic, as was their interest in founding companies. Legal sources tell us that companies existed in Castile from at least the 13th century. Nevertheless, testimonies of commercial companies in existence before the 15th century are extremely scarce. It was then that companies began to appear in the wake of the economic recuperation; companies whose prime objective was to carry through their business in a relatively short period of time and to obtain a profit from doing so (Carvajal 2019).

As happened in other European territories, especially in the Italian cities (Igal and Navarro 1997; Franceschi et al. 2007; De Ruyscher et al. 2017), the company became one of the principal associative strategies for facing up to the risks of an uncertain business with a some degree of security. Essentially, the company allowed both profits and losses to be shared, thus decreasing the merchants' economic and financial risk and strengthening their capacity to generate profits. At this time, the dangers that could send a merchant into bankruptcy were many: from the uncertainty of not being able to reach business expectations when selling goods, to the risk that such activities as piracy posed, or a simple natural catastrophe which could sink a ship full of merchandise. So, sharing the risk through a company became an interesting and desirable option for the merchants. As for the benefits, we should note the convenience of associations thanks to the organizational benefits derived from a society with commercial representation in different places and the capacity to develop different types of business at the same time, thus allowing economies of scale on various different levels (Casado 2015a; 2018, p. 171).

Faced with the scarcity of company contracts or capitulations that would permit a more accurate definition, the laws of Castile allow us to make a first approximation to defining and characterizing the company as that association “*which merchants and other men make with each other in order to gain something*”¹. Above and beyond that, diversity is both important and formidable (Caunedo 1993a; Carvajal 2019); even so, it is possible to characterize Castilian companies through a series of parameters such as type, number of associates, duration, strategy, etc., and which undoubtedly had an Italian influence.

At the end of the 15th and start of the 16th centuries, most Castilian companies fell into the category of what the law called companies “*sobre cosa señalada*” since, in their deeds of incorporation, it was usual to indicate the objective or objectives: to trade, provision a center, offer financial services, tax management, etc. Even if the objective was defined, the definition was very general, and this allowed the partners to develop one of the most interesting strategies, which we shall analyze below: diversification. Thus, the Castilian company was a multiform structure (Casado 2015a, 2018) that allowed a limited number of partners, normally between two and five, to carry out a multitude of business activities under a single legal umbrella. In addition, the different modes of participation in the company at the time and the different ways of organizing the social capital, due to the existence of senior and junior partners, commercial representatives or partners “*fuori del corpo*” (copying the Italian model), gave the society’s structure great flexibility. Another characteristic of these companies concerns their chronology. In general, companies lasted between one and five years. As far as we know from the existing documentation, the main activity usually influenced the association’s period of validity. The shortest lived companies were created to develop a concrete, periodical activity, such as urban provisions or rent collection, which depended on an annual renovation by a Council or the Crown (Carvajal, 2020). On the other hand, if the activity were complex, involving other Peninsular or European territories where company employees had to be settled, for which a commercial network had to be set up and various different products were traded, then the company was usually created for several years (Casado 2015a, 2018; Carvajal & de la Torre 2019). None of this stopped the companies from being renewed as many times as the partners so wished if the business was successful and the partners were in favor of doing so, thus generating associations that,

¹ 13th century legal compilation: *Las Partidas*, Partida V, Título X.

in some cases, could last for over two decades, as happened in the case of the Portillo family in Valladolid (Al-Hussein 1986, p. 196).

One of the great strengths of the company was its capacity to unite a large amount of capital with which to make an initial investment that, individually, would have been impossible or would have supposed an excessive risk for any Castilian merchant. The amount with which companies were founded at the start of the 16th century varied according to the purpose and range of operation. We find, in general, small companies such as the Marroquín-Sánchez, whose initial capital was around 30,000 *maravedís* (3.32 kgs of silver); other medium sized companies such as the Medina-Calatayud, with an initial capital of 1.4 million *maravedís* (157.67 kgs of silver); or large companies dedicated to exports, such as the company Pesquera-Silos, with an initial capital of 8.7 million *maravedís* (962.61 kgs of silver) in 1514 (Casado 2015a, p. 79), or the Daza-Urueña, founded with 12.5 million *maravedís* (1,383.06 kgs of silver) in 1533. To understand the value of these sums, we can compare them to some of the great mercantile fortunes of Burgos, the home of the great exporting companies. We know that, in 1507, at least 11 merchants dedicated more than 3 million *maravedís* (331.94 kgs of silver) to investments in commercial activities, reaching a total of 12 million in the case of Juan Alonso Salinas; so, individually taking on board the risks of international commerce was practically impossible, even for the richest merchants of the period (Caunedo, 1993b). In addition, these companies improved their debt capacity, something which was fundamental when first operating or during subsequent years. Having several creditworthy partners strengthened the the company's financial structure and its credit possibilities.

