

Miguel de Cervantes and Juan de Mariana in the Economic Crisis of Spain at the Beginning of the Seventeenth Century

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The economic ideas of Miguel de Cervantes and his comments on the economic life of the Spanish people that the modern reader finds in his great novel *Don Quijote de la Mancha* have been the subject of many studies in recent years (Pérez et al. 2004; Galindo Martín et al. 2007). In his very interesting book *Anatomy of Liberty in Don Quijote de la Mancha*, Eric Clifford Graf dedicates an extensive chapter to analyzing many of the references to economic topics that Cervantes makes. For anyone familiar with the economic history of Spain, it is not surprising to find in this chapter references to the inflation of the early seventeenth century and to the work of one of the most important figures in Spanish late Scholastic thought, Juan de Mariana.

Cervantes and Mariana were contemporaries. The great writer was born in 1547 and died in 1616, while Father Mariana lived between 1536 and 1624. Their lives were very different, however. Cervantes's was adventurous and restless, while Mariana's was much calmer. Cervantes, as is well known, was a soldier who fought in the battle of Lepanto (1571), in which he was left one-armed. He was held captive in Algiers for several years (1575-1580). Later, he became a tax collector and was imprisoned in Seville for several months due to the bankruptcy of a trading house related to the funds he managed. Finally, he dedicated the last years of his life to literature and became one of the most brilliant writers of all time. Juan de Mariana was a very different man, a serious scholar and thinker. After joining the Jesuit order, he studied in Alcalá de Henares and in Rome. He soon acquired a great reputation as a theologian and in 1569 was appointed professor at the Sorbonne, the most prestigious university in the world at that time. For health reasons, he had to return to Spain four years later and settled in Toledo, where he would spend the rest of his long life. A penetrating intellectual, he left behind a wide body of work covering very diverse topics, ranging from history - his *Historia General de España (General History of Spain)*, his most famous book, which was first published in 1592, was reprinted many times in the seventeenth and eighteenth centuries - to a treatise on weights and measures (*De Ponderibus et Mensuris*), along with several theological essays. But his most controversial books were undoubtedly his study on the monarchy, *De Rege et Regis Institutione*, (translated into Spanish as *Del Rey y la dignidad de la institución Real [On the King and the Dignity of the Royal Institution]*), and a brief treatise on money, *De Mutatione Monetæ* (which would later be translated into Spanish as *Tratado y discurso de la moneda de vellón [Treatise and Discourse on Billon Coinage]*), published in Cologne in 1609.

It is nevertheless possible to find some common points in the two men's biographies, since Mariana was also arrested and imprisoned for some time and his books were censored for defending liberal principles and, especially, for their courageous and uncompromising criticisms of the powerful men who abused their positions and privileges. A well-known fact is that in 1610 the executioner of Paris publicly burned Mariana's book on royal institutions at the stake for its defense of the legality of tyrannicide. The book had first been published in Spain in 1599, and it is notable that it did not cause a scandal there. But in 1610 Henry IV of France was murdered and the authorities tried to get the assassin, named Ravaignac, to confess that he had been induced to action by reading Mariana's book. Despite the well-known harshness of interrogation techniques at the time, Ravaignac denied this accusation and insisted that he had never read the work. But since the book's ideas were considered dangerous, it was thought that a good public bonfire was the most suitable destination for a treatise so critical of the king's privileges.

Cervantes and Mariana lived through the first years of the profound economic decline that the Hispanic Monarchy would experience in the seventeenth century. And the concern for it is present both in the literary work of the former and in the essays of the latter. Graf includes in his book numerous quotes that show how economic problems are present in the work of Cervantes, so I will not insist on this issue and will focus instead on one of these problems, the monetary crisis and the inflation that Spain suffered in the first decades of the seventeenth century. Economic historians have widely discussed the role of monetary policy in the country's economic decline. While some consider that it was one of the determining factors of the problem, for others it was just one more manifestation of a deeper cause: the insufficient resources of the monarchy to maintain a great empire with continuous wars in Europe. But, even accepting this interpretation, there is no doubt that the depreciation of the currency was an important factor in the multiple economic crises that the country suffered in that century.

