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The English Crown's foreign debt, 1544-1557

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AN ABSTRACT OF THE THESIS OF Wayne M. Kline for the Masters of Arts in
History presented June 10, 1992.

Title: The English Crown's Foreign Debt, 1544-1557.

APPROVED BY THE MEMBERS OF THE THESIS COMMITTEE:

Ann Weikel, Chair

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Friedrich E. Schuler

Helen L. Youngelson-Neal

As background to an investigation of the crown's foreign borrowing
from 1544 though 1557, this thesis examines the general fiscal situation of
the mid-Tudor Commonwealth with special emphasis on the great inflation

of the 16th century, the role of Antwerp in European finance, and the relationship between war and English fiscal policy. It then examines in detail the creation of the debt under Henry VIII, its development into a standard feature of state finance under Edward VI, and its liquidation under Mary. Information on England and English crown finance was drawn principally from published primary sources while information on the Antwerp market and on continental affairs in general was derived mainly from secondary sources.

This thesis argues that the methods chosen to manage and retire the debt in the later part of the reign of Edward VI and in the reign of Queen Mary were important steps in tapping the increasing wealth of the City of London and the Merchant Adventurers for the support of the crown. These measures, together with the Marian reform of customs rates restored balance to the English fiscal system and allowed England to meet the crises of the last twenty years of the reign of Elizabeth I.

THE ENGLISH CROWN'S FOREIGN DEBT, 1544-1557

by

WAYNE M. KLINE

A thesis submitted in partial fulfillment of the
requirements for the degree of

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in
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PREFACE

This thesis is intended to be a portion of a larger investigation of the relationship among war, diplomacy, and English crown finances in the sixteenth century. That investigation will test the hypothesis that war was the central, defining activity of kingship and, as such, shaped diplomacy, administration and finance.

Under this hypothesis, the disastrous fiscal effects of Henry VIII's first two wars with France led to the disendowment of the Church. The conversion of Church resources to the use of the crown was less an attempt to create a situation in which the crown could live on its own resources than a short term policy to supply the means to renew the wars. This required either enormous revenues or enormous reserves. Under sixteenth century conditions enormous reserves were more practical. The new revenue courts of the 1530s were the means to create those reserves. They were kept separate from the Exchequer and the Duchy of Lancaster not because the existing revenue courts were inefficient but because the revenues which the new courts managed were seen as extraordinary and temporary.

The failure of English ambitions under Henry VIII and the Protector Somerset, acting for the child king Edward VI, left the crown impoverished. Retrenchment and revenue enhancement under

the Duke of Northumberland, acting for Edward VI, Queen Mary, and Queen Elizabeth restored stability to crown finances but left them essentially the same in revenue sources as they had been at the accession of Henry VIII. At least in this critical aspect there was no "revolution" in Tudor government.

The decision to concentrate on the foreign debt in the period 1544-1557 was taken because I was unable to discover any published discussion of the debt spanning the entire period and because the topic is sufficiently limited so that a basic study could be made without extensive use of sources available only in England.

I am grateful to Dr. Ann Weikel for making available to me her personal copies of those volumes of the Letters and Papers of Henry VIII not available at the Portland State Library, her copy of the Acts of the Privy Council, and her extensive and detailed notes on J. D. Alsop's thesis. It is unfortunate that many basic research materials are not available at the library.

TABLE OF CONTENTS

	PAGE
PREFACE	iii
LIST OF TABLES	vii
CHAPTER	
I INTRODUCTION	1
II HISTORIOGRAPHY OF THE MID-TUDOR FISCAL SYSTEM	5
Selected Historians.	6
III THE PRICE REVOLUTION.	16
Contemporary Theories.	18
Modern Theories.	26
IV THE ANTWERP MARKET.	39
Antwerp.	44
The English at Antwerp.	49
V THE TUDOR FISCAL SYSTEM.	53
The Wars of 1511-1514 and 1522-1528.	58
The Inter-War Period 1528-1542.	64
The Second War Period 1542-50.	73
Northumberland and Mary.	82

VI	THE FLANDERS DEBT, 1544-50.....	88
VII	THE FLANDERS DEBT, 1550-57.....	109
VIII	CONCLUSION.....	128
SELECTED BIBLIOGRAPHY.....		132
APPENDIX		138

LIST OF TABLES

TABLE	PAGE
I The Silver Coinage, 1528-1551	22
II The Silver Coinage, 1526-1551 (Fine Silver)	22
III The Gold Coinage, 1526-1551	23
IV The Supply of Coin, 1542-1551	24

CHAPTER I

INTRODUCTION

This is a study of a single aspect of English fiscal history between 1544 and 1557.¹ That aspect is the crown's foreign debt, essentially all of which was borrowed and repaid in Antwerp. This study examines the nature of the credit markets, the reasons for borrowing, the uses to which the proceeds were put, the mechanics of borrowing and repaying, and the role of foreign debt in the total scheme of mid-Tudor² fiscal history.

Fiscal history is the study of government finance. It is closely related to both administrative history and economic history but remains distinct. Administrative history focuses on the structural and organizational aspects of government as they change over time. That is, it focuses on what government was authorized to do; who was authorized to do it; how they were authorized to do it; and how they were organized to do it. Economic history focuses on the sources and uses of wealth in the society as they change over time.

¹Mary's borrowings of 1558-1559 for her war with France belong analytically to the final phase of the debt ending in its liquidation in 1570.

²Mid-Tudor is by its nature an imprecise term. R. Tittler and J. Loach, eds., The Mid-Tudor Polity c. 1540-1560, (Totowa N.J.: Rowman and Littlefield, 1980), chose a period whose beginning is symbolized by the fall of Thomas Cromwell and whose end is marked by the the accession of Elizabeth. I have chosen to examine a slightly shorter time span, 1542-1557.

Fiscal history provides the link between administrative history and economic history. It is the study of how the wealth of society is tapped by government to serve its organizational needs.

Fiscal history is of critical importance in understanding and evaluating the options actually available to governments. A government's ability to act administratively, diplomatically, and militarily is intimately related to its ability to raise money. The means by which funds are raised tells the observer a great deal about the relationship between the government and the governed. This is because the raising of funds is the area of administration in which the interests of the governed and of the government are most diametrically opposed.

Mid-Tudor fiscal history is especially interesting because of the stresses imposed by the great inflation, commonly known as the "price revolution" of the sixteenth century, because of the stresses imposed by England's attempt to play the role of a great power between 1544 and 1553, and because of the determined efforts at fiscal reform made by English governments beginning in 1551 to meet the consequences of these stresses.

Between 1544 and 1553, the government of England attempted to play the role of a great power. The ruinous policy of war with Scotland and France pursued by Henry VIII in his last years and continued by the Protector Somerset exhausted the reserves of coin, plate, and land created by Henry VIII and his chief minister Thomas Cromwell. The sustained efforts to raise money for these wars, and to service the debt they created, allows one to examine the full array of revenue devices available to the mid-Tudor administration.

The mid-Tudor government, despite protracted efforts to reform crown finances, did not establish a tax-based revenue system. The fact that the government did not establish a new theory of revenue which would have permitted taxation to meet ordinary expenditures left Elizabeth's government dependent upon the same dues, rents, customs and extraordinary parliamentary grants which had proved inadequate to her predecessors.

The failure of the government to create new sources of revenue adequate to the needs of a centralized administration goes a long way toward explaining the survival in England of an essentially medieval mixed polity with a functioning parliament and with local administration in the hands of Justices of the Peace.³

To put the foreign debt in a meaningful context, this study examines the great inflation of the sixteenth century with attention to the effects of price changes on the adequacy of crown revenues. It reviews the nature and role of money and credit in the sixteenth century, the Antwerp credit market, and the connection between England and Antwerp. It provides an overview of mid-Tudor fiscal

³There was a fairly great level of governmental reorganization in the Tudor period, the creation of the Privy Council c. 1536, the shireing of Wales, and the Council of the North being key Henrician innovations. The Edwardian and Marian governments expanded conciliar government through the extensive use of special commissions. Elizabeth increased central control through the use of appointed Lords Lieutenant. Parliaments which had been nearly annual affairs from the late 14th century to the accession of Henry VII in 1485 declined in frequency but retained a monopoly of the right to levy taxes. The governmental structure Elizabeth left to James I was recognizably the same structure inherited by Henry VII. That is, government continued to rest on cooperation between the central administration, which remained tiny, and local notables who served the crown in part to serve themselves.

policy, administration, revenues and expenses with its primary focus on war and war preparedness.

This context permits a detailed examination of the foreign debt. As we shall see, a key aspect of the price revolution was the rise in wealth of the commercial sector relative to the agricultural sector. The traditional revenue system continued to rely on agrarian rents stereotyped taxes, and fixed customs duties which did not reflect this change. The fiscal expedients of Thomas Cromwell and Henry VIII did not reflect this change either. In managing the debt, however, the Privy Council, Thomas Gresham, the Duke of Northumberland and Queen Mary found means to turn the wealth of the merchants to the support of the state.

In doing so they temporarily relieved the crown of its foreign obligations and set the pattern for the final elimination of the foreign debt under Elizabeth. This was a major achievement. Coupled with the new Marian Book of Rates the use of the merchant's wealth restored balance to the fiscal system and allowed England to meet the crises of the last twenty years of Elizabeth's reign.

CHAPTER II

HISTORIOGRAPHY OF THE MID-TUDOR FISCAL SYSTEM

INTRODUCTION

J. D. Alsop said, "Since finance, quite properly, has always been accorded a central place in the controversy over the existence of a revolution in government during Henry VIII's reign, the topic possesses considerable general significance."⁴ This statement succinctly delineates both the strengths and weaknesses of the modern historiography of the English fiscal system in the sixteenth century. Fiscal history is seen as central and therefore has received considerable attention, but it is not seen as being of independent interest. Rather it is seen as a critical example of a class of administrative changes which either do, or do not constitute a "revolution" in administrative history. Except for F. C. Dietz's limited efforts on the reign of Henry VIII, the mid-Tudor foreign debt remains essentially unstudied.

⁴ J. D. Alsop, "The Structure of Early Tudor Finance, c. 1509-1558" in C. Coleman and D. Starkey, eds, Revolution Reassessed: Revisions in the History of Tudor Government and Administration, (Oxford: Clarendon Press, 1986), p. 135.

SELECTED HISTORIANS

Here follows a brief examination of the works of six influential twentieth century historians as they relate to the mid-Tudor fiscal system and especially the foreign debt.

A. F. Pollard

A. F. Pollard dominated Tudor history from 1900 to the 1940s. He has been called the last of the Whig historians. This is true in so far as "Whig" implies a focus on those events and developments which can be seen as leading to the "modern" and discounting the importance of those events and developments which were "medieval". This led to an unfortunate focus in his very limited fiscal writings on parliament and direct taxation. Pollard's interest in the foreign debt was limited. In his view it was deplorable.

Pollard was not sparing in moral judgements. He called the Edwardian profit on the debasement "fraudulent". He characterized Mary's reign as "sterile". His magisterial History of England from the Accession of Edward VI to the Death of Elizabeth pictured mid-Tudor fiscal history as a struggle between powerful and competing interests: the crown against parliament on taxes; the shires against the government on assessment.⁵

Pollard's Hegelian view of creative strife leading to a new synthesis is not without merit but is extreme in dealing with the Tudor political, administrative, and fiscal system. Between 1534

⁵ A. F. Pollard, The Political History of England from the Accession of Edward VI to the death of Elizabeth, (London: 1919), pp. 186-187.

and 1560, this system survived three major and a number of minor shifts in official religion, a minority reign, a female reign without issue and with an unpopular king, a series of major wars, and at least three potentially major rebellions. This system passed on to Elizabeth, not only a functioning government but a substantially restored revenue.

F. C. Dietz

F. C. Dietz was Pollard's first critic from the perspective of fiscal history. He found Pollard's views "incorrect in detail and in essence" primarily because Pollard over stressed the importance of Parliament and Parliamentary taxation.⁶ Dietz's English Government Finance 1485-1558⁷ remains the only comprehensive survey of mid-Tudor fiscal history. This work, together with Dietz's articles on the finances of Edward VI and Mary, Elizabeth, and James I and Charles I, is unsurpassed for clarity and focus.⁸ Dietz was fully aware of the importance of institutional and procedural change. Professor Alsop credits Dietz with speaking in terms of radical

⁶ F. C. Dietz, "Finances of Edward VI and Mary", Smith College Studies in History, iii (Northampton Mass.: 1918), p. 71.

⁷ F. C. Dietz, English Government Finance 1485-1558, (Urbana: University of Illinois Press, 1921; reprint London: Frank Cass & co., 1964).

⁸ F. C. Dietz, "Finances of Edward VI and Mary", Smith College Studies in History, iii (Northampton Mass: 1918); F.C. Dietz, "The Exchequer in Elizabeth's Reign", Smith College Studies in History, viii no 2, (Northampton Mass, 1923); F.C. Dietz, "The Receipts and Issues of the Exchequer During the Reigns of James I and Charles I", Smith College Studies in History, xiii no 4, (Northampton Mass: 1928).

change.⁹ This is literally true but essentially incorrect. Dietz saw the role of the revenue system as follows:

"In the final analysis governmental revenue systems are efforts to turn the chief forms of wealth of the country most efficiently to the support of the state, with due regard for the prevailing political idea or theory. Their nature varies with and corresponds, sometimes tardily, to the changing economic development and organization of the country."¹⁰

This viewpoint leads logically to an evolutionary view of fiscal history in the Tudor period. The suppression of the monasteries was in this view a logical extension of Lancastrian precedents. Direct taxation remained a war measure only. Debasement of the coin and alienation of lands were "unsound financial expedients" to meet short term needs. The reforms of 1552 through 1558, especially the consolidation of revenue courts into the exchequer (1554), were simple cost reduction efforts.

Professor Dietz's greatest relevance to the debate on the supposed revolution in Tudor financial administration¹¹ is that he placed the most significant reforms in the reign of Mary. It was

⁹ J. D. Alsop, "The Structure of Early Tudor Finance, 1509-1558", in C. Coleman and D. Starkey, Revolution Reassessed, Revisions in the history of Tudor Government and Administration, (Oxford: Clarendon Press, 1986), p. 136.