Another characteristic aspect of Castilian companies was their management. At the head of the company was a principal administrator, normally one of the partners who knew well the necessary mercantile techniques for registering the operations in the accounts books, as well as having sufficient basic knowledge to be able to develop the mercantile activity. As we shall see, the partners had to possess aptitudes for controlling the flow of information, the human resources employed by the company and be able negotiators. The task of management was sometimes shared by several partners who could also represent the company in those places where it operated, alongside commercial representatives and commission merchants.

Table 1. Castilian companies according to initial investment, products & services and markets (1489-1538)

Year	Name	City	Initial investment (maravedís)	Initial investment (Silver Kgs.)	Products and services	Markets	
1489	Daza-López de Calatayud	Valladolid	1,350,000	149.37	Trade and financial services	Iberian Pen.	
1500	Marroquín-Sánchez de Toledo	Medinaceli	30,000	3.32	Wood	Regional	
1500 ca.	Esquivel-Sánchez	Bilbao	130,000	14.38	Trade	International	Ireland
1514	Pesquera-Silos	Burgos	8,700,000	962.61	Trade	International	Flanders, Italy and France
1515	Díaz-Medina	Medina del Campo			Banking		
1517	Ruiz-Soto	San Martín de Valdeiglesias	130,000	14.38	Meat	Regional	
1524	Medina-Calatayud	Medina del Campo	1,425,000	157.67	Fish	Regional	
1525	Medina-Ram	Medina del Campo	2,550,000	282.15	Trade and financial services	Iberian Pen.	Aragon
1528	Plazuela-Resxo	Medina de Rioseco	965,524	106.83	Trade	Regional	
1522	Medina-Urueña	Medina del Campo / Valladolid	12,500,000	1,383.06	Trade and financial services	International	Flanders, Italy
1532	Alcazaba-Martínez-Soto	Cuéllar / Medina del Campo	2,750,000	304.27			
1534	Medina-Aranda	Valladolid	4,500,000	497.90	Trade and financial services	International	Flanders, Italy and Portugal
1535	Roquien-Mizariego-Calbet	Barcelona / Zaragoza / Medina del Campo	562,500	62.24	Trade	Iberian Pen.	Aragon
1536	Portillo-Ávila	Valladolid / Granada	975,000	107.88	Trade	Iberian Pen.	
1536	Frías-Medina-Huerta	Medina del Campo / Uceda	300,000	33.19	Trade	Iberian Pen.	
1537	Medina-Urueña	Medina del Campo / Valladolid	16,170,000	1,789.13	Trade and financial services	Iberian Pen.	Flanders, Italy
1538	Rodríguez-Román	Medina del Campo	750,000	82.98	Trade	Regional	

Sources: Al-Hussein 1986; Casado 2015, 2018; Carvajal 2015a, 2020; Irijoja et al. 2019.
Exchange rate maravedí-silver: 0,1001 grs./maravedí.

Finally, it is worth mentioning a fundamental question in Castilian commercial and financial companies: the profit shareout and liquidating the company. What profits could those who participated in a commercial and financial company expect? If we take into account the annual return with respect to the initial investment, the figures vary considerably. The known references to companies from Burgos show that a company could obtain an annual profit or interest of between 10% and 20-25% of the initial capital (Caunedo 1993a, p. 53). These margins seem attractive today, yet we must remember that not all companies managed to achieve their initial purpose and, in some cases, such dangers as pirates could result in important losses; although the principal problem was usually delays in being paid pending debts, which was the cause of most known bankruptcies. This is a model in which the majority of decisions were taken based on the risk. At the moment of a company's liquidation and the proportional sharing out of the profits or losses according to the capital invested, the partners could decide to renew their company for a further cycle. Thus, the Castilian company showed itself to be a flexible and dynamic model in so far as its formation and dissolution are concerned, capable of taking advantage of those trading opportunities that were on the rise and of withdrawing when the expected profits did not appear. In short, a model that adapted well to an economy in constant flux and one in which the conditions for trading and mobilizing capital were ever changing in both the short and medium term.