Inflation had already been a problem in Spain in the sixteenth century. But it is important to distinguish between the inflation of silver and the inflation of *vellón* (billon or copper petty money). When Martín de Azpilcueta published his famous *Comentario resolutorio de cambios* (*On Exchange*) in 1556, he included in it a brilliant and original analysis of inflation, a problem to which scholars and merchants of the time could not find a sound explanation. It can be said that inflation is almost as old as the issuance of money by political powers, since kings, princes or rulers of any kind were soon aware that they could obtain substantial revenues by reducing the metal content of their coins without modifying their nominal value. By the sixteenth century, it was well known that this had already happened in ancient Rome and had been repeated on many occasions throughout the Middle Ages. The result of such policies was not difficult to foresee. If in a coin with a nominal value of X, the amount of silver used in its minting were reduced by, say, 25%, the purchasing power of that coin would necessarily decrease; or, what is almost the same thing, prices would rise.

But what the scholastics of the School of Salamanca observed was that prices were rising with a good quality currency, so that the traditional theories of inflation did not adequately explain what was happening. Azpilcueta's great contribution to economic analysis was to relate the rise in prices not to the debasement of the currency, but to the quantity of money in circulation. And, in this way, he presented the first version of the quantity theory of money, which for more than five centuries has been, and remains, the most solid model to explain inflation.

When the first edition of the first part of *Don Quijote* was published (1605) and the first edition of Mariana's book on money appeared (1609) things were, however, very different. The year 1599 is usually considered as the starting date of the new inflation—the so-called *vellón* inflation—when Philip III, not having enough silver, began to mint copper coins in large quantities. And his financial needs led him to issue 22 million ducats worth between 1599 and 1606. At the same time, the intrinsic value of the currency was substantially reduced. The small amount of silver previously contained in *vellón* was removed and the new petty coinage was minted with only copper. And the amount of copper in each coin was later reduced by fifty percent. This produced a strongly negative reaction by the people, which was echoed by the Cortes—the Castilian parliament—on several occasions, and tensions arose between the king and the deputies. And

this was only the beginning of a monetary policy that would create all kinds of problems and would reach its worst moments some decades later, in the reign of Charles II. This distinction between the two types of inflation is very important because, while the first was not due to unacceptable behavior by the king and his ministers and was not an attack on the rights of the king's subjects, the second type of inflation implied both. And Mariana's criticisms were clearly targeted, which would eventually lead to a criminal prosecution.

In his essay on the monarchy, Mariana analyzed the main characteristics of the royal institution and the rights and duties of princes towards their subjects. The chapter that made its author famous throughout Europe is the one entitled "If it Is Lawful to Kill the Tyrant," in which he answered this question in the affirmative. Mariana thought that tyranny is the worst form of government, since it degenerates into all kinds of vices, mainly cruelty and greed. For this reason, the tyrant is "hated by God and by men." He rejected the argument that the monarchy demanded that the reigning prince be accepted by his people regardless of his behavior. If he were unjust, an attempt should be made to correct his faults and the people would have the right to demand it, since royal authority originates from them. And if the prince rejected such observations and demands and left no room for hope, it would be lawful to kill him as a public enemy, exercising the legitimate authority granted by the right of defense.

Although this is the best-known idea in the book, it is certainly not the only relevant one. In it there are many other interesting reflections on political, religious, and economic issues. Some respond to a traditional vision of the monarchy, such as the defense of hereditary succession, considering that it is the most convenient and the one that poses the fewest problems for the people, by avoiding the "serious alterations and turbulent storms" that other systems would generate, such as that of elected monarchs. Regarding the practice of religion, Mariana defended the idea that it makes no sense to tolerate many religions in the same kingdom. The argument is interesting. He did not say that the Catholic religion should be established because it is the only true one; rather, he used a utilitarian argument to justify religious unity within a country. He thought that "nothing is so opposed to peace as that in the same state, city or region there are several religions." What would the prince have to do if disputes arose among his subjects over this? Mariana considered religion to play a relevant institutional role, since it was a link that sanctified and sanctioned pacts and contracts between men, and these would be greatly damaged if those who did not follow the same faith hated each other.

The book also includes numerous reflections on economic issues, and in the second edition, published in 1605, Mariana included a chapter on currency that contained the basic ideas of what a few years later would be his aforementioned *Tratado y discurso sobre la moneda de vellón*. He was clearly in favour of a policy of low public spending and low taxes. The king should prevent idle men with imaginary jobs from taking the public treasury as loot without rendering any services to the people. And, once superfluous expenses were eliminated, taxes should be moderated. He clearly stated that "the prince has no right over the property and goods of any kind of his subjects," and extended his criticisms to all levels of the political world. For example, it remains impactful to read his comment on the king's ministers: "We see the ministers, come out of the dust of the earth, in an instant loaded with thousands of ducats of income." And his opinion on the representatives of the people in the Cortes, of whom he says: "Most of them are unfit, as if drawn by lots, people of little concern in everything and who are determined to fill their pockets at the expense of the miserable people."