¹⁰ F. C. Dietz, 'Finances of Edward VI and Mary', p. 71.

¹¹ G. R. Elton made a Tudor revolution the center of historiographic interest but he may have derived the idea from Dietz. "On the organization of the English revenue system in the Middle Ages much has been written, but little attention has been paid so far to the revolutionary changes made in that organization under the Tudors." F. C. Dietz, "Finances of Edward VI and Mary", p. 61.

Mary who reversed the spendthrift ways of her father's and brother's administrations. It was Mary who carried through the consolidation of the revenue courts. It was Mary who brought the household expenses under control. It was Mary who made progress in reducing pensions and annuities. It was Mary who began to increase the yield on remaining crown lands. Most important, it was Mary who reformed the customs with a new Book of Rates which allowed the government, however tardily, to effectively tap the mercantile wealth of the state.¹² Dietz's revolution is not a revolution but a restoration of sound management which retained the best elements of the administrative changes which had occurred evolutionarily in the preceding reigns.

Dietz is the only major historian to have devoted any substantial effort to study the foreign debt. His work on the reign of Henry VIII is excellent and detailed on activity but almost completely lacking in analysis. The study of the debt between 1544 and 1547 was facilitated by the availability of Letters and papers of Henry VIII. Dietz states: "Henry VIII's foreign loans during the last years of his reign are perhaps of more interest, than of preeminent importance. The activity of his agent in Flanders gives some glimpses into the practice of international banking and business in this earlier time."¹³ This is undoubtedly true but it is only a part of the story. What was not of preeminent importance under Henry VIII was to grow to very pressing importance under Edward VI and Mary.

¹² F. C. Dietz, English Government Finance, pp. 202-14.

¹³ Ibid., p. 167.

Professor Dietz failed to identify the great shift under Northumberland and Mary to relying on the Merchant Adventurers to guarantee, service, and repay the debt. In this he missed a key aspect of his own argument that the nature of government revenue systems vary with and correspond to the changing economic development and organization of the country.

Unfortunately Dietz's interest in the debt declined as the sources became more difficult. He replaced analysis of the debt as a separate item with notices of individual transactions for which documentation survives and with summaries of the amounts outstanding. The question of debt became subsumed into the issues of exchange rates between the English and Flemish pound. The exchange rate was assumed to be related closely to the debasement of coinage. The debt therefore slowly sank off the page and into the footnotes. This is the pattern which has been adopted by most subsequent historians.

Professor Dietz's work remains of great value. His use of sources and his methods of computation have been criticized by both Dr. Challis and Dr. Alsop. They each point out his excessive reliance on summary accounts and his excessive concentration on regnal periods. Never the less both conclude that his work, while in need of substantial revision, remains essentially sound.¹⁴

¹⁴J. D. Alsop, "The Exchequer of Receipt in the Reign of Edward VI" (Cambridge, 1978) unpublished Ph.D. thesis, p. 283?. I am grateful to Dr. Ann Weikel for allowing me to use her extensive and detailed notes on Dr. Alsop's thesis.; C. E. Challis, "The Debasement of the Coinage, 1542-1551", Ec.H.R., 2nd ser., XXV (May 1972), p.454.

G.R. Elton

G. R. Elton is the most influential of living Tudor historians. His discovery of a "revolution" in Tudor fiscal administration set the agenda for the debate on Tudor government for the last twenty five years¹⁵. This revolution began in the 1530s under the guidance of Thomas Cromwell who, building on the reforms of Edward IV, sought to make the crown independent of fiscal restraint by increasing the crown lands at the expense of the church.

The establishment of new revenue courts which superseded the Exchequer as the centers of fiscal administration characterized Cromwell's revolution. Cromwell's goal was to combine the advantages of regular bureaucratic administration with the flexibility of Chamber administration and to do so while eliminating the monarch's personal control of administration. The creation of a new institution of government, the Privy Council, designed to contain only men of political eminence, was critical to this process. These men, whom Professor Elton describes as being of cabinet rank, were the chief officers of state.¹⁶

There is much to be said for this position. The household system declined despite a brief recrudescence following Cromwell's death. . Government through and even by the Privy Council was the defining characteristic of mid and late Tudor government. If the

¹⁵G. R. Elton, The Tudor Revolution in Government, (Cambridge: Cambridge University Press, 1969).

¹⁶G. R. Elton, Reform and Reformation, England 1509-1558, (Cambridge Mass.: Harvard University Press, 1977), pp 201-229; Elton, England Under the Tudors, (New York: Methuen, 1955), pp. 180-184.

role of Cromwell has been over-stressed it is at least hard to imagine the changes of the 1530s without his participation. Having said this, Professor Elton had very little to say about fiscal as opposed to administrative history and almost nothing to say about the debt.

J. D. Alsop

J. D. Alsop, one of Professor Elton's students, is a prolific producer of articles on fiscal administration in the mid-Tudor period. His doctoral thesis, "The Exchequer of Receipt in the Reign of Edward VI" (Cambridge, 1978) remains unpublished. Among his numerous articles the most important for this study is "The Structure of Early Tudor Finance" in Coleman and Starkey, eds, Revolution Reassessed, Revisions in the History of Tudor Government and Administration. This article includes a brief but highly informative review of the historiography of Tudor fiscal administration. He places the growing authority of the Privy Council through the 1540s and 1550s into the context of an administration in transition. While revenue courts were ephemeral, changes in accounting and auditing methods were not. This was in large measure due to the low level of turnover of persons within the administration, and the ease with which clerks as well as senior administrators moved between household agencies and central agencies of finance. The image which emerges from Dr. Alsop's work is of an evolving administrative structure, at once flexible, personalized, and orderly. As Dr. Alsop's interests are very much

administrative. He has little to say of the actual sources and uses of funds or of the role of the debt in mid-Tudor finance.

W. K. Jordan

W. K. Jordan is perhaps the best known historian of the reign of Edward VI. His massive two volume series, Edward VI, The Young King, and its successor Edward VI, The Threshold of Power provide a detailed overview of the religious, social, and political issues of the reign. They are weaker on economic history and very weak on fiscal history.

Professor Jordan devoted one long paragraph to the external debt in the period 1547-1550. He provided a very competent overview of the debt from 1550 to 1553. He saw the reduction of the debt as the result of the brilliance of Thomas Gresham's management as the king's agent in Flanders and the effects of the restoration and calling down of the coin in 1552.

D. M. Loades

D. M. Loades is an historian of the reign of Queen Mary. His The Reign of Mary Tudor, Politics, Government, and Religion in England 1553-1558, is a remarkable work. The quality of research is very high and the presentation very detailed. While Dr. Loades is primarily a political historian, he realizes the centrality of fiscal administration to politics and government.

In three extraordinarily dense chapters he covers "Financial Policy, 1553-1554", "Financial Affairs, 1554-1557", and "War and Finance-1557-1558". In paragraphs which frequently reach 400

words in length he provides so much information in so little space that the reader is often compelled to read the same page several times.

Dr. Loades stresses the theme of continuity which we have already seen in J. D. Alsop. Despite the abrupt religious reversal that attended Mary's accession several key financial experts continued to play their accustomed roles in the financial administration. These included the Marquis of Winchester, the Lord Treasurer since 1550; Sir John Baker, Chancellor of the Exchequer since 1545; Sir Edmund Peckham, Master of the Mint since 1546; Sir Walter Mildmay, an experienced auditor and frequent commissioner; and Thomas Gresham, king's agent in Antwerp since 1552. This element of continuity guaranteed that the reforming efforts of Northumberland would be continued through Mary's reign. The retention of Treasurer Winchester rather than a distaste for Cromwell's revenue courts sealed the fate of the Courts of Augmentations and First Fruits and Tenth. The continued successful management of the foreign debt was guaranteed by the retention of Gresham.

Dr. Loades correctly identifies the key mid-Tudor problems of cash flow and war finance. His discussion of cash flow is particularly useful. Payments by the crown, especially to foreign bankers, had to be made promptly while collection of revenues lagged woefully. The crown was owed very substantial amounts of money and these tended to increase over time. Unfortunately the size of individual debts was small. Therefore collection of these funds required administrative action quite in excess of the value of

their collection and so revenues never could approach their nominal rates.

War was a test of the fiscal system which it was not prepared to withstand. The very great needs of the state to reduce expenditures and enhance revenues occupied the fiscal administration to the exclusion of the issue of rebuilding reserves. Thus when war was forced on the Council in 1557 the only source of immediate funds was to renew borrowing at Antwerp.

Dr. Loades discussion of the foreign debt is detailed chronologically and interesting technically. He sees the increase of the debt in 1553-1555 primarily as a political decision to pay creditors in England in preference to continuing Northumberland's policy of foreign debt reduction. In this he follows Dietz. He correctly identifies the importance of Thomas Gresham's use of the credit and revenue of Merchant Adventurers and Staplers to manipulate and fix the exchange. Unfortunately Dr. Loades seems poorly informed on the relationship between the crown debt and the Adventurers and Staplers in the reign of King Edward VI. This leads to misinterpretation of the nature, timing, and importance of innovations. D.. M. Loades has made a major contribution to the readily available information on mid-Tudor finance and especially the royal debt in the reign of Mary Tudor.

CHAPTER III

THE PRICE REVOLUTION

Mid-Tudor England, in common with its continental neighbors, was experiencing the effects of prolonged inflation. This period, the "price revolution", was marked by a steady rise in prices and a long term temporal decline in interest rates.¹⁷ In England the effects of the price revolution appear in a staggering 64% increase in the cost of goods between 1510 and 1530.¹⁸ This increase became visible in government finance about 1538.¹⁹ Prices continued to rise throughout the sixteenth century. By 1550 they had increased 154% on the 1510 base. By 1570 they had increased 190% and by 1590 they had risen 284%. War was among the activities whose cost increased dramatically.

The "price revolution", while increasing the need for funds, reduced the value of traditional sources of revenue including land

¹⁷H. van der Wee, The Growth of the Antwerp Market and the European Economy (fourteenth-sixteenth centuries), (Hague: Martinus Nijhoff, 1963) vol II, pp. 199 ff.

¹⁸E. H. Phelps Brown and S.V. Hopkins, "Seven Centuries of the Price of Consumables, Compared with Builders Wage Rates", Economica, no. 92, Nov. 1956, n.s. vol xxiii.

¹⁹ F. C. Dietz, English Government Finance 1485-1558, (Urbana: University of Illinois Press, 1921; reprint London: Frank Cass & co., 1964), p. 140 A part of the cause of this delayed impact may lie in purveyance, the forced purchase of goods at government established prices.

rents, customs duties, and, to a great extent, parliamentary taxation. It also had the effect of reducing the relative wealth of the traditional agrarian rentier sector in favor of merchants and townsmen.²⁰ As the crown was the greatest landholder of all, the fiscal effects were dramatic.

The problems of crown land revenues were made worse by the important function of land as a source of patronage. Between 1510-1519 and 1550-1559 the rents for new takings on the Herbert estates in Wiltshire studied by Eric Kerridge tripled, those of the crown increased 42%. The Phelps Brown - Hopkins Index for the same period rose by 160%. The Herberts may have been extraordinarily successful in raising rents but, with the lag inherent in 20 year leases, it is unlikely that they increased their total rent receipts by much more than the 59% achieved by the Seymours.²¹ The crown's actual rent receipts must have shown a similar lag.

The creation of a foreign crown debt was one effect of the increase in prices. The emergence of the City of London, the Staplers and the Merchant Adventurers as guarantors of the government's overseas credit and the increased importance of customs revenues after 1557 are two aspects of the crown's fiscal response to changing economic reality.

²⁰E. Kerridge, "The Movement of Rent, 1540-1640", *E.H.R.*, 2nd series, VI (1953), I.

²¹The effect is difficult to quantify. Kerridge argues against a decline in landowner incomes but his argument focuses on the increase in rents after 1560. It seems clear from his study that between 1510 and 1559 landlord real incomes, at least in Wiltshire, declined on a per acre basis. E. Kerridge, "The Movement of Rent", *passim*.

CONTEMPORARY THEORIES

Three main factors were identified as responsible for price increases by contemporary and near contemporary observers of the inflation in England. Above all they saw enclosure as a cause of reduced food supplies, increased unemployment and poverty. The next most important cause was debasement of currency which was believed to lead to domestic inflation. Finally there was human avarice. This was not really an independent variable but the driving moral force behind the preference for sheep over plowmen, brass coin over silver, and especially buying and selling over production.

The outpouring of Commonwealth literature from the mid 1540s to the mid 1550s demonstrated the importance of the perceived crisis and the perceived need for reform. The essential nature of commonwealth thought in the mid-Tudor period was that the commonwealth men put the interests of society before those of the individual and sought systematic causes for the "griefs" afflicting the nation and systematic solutions to them.²²

The centrality of "enclosure" to this literature was inevitable in a country where at least 90% of the population derived the bulk of its support from agriculture and in which competition for arable land was increasing due to demographic expansion. The conversion

²² G. R. Elton, England Under the Tudors, pp. 184-185. Elton notes a lack of serious studies of commonwealth thought. A.B. Clarke, "Thought Word and Deed in the Mid-Tudor Commonwealth; Sir Thomas Smith and Sir William Cecil in the Reign of Edward VI", (unpublished MA thesis, Portland State University, 1979), pp.70-92 went some way toward remedying this defect.

of common lands and plow lands to sheep pasture and the conversion of open, that is strip, fields to contiguous blocks displaced farmers. Complicating the problem was the uncertainty of many farm tenures. Aggressive landlords could find means of terminating their tenants rights.²³

The role of enclosure remains debatable and debated. Professor Elton points out that there is little evidence of food shortage in Tudor England except in time of crop failure and that England remained, in normal times, an exporter of both grain and cloth. Enclosure was stimulated by the rising cloth market through the 1540s and into the 1550s and then declined in importance. The areas of land involved were small and the bulk of land was not enclosed for another two centuries.²⁴

Enclosure surely dispossessed some and caused economic dislocation for many but there is little clear ground for seeing a direct causal link between enclosure and inflation. Never-the-less it was an important issue in the mid-sixteenth century. The failure of repeated government attempts to stop the process, most notably the Protector Somerset's attempt to reverse it through a commission in 1548, demonstrate that enclosure made economic sense. Kett's Rebellion (July 1549) began as an enclosure riot and it

²³J. Youings, Sixteenth-Century England, (Harmondsworth: Penguin Books, 1984) passim, especially pp. 47-65.