3. The keys to Castilian entrepreneurial success at the end of the Middle Ages and the beginning of the Modern Age

The Castilian company was a flexible, dynamic and multiform institution. This versatility, together with other key points, allowed the Castilian merchants to consolidate a progressive expansion through regional, peninsular and international markets. The capacity to do business and the success of most Castilian companies resided in at least four aspects: the ability to vary the strategy between specialization and diversification, human capital and the adoption of commercial innovations, the widening and consolidation of commercial networks, and the institutional framework favorable to mercantile interests.

3.1. Between specialization and diversification: products and geographical area

At the time of developing a company's strategy, the Castilian companies stood out for the ability of their partners and managers when deciding between specialization and diversification. Although specialization was a common strategy, as we have learned more about these companies, we have noticed how diversification became one of the keys to Castilian entrepreneurial development. Many merchants, conscious of the new opportunities offered by such businesses as the tax and financial, expanded their traditional diversification (product and markets) to enter into such areas as tax, where specialization was well known (Carretero 1999; Ortega 2012). The Castilian commercial companies also diversified towards the tax business. We know that the companies dedicated to supply could take control of the taxes levied in their activity, which allowed them to improve their potential profits. Nevertheless, on a higher level, we know that the company headed by Gonzalo de Segovia, dedicated to breeding livestock, the trading of wool and other products, also got into the tax business, securing the management of rents in several bishoprics of the north and south of the Iberian Peninsula, as well as that of the *almojarifazgo mayor* of Seville, a custom tax which was possibly one of the most succulent rents in the whole of Castile.

Between specialization and diversification in products and services

As for specialization, one of the commercial areas where this strategy can best be appreciated was in the marketing of basic products: food stuffs and raw materials. The demographic growth that took place in the cities and towns of Castile during this period and the dietary changes, more diversified and with an increase in the consumption of animal proteins, boosted the business of supplying meat and fish around which new companies arose. These companies became the hub of supply for the large cities and towns such as Madrid, Cordoba or Valladolid, as well as in medium sized towns such as Toro and small towns such as San Martín de Valdeiglesias (Bonachía 1992; Hernández 2006; Puñal 2014; Carvajal 2020). The company in San Martín in particular, founded with only 130,000 maravedís, is an example of specialization in the purchase of livestock (acquired in a fair 130 kilometers away), and in the sale of meat and other secondary products in the town. In spite of being small companies made up of butchers, merchants and other capitalists, their activity demanded great organizational capacities, since the purchase of

animals was usually done in different places, sometimes far from the market to be supplied, and the procedure of transporting and processing the animals was long. These capacities were also necessary in the case of companies dedicated to supplying fish from the northern ports to such cities as Madrid, situated in the center of the peninsula (Puñal 2014), or the company Medina-Calatayud, founded in 1524, dedicated to supplying Medina del Campo and the surrounding area with fish (conger eel, sardine, etc.) acquired in Galicia².

The participation of the companies was also important in the commerce of raw materials. The boom in construction in the urban and rural world meant an increased necessity for such materials as timber. The demand generated a new business opportunity for small companies specialized in transport over forty or fifty kilometers, as well as the commercialization of important quantities of timber to such centers as Madrid or Toledo (Carvajal 2015a). Nevertheless, when we speak of raw materials, it is necessary to cite two products that stood out due to their exportation to European markets: iron and wool. Of the former, we know of the importance it had for the Basque companies, which specialized in its exportation in spite of such controversial measures as the prohibition to trade abroad at the end of the 15th century (Irijoa et al. 2018, p. 26).