He also attacked the idea—defended by some people at the time and today—that in Spain taxes should be higher because in other countries they were. And he pointed out that such an idea, certainly, would please the rulers, since it opened new avenues for them to raise funds. But he concluded that nothing is more burdensome for the kingdom than to invent new means every day to deprive the subjects of their property.

Mariana's criticisms of the king's policy regarding the issue of currency were also very relevant. He was strongly opposed to the debasement of the currency, pointing out that what might seem a useful means to overcome financial difficulties at a specific moment generated great problems for the kingdom in the long

run, such as high prices—that is, inflation—and seriously damaged trade, which he considered the source of public and private wealth. And he did not hesitate to affirm that, in this area, “not everything our ancestors did was faultless.” He held that the legal value of currency should not be separated from its intrinsic value, and that the control of prices to avoid inflation only increased the evil and prolonged famine indefinitely.

The publication of the *Tratado y discurso de la moneda de vellón* created more problems for Mariana than that of his work on the monarchy. The book is, above all, a plea against the collective greed of kings and especially against the policy of obtaining resources by lowering the value of the currency. One of its main topics is certainly inflation. But, as we have seen, Mariana was dealing with the “old” and already known inflation based on the debasement of the metallic currency. Unlike Azpilcueta’s *Comentario*, there are no relevant contributions to economic analysis in Mariana’s book. Its message is clear: kings must govern for their subjects and respect their rights. And, rightly, he thought that the inflation of *vellón* to finance the monarchy’s expenses was not only a mistake from the point of view of the management of the economy, but also morally reprehensible.

His views on the conduct of the Spanish monarchs in the management of the currency and some indirect references to the Duke of Lerma, the powerful minister of Philip III, would cause this brief treatise to be censored as soon as its publication became known in Spain. Mariana was accused of the crime of lese-majesty, and the Pope was asked for permission to prosecute him. The elderly Jesuit was arrested and imprisoned in a Franciscan convent in Madrid. Fortunately, the situation was resolved with common sense. The theologians found no errors in the book, and the Pope did not seem very willing to accept a conviction for the crime of lese-majesty of a prestigious Jesuit, who was by then seventy-three years old. We do not know if a sentence was ever handed down. What is certain is that, after a few months of detention, Mariana was able to return to Toledo on the condition that he would modify certain pages considered offensive and be more careful in the future with his observations on the politics of the monarchy. It seems that, in order to prevent his ideas from spreading, Philip III ordered the purchase and destruction of all copies of the book found in Europe. And the essay was included in the Inquisition’s Index of Forbidden Books, where it would remain until the nineteenth century.

Can the works of Cervantes and Mariana be classified as a defense of the principles that only much later would be called “liberal?” The answer to this question is not easy. Graf (2021, p. 189) is clearly in favor of a positive answer, as far as Cervantes is concerned: “So am I saying Cervantes was a capitalist? An Austrian? A free market Randian? A libertarian? An English classical liberal? In a general sense, yes, and probably to a greater degree that most readers recognize.”

Mariana’s work has also been seen as a clear representation of a classical liberal vision in economics. But a close reading of his works shows the complexity of his ideas. Was he really a liberal thinker in the modern sense of the term? I think the answer to this question would have to be nuanced. There is no doubt that he was a harsh critic of absolutism and a defender of the rights of the common people against their rulers; that he criticized the debasement of the currency; and that he said clearly that the origin of prosperity is in private activity and not in the spending of kings. But there is not a vision of a market economic system in his work. Some of his writings show that Mariana was in favor of state intervention in agriculture, which led Joaquín Costa to consider him a precursor of “agrarian collectivism” (quoted in Beltrán 1987, p. 14). And as far as foreign trade is concerned, his opinions were mercantilist. Mariana was concerned about the fact that the import of goods implied currency outflows from the kingdom, and he argued that imports of commodities from other countries should be subject to “very high taxes,” which would encourage those who manufacture them to come to Spain, thus increasing the population and the wealth of the country.

How should an economist in 2023 read the works of these two great authors who lived in an era as difficult as it was exciting and were perceptive witnesses of a very important moment in the history of Spain? Undoubtedly, as what they were: an extraordinary writer and a brilliant scholar, who always defended the rights of the people and who did not mind criticizing the most powerful men of their times. In their works, the modern reader can see that some of the problems that concern our society today regarding the govern-

ment and the management of the economy were already discussed four centuries ago. And the most worrying thing is that many of them have still not been solved.

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