²⁴G. R. Elton, England Under the Tudors., pp. 231-233.

is normal to state that enclosure was Kett's main grievance. It was however only the first of twenty-nine enumerated grievances.²⁵

The second focus of Commonwealth literature's explanation of inflation, debasement of the coinage, was a more serious, though, less emotional, charge. In the sixteenth century coinage was one of a number of competing uses for precious metals. If the value of the metal in coins rose above the price at which metal could be purchased with coin there was a tendency to melt coin for bullion. The cost of a coin is always greater than the cost of its materials. This was especially true when coining was a labor intensive occupation of skilled craftsmen.²⁶ The value of a coin, if it is not to be produced at a loss, must always exceed its cost. This difference, seignorage, was profit to the government. Under the "just price" theory prevalent in the middle ages this was perfectly reasonable.²⁷

Therefore, as specie prices crept up in the sixteenth century, the precious metal content of coins had to decline. This process was more advanced in France and Flanders than in England by the 1520s

²⁵ A. Fletcher, Tudor Rebellions, (London: Longman, 1968), pp. 68-71 argues that it was primarily a rent rebellion. He reproduces Kett's twenty nine articles pp.142-144. It seems dubious to me that the relative rarity of rural rebellion in the 1540s and 1550s can be used as an argument for rural passivity. I infer from John Guy's discussion of the importance of local magnates to Tudor government that he believes that Kett's rebellion was the result of the attainder of the Duke of Norfolk which left a power vacuum in East Anglia.

²⁶ C. E. Challis, "The Debasement of the Coinage, 1542-1551", Ec.H.R., 2nd ser. , XX, No. 3 (1967), p. 443.

²⁷ A. E. Monroe, Monetary Theory Before Adam Smith (Cambridge Mass: Harvard U. Press, 1923) p 61-64 provides a good overview of 16th century monetary theory before Jean Bodin. G. R. Elton, England Under the Tudors , pp. 224-226.

and led to the overvaluation of English against continental coins. This was probably the cause for the devaluation of 1526 and may have been the primary cause of the devaluation of 1542.²⁸ Unfortunately for the future fineness of English coins this process was also profitable to the crown.

Debasement began in earnest in 1544. From 1544 to 1551, that is in the war years of Henry VIII and Somerset, debasement was carried out not as a means of adjusting the value of the metallic content of the coin to below face value but as a means of creating profits to finance the wars. The fineness of the silver coin was reduced from 11 oz. 2dwt. in 1526 to 3 oz. in April 1551.²⁹ In October 1551 the fineness of new coin was restored to the approximate standard of 1526.

The full course of the debasement of silver coin is shown in Tables I and II.³⁰ Table I shows the fineness of the mix from which silver coins were made, the total face value of the mix of coins struck, the seignorage or government profit, and the amount of coin returned to the seller. Table II shows the same information in terms of fine silver.³¹ Table III outlines the course of the debasement of

²⁸ G. R. Elton, Reform and Reformation: England 1509-1558 (London: Edward Arnold Pubs. Ltd., 1977), pp. 312-313.

²⁹ All weights are Troy weights. That is there are 12 ounces to the pound and 20 penny weight to the ounce.

³⁰ J. D. Gould, The Great Debasement: currency and the Economy in Mid-Tudor England (Oxford: Clarendon Press, 1970), p. 11. All tables are slightly simplified and amplified.

³¹ J. D. Gould, The Great Debasement, p. 12.

the gold coin. It is noteworthy that at no point was gold debased to the same extent as silver. We will return to this point in discussing the exchange rate between London and Antwerp.

TABLE I

THE SILVER COINAGE, 1526-1551

Starting date	Fineness of coin/ lb		Total Minted/ lb			Seignorage			To Merchant			Seignorage as % of Total
	oz.	dwt	£	s.	d.	£	s.	d.	£	s.	d.	
1526	11	2	2	5	0		1	0	2	4	0	2.2
May 1542	10	0	2	8	0		8	0	2	0	0	16.7
Apr 1544	9	0	2	8	0		8	8.5	1	19	3.5	17.8
Apr 1545	6	0	2	8	0	1	0	0	1	8	0	41.7
Apr 1546	4	0	2	8	0	1	9	4		18	8	60.9
Apr 1547	4	0	2	8	0	1	6	8	1	1	4	55.2
Apr 1549	6	0	3	12	0	1	18	0	1	14	0	52.8
July 1550	6	0	3	12	0	1	12	0	2	0	0	44.4
Apr 1551	3	0	3	12	0	2	2	0	1	10	0	61.1
Oct 1551	11	1	3	0	0		1	0	2	19	0	1.7

TABLE II

THE SILVER COINAGE, 1526-1551
(FINE SILVER)

Starting	Total Minted/ lb fine silver			Seignorage/ lb fine silver			To Merchant/ lb fine silver		
	£	s.	d.	£	s.	d.	£	s.	d.
1526	2	8	8		1	1	2	7	7
May 1542	2	17	7		9	7	2	8	0
Apr 1544	3	4	0		11	7	2	12	5
Apr 1545	4	16	0	2	0	0	2	16	0
Apr 1546	7	4	0	4	8	0	2	16	0
Apr 1547	7	4	0	4	0	0	3	4	0
Apr 1549	7	4	0	3	16	0	3	8	0
July 1550	7	4	0	3	4	0	4	0	0
Apr 1551	14	8	0	8	8	0	6	0	0
Oct 1551	3	5	2		1	1	3	4	1

TABLE III
THE GOLD COINAGE, 1526-1551

Starting	Total Minted/ lb fine gold			Seignorage/ lb fine gold			To Merchant/ lb fine gold		
	£	s.	d.	£	s.	d.	£	s.	d.
1526	27	16	5		2	10	27	13	7
May 1542	30	1	0	1	5	0	28	16	0
Apr 1544	30	1	0	1	5	0	28	16	0
Apr 1545	32	14	6.5	2	14	6.5	30	0	0
Apr 1546	36	0	0	5	8	0	30	12	0
Apr 1547	36	0	0	1	4	0	34	16	0
Jan 1549	37	1	10	1	1	10	36	0	0
Dec 1550	29	13	6	1	14	0	27	19	6
Oct 1551	36	3	9		2	9	36	1	0

That debasement was profitable is clear. As the level of fineness declined the amount of coin mix which could be made for the same amount of fine silver increased. Table I shows the profit to the government through seignorage as an absolute profit and as a percentage of the mix minted. Why it was regarded by contemporaries, and continues to be regarded today as inflationary is less clear. While some £4,300,000 of coin was minted between 1544 and 1551 most of it was in fact reminted from existing coin. Gould estimates the supply of coin at fiat as follows:³²

³²J. D. Gould, The Great Debasement, pp. 81-82; P. Ramsey, Tudor Economic Problems (London: Victor Gollancz, Ltd., 1966), p. 118.

TABLE IV
THE SUPPLY OF COIN, 1542-1551

Date		Supply of Coin	% Change from 1542
1542		£847,576	
April	1546	£1,187,816	+40.0%
Early	1549	£1,754,867	+107.0%
Early	1551	£2,021,460	+138.5%
7 Jul	1551	£2,170,650	+156.1%
18 Aug	1551	£1,187,850	+40.1%

Quantity theory suggests that the dramatic increase in the supply of coin should have been accompanied by an equally dramatic rise in the general price level. This view was explicit in the views of the anonymous author of Policies to Reduce this Realme of England unto a Prosperous Wealthe and Estate (1549)³³, and of Sir Thomas Smith, author of the Discourse of the Commonwealth of England.³⁴ Ann Clarke has shown that Smith's opinions were the basis of William Cecil's policies under Elizabeth. That is, she has shown that the view that the debasement was the cause of inflation led to the Edwardian calling down of the coin in 1551 and had

³³R. H. Tawney and E. Power, Tudor Economic Documents, (London: Longmans, Green and Co., 1924, 1951), pp. 315-318.

³⁴M. Dewar, "The Authorship of the 'Discourse of the Commonweal.'" Ec.H.R., 2nd ser., XIX (1966), pp. 388-400. Dewar has argued that this work is by Smith. Her argument seems to be generally accepted at this time though elements of her evidence are questioned by W. K. Jordan and more recently J. D. Gould. It is still possible, though unlikely, that the Discourse is by Thomas Gresham or by some other person.

become dogma by 1560 when it led to the great Elizabethan calling down of the coin.³⁵

Unfortunately, while price increases during the great debasement were dramatic they were of a lesser magnitude than the increase in coin and they did not reverse their direction after the call downs of 1551 and 1560. Price increases continued despite the reduction in the fiat value of the coin supply and despite the increased ratio of specie value to fiat value.³⁶ This was contrary to the expectation of the Commonwealth writers, to the expectations of the government acting on their advice, and to the argument of those who maintain that the debasement of the coinage was the major cause of inflation in England.³⁷

The argument that high prices were due to avarice was traditional. Just price theory held that the price of an item should be the cost of its materials, the cost of the labor required to produce it, and an allowance for the overheads of shop and family. Prices might fluctuate in times of shortage but were expected to remain on average stable. As long as wages were set by tradition, statute, or guild regulation and materials were primarily of local production this model was at least rational.

³⁵ A. B. Clarke, "Thought, Word and Deed in the Mid-Tudor Commonwealth: Sir Thomas Smith and Sir William Cecil in the Reign of Edward IV", *passim*.

³⁶ Any claim that the price decline of 1558 was due to the restoration of the coin should be treated with caution. 1557 was a year of severe crop failure not only in England but also in Flanders and so the index for that year is abnormally high.

³⁷ The Phelps Brown - Hopkins Price Index is reproduced in the Appendix.

As prices moved remorselessly higher in the sixteenth century it was reasonable for defenders of the idealized old order to blame price increases on the avarice of engrossers who bought on speculation, regrators who bought and sold without producing, landlords who sought to increase their wealth above the fair yield of their rents, and craftsmen who increased their prices. This moral thread dominated Commonwealth thought into the 1540s but then declined in importance. However it remained, especially in the sermons of Latimer, Lever, and others a primary justification for attacks on enclosers, engrossers, and debasers.³⁸

MODERN THEORIES

Two major modern views have been put forward for the increase in prices. The first is non-technical. It maintains that demographic expansion underlies the price revolution.³⁹ The second is technical and views an expansion of the money supply as the primary cause for the price revolution.

The demographic argument is that the population of Europe, in the late 15th century, recovered from the effects of the black death. This generated real pressure on resources. Marginal land was put back into production but yielded less for the same labor and capital

³⁸G. R. Elton, Reform and Reformation; England, 1509-1558 (Cambridge Mass: Harvard University Press, 1977), p. 321.

³⁹See for example J. Guy, "The Tudor Age, 1485-1603", in K.O. Morgan gen ed., The Oxford History of Britain (Oxford: Oxford University Press, 1984), pp 257-265.

inputs and so average productivity did not keep pace with growing population. This resulted in real scarcity and rising prices punctuated by famines.

The demographic expansion is unquestionably true, although its full extent and timing may never be known. It is generally accepted that in 1348, the year of the first onset of the Black Death, the population of England exceeded four million and was less than five million. By 1525 it stood at approximately two and a quarter million. Thereafter population grew at an alarming rate. By 1551 it had reached three million and by 1600 it had surpassed four million.⁴⁰

The demographic expansion theory certainly isolates the most important single feature of the Tudor period from the point of view of social history. It has the added appeal of placing our most pressing current concern at the center of an historical problem. Population increase put pressures on resources with which we are familiar. Whether it was the main impetus for price increase is uncertain. It certainly increased potential market size and total consumption. It must have acted as a stimulant to trade, industry and migration from the land to cities. It must have intensified the competition between arable farming and pasturage and increased the importance, at least in people's minds, of enclosure.

Having said this, demographic expansion alone seems a weak basis for sustained inflation. A case could perhaps be made for

⁴⁰E. A. Wrigley and R.S. Schofield, The Population History of England 1541-1871, (London: 1981).

deflation as a likely outcome of population increase. Had the supply of money remained constant while the number of consumers increased then the amount of money available to each would have declined. Given that their volume of transactions remained constant the purchasing power of money would have had to increase. This did not happen. The purchasing power of money decreased. The money supply was expanding not only in the narrow sense of coin but also in the broader sense of coin plus negotiable instruments.⁴¹

It is possible that the volume of money transactions per capita declined and that the average English person took less part in the money economy in the sixteenth century than in the 15th. This seems unlikely, but the Phelps Brown - Hopkins Index shows a 42% decline in the real wages of building craftsmen between 1510 and 1570. This decline was the result of prices increasing faster than wages. Such a decline is not possible in societies where people depend on money income for subsistence. In sixteenth century England it was possible because most workers had other, agricultural, sources of subsistence.

The second modern explanation of the price revolution is technical. It maintains that the rise of prices was due to an increase in the money supply greater than the increase in goods. The source of this increase in supply was Spanish America. With the increase in the volume of gold and silver in circulation more money

⁴¹ For changes in the coin supply and a very competent commentary on the relationship of the coin supply to price levels see J. D. Gould, The Great Debasement: Currency and the Economy in Mid-Tudor England (Oxford: Clarendon Press, 1970), pp. 71-86.

was chasing the same quantity of goods and prices were bid up. This quantity theory was an aspect of Jean Bodin's writings in the late 1560s and 1570s in France. Its current advocates include Professor Elton.

Money is a complex subject. Fortunately the sixteenth century had not yet experienced the growth in complexity of monetary components which we have witnessed in the 20th century. Therefore a relatively simple description of money is possible. In the sixteenth century, as today, money was a medium of exchange and a means of storing value. Like today, money had a fiat value established by the state. Finally money had and has a market value determined by supply and demand.

All commercial transactions are in their essential nature barter. That is one good or service is exchanged for another. Pure barter requires that each party to an exchange have items to exchange that the other party wants and which can be exchanged at equal value. This is often difficult to achieve for several reasons. Only one party may want what the other party has to offer. It may be impossible to establish an exchange of equal value. There may be differences on the timing of the exchange and so forth.