The star product of the Castilian commercial companies was wool. Once more, an increase in the demand for textiles, as well as the rise of large productive centers such as Segovia, Toledo, Cuenca or Palencia, boosted the production and sales of wool throughout the Iberian Peninsula. Companies such as that formed by Gonzalo de Segovia, Pedro del Campo, Álvaro de Soria and Pedro Gómez Tapia, active between 1492 and 1519, possessed their own flocks and commercialized the production of other farmers, in their heyday possessing 2,589 sheep and commercializing 1,534 arrobas of wool (Casado 2000, pp. 141-145). However, if the companies dedicated to the commercialization of wool stood out for any reason, it was for exportation to the great European textile centers, which continued to grow throughout the 15th and the first half of the 16th centuries. A good measure of the size of the business are such figures as the price of 40,760 *ducats* paid for 537,989 pounds of wool sold by the company Pesquera-Silos in Tuscany between 1516-1519 (Casado 2015a, p. 88). The merchants from Burgos had a special protagonism

² Archivo Municipal de Valladolid (=AMVa), Fondo H. de Esgueva, c. 404-78. Reg. 97, 1524, julio 23, Medina del Campo.

in its exportation and they used the company as a vehicle for their trading, as we shall see later.

The companies that were dedicated to mobilizing important quantities of goods and money understood the benefits they could obtain by diversifying their business, in both products and services: reducing the risk derived from investing in a single product and the potential benefits from complementary business activities to the principal one, such as the commercialization of other goods, the transfer of money, or the control of taxes. Diversification in product within Castile could be more limited than that carried out by the large companies dedicated to exportation, yet the size and capacity of demand in the Castilian economy soon favored the diversification of the local companies. For instance, the company Daza-Calatayud traded between 1490-94 with different types of fabric, jewellery and other products (Carvajal, 2015b); while the company of Gonzalo de Segovia, cited above, besides wool, traded in cloth, canvas, silk and dyes³. Meanwhile, companies oriented towards the international markets, such as the Pesquera-Silos, traded with wax, leather, anchovies, sardines, almonds, madder or dried fruit sent from the Iberian Peninsula to Florence; while they imported high quality cloths (velluto, bordetes, etc.) or pottery. Textiles was one of the products with the greatest international projection and this company from Burgos, as did others, managed to obtain huge profits on trading them with Florencia, Lyon or Naples, exchanging silks, Damask textiles, brocades, as well as spices such as cumin and other luxury products such as oil (Casado 2015a, pp. 83-84). In the 1530s, such companies as those of Castro-Mújica or Daza-Aranda continued on the same lines of exporting wool and trading cloth between the principal Castilian fairs and Lisbon, Flanders and Lyon, or the Italian cities (Casado 2018; Carvajal & de la Torre 2019). In their balance sheets for 1535-36 we find Dutch linen, linen from Brabant, tablecloths, serge, linens, fustian, etc. The Castilian companies quickly understood the potential profit margin they could obtain by importing luxury goods (ivory, exotic animals, tapestries, books, miniatures, artistic objects, alabasters, weapons...) from such centers as Flanders, whose fashions were in vogue in Castile. The companies also understood that they could obtain more profit by offering their services as commercial intermediaries between the European merchants who were demanding products with a high added value, especially in Italy and Flanders. Being a commercial intermediary for foreign markets offered large returns, although it was necessary to

³Archivo de la Real Chancillería de Valladolid (=ARChV), Pleitos Civiles, Pérez Alonso (F), 103-1 and 104-1.

assume many risks, as the Genoese companies had been doing for a long time, using their ships, shipowners and foreign sailors (including Castilians) to take such luxury products as cotton, spices or perfumes from the Aegean to Flanders⁴.

If diversification in products increased in line with the greater size of the company, the same happened with the other forms of business developed by these institutions, i.e., the financial business. From the end of the 15th century onwards, we can find several companies in Castile dedicated to offering commercial and financial services. The partners of these companies were usually moneychangers and other businessmen with sufficient capital to be able to take the risk and offer services in exchange for currency, deposits, loans, drafts and bills of exchange, etc. Starting up a business that had not yet flourished in Castile meant taking an important risk; however, we know of such cases as the company Verdesoto-Salinas which, during the 1490s, offered its services in important financial centers of the period, such as the trade fairs of Medina del Campo and Valladolid, or even in the Royal Court⁵. These primitive mercantile-banking companies continued to grow amidst the boom in the Castilian fairs and their integration into the European financial system (Casado 2015b). The commercial companies played a key role as financial agents, since they possessed the right organizational structures to foster the transfer of capital between mercantile centers, especially between the great financial markets of Europe and the Iberian Peninsula.