Money was and is a medium of exchange which serves to facilitate barter. It allows a party to acquire the goods he wants even when the other party does not want his goods. By replacing the unwanted goods with money the purchaser allows the seller to complete the transaction by purchasing goods which he wants at a later time from a different seller. This increases the efficiency of markets. Money as a medium of exchange can be any generally

accepted form of token. Cowrie shells or glass beads work as effectively as gold coin.⁴²

Money was and is a means of storing value. Money can be accumulated for future use or hoarded as a source of security. Inflation tends to dramatically reduce the utility of these uses of money. Money held as coin declines in value. One of the consequences of the prolonged inflation of the sixteenth century in England and on the continent was a preference for real assets as a means of storing value. Land, jewelry, and precious metals served better to retain value than did money. This had an enormous impact on spending patterns of the monied classes and put additional strain on supply. An alternative to real asset investment was to lend money at interest.⁴³

Money issued by governments had and has a fiat value. That is, it has a value assigned by the issuing government, at which that government will accept it in payment of obligations, and at which it obliges others to accept it. This value is the domestic value of the currency for paying obligations denominated in that currency.⁴⁴

⁴²R. G. Lipsey and P. O. Steiner, Economics, third edition, (New York: Harper & Row, 1972), pp. 589-592.

⁴³Ibid., pp. 590-591; J. S. Duesenberry, Money and Credit: Impact and Control (Englewood Cliffs, New Jersey: Prentice Hall, 1972), pp 10-11.

⁴⁴See, for instance, Henry VIII's proclamation of 1 October, 1524 "The King our sovereign lord, Henry VIII, by the grace of God King of England and of France, defender of the faith, and lord of Ireland, remembering that at the Parliament holden in London the 15th day of April in the 15th year of his reign, it was enacted, ordained and provided by the authority of the same that all manner of coins should go and be current throughout this his realm unto the Feast of St. Michael the Archangel last past, at such value and prices as in an act thereupon made more plainly appeareth: straightly chargeth, willeth, and commandeth that no manner of person or persons of what estate, degree, or condition he or they be of, within this realm, from henceforth

There are two important aspects to the fiat value of money under sixteenth century conditions. First, price structures were relatively rigid. For instance, most lands were leased for long terms at fixed rates. As land was the largest source of crown revenues any decline in the purchasing power of money was immediately translated into a decline in the crown's purchasing power because leases were monetized at fiat value. Second, the value of coin was only arbitrarily linked to the value of money. That is, the teston was not a shilling, it was a counter with an arbitrary value in units of account such as pounds, shillings, marks or crowns. Coin could be changed in value by the government thereby changing the value of cash on hand in an arbitrary manner.⁴⁵

Money was and is a commodity and as such trades at a value determined by its supply relative to demand for it. This is true both domestically and internationally although the two values need not be closely related. In extreme cases, (e.g. the Russian Ruble in the spring of 1992), a currency which is declining toward valueless in international trade may be appreciating in value domestically. The government's ability to set fiat values, to regulate prices, and to tax or otherwise regulate transactions can, in the short term counter

do refuse to take and receive in payment all such coins at such values and prices as they be expressed in the said act, upon pain of imprisonment, and further to be punished at his pleasure. P. L. Hughs and J. F. Larkin, Tudor Royal Proclamations (New Haven: Yale University Press, 1964) Vol I, p. 144.

⁴⁵ Hughs and Larkin, Tudor Royal Proclamations vol I, pp. 136, 141, 145, 146, 156, 158, 261, 264, 327, 449, 529; Vol II, p. 150.

market influence on the domestic value of money, but, in the longer term money trades as a commodity.⁴⁶

The international value of a currency relative to other currencies is established by the relative supply of those currencies available on the market, and the demand for those currencies on the same market. It was also affected by the specie value of the coin. The value of the metal actually recoverable from the coin when melted set a floor value for coinage.

In the sixteenth century the most important money market for the pound sterling was Antwerp. The value of the pound relative to other currencies in international trade was set by transactions on the Antwerp bourse. These transactions balanced the supply of negotiable instruments and coin denominated in pounds against the demand for pounds.⁴⁷

Sixteenth century observers, and many modern commentators, confused money with coin and the value of coin with its specie content. The idea was that coin is money and has value because of its precious metal content, not because a government says it is money. The mid-Tudor policy of meeting fiscal emergencies by reducing the specie content of the coin, "debasing the coin", was blamed by William Cecil, Thomas Smith, Thomas Gresham, and most others for a host of economic ills. Their case is not proven. None-

⁴⁶ Early commodity theories of money held that money was specie and so traded at its specie value. see Monroe, Monetary Theory Before Adam Smith, (Cambridge Mass: Harvard University Press, 1923) pp. 25ff; Gould, The Great Debasement, passim.

⁴⁷The Antwerp Bourse is discussed below.

the-less it was and is widely believed.⁴⁸ There are two aspects to the specie content argument.

First, in international exchange the specie content of coin was important. It established a floor value for the currency. If all else failed one could always melt coins. It also provided a convenient, but inaccurate, means of comparing the values of different forms of money. It did not set the value of money. As early as 1568 Jean Bodin had realized that the change in the specie content of coin was an unreliable predictor of the change in their value in domestic or international exchange. Inflation was outstripping debasement.⁴⁹ We will see Thomas Gresham successfully restore the value of the pound through restricting supply of bills of exchange without raising the specie content of coin.

Second, in domestic exchange, debasement of coinage created uncertainty as to value. Repeated debasement created a premium for old coin as it could be sold to the mint at a premium. That is, the government had covertly increased the fiat value, the value at which it will accept coin, of a portion of the currency without changing its face value. An old standard coin tendered at the mint could have a value in excess of its value in paying rent. Coin became less a medium of exchange and more a focus of speculation. "Better" coin was increasingly withheld from circulation until delivered to the

⁴⁸ G. R. Elton, England Under the Tudors, pp. 225-228.

⁴⁹ A.E. Monroe, Monetary Theory Before Adam Smith, pp. 56-57 Bodin found five reasons for the decline in the value of money. These were: 1) the greater abundance of specie, 2) monopolies, 3) scarcity of commodities, 4) indulgence of kings and lords, and 5) debasement.

mint at a profit. Each new issue of coin caused older, "better", issues to be withdrawn from circulation.⁵⁰

It has been widely claimed that the price revolution was the result of the influx of bullion from the Spanish possessions in the New World⁵¹. Unfortunately the bulk of that influx came after large scale deliveries began to Spain from the mines at Potosi (c.1544). That was too late to explain the beginnings of the price rise. It is possible to deal with this problem by citing the increase in output from the German silver mines starting around 1450⁵² and the proceeds of Portugese and Spanish conquests in Africa Asia, and America beginning at the very end of the 15th century.⁵³ This increase allowed an increase in the volume of coin without immediately stimulating a commensurate rise in the production of goods. The flow of silver and gold through Spain then sustained the rise for decades. There are two problems with this view.

First, it overstates the part played in the money supply by coin. The bulk of the money by the mid sixteenth century, did not

⁵⁰Gould, The Great Debasement, pp.7-33, provides an excellent , though technical, discussion of the determinants of mint supply and the prices at which coin would be tendered at the mint for reminting.

⁵¹A.E. Monroe, Monetary Theory Before Adam Smith, p.56 As early as 1548 Bodin de Saint-Laurent remarked "du temps de Lupolde, ce qui coutait cent sols vaut ce jour dix livres, ce qui est a cause des pays nouvellement trouves et des minieres d'or et d'argent que les Espagnols et Portugais en apportent."

⁵²see J. U. Nef, "Silver Production in Central Europe, 1450-1618", Journal of Political Economy, XLIX (1941), pp 575-591.

⁵³G. R. Elton, England Under the Tudors, p 226; F.C. Dietz, An Economic History of England (New York: Holt and Co, 1942), pp.104-106.

exist as coin but as credit, that is as bills of exchange and accounting entries. It was created by the posting of entries in ledgers which reflect the issuance of various forms of promissory documents. The most striking aspect of the commercial expansion of the late 15th and early sixteenth century was the increasing importance of the assignment of debts between two parties to a third party.

The late medieval trading system rested on periodic fairs. The purpose of fairs was to bring to gather as large a number of merchants and as extensive a range of commodities as possible in order to facilitate barter and minimize the intermediation of scarce coin. Therefore fairs featured the temporary suspension of restrictions on foreign merchants and increasingly sophisticated cash clearing arrangements. Fairs might be annual, semi-annual, or quarterly but in all cases they were periodic gatherings to exchange goods and to settle accounts.⁵⁴

While final payment in coin was the theoretical basis of the system, the account settling function was critical. Merchants purchasing power was greatly enhanced and trade facilitated by being able to purchase goods on credit for later payment. Each credit transaction created money to the extent that the merchant could purchase goods as though he possessed coin. This money had only a limited effect as long as it remained a simple payable,

⁵⁴R. Ehrenberg, Capital & Finance in the Age of the Renaissance, (New York: Augustus Kelly, reprint 1963), pp. 307-311; M. M. Postan, "Credit in Medieval Trade", Ec.H.R., I (1928),I; reprinted in E. M. Carus-Wilson, Essays in Economic History, (London: Edward Arnold, 1954), Vol. I, pp. 61-87.

theoretically due in coin at a subsequent fair. The money supply was increased by the amount of credit granted. But, unlike coin which can pass from hand to hand quickly and fund a wide range of transactions in a short period of time, the credit served basically to fund a single transaction. That is its velocity was low.

The second problem with the specie based explanation of the price revolution is that it ignores the effects of changing velocities of money. Here the revolutionary development was the assignment of bills and notes by the original payee to a third party. This was initially a simple "I will pay you when so and so pays me" kind of transaction with the original note sometimes transferred as security.⁵⁵

Again this had only a marginal impact on money supply. Such transfers could not be extended very far because the actual payment had to be made to the original seller by the original buyer in order to initiate a sequence of payments in which all debts secured on the original payment would be settled. The farther removed from the original debtor one was the more likely it was that someone in the payment chain would default. Therefore there was a natural reluctance to take a bill which had passed through more than a few hands. At the time of settlement the money created was destroyed. It would then be recreated by a new set of transactions. The velocity increase while important was small.

The introduction of endorsement created a major increase in the velocity of money. By the process of endorsement the right to

⁵⁵Ibid.; van der Wee, Antwerp, Vol II , pp. 337-354.

receive payment from the original seller was transferred with the debt instrument. This made the debt instrument into a currency backed by the credit of the original purchaser. This took control of the money supply out of the hands of mints and put it in the hands of merchants. In theory money could be created at the whim of the merchant who wished to extend credit. A single grant of credit could be multiplied to support a large number of transactions⁵⁶. That is, the velocity of money had increased.

This private creation of money was regulated by both civil and cannon law⁵⁷ but the restrictions and safeguards varied from place to place and were, on the whole, ineffective in controlling the expansion of commercial credit. Governments universally restricted the legal outflow of coin across borders. They also aimed to a greater or lesser degree to maximize the inflow. This increase rather than diminished the importance of commercial paper. When, as was frequently the case, coin could not be exported to pay for goods purchased in a country, a merchant who was not selling goods in that country would have to purchase, from a third party, a bill payable in that country to complete his transactions.

This need to match accounts payable and receivable both by country and by fair payable was a major stimulus to the financial trades. Banking, both deposit and merchant, bill discounting, bill brokering, currency arbitrage, and commodity speculation grew to unprecedented levels. Market manipulations and panics punctuated

⁵⁶van der Wee, Antwerp, Vol II., pp. 340-349.

⁵⁷Ehrenberg, Capital and Finance , pp. 41-44.

the growth through the 1520s to the 1550s. Nevertheless financial markets remained basically sound so long as they were engaged primarily in financing a growing volume of trade.

The price revolution by increasing the expenses of governments faster than their revenues created an environment which made borrowing increasingly important to governments as a way of funding their ordinary as well as their extraordinary expenses. The same innovations in credit which facilitated the simultaneous increase in prices and drop in interest rates made borrowing more attractive to governments.

CHAPTER IV

THE ANTWERP MARKET

The decline in the rate of commercial expansion began in the 1520s. It was in part due to the expansion of Turkey, in part to the Valois/Hapsburg wars, in part to growing religious discord, and in part to an exhaustion of potential demand for goods. The slackening of commercial expansion was roughly coincident with an increase in the demand of governments for coin. The operation of markets for trade financing and government financing were fundamentally different.

In sixteenth century conditions merchants showed a strong preference for credit over cash. This was primarily because of the expense and danger of transporting coin. Coin was heavy and bulky in relation to its value. The expense of moving large volumes, except by water, could be very great. Coin was also subject to theft. In an era when brigandage, and piracy flourished the private transport of large sums in coin was little short of foolhardy. The development of fairs as centers of exchange had allowed the creation of clearing systems which minimized the use of cash. The creation of exchanges to supplement fairs created a permanent market for debt instruments thereby increasing liquidity.

Merchants, unlike producers and consumers, needed very little cash relative to their volume of transactions. So long as a merchant continued in business the bulk of his money remained tied up in goods. Merchant to merchant exchanges could be carried out entirely through the exchange of goods or the exchange of credit instruments. Only at the retail level did coin have to be received. That coin could then be spent on consumption, on additional goods, or exchanged with a banker for a credit instrument which would then be negotiable.

Governments, on the other hand, needed coin. Their expenses were primarily salaries and the cost of items actually consumed, whether food or gun powder, dressed stone or warships.⁵⁸ As the price revolution progressed all of these things became more expensive. War especially grew more expensive at a rate which could not be met by normal revenue. Governments fought back by fixing prices⁵⁹, inventing new sources of revenue, and enhancing traditional sources of revenue. All in all it was a losing struggle. Throughout the sixteenth century most governments expenses rose faster than revenues.

Declining mercantile need for coin accompanied by the gradual increase in the specie supply freed large quantities of coin from financing trade and made them available for financing the pressing

⁵⁸W.C. Richardson, The Report of the Royal Commission of 1552 (Morgantown: West Virginia University Library, 1974) is an excellent example of the costs of a government and highlights the great need for cash. Essentially the only way for a government to function on trade credit was to delay payment of its obligations. The political costs of such a policy were considerable.