From local to international commerce

As we have seen, the Castilian companies swung between specialization, in particular the smaller companies, and diversification in the type of business and in the products. As the companies grew and the relations between the partners became more solid, many widened their radius of activity towards new territories, encouraging geographical diversification as a new strategy to deal with growth in a highly competitive environment. The merchants of Burgos, probably one of the most active and innovative groups in the kingdom, understood quite soon the necessity to extend the location of their

⁴ For example, companies like the one founded by the Genoese merchant Giorgio de Cazana and the shipowner Martín de Uriste in 1492 (ARChV, RE, c. 141-6) or the company established by Francisco de Riberol and the shipowner Juan Martínez de Amezqueta in 1505, trading with goods valued at 10,000 ducats (ARChV, Registro de Ejecutoria, c. 197-41).

⁵ ARChV, PC, Masas (F), c. 3174-3; Archivo General de Simancas, Registro General del Sello, leg. 1499-10, 96.

activities and, consequently, there then appeared an important group of merchants and companies in what possibly was then the greatest economic and financial hub of Castile: the city of Seville (Palenzuela 2003). However, geographical diversification was not only limited to establishing the company in another city of the kingdom, it went beyond the borders. It involved finding partners and representatives of the established companies and negotiating in various geographical points of the Peninsula. For instance, in the 15th century, companies from Toledo, such as the Cota, soon appeared at great fairs and markets like that of Madrid, a place in full commercial development from where many merchants aimed to widen their links with the south (Toledo, Seville, Cordoba), the east (Cuenca) and the north (Segovia, Medina del Campo and Burgos) (Puñal 2014, pp. 127-128). If we speak of geographical diversification as a strategy, we ought to mention the companies of Gonzalo de Segovia or Daza-Calatayud, whose partners and managers settled in various different places around the entire Iberian Peninsula. Meanwhile, the companies established in the south were not unaware of this process, although their capacity as entrepreneurs soon focused on the opportunities offered by the Atlantic Ocean, that is to say, the Canary Islands and the New World (Aznar 1983; Bello 1994). The north-south integration of the Castilian economy, by sea and by land, opened up a new opportunity for the Castilian entrepreneurs.

In a wider geographical context, during the 15th and 16th centuries, the presence of Castilian companies in the principal Peninsular and European territories continued to grow. The Castilian merchants increased their commercial interests in such Peninsular kingdoms as Portugal, where companies such as that of Ruy González de Portillo and the Italians Gabriel and Mateo Pinelo traded cloth and silk (Medrano 2007, p. 346). The Crown of Aragon, as well as such centers as Valencia, became a destination for merchants from Burgos (Casado 2003, p. 59). Nevertheless, the great process of international expansion by the Castilian companies came about through the normalization of commercial routes and the establishment of Castilian merchants in Flanders, France, England or the Italian cities, among other places. This phenomenon has been studied and defined by H. Casado (2003) for the case of the merchants of Burgos, although we know that other communities, such as the Basques from Vizcaya, also followed the same route. The community of Burgos was represented in the principal European cities through the members of the main mercantile families of the city who exercised the role of commercial representatives and commission merchants, responsible for negotiating the sale of Castilian products and acquiring new products for sale in other Castilian or European

ports. The presence of Castilian companies in these places mirrored what we can see of the Italian companies. Thus, a Castilian company such as the Pesquera-Silos, essentially a company of Burgos, was able to connect Castilian production, especially the Andalusian production in the south of the Peninsula with such European centers as Florence, Naples, Rome, Pisa, Lyon or Flanders; developing up to eight routes between different points, each one specialized in demanded goods and taking the the Florentine capital as its center of operations (Casado 2015a, pp. 83-84). Besides the companies of Burgos, other companies, such as Daza-Aranda from Valladolid, were capable of diversifying their business to include operations at all market levels: local, regional, peninsular and European, through commerce between Flanders, Lisbon, Burgos, Valladolid, Toledo, Bilbao, Seville, Madrid, Granada and many other places around the Iberian Peninsula⁶.

In short, the Castilian companies were capable of adapting their strategy to the market conditions. The smallest companies tended towards specialization, but when they had the opportunity, they also went for controlled diversification. As a company got larger as a result of its search for new business opportunities and higher profits, diversification became a common strategy. However, they were not blind to the increased risk that diversification in products or the geographical orientation of their business supposed.

3.2. Human capital and changes in management

Entrepreneurship and the founding of companies was closely linked to the existence of an important element: the human capital developed around the Castilian mercantile groups. The generation and improvement of the human capital within the mercantile world was closely linked to the formation of Castilian businessmen. At the end of the 15th century, the merchants were educated throughout their childhood and youth, a process that usually began with the learning of the more theoretical subjects: reading, writing and maths were the fundamental disciplines that allowed future merchants to manage their businesses, keep their accounts books and other registers, control the companies' finances, etc. (Caunedo 2006). The second stage of learning was based on the more practical formation that the young aspirants received. In general, such formation was done within the family group or in other companies of the same city. The youths would normally undertake different roles until they became, in the best of cases,

⁶AMVa, Fondo H. de Esgueva, c. 404-97. Reg. 182

a company's agent or representative. Learning such skills as negotiation, the control of both the quality and quantity of goods, paying taxes, managing basic operations of information, allowed them to acquire, in the eyes of their peers, the condition of fully-fledged merchants. Nevertheless, it is important to state that this process of forming the human capital was followed by another of improvement through continuous learning. Those merchants who innovated and created large companies did not cease to improve their knowledge throughout their lifetimes, complementing their formation through practice or Merchant Handbooks (Caunedo 2006, p. 449)

Such changes in the generation and improvement of the human capital had a direct impact on what H. Casado called "management innovations" (Casado 2003, p. 45). The long learning process that a partner or manager of a commercial company went through resulted in them introducing important innovations in at least three aspects: information management, risk management and reduction, and improving the financial capacity through knowledge and the use of double-entry bookkeeping, used from the mid 15th century by Castilians, even before such European regions as England or France, or other financial knowledge linked to operational credit, insurance contracts or such procedures as bills of exchange. We could add a fourth innovation linked to an excellent human capital that we have just examined: the capacity to manage entrepreneurial strategies concerning the specialization or diversification of products, services and markets, both interior and exterior.

If the development of the human capital and the learning process had a notable impact on the management capacity of the partners and managers, it also had a lot to do with the skills of the companies' agents and representatives, especially if they were abroad. Although such posts were related to the merchant's learning phase, it is possible to find many merchants who, while not participating in a company as a partner, did so as contracted staff, with the possibility of entering to form part of the company. These agents, who could, at the end of the 15th century earn between 12 and 50 thousand *maravedís*, were essential to the expansion of the Castilian international trade, given their exceptional mercantile and representation skills, being able to act as representatives of several companies if their contracts so permitted (Caunedo 1998, p. 105).

On a lower level, as far as human resources are concerned, we find the servants and temporal workers. Once more, the human capital was an essential factor, since it was essential for the companies to have efficient servants, who were normally able to read and know arithmetic, as well as workers with their own skills in the business in which

they were to work. For instance, the workers of the company that transported timber along the river Tagus had to have sufficient skills to move hundreds of floating timber logs, while also being able to set up and take down the mills, the dams and other hydrological infrastructures en route (Carvajal 2015a).

Finally, around the companies, there also existed many other people responsible for facilitating the mercantile and financial activity. These people were especially valued in foreign centers where contact was occasional, and they usually acted as commission merchants for several firms at the same time. We are talking here about such characters as Pedro de Arnedo (Goicolea 2018) or Arnao del Plano in Antwerp, professionals with great knowledge in mercantile and financial matters and who, thanks to their dynamism and flexibility, were of great help to the Castilian companies in their foreign trade.

3.3. The creation of networks

One of the most characteristic aspects of the commercial success of the Italian merchants and companies was their capacity to generate all kinds of networks that surpassed regional geography and provided them with a powerful infrastructure through which they could continue to trade and expand their interests throughout Europe. In this sense, during the 15th and 16th centuries, the Castilian merchants made great efforts to emulate this model and to generate various types of network covering both the Peninsula and Europe, so as to be able to enjoy the very same benefits as they observed among the merchants from Genoa, Milan or Florence.

Before going any further, it is necessary to consider that the fundamental unit within the mercantile networks was the family. This was true in Italy (Goldthwaite 2009, pp. 105-108), but also in Castile, although the concept of family was different in the Iberian Peninsula. In any case, at the time of creating mercantile networks, the companies played an essential role as the creation of societies was one of the commonest and most solid connections between families of merchants who, during that period, were interested in creating networks upon which they could then consolidate their enterprises and their strategy for climbing the social ladder. Thus, it is not surprising to observe how their business connections became superimposed upon those of their neighborhood already in existence; marriages between members of the families or the joint participation in organs of urban government (Carvajal 2014). The model for these relationships in Castile can be found in Burgos (Basas 1954).