⁵⁹see for instance Hughs and Larkin, Tudor Royal Proclamations, Vol. I, p. 212.

needs of state, especially war. Governmental borrowing tended to clump in war time. Although most governments tried to live on their revenues in time of peace the effects of inflation and the frequency of war made it very hard for them to build adequate reserves to wage major wars. When war broke out it would normally be true that at least two of the major states would be borrowing simultaneously causing enormous pressure on the market.

Another aspect of governmental borrowing was that the sums involved were almost always large. This meant in practice that only a few banking houses could compete in the market. This concentration of markets led to very close ongoing relationships between major European powers and their lenders.⁶⁰ If the government were dependent upon the lender for his needs it was equally true that the lender, once he had committed a major portion of his capital to a government, was equally dependent upon that government's willingness and ability to repay. Governments stood to a considerable degree above the law. It was therefore common to have other banking houses, government officials, rich merchants, the diets of provinces, and especially cities guarantee governmental loans.⁶¹

Loans from banking houses to governments could be of several kinds. Interest rates varied with the life of the loan and the

⁶⁰The Hapsburg policy of making their bankers Councilors of the Empire, which gave them considerable judicial immunity, and of ennobling them was paralleled in England by the granting of corporate immunities to the Merchant Adventurers, Staplers, etc. and the knighting of men like Thomas Gresham.

⁶¹Ehrenberg, Capital and Finance, p. 37.

security of the loan. A common device for raising cash which was much used by the Hapsburgs but never by the Tudors were the sale of annuities. Annuities, which were frequently perpetuities, were normally backed by specified revenues. These had the advantage of not contravening the Church's ban on usury.⁶² Under conditions of inflation the lender could hope that the pledged revenues would rise while the annuity amount remained fixed. The lender did not normally have to involve himself in the collection of the revenues but often did by purchasing the farm of those revenues. Interest rates on annuities were explicit. That is the annual payment and the amount of the loan were fixed and known.

Another expedient was the sale of tax farms. This was to become increasingly important not only on the continent but also in England. In a period in which governments were small and their organization weak, it was frequently attractive to sell the right to collect certain taxes, as customs revenues, salt taxes etc. to a person or a syndicate of persons for a fixed term in return for a guaranteed payment stream. The sale might be for a one time price but more usually involved a one time price and periodic payments.⁶³

The most common type of credit transaction, after 1530, and the one used by the Tudors to the practical exclusion of all others in Antwerp was the Bourse, or floating loan. These loans were for short term at a rate of interest either explicit or implicit. Explicit interest rates were governed by statute. The maximum rate

⁶²Ibid, p. 43.

⁶³Ibid, pp. 37-38.

permitted at Antwerp was normally 12% but the regulations were frequently suspended, or permitted to be ignored, in the mid-sixteenth century to facilitate Hapsburg borrowing. Implicit interest rates may either represent the entire interest due on a loan or they may be in addition to an explicit interest rate. The most common form of implicit interest was to include in the loan the agreement for the lender to sell and the borrower to purchase some good, as jewels, fustian, alum, or gunpowder. The sale price would be artificially established at a high rate in order to increase the yield on the loan. Interest was often paid in advance, and terms rarely, if ever exceeded one year. As these loans were frequently rolled over annual renewal charges, fee penny, could raise the rate of interest far above the nominal rate.

There were three major European money markets in the period 1540-1560. These were Antwerp, Lyons, and Genoa. Antwerp and Genoa fell into the Hapsburg orbit while Lyons belonged to the King of France. Access to these markets was critical for raising loans at competitive rates. While the English government could and did borrow from its domestic merchants and from such foreign banks, chiefly the Italian houses of Bonvisi and Vivaldi, as were established in England, really large loans required access to one of the major European markets.

There was a political cost involved in using Antwerp, Genoa or Lyons. In order to borrow and export coin one needed to have the permission of the sovereign power governing the market. Thus the English use of Antwerp was dependent on the Anglo/Burgundian alliance. Heavy borrowing was possible as long as it served the

economic, political, diplomatic, and military interests of the Hapsburgs.

ANTWERP

The growth of Antwerp from a secondary port to the primary entrepot and bourse of Northern Europe was due to three factors. First, the decline of Bruges, after 1442, left merchants doing business in northern European looking for a new center. This decline was in part due to the silting of the Zwin at Sluys but mostly to the violent political struggles of the 1480s. The Emperor Maximilian's official transfer of English trade from Bruges to Antwerp in 1488 was by means of punishing Bruges for rebelliousness.⁶⁴ One should not however imagine a dramatic shift from the old center to the new. It was not until 1518 that the Florentines moved to Antwerp while the Genoese stayed in Bruges until 1522.⁶⁵ The decline of Bruges did not guarantee the rise of Antwerp but it did make it possible.

The second major factor was that the town government of Antwerp pursued a relatively free policy to foreign merchants. Their dwelling places and times were unrestricted, and the business in which they could engage were relatively unrestricted. In Bruges foreign merchants had never been permitted to reside year around or

⁶⁴R. B. Wernham, Before the Armada, The Emergence of the English Nation, 1485-1588, (Harcourt, Brace & World: New York, 1966), p. 66.

⁶⁵R. Ehrenberg, Capital and Finance, p. 233.

to engage in the wholesale side of business, money lending, etc.. All the more lucrative forms of business were monopolized by the citizens of the city. The establishment of resident foreign merchants in Antwerp and their active participation in and even dominance of wholesale business led to a concentration of international business activities not seen before or since in any city. Third, Antwerp succeeded because it became the center of two of the most important trading activities of the first half of the sixteenth century, the Portuguese spice trade, and the English cloth trade. Of these the more important in the early development of Antwerp was the Portuguese. The English trade, however, continued to grow as the Portuguese declined and by the 1540s was the most important single trade in Antwerp.

The Portuguese established their agency in Antwerp in 1499.⁶⁶ When, in 1501, the Portuguese decided to decline Venice's kind offer to broker her spice business, they chose their Antwerp agency as the outlet for spices. This trade grew dramatically into the 1520s when the revival of the Venetian trade reduced its importance. By then, however, it had done its work in focusing European commerce in Antwerp. The spice trade brought together the merchants of all Europe at Antwerp, but especially the Iberians, South Germans and English.⁶⁷

⁶⁶G. D. Ramsey, The City of London in international politics at the accession of Elizabeth Tudor, (Manchester University Press: Manchester, 1975), p. 3 ascribes the decision to the existence of a major metal market in Antwerp.

⁶⁷R. Ehrenberg, Capital and Finance, p. 233; The decline in the security of seaborne trade in the Mediterranean following the fall of Egypt to the Turks, 1517, and their subsequent expansion in the Magreb revived overland trade in the 1520s and

The Portuguese spice trade was carried out on the basis of a single syndicate buying the entire yield of spices, usually in advance of delivery, for cash. This need to concentrate an enormous amount of capital at a single point made Antwerp the financial center of the North. The profits to be made in controlling a monopoly of spice attracted the Swabian bankers and eventually their Italian counterparts. The spice trade was still essentially a mercantile activity although the selling merchant was a government which relied on the syndicates of Antwerp to finance its operations.

The presence of the main financial operators of the sixteenth century in Antwerp increased the importance of the city as a financial center. At the beginning of the century these transactions were primarily commercial. As the century wore on they became increasingly governmental. The rise of government debt was due to a series of events which each involved war. The Hapsburg wars to check the explosive expansion of the Ottomans after 1516, the Hapsburg/ Valois struggle for Italy, the religious wars in Germany, and the English wars with France and Scotland all required sustained financing in excess of the revenues of the powers involved. At the same time these wars disrupted trade and increased the risk of commercial loans.

30s. This would have made some northern European river Port the center of trade. That this Port was Antwerp was due to the expansion brought about by the Portuguese spice trade. For a brief discussion of trans-European trade see G. D. Ramsey, The City of London in international politics at the accession of Elizabeth Tudor, pp. 9-10.

Essentially eight types of government loans were made on the Antwerp bourse.⁶⁸ Six of these were primarily for the benefit of the Hapsburg government. Of these two were in form official government borrowing. Bonds of the Court of the Netherlands bore the personal guarantee of Charles V and thereafter of the King of Spain. They were backed by specified revenues and the personal guarantees of officials, prominent merchants, and cities, especially Antwerp. The Bonds of the Provincial Diets of the Netherlands were regularly issued in anticipation of aides, that is taxes, already authorized but not yet collected. They were secured by the proceeds of the specified aide.

Bonds of the Netherlands Receivers General were an intermediate case. They were the private bonds of the the Rentmeister of the different Netherland provinces. They were, in effect, moral obligation bonds of the Netherland's government but in law personal bonds of the tax farmers. As Hapsburg finances weakened down to the default of 1557 they declined in security. In the 1560s large numbers went into permanent default.

The remaining three types of bonds were for the government's benefit but were not government obligations. Bonds of individual cities were issued chiefly on the governments account. They bound all burgers and their property as security for the debt. Private bonds of high officials were frequently used, especially after 1557, but also at other times of stress. Being backed by lands and goods

⁶⁸The following discussion of credit instruments is drawn primarily from R. Ehrenberg, Capital & Finance, pp. 248-250.

they frequently were more acceptable than other forms of government borrowing. Finally large banking houses issued bonds in their own names, and on their own security, for the government. That is, they borrowed money on the bourse and then lent it again to the government charging one to two percent for their guarantee.

The only other significant governmental bonds traded on the Antwerp bourse were bonds of the King of Portugal for which his agent was personally liable, and bonds of the English Crown. English bonds were normally issued under the personal guarantee of the sovereign, individual Privy Councillors and the City of London. Frequently other guarantors were attached. These might be the Merchant Adventurers and Staplers, other banking houses, and individual rich merchants.

All these bonds were tradable but none of them acted as bearer instruments. They could not be transferred by endorsement. The amounts were usually considerable. They carried substantial risk premiums over trade finance. These premiums of between two and four percent could rise much higher during times of war. The premiums permitted bankers to borrow at commercial rates and lend to governments at a profit. This process put a larger number of financiers at risk in government loans than at first appears. From 1557 onward the risk premiums proved to be inadequate to compensate for the real risk. Of all the government instruments traded on the Antwerp Bourse the only class of bonds which never went into default were the Bonds of the English Crown.

THE ENGLISH AT ANTWERP

The English cloth trade, while less dazzling than the Portuguese spice trade, was the mainstay of Antwerp's commerce from the 1530s through to the temporary shifting of the cloth mart to Emden in 1562. The trade was governed by a grant of privileges of 1446, a treaty of 1467, and the *Intercursus Magnus* of 1496.⁶⁹ These treaties were a result of the Anglo-Burgundian alliance which had originated in the Hundred Years War.

The organization of the English trade was through The Company of Merchant Adventurers of England. This "company", which received its final form in a charter of 1564, was an outgrowth of the Merchants of the Staple and of the Mercers Company of London. It may be said to have begun to form with a charter of Henry IV dated 1407 which instructed the merchants trading in Holland, Zeeland, Brabant and Flanders to elect a governor to resolve their internal disputes and to represent them before foreign courts.⁷⁰

The authority of the governor was expanded by a charter of Edward IV in 1462 to allow him to enforce the statutes and regulations of the fellowship not only on its members but on "any other person or persones not being of said felyship offending or breaking any statuettes laws acts and ordinances."⁷¹ This, in effect,

⁶⁹D.R. Bisson, "The Merchant Adventurers and the Tudor Commonwealth: The Formulation of a Trade Policy, 1485-1565", (Unpublished Ph.D. Thesis, Ohio State University, 1987), p. 6, pp. 146 ff.

⁷⁰Ibid. 7ff.

⁷¹Ibid. p. 10, cites Cotton Tib. D. VIII, 43f.

gave the nascent fellowship of Merchant Adventurers a monopoly on the cloth trade in the Burgundian lands.

The importance of the Merchant Adventurers should not be underestimated. The company contained most of the important London merchants. That is, it contained most of the significant subsidy payers of London. London in 1526 already contained 11.1% of the assessed lay wealth in England.⁷² It and the Merchant Adventurers were also the primary source of indirect taxation. From 1559 to 1563, under the new Marian Book of Rates, London accounted for 88% of the nations cloth exports and paid 64% of total customs duties.⁷³

The trade in cloth as organized by the Merchant Adventurers was the most important trade both for England and for the Netherlands in the period 1520-1564. It was conducted on a regular system with armed convoys being organized to carry the cloth to Antwerp to sell at two of the quarterly Antwerp fairs.⁷⁴ These were the Pask Mart in the spring and the Cold Mart in the fall.

All attempts to reconstruct in detail the course of English cloth exports are fraught with peril as accounts are fragmentary and chronologically inconsistent, but it is generally accepted that in the course of the first half of the sixteenth century London, that is the Merchant Adventurers and their rivals in the Hanse, increased its

⁷²R. Scofield, *EHR* 18 (1965), p. 508.

⁷³Bisson, "The Merchant Adventurers", p. 44.

⁷⁴van der Wee, *Antwerp*, vol II, pp. 183-186.

dominance of the export trade in cloth from controlling something over 70% of the trade to controlling between 85% and 90% of the trade.⁷⁵ After 1552 when the Hanse was stripped of its right to export cloth all of the London trade belonged to the Merchant Adventurers.⁷⁶ The brief restoration of the Hansard's rights under Queen Mary was followed in 1555 by the prohibition of Hansard trade between England and Flanders which reestablished the Adventurer's monopoly. During that period 1500-1551 cloth exports fluctuated dramatically year to year but showed an overall upward trend.⁷⁷

The Adventurers had only one staple, Antwerp. Therefore the vast majority of England's main export was shipped to a single destination where it passed out of English hands. This concentration of trade in a company whose privileged position was based not on economic advantage but on chartered privilege gave the crown great leverage over the Adventurers. At the same time the concentration of so much of the kingdom's wealth and foreign exchange earnings in the hands of a few citizens of London gave the City and the Company enormous leverage with the crown. The mutual dependency of Crown, City, and Company led to the fall of the Hanse in England, and the cooperation, however grudging, of the Company and City in funding the foreign debt.

⁷⁵E. M. Carus-Wilson and O. Coleman, England's Export Trade 1275-1547, (Oxford: Clarendon Press, 1963), pp. 18-33.

⁷⁶D. R. Bisson, "The Merchant Adventurers", pp. 99-138 gives an excellent summary of the last stage of the struggle between the Steelyard and the Merchant Adventurers.

⁷⁷See Appendix

The dependence of the English economy on Antwerp, and the dependence of the Netherlands economy on the importation, finishing, and reexport of cloth played a significant role in prolonging the Anglo-Burgundian alliance. Even while Charles V was locked in struggle with the heretics in Germany he maintained close ties with the main source of wealth in his Netherlands, the English Crown.

The concentration of English interest at Antwerp made it a focus of English diplomacy as well as trade. While Stephen Vaughn was the first official Royal Agent at Antwerp, that function was not new.⁷⁸ Vaughn, who was Governor of the Merchant Adventurers in Antwerp, acted as a source of political diplomatic, and military intelligence. He also acted as the crown purchasing agent and as the individual purchasing agent of a number of Privy Councilors, especially Paget, whose white damask enters into most of Vaughn's dispatches concerning loans in 1544-1545.

The undifferentiated nature of the services performed by the king's agents in Antwerp needs to be remembered. However important the raising and paying of loans became after 1543, the crown's successive agents, Stephen Vaughn 1544-1547, William Dansell 1547-1552, and Thomas Gresham 1552-1557, remained important merchants on their own account, and performed a range of services as undifferentiated in their own way as those performed by the Privy Councilors.

⁷⁸J. W. Burgon, Gresham, vol. I, pp. 54-60.

CHAPTER V

THE TUDOR FISCAL SYSTEM

The revenue system that Henry VII acquired upon his accession was based upon rents from demesne lands, feudal dues and incidents, and customs revenues. Henry's claim in blood to the throne of England was weak but his complete victory at Bosworth eliminated not only Richard III but most of his Yorkist kinsmen. The circumstances of his accession allowed him to vastly increase the royal demesne through confiscations. Of the 138 persons attainted⁷⁹ during Henry VII's reign 86 never had the attainder reversed in favor of their heirs. Their lands and property went to enrich the crown. Henry's marriage to Elizabeth of York gave his seizure of the Yorkist patrimony at least the form of legitimacy.⁸⁰

Henry VII inaugurated a period in which "chamber" administration overshadowed the "ancient" organs of state, especially the Exchequer. This administrative structure reported directly to the king and depended upon the king for its efficiency.

⁷⁹An Act of Attainder was a Parliamentary means of dealing with those judged traitorous by the Crown. The victim was corrupted in blood so that he could neither inherit or bequeath property. See especially H. Miller, *Henry VIII and the English Nobility*, (New York: Basil Blackwell, 1986), pp. 38-75.

⁸⁰ J. Guy, "The Tudor Age", *The Oxford History of Britain*, (Oxford: Oxford University Press, 1984) p. 272.

Under Henry VII, who was as much accountant as king, it worked well enough.

The policy of increasing the royal estate was continued by Henry VIII. Attainder continued to play an important role in enhancing the royal desmone, especially following the Pilgrimage of Grace in 1536, with the suppression of the remaining Yorkist collaterals as the Poles and Courtneys in 1538, and with the suppression of the Howards in 1546. Henry VIII's greatest contribution to the self sufficiency of the crown came from his acquisition of clerical revenues and lands. This process is intimately linked with the King's Great Matter, the termination of Henry's supposed marriage to Catherine of Aragon, and with his Reformation of the Church.

The results of this process of enlarging crown resources were dramatic. In 1485 the income of the crown had been roughly £32,000. By 1540 this had increased to in excess of £200,000. The ordinary expenses of the crown were, in 1540, approximately £145,000. This included the royal household and wardrobe, the salaries of officials, the mint, and the peacetime military establishment. The surplus was accumulated in the king's coffers.⁸¹

With the increased revenue came a proliferation of revenue courts to collect, disburse and account for the new revenues without resort to the Exchequer. These new Cromwellian courts were the Court of General Surveyors, the Court of First Fruits and Tenths, the

⁸¹ F. C. Dietz, "Finances of Edward VI and Mary", Smith College Studies in History, Vol. III, No. 2, January, 1918, p. 74.

Court of Wards and Liveries, and the Court of Augmentations. In addition the Treasurer of the Mint, the Court of the Duchy of Lancaster, and, until its merger with General Surveyors in 1547, the Treasurer of the Chamber were of major significance.

In theory each of these courts was responsible directly to the king though in fact they rendered their accounts to the Privy Council from the time of Henry VII⁸². Also reporting to the king in theory and the council in practice were miscellaneous fiscal officers such as the treasurers for war and the king's agents in Flanders. The accounts of all these officers were normally audited and then approved by the Privy Council or at least by one or more Privy Councilors commissioned for that purpose.⁸³

There are three salient aspects of this system. First, there was no separation between the government and the crown. The ordinary revenues belonged to the crown, were accounted for to the crown, and their surplus entered the king's coffers.⁸⁴ Second, the complexity of the fiscal system was such that the king could not personally oversee it. The responsibility for oversight had to be delegated. The practice of placing oversight with the Privy Council rather than creating a separate organization enhanced the importance of the council. It had both a centralizing and a

⁸²J. D. Alsop, "The Structure of Early Tudor Finance", C. Coleman and D. Starkey, eds., Revolution Reassessed, Revisions in the History of Tudor Government and Administration, (Oxford: Clarendon Press, 1986), p. 160.

⁸³ F. C. Dietz, "Finances of Edward VI and Mary", p. 78.

⁸⁴G. R. Elton, Reformation and Reform, pp. 214-215.

bureaucratizing effect. Third, the system operated without reference to or dependence on parliament. The king lived and conducted normal government on his own resources. Regular peace time taxation was, if not unknown, at least highly irregular.⁸⁵

Ordinary revenues were not expected to cover the needs of war. To meet the cost of war the king might have recourse, through parliament, to direct taxation. This taxation could be of one of two types. The traditional form of taxation was the "tenth and fifteenth", that is a tax of one fifteenth of the moveable goods of those living in the shires and one tenth of the moveable goods of those living in cities and in the royal demesne. It had however become fixed at the sum of £32,000⁸⁶. It therefore declined in value with inflation.

The second form of parliamentary tax was the "subsidy". This tax was more flexible. It was a tax of two, three or four shillings per pound on landed income payable in installments over two to four years or of two shillings four pence per pound of moveable property payable in two years, whichever was higher. A subsidy yielded roughly £100,000 in the mid 1540s. Thereafter assessments became stereotyped and yield declined.⁸⁷

⁸⁵G. L. Harriss, "Thomas Cromwell's 'new principle' of Taxation", E.H.R., No. CCCLXIX-October 1978 passim., ably states this case. J. D. Alsop, "Innovation in Tudor Taxation", E.H.R. No. CCCLXXXII, Jan 1982, passim, fails to rebut this key point.

⁸⁶ F. C. Dietz, "Finances of Edward VI and Mary", p. 70.

⁸⁷ Ibid.

These were not inconsiderable amounts of money. A subsidy collected in full over two years represented a 25% increase in the crown's revenue. A tenth and fifteenth represented a 16% increase. The money was not available in a single sum or immediately. The first needs of war had to be met by the king from his own coffers. Thereafter parliamentary taxation might afford relief. If the relief were not adequate other measures were available. These included forced loans, sale of lands, sale of jewels and plate and borrowing.

War was endemic in the sixteenth century. Europe was dominated by three powers. Of these one, the Hapsburg monarchy was a traditional ally of England through the Burgundian connection. The second, France, was the traditional enemy of England. The third, Turkey, was Islamic, militarist and expansionist. England figured a poor fourth, followed by a host of lesser but still important regional powers.

Of the major powers Valois France was the most united, best organized and best funded. The Hapsburg lands, which included Austria, and the Burgundian Netherlands and which stood to inherit Spain, Naples, and Sicily upon the death of Ferdinand of Aragon, were a chance agglomeration united by dynastic marriage rather than by any feeling of common interest or identity. The Hapsburgs were chronically short of money even after the late 1540s when American specie became a major source of revenue.

Hapsburg/Valois rivalry for control of Italy and dominance in Europe dominated European diplomacy and war from the beginning of the sixteenth century to the Peace of Cateau Cambresis, 1559. England, the minor German and Italian states, and the Papacy all

played the part of make weights in this struggle. The Turks as the defacto ally of the French and the Protestant German princes on their own behalf kept the Hapsburgs from decisively concentrating forces against the French, especially after Pavia, 1525. In these struggles England played a major role. Three times, 1511-1514, 1522-1526, and 1544-1547, England allied with the Hapsburgs to launch major attacks on France. Briefly, in 1528, England was de jure at war with the Hapsburgs.

Henry VIII's first two French wars, by dissipating the reserves accumulated by Henry VII in the king's coffers, undermined the fiscal stability of the English crown and led to dramatic efforts to create a new reserve capable of supporting war.

THE WARS OF 1511-1514 AND 1522-1528

Upon his accession to the throne in 1509 Henry VIII enjoyed a realm at peace, and amity with both the Empire and France. His father had left him a large sum of ready money and plate in the king's coffers, a budget which ran a surplus and a substantial pension from the King of France, the proceeds of Henry VII's intervention in Brittany, 1492.⁸⁸

While revenues were declining due to restorations of lands previously gained through attainder, to royal grants of land, and to the decline of the wool customs, the crown ran a small but comfortable surplus until 1511. This surplus was collected and held

⁸⁸ F. C. Dietz, English Government Finance, pp. 56-57.

as jewels, plate or coin or was loaned to merchants and princes.⁸⁹ The full amount of the accumulation was very large, possibly £1,800,000⁹⁰. Be this as it may, not much of it was cash. Plate could certainly be rendered into coin at the mint but precious stones had to be sold, and loans needed to be called in before they could be spent.

The character and goals of Henry VIII have been much debated. I see him as having three overriding interests. Most important was the securing of a legitimate male succession. This did not become critical until the mid 1520s. Second was a desire to act the great king. Third was his interest in enlarging and consolidating his kingdom. The second and third goals led to war with France, first to gain glory and second to secure control of Scotland, France's ally, and to recover if not the crown of France then at least Normandy and Guienne.

The diplomacy of Maximillian von Hapsburg and Ferdinand of Aragon succeeded in bringing Henry VIII to declare war on France in 1511 and to invade that kingdom in 1513. The results of these efforts were modest, in part due to the perfidity of Henry's allies. The fiscal effects were anything but modest. The payments by the Treasurer of the Chamber for wages of soldiers and sailors, purchase of stores, purchase and maintenance of ships, and for the

⁸⁹F. C. Dietz , English Government Finance, pp. 84-85, says that between 1505 and 1509 £87,600 were loaned to merchants, that between 1491 and 1509 £128,441 was spent on jewels, while at least £260,000 was loaned to the Hapsburgs and their Spanish in-laws.

⁹⁰Ibid. p. 86.

ordinance were £1,509 in 1511, £181,468 in 1512, £632,322 (plus 10,040 crowns) in 1513, £92,000 in 1524, £10,000 in 1515, and £16,538 in 1516. In addition the Lord Treasurer handled loans and grants in excess of £65,000 to the Emperor between 1513 and 1516. The end of hostilities did not stop the outflow. The defense of Tournai, captured in 1513 required an additional £40,000 per annum from 1514 through 1518.⁹¹

To meet these expenses Parliament granted three 15ths and 10ths, and a poll tax in 1512. These were supplemented by subsidies in 1514 and 1515. Another 15th and 10th was granted in 1515 and the Church contributed four 10ths from Canterbury and three 10ths from York. Altogether these measures, which should have raised something on the order of £450,000, raised less than £300,000 at great political cost.⁹² The king's coffers had been drained of a significant portion of their surplus for little gain. None-the-less the fiscal effects should not be overestimated. Henry still had the resources to be a major lender of funds to his allies. The agreement of Francis I to pay, over time, 600,000 crowns⁹³ for the recovery of Tournai in 1518 in part relieved Englands financial embarrassment. Had a sustained peace ensued there is no real reason to assume that the crown could not have rebuilt its reserve funds.

⁹¹Ibid. p. 90.

⁹²Ibid. p. 93.

⁹³ Hughs and Larkin, Tudor Royal Proclamations Vol. I, p. 145, French crowns in common with other foreign gold coins circulated in England. Their value was set by proclamation. As of July 25, 1525 the value of the crown was set by royal proclamation at 4s 4d .

The renewal of war with France in 1522 brought a need for immediate money. The slow and grudging payment of Parliamentary taxes in the prior war made them an unattractive source of ready money. Instead Cardinal Wolsey, Henry VIII's chief minister and treasurer for war, resorted to forced loans. During 1522-1523 over £350,000 were raised in this manner. This sum still was £42,000 short of the needs of war and the deficit was made good by the Treasurer of the Chamber.⁹⁴ Immediate Parliamentary support was necessary if the war was to be continued.

The forced loans of 1522 had been assessed as a tax on the basis of a new assessment of personal wealth. In 1523 Henry and Wolsey asked Parliament for a tax of 4 shillings in the pound based on the new assessment. This was to yield £800,000. Parliament turned mulish and granted a smaller subsidy.⁹⁵ Convocation was more pliant granting one half of a years value of benefices to be paid over five years. New forced loans were exacted in the fall. None of this created enough cash to support major military efforts in 1524. Hostilities were suspended.

Then, in February 1525, the French army was destroyed at Pavia and the king taken prisoner. Henry saw his chance to regain the Lancastrian territories in France if he could act. His, or Wolsey's, response was the Amicable Grant. The king required one

⁹⁴F. C. Dietz, English Government Finance, pp. 93-95; J. Gairdner and R. H. Brodie, eds., Letters and Papers, Foreign and Domestic, of the Reign of Henry VIII, (London: Her Majesty's Stationery Office, various), III, 2750

⁹⁵ Letters and Papers III, 3082; IV, 377; Dietz, English Government Finance, p. 94.

sixth of a man's property to allow him "to conserve the honor of the realm and recover the crown of France". Opposition was general. There were still commissioners at large collecting the loans of 1522, and commissioners collecting the subsidy of 1523. Now a third set of commissioners was sent to the same people.⁹⁶ In the face of what came close to rebellion Henry and Wolsey withdrew the grant.⁹⁷

Peace had to be made, for the Imperials, under Charles V were unable to attack France.⁹⁸ Wolsey made good use of the peace negotiations to extract financial concessions from France. The French pension of 50,000 crowns per year from the Treaty of Etaples was to continue with arrears paid up and, in addition, the French crown agreed to pay another 50,000 crowns per year as indemnity and to cover miscellaneous debts of the French to Henry.⁹⁹

⁹⁶Elton, England Under the Tudors, p 78; Dietz, English Government Finance, pp. 94-95, Letters and Papers, III, 3082.