Although we know about the personal nature of many companies, such as that of Diego de Soria (Caunedo1985), it suffices to cite some of the companies already mentioned (Daza-López de Calatayud, Daza-Aranda, Verdesoto-Salinas, Castro-Mújica, Pesquera-Silos, etc.) to understand that the company acts as a catalyzer for the mercantile networks that, with the support of the agents from other merchant families, wove a dense network on both the Castilian and European levels. This support network based on the family, the neighborhood and the company, was one of the elements that favored international expansion during the first half of the 15th century.

The potential of these mercantile networks woven through company links was reinforced by other networks that arose in a juxtaposed or parallel way. We are referring here to the financial networks and to the information networks. Concerning the former, we have already mentioned such cases as the company of Gonzalo de Segovia, capable of moving, between 1495-98 from the fairs of Medina del Campo and Villalón, Burgos and Segovia, almost 3 million *maravedís* in bills of exchange sent by Álvaro de Soria to Seville in order to pay his creditors, who were mainly Italian (Carvajal 2015, p. 95). In the 1520s, such companies as the Medina-Ram transferred capital through exchange operations between the crowns of Castile and Aragon, moving up to 617,500 *maravedís* between Medina del Campo, Zaragoza and Valencia⁷. These networks were the basis of a structure that soon became consolidated on a European level, thus allowing such companies as the Daza-Aranda to send money to Antwerp, in particular to the abovementioned Arnao del Plano, who offered his financial services to manage the payments and the purchase of clothing and other products for a value of 4,000 *ducats* (Carvajal y de la Torre 2019). The same happened with the Castro-Mújica company, although on a larger scale. This company developed an important financial business through the transfer of money, from their own business as well as that of other companies, between the Castilian fairs and the principal fairs of Europe: Antwerp, Bergen op Zoom or Lyon. They also developed a thriving business in maritime insurance, able to divert 55,505.41 ducats from Flanders to the Castilian fairs between 1535-1538 (Casado 2018, pp. 183-187). These financial networks formed by partners, bankers and moneychangers, provided the necessary liquidity for the business activities in the Peninsula and, what is perhaps more important, abroad, facilitating the flow of finance to the European sites and the return journey of the profits to Castile.

⁷ AMVa, Fondo H. de Esgueva, c. 404-45. Reg. 98

The second type of network was that based on the flow of information that existed between the members of a company, whatever its size: from the small company transporting timber down the Tagus river whose servants acted as messengers, carrying letters and transmitting information between partners concerning the conditions on the river and other management problems; to the flow of international information, which we know was vital to the large Italian companies (Infelise 2007). The importance of information management, particularly in such a competitive context as the international one, was such that important institutions, such as the University of Merchants, or Consulate of Burgos, developed their own postal system, which consumed around 5% of the institution's expenditure (Casado 2008, p. 47). Without a doubt, the benefits of having up to date information concerning such market conditions as prices, goods, dangers, etc., were helpful to the members of the said institution. The commercial, financial and information networks were protected by the institutions themselves which, in turn, were fundamental for developing other tools necessary for risk management.

3.4. Risk management: institutions, insurance and justice

One last aspect that we should deal with as concerns the causes of the Castilian entrepreneurial success is risk management and the role played by the mercantile and civil institutions. In recent years, historiography has been widely debating the role played by institutions to encourage mercantile activity or, on the contrary, to defend privileges that impeded improvements in market conditions (Ogilvie 2011). In this sense, the Castilian merchants had the support of two great consulates, that of Burgos (1494), that of Bilbao (1511) or that of Seville (1543), which helped to consolidate the process of the creation of mercantile consulates during the 15th century in the main European markets. Having the consulates was a well known competitive advantage that had been developed by the Italians, conscious of the reduced risk they brought to their international enterprises. Following a similar model, the network of Castilian colonies and consulates provided a certain security and support to the merchants in foreign parts, but also to those within Castile. They also reduced the high costs of transactions that small companies faced when acting individually (Casado 2003).