⁹⁷Letters and Papers IV, 1235, The assembly of 20,000 men in Norfolk was dealt with by the Dukes of Norfolk and Suffolk. In 1549 the removal of these noblemen by attainder facilitated Kett's Rebellion.

⁹⁸The battle of Pavia had been precipitated by the choice between dispersing the Imperial army for lack of funds or attacking. Now the defeat of the French had restored the imperial credit but the peasants war in Germany required immediate suppression and Louis of Hungary needed help against the Turks. The peasants were suppressed but Hungary was crushed at Mohac in 1526. Charles V's brother Ferdinand was elected King of Hungary and the Hapsburgs were saddled with the Crown of Hungary and an endless struggle with the Turks. In addition Charles V broke his engagement with Henry's younger sister Princess Mary to wed the heiress to Portugal. Henry must have felt betrayed by his countrymen and doubly betrayed by his allies. A good basic treatment of this period is given in P.S. Crowson, Tudor Foreign Policy, (London: Adam & Charles Black, 1973), pp. 59-73.

⁹⁹Letters and Papers II, 4476; III, 199; III 1508 Dietz, English Government Finance, p. 100.

In April 1527 Henry joined Francis in the League of Cognac against the Hapsburgs. This was the high point of Wolsey's diplomacy. Francis, no doubt desperate for allies, agreed to yet another pension. This time he was to pay 50,000 crowns per year in perpetuity to Henry's heirs as in recompense for the Valois holding the crown of France. In addition Henry was to receive 15,000 crowns worth of black salt per annum. Henry had won, if not the crown of France, at least the illusion that his claim to France was acknowledged by the King of France. ¹⁰⁰

In January 1528 England was de jure at war with the Empire. In fact hostilities never commenced. By March trade had been resumed at Antwerp and in June a truce was made excluding Italy. This farcical war had the real cost of suspending Henry's French pension payments and requiring Henry to supply the French with approximately £60,000 in cash and jewels. England, exhausted could do no more.¹⁰¹

The destruction of another French army in Italy in 1529 might have left both Francis and Henry fatally compromised had not the Turks besieged Vienna and the Lutheran Princes raised their famed Protest against the Interim at the Second Diet of Speyer.¹⁰² Peace was made by both parties with the Hapsburgs.

¹⁰⁰Dietz, English Government Finance pp. 100-101.

¹⁰¹Wernham, Before the Armada, p. 118-119.

¹⁰²This was an imposed temporary settlement of religious issues to last until a general council of the church. It, in effect, violated the principle of the First Diet of Speyer that the princes should control religion in their territories pending a general council of the church.

Henry VIII's fifteen years of war had left him with an impoverished treasury, a disaffected populace, and a French alliance. His fiscal gains were composed primarily of pensions which bound him to the French alliance. The failure to pay the pensions would be doubly dangerous for Henry as it would not only signal a renewal of French hostility but also reduce his ability to wage war.

THE INTER-WAR PERIOD 1528-1542

The failure of Charles V to place Henry VIII on the French throne following Pavia and the jilting of Henry's sister, Princess Mary, were the first two steps toward the dissolution of the Hapsburg/Tudor entente. The third, and decisive step was Henry's decision to put aside his queen, Catherine of Aragon, aunt of Charles V, in favor of Anne Bolyne. Conservatives, like Stephen Gardiner, Bishop of Winchester, lost power and opportunists like Thomas Cromwell rose to power.

On July 11, 1533, Henry VIII was excommunicated but the excommunication was suspended to permit a resolution. Maneuvering continued with Henry increasing his pressure on the interests of the papacy. From 1534 through 1538 Henry VIII's government, under the direction of Thomas Cromwell, moved to take control of the Church away from Rome and vest it in the crown.

1534 saw Parliament used as a tool to strip Rome of its power in England. The Act in Restraint of Appeals established the principle that "England is an Empire" thereby terminating appeals to Rome. The Act in Restraint of Annates ended payments to Rome for the

consecration of bishops and a very few abbots. The Dispensation Act moved revenues from dispensations to the Exchequer. The Act of Succession removed the Princess Mary, daughter of Catherine of Aragon, from the succession and replaced her with Elizabeth, daughter of Ann Bolyne. The Act of First Fruits and Tenths established regular royal taxation of the church and increased the royal revenues by £40,000 per annum. The Act of Supremacy vested control of the Church in the person of the monarch as "supreme head", authorized royal visitations and moved appeals of cannon law cases out of convocation to chancery. Finally the Statute of Treasons made it treason to call the king, heretic or schismatic, and to fail to swear the Act of Succession.

This was an enormous legislative program with major fiscal ramifications. The royal assertion of authority over the Church was complete. The king's coffers were swelled by the imposition of an annual income tax (tenths), and an entry fine on benefices (annates). The Exchequer benefited marginally from dispensations. Still, the power of the church lay in its great institutions and their endowments. These remained untouched.

Henry's decision to carry on with the visitation of and valuation of monasteries in 1535 coupled with the Pope's exasperated decision to depose Henry and call on the French to stand ready to enforce the deposition brought doom to the monasteries and began a series of invasion fears which lasted through 1540.

Under the circumstances Henry VIII's government had a pressing need for money both to increase the level of preparedness and to augment cash reserves in case of the sudden outbreak of war.

The Tudor fiscal system of 1534 was not well adapted to achieving either of these ends. Normal revenues were too fixed while Parliamentary grants took too long to authorize and collect. One possible solution to this problem lay in transferring the assets of the church to the crown. Another possible solution lay in changing the basis of taxation to allow easier levying and faster collection. Both these options were to be exploited.

The period of cold war which followed Henry VIII's break with the Hapsburgs in 1528 and the suspended excommunication of 1533 imposed considerable immediate strain on the Tudor fiscal system. The coffers had been emptied by war. The surplus over ordinary expenses was very small. The danger of sudden war was perceived as great. The need to both fortify the realm and build reserves was therefore pressing. Thomas Cromwell and Henry therefore began a new effort to raise Parliamentary taxation.

This innovative, if not entirely unprecedented, attempt to raise taxes in time of peace failed in 1532. In 1534, however, and again in 1540 subsidy acts were carried in time of peace. The act of 1534 and 1540 both rested their case primarily on the needs of defense but the act of 1534 also called for relief of the past "excessyve and inestimable charges" of the crown. The 1540 act sought relief for the charges in establishing the councils of the North, the Welsh Marches and the West. That is the two acts together began to establish a precedent for Parliamentary relief of past expenses and of ongoing non-war and even non-defense expenses. This was the beginning of a gradual process by which ordinary expenses to be paid by ordinary revenues shrank to being

the minimum expenses of Henry VII while extraordinary grew to encompass all other expenses.¹⁰³ This process remained in its infancy through the reigns of Edward VI and of Mary. Non-war Parliamentary taxation was extremely unlikely to meet Henry VIII's needs in the 1540s.

How far the dissolution of the monasteries and the addition of the lands and plate to the royal estate was a matter of planned policy and how much a reaction to the pressing needs of the moment is unclear.¹⁰⁴ In either case Henry's government proceeded with caution and under the form of law. In 1536 only small monasteries, those with rent rolls less than £200 per annum, were suppressed. The great houses remained under threat but untouched. However the threat to them coupled with the papal deposition and changes in religion under the Ten Acts of July 1536 sparked rebellion in the north. The Pilgrimage of Grace and Bigod's Rebellion posed a significant threat to Henry which he met with a fine mix of force, deceit, and reprisal. Their failure sealed the fate of the monasteries. A palliative retreat on the sacraments in 1537 was followed by a new visitation and suppression of the monasteries in 1538 and by the September Injunctions against icons and pilgrimages and for the use of English in religious services.

¹⁰³J. D. Alsop, "The Theory of Tudor Taxation", *passim*.

¹⁰⁴ Professor Elton sees the dissolution as a part of a policy of reendowing the crown which originated with Thomas Cromwell. In this he differs from Professor Dietz who saw Cromwell's role not as a formulator of policy, the policy being Edward IV's, but as a provider of means. I see it as an emergency measure to provide war funding and to eliminate the primary source of potential opposition to Henry's divorce and remarriage.

The suppression had three positive effects for Henry's government. First, it delivered as much as £3,000,000 in land and £80,000 in plate and jewels to the crown.¹⁰⁵ These were accounted for through a new statutory revenue court, the Court of Augmentations. Second, the wealth and manpower of the church was suddenly and effectively reduced below the level at which it could pose a realistic threat as a focus of rebellion. Third, the suppression of the monasteries removed from the Parliament all mitred abbots thereby establishing a large permanent lay majority in Lords. Fourth, it provided Henry with an enormous increment to the lands distributable as patronage.¹⁰⁶

The activities of Thomas Cromwell had achieved a marked improvement in the state of the King's revenue. The pre-Cromwellian revenues of the crown remained substantial. The decline of Exchequer revenue, derived from the customs and miscellaneous feudal charges, from £40,000 to £30,000 after 1540 is due to accounting changes in the Wardrobe. The Court of General Surveyors continued to clear approximately £38,000 per annum. The

¹⁰⁵F. C. Dietz, English Government Finance, p. 137-140, cites Cott. Mss., Cleopatra E. IV 446-456 as estimating a yearly value of £135,000 on land. At a Henrician sale price of 20 years rent that would place the value at approximately £2.7 million. At no time did the Court of Augmentations ever take in so much rent in one year.

¹⁰⁶F. C. Dietz, English Government Finance, p. 148. Between 1536 and March 1539 estates valued at £11,633 a year were alienated "chiefly to men in service to the crown, like Pope, Sadler, Wriothesley, Seymour, Gostick and Cromwell". In return the crown received £46,000 and some lands. Had these lands been sold at the prices prevailing after March 1539 they would have yielded in excess of £200,000. For grants of land to the nobility in this period see H. Miller, Henry VIII and the English Nobility, pp. 221-253. She says "All recipients were important office-holders or men well known to Henry VIII through their service at court."

Duchy of Lancaster contributed £13,000. Wards and Liveries may have averaged £8,500. Including charges collected and expended locally the normal revenue of Henry VIII in 1540 before the additions made by Cromwell cannot have been much less than £100,000 per annum.¹⁰⁷

Cromwell's new revenue courts provided an impressive increment. First Fruits and Tenth's handled not only the entry fines for benefices, first fruits, and the tithe on church revenues, tenths, but also clerical subsidies. Including £130,000 transferred into it in 1535, this court's average contribution to the royal revenue was approximately £52,000 per annum from 1535 through 1539 and nearly £70,000 from 1540 through 1546.¹⁰⁸

Augmentations is a more difficult study. This is because Augmentations was largely involved with selling lands on a continuing basis but with major peaks of activity in war years. Net receipts of the Court of Augmentations were £108,028 for 1538/39. In the four years 1539/40-1542/43 they averaged £116,421. In 1543/44 they rose to £253,312. In 1544/45 they declined to £139,152. In 1545/46 they were only £66,186. Professor Dietz calculated that the real average yield from rents through this period was £61,300. The rest of the revenue derived primarily from land sales with a small addition for sales of goods.¹⁰⁹

¹⁰⁷F. C. Dietz, English Government Finance, p. 137ff.

¹⁰⁸*Ibid.*

¹⁰⁹*Ibid.*

While Irish wars, defense preparations, the expenses of palace building, and an expanding household all put new stresses on the revenue, the king's coffers began to swell. Between 1535 and 1539 the treasurer of First Fruits and Tenths transferred £59,139 to the coffers. The Court of Augmentations contributed £119,270 between April 1536 and March 1540. The subsidy and fifteenth and tenth of 1534 seems to have passed directly into the coffers providing perhaps another £77,000. All in all Henry's ready resources increased by at least £250,000 from the suppression of the small monasteries to 1540.¹¹⁰

The rapprochement between France and the Hapsburgs which began in 1537 with a truce raised invasion fears to new heights. As long as the two main continental powers had been at war England had been safe. In December 1537 a Papal bull of deprivation was promulgated in Rome. It seemed at least possible that the continental powers might unite to depose Henry. The war scare reached a peak in 1539 when Francis and Charles agreed to make no separate agreements with England. Thereafter the continental powers drifted back into hostility.

Although Henry mustered men, built blockhouses and readied ninety ships of war his real effort was diplomatic. Cromwell sought a defensive pact with the German Protestant princes and sealed it with the marriage of Henry to Ann of Cleves, whose father not only controlled the lower Rhine but also disputed control of Gelderland with Charles V. At the same time the Emperor was offered an

¹¹⁰Ibid.

alliance and Francis the cancellation of some or all of the French pensions which had not been paid since 1534.¹¹¹

The period 1540-1542 saw strenuous efforts to increase revenue. The Parliament of 1540 passed three major revenue acts. These suppressed the Knights Hospitalers and expropriated their possessions, granted a subsidy to be paid over two years and four fifteenths and tenths to be paid over four years, and confirmed the offer of the Convocations of Canterbury and York to pay four shillings in the pound on their revenues over the next two years.¹¹² Henry also benefited in 1539-1541 from attainders. The attainder of Thomas Cromwell was followed by those of Lord Grey, the Countess of Salisbury, Sir John Neville, Lord Dacre of the South, and Mr. Mantell.¹¹³

In 1542 Henry returned to raising forced loans with the "Benevolent Grant" and in 1543 obtained an additional lay subsidy and an additional clerical subsidy. Finally, in 1543 he made a final attempt at a new forced loan, the "Devotion Money" ostensibly to cover a 40,000 ducat loan to the Emperor. Despite expectations that the Devotion Money would exceed the amount of the loan, a mere £1,903 8s 3d was raised.¹¹⁴

¹¹¹Ibid.

¹¹²F. C. Dietz, English Government Finance, p. 150.