The consulates supported the mercantile activity and facilitated risk management through two further aspects. The first of these was the development of the insurance market. Since its creation in 1494, the Consulate of Burgos promoted legal regulations

and the contracting of insurance, converting the city into one of the principal markets for contracting during the 16th century, promoting the development of insurance techniques, both maritime and life insurance. Thus, the merchants of Burgos in particular and the Castilian merchants in general, could take advantage of the institutional infrastructure and the flow of information through the consulate to negotiate and manage the risks to their commercial expeditions through the Mediterranean, the Straits of Gibraltar or the English Channel and, for that matter, their companies (Casado 2003). In addition, the consulates offered the merchants legal protection, since most enjoyed privileges granted by the kings of Castile or by the governors of the places where the companies were situated to judge certain conflicts in which they may be immersed due to commercial and financial disputes.

Another element that helped the Castilian companies in risk management was the institutional environment. At the end of the 15th and start of the 16th centuries, the development and organization of such institutions as the civil courts or the notary's office meant that the merchants could make use of a series of institutions in case of need and lay claim to their rights. In this sense, the importance of these institutions in defending property rights should be remembered. Royal justice and the legitimacy provided by notarial documentation were beginning to be key elements in business for the Castilian companies during the 16th century (Carvajal 2018).

Finally, although it may seem fairly evident, we cannot avoid mentioning the development of modern methods of entrepreneurial management within the Castilian companies as a tool capable of improving risk management. The development of double-entry bookkeeping and registration through the preparation of diverse books, from the general ledger to the day book, and other auxiliary books, and other documents such as the inventories and balance sheets, allowed the partners to maintain an almost immediate control of the company's economic situation, facilitating the decisions that needed to be taken when assuming new risks or maintaining less reckless strategies.

Nevertheless, in spite of the importance of the institutions and the management tools in risk management, it was impossible to eliminate this component completely from mercantile negotiations. At this point, one last aspect came into play: the need to establish a relationship based on trust. This concept only reflects how the good name, fame and honor of a merchant and his company could be key elements for improving their negotiating capacity, increasing the possibility of obtaining greater profits and reducing the risks to their operations. Although never a certainty, negotiating with

other merchants with whom one maintained a relationship built on trust was always a good resource for reducing risks and assuring success in business.

4. Conclusions

Starting up a business has never been and is not an easy task, it requires many different ingredients. The castilian merchant has traditionally been characterized as a conservative individual averse to risk. Nevertheless, the example of the Castilian merchants and companies in the 15th and 16th centuries demonstrates that there was a time in which launching a business and participating in the great international markets was relatively frequent in Castile. In fact, it was done with quite a lot of success. Besides the Castilian merchants who acted individually, we have also focused on those who took the trouble to found companies with the purpose of increasing profits by gaining access to regional, peninsular and international markets.

It was a complex process. A merchant did not take risks just for the adrenaline rush, nor could he create a company out of nothing. As has been pointed out over recent years, there are diverse factors acting in favor of entrepreneurship in Castile. Without a doubt, the expansive dynamic of the Castilian economy (demography, production, exchanges, etc.) made for a fertile breeding ground that was ideal to foster entrepreneurship. However, other factors intrinsic to the Castilian mercantile world, such as the facility to create companies or the attempts to emulate the corporate model of the Italian cities, which had proven to be the most modern by leaving behind the medieval company. The Castilian companies knew how to adapt and generate an adequate organizational model for the time and for their expectations. The success of this model was based: on the capacity to develop different specialization and diversification strategies; on the generation and improvement of the human capital which, in turn, imposed changes and innovations in management; on the creation of mercantile, financial and information networks to act as safer foundations for the activity; and finally, on an institutional environment capable of improving risk management, reducing it through support among merchants or the signing of insurance contracts, in addition to promoting trust between merchants and their companies.

In short, Castile lived an unparalleled moment as far as innovation and successful entrepreneurship is concerned, both within Castile's frontiers and in the wide world beyond, where competitiveness continued to grow. During the second half of the 16th

century, the situation began to change, Castile's economic boom began to lose pace and the bankruptcies among Castilian merchants and their companies began; merchants and companies who, until that moment, had enjoyed entrepreneurial success (Al-Hussein 1986, 260). In any case, the Castilian merchants and companies gave a boost to the first globalization from its initial moments and the geographical discoveries that came with it (Lapeyre 1955).

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