¹¹³H. Miller, Henry VIII and the English Nobility, (New York: Basil Blackwell, 1986) pp. 62-75; F. C. Dietz, English Government Finance, pp. 150-151.

¹¹⁴F. C. Dietz, English Government Finance, pp. 150-153.

The nation was neither willing nor able to pay more. A comparison of the coin supply and the intake of funds by the crown shows the magnitude of the tax and loan burden on the nation. The collections of lay subsidies and tenths and 15ths in February 1541 and February 1542 netted £153,500. If one accepts J. D. Gould's calculation of the coin supply in 1542 as approximately £850,000 then these two taxes alone brought funds equivalent to approximately 18% of the outstanding coin in the realm into the crown's possession. Similarly the benevolent loan of 1542 brought in £112,229 an amount equal to an additional 13% of the nation's coin. Much of the loan was however paid in plate, a sign of the shortage of coin.¹¹⁵ Had the kingdom been at active war, then the money would have been used to fund purchases. Instead the money was being accumulated to fund future war.¹¹⁶

The great revenue enhancement measures of the inter war period had changed the nature of the crown's revenues only a little. Annates were a step toward regular peacetime taxation but only of a small portion of the population. Peace time taxes had been raised but only on the plea of impending war. In addition the taxes and the forced loans, which were tax equivalents, had been raised at such high rates as to be unsustainable and therefore clearly extraordinary. No new means had been attempted to tap the wealth of the

¹¹⁵Ibid., pp 151-165.

¹¹⁶Letters and Papers, XVII, 194; The preamble to the forced loan of 1542 makes it plain that the king both had treasure in reserve and had no intention of spending it lest he "be disfurnished against any sudden event".

merchants. Instead crown revenues had become increasingly dependent on land rents and land sales.

THE SECOND WAR PERIOD 1542-1550

In the end the trading relationship between Flanders and England and England and Spain led to a ten month truce in 1541 between England and the Empire. The death of Catherine of Aragon in 1536 had removed one Hapsburg dynastic issue and the birth of Edward in 1537 another. Without a wronged aunt to defend and with Princess Mary's status in the succession less critical Charles found it easier to realign with England.

At the same time France's alliance with Scotland was becoming increasingly irritating to Henry as James V and Henry drew apart over issues of religion. Negotiations on the issue of subsidies proved fruitless and Francis objected to Henry's improvement of fortifications at Calais. The French were being equally intransigent on Italian issues.

War began over a minor incident in Scotland and quickly escalated.¹¹⁷ The English victory at Solway Moss, November 1542, was quickly followed by the death of James V. The French began to prepare an intervention to uphold the rights of the dowager queen, Mary of Guise, and her infant daughter, Mary Stuart. Faced with this threat England joined the Empire in a league against the French and

¹¹⁷ R. B. Wernham, Before the Armada, The Emergence of the English Nation 1485-1588, (New York: Harcourt, Brace & World, Inc, 1966), pp. 149-152; Letters and Papers, XVII, 925.

Turks. This alliance, concluded February 11, 1543, was definitely offensive in nature. If Francis failed to make major concessions, Charles and Henry would invade France to restore Ducal Burgundy to the emperor and Normandy and Guienne to Henry. Francis could not yield and so the declaration of war followed on August 2, 1543.¹¹⁸

All attention then focused on the great invasion planned for 1544. Some 40,000 troops were to be mustered for an advance on Paris in concert with the Emperor. Wriothesley and Paget took charge of the finances for the war. Wriothesley estimated that £250,000 would be needed for the campaign. Of that sum £ 84,000 were available from current revenue, £50,000 could be borrowed in Flanders, and £116,000 could be raised by various expedients without broaching the kings reserves.¹¹⁹

Commissions were issued to sell the king's lands, and his lead stripped from the monastery roofs. Leases were made. Wardships were sold. Bondsmen were manumitted. Grants of land, subject to redemption, were made to citizens of London in return for loans. Exemptions from personal military service were sold. Proceeds from these measures exceeded £191,000 before Michaelmas (29 September), 1544. Steven Vaughn, a governor of the Merchant Adventurers, was commissioned in March 1544 to start borrowing money. By the end of 1544 he had succeeded in borrowing 210,000 crowns, approximately £70,000.

¹¹⁸Ibid.; Hughs and Larkin, Tudor Royal Proclamations, pp. 320-321.

¹¹⁹Letters and Papers, XIX, part I, 272.

The final source of revenue for 1544 was debasement of the coin. Edmund Peckham was made High Treasurer of the Mint. What followed in April 1544 was not an orgy of debasement. The fineness of the gold coin was reduced slightly. The fineness of the silver coin was reduced 10% and the rate of seignorage was increased. The actual yield to anyone tendering specie to the mint, whether as domestic coin, foreign coin, or plate was increased.

The war had however cost not £250,000 but £650,000. This overrun far exceeded the funds planned for the war and appears to have exhausted the king's coffers. By autumn the king was clearly short of funds. The king's officers were urged to husband the money sent to them.¹²⁰ Sir Richard Riche, treasurer of the armies in France complained, "the poor soldiers do here die daily at Calais of the plague and also of weakness for lack of victual."¹²¹ Clearly something had to be done to increase the coin available to pay for the war.

The English position was made especially difficult by the unhappy outcome of the campaign of 1544. Instead of marching on Paris, as was planned in 1543, Henry had sat down before Boulogne. Boulogne fell on September 14, 1544. On September 18, France and the Empire made peace. England was left to fight France alone.¹²²

¹²⁰Letters and Papers, XIX, part II, 510.

¹²¹Quoted in Dietz, English Government Finance, p. 155.

¹²²Wernham, Before the Armada, pp. 157-158.

Without reserves Wriothesley and Paget had to raise funds to provide the full cost of continuing the war in 1545. The situation did not appear desperate. No offensive actions were contemplated. In November 1544. Paget estimated the total cost of wages, victuals, and fortifications for the period December 1544-May 1545 at £90,000. In addition £10,000 would be required for munitions, £4,000 would be required for Ireland and £40,000 would be required to retire the Flanders debt. Thus the total required through May would be £144,000. Of this total the subsidy to be collected in February would yield £100,000 leaving, by Paget's calculation, £64,000 to be raised. Paget argued that a benevolence, that is a forced loan, be practiced to make up the short fall for, as Parliamentary taxation would take too long. Parliament could not end before February 1545, the people could not know what had to be paid before the end of March. Collections could not begin for five months from the end of March. Therefore the meeting of Parliament should be delayed to September.¹²³

The benevolence would produce £50,000-£60,000 by the start of the campaigning season and leave an additional £50,000 to supply the needs of the summer without grieving the common people. The revenue required for June to November would be met by £40,000 to be levied in anticipation of the Parliamentary grants to be made in the fall and £50,000 in sale of lands.¹²⁴

¹²³Letters and Papers, XIX, II, 689.

¹²⁴*Ibid.*

Unfortunately for this moderate program, the French made a very great effort in the Summer of 1545 both at sea and on land. In addition the Scotts scored a signal success at Ancrum Moor in February 1545 and in May 3,500 French troops, well supplied with money, arrived in Scotland.¹²⁵ Through the summer of 1545 England had 60,000 troops under arms and eighty ships of war in commission. The renewal of offensive action against Scotland, under Hertford, in September 1545 was a harbinger of things to come.

Altogether the wars cost £560,000 between October 1544 and September 1545.¹²⁶ Paget's estimate of needs had totaled £284,000 for that period. The cost overrun of £356,000 pounds had to be met out of other sources. Stephen Vaughn borrowed £128,929 Fl in Antwerp.¹²⁷ Peckam increased the minting of debased coin. The mint's profits were something on the order of £80,000.¹²⁸

¹²⁵Wernham, Before the Armada, pp 161-163.

¹²⁶Letters and Papers, XX, part II, 324 This information is contained in a letter from Wriothesley to Petre transmitting the declarations of the treasurers to be shown to the king. It contains two tantalizing references to the matter of debt. First "The Bonvix, etc. have written according to their promise.", that is the Bonvisi bankers, and "This day I sent the post to Mr. Vaughn touching Haller's matter." This Christopher Haller was a nephew of Wolff Haller von Hallerstein (d 1559), former agent of the Fugger in Antwerp (before 1531), sometime treasurer to Mary of Hungary (1531-?), and in the 1550s keeper of her privy purse. Ehrenberg, Capital and Finance, pp. 176-177, 201, 226-227.

¹²⁷ That is about £108,000 at the October 1545 exchange.

¹²⁸C.E. Challis, "The Debasement of the Coinage, 1542-1551", Ec.H.R., 2nd ser., XX, No. 3 (1967), pp. 462-463 Comparisons of war expenses and mint income are complicated by the fact that the mint reported on an April 1-March 31 year while the treasurers reported on a Michaelmas basis. Only Tower I operated throughout this period. Its profits probably exceeded £70,000. The Southwark mint which opened in July 1545 may have contributed another £10,000.

Borrowing from the mint, that is delaying the delivery of coin to those who have rendered specie or coin for minting, rose to 100,000 marks.¹²⁹ Sales of land continued at a great rate. Parliament in November 1545 voted yet another step in the destruction of the medieval church by authorizing the expropriation of the chantries.

The state of the crown's finances was summed up by Wriothesley in response to a letter from the Council, 14 September 1545.

This morning, between 4 and 5 o'clock, I received your letters of yesternight, signifying the levying of 4,300 new men, and desiring preparation of money for their coats, conduct, &c., and my coming to court at my time appointed, or before. If my horse were here I would be with you this night; but I will set forth Wednesday morning. As to the money, I trust you consider what is done already. This year and the last the King has spent 1,300,000£., his subsidy and benevolence ministering scant 300,000£.; and, the lands being consumed and the plate of the realm being molten and coined, I lament the danger of the time to come. There is to be repaid in Flanders as much and more than all the rest. The scarcity of corn is such that, except in Norfolk, wheat is 20s the qr., and little of it to be had. Though the King might have a greater grant than the realm could bear, it would do little to the continuance of these charges this winter, most of the subsidy being paid, the revenues received beforehand, and more borrowed at the mint than

¹²⁹Dietz, English Government Finance, p.156 A mark is usually 8 oz. Troy of silver. Therefore at the mint price of £2 16s 0d prevailing in April 1545 this would have represented a loan of £186,667 from providers of silver to the mint to the government. On delays at the mint see Letters and Papers, XX part II, 729, Wriothesley to Paget, 5 Nov. 1545. Wriothesley says the delays are three to four months and longer.

will be repaid these four or five months; and yet "you write to me still pay, pay, prepare for this and that."¹³⁰

The campaign season of 1546 was blessedly inactive. On June 7 peace was concluded with France. Francis promised to pay the pensions owing to Henry VIII during his lifetime and those in perpetuity owing to his successors and to pay 2,000,000 crowns for the fortresses built at Boulogne and for arrears in pensions by Michaelmas 1554. Upon receipt of the 2,000,000 crowns Boulogne would be restored to him. Scotland remained at war with England but no major activity was undertaken.

1546 was a year of retrenchment and recovery. The sale of crown lands halved from in excess of £160,000 to less than £75,000.¹³¹ The foreign debt was actually reduced by the not insubstantial figure of £94,000. This was possible in part due to the effects of the collections of the subsidy and the first 10th and 15th granted by Parliament in 1545. These yielded £135,000 in 1546. The main factor was however the mint. In June 1545 a subsidiary mint had been opened at Canterbury. It was followed in July by a mint in Southwark and a second mint in the Tower. In 1546 mints at Bristol and York were added. The output of these mints and their profit to the crown rose swiftly as debasement accelerated¹³².

The death of Henry VIII, 28 January 1547, brought the nine year old Edward VI to the throne. The first three years of his reign were

¹³⁰Letters and Papers, Vol. XX, part 2, 366.

¹³¹F. C. Dietz, English Government Finance, p.149.

¹³²See Tables I, II, and III, above.

dominated by Edward Seymour, uncle to the king, First Earl Hertford, who, as Duke of Somerset and Lord Protector, continued the war with Scotland and thereby renewed the war with France. These wars cost a total of £1,386,687.¹³³ These charges along with a significant increase in the expenses of the household¹³⁴, the effects of fraud at the mints and in the revenue courts¹³⁵, and a self serving policy of land grants by the Privy Council to itself in the name of the King¹³⁶ continued to impose enormous fiscal stress on the government.

The inherent weakness of Somerset's government was largely to blame for the difficulties of 1547-1550. Henry's will did not leave him in a position to legitimately exercise what was in effect a regency. He therefore had to dispense patronage on a large scale. That meant allowing the Privy Councilors to enrich themselves, a weakening of audit controls, and an unwillingness to use politically unpopular revenue measures.

¹³³Dietz, English Government Finance, p. 182, cites State Papers Domestic, Edward VI, XV, 11.

¹³⁴ F.C. Dietz, English Government Finance, p 190, Household expenses increased from £38,804 in 1547-48 to £56,806 in 1550-51 and then declined to £51,903 in 1552-53.

¹³⁵F. C. Dietz, "Finance of Edward and Mary", pp. 78-80, Dietz gives an admirable short account of the frauds and the accounting methods that made them feasible.

¹³⁶*Ibid.*, p.77, Lands to the annual value of £27,000, that is with a capital value of £540,000 were granted in the seven years of Edward VI's reign with rents of £3,619 reserved to the crown.

The continuing wars however required major revenue enhancements. These were supplied primarily by the mint, by the sale of lands through the Court of Augmentations, and by additional foreign loans. Somerset did attempt a Parliamentary tax, the Relief of 1548. This tax was levied on a revolutionary basis. Instead of being based on land it was assessed on sheep and wool based upon an estimate of sheep in the realm based upon the wool customs of Edward III. It was intended to yield between £106,000 and £156,000. Instead it yielded less than £54,000 in 1549 and only £47,500 in 1550.¹³⁷

The fall of Somerset in 1549 consequent to Kett's rebellion ended the war period. Peace was made with France and Boulogne returned for 400,000 crowns, approximately £133,333.¹³⁸ All told the wars had cost £3,500,000¹³⁹ The net yield of taxes and forced loans not repaid between 1544-1551 was only £976,000. The sale of crown lands realized £1,048,255 between 1544 and 1554. The debasement of the coin earned £1,270,000 between 1544 and 1551.¹⁴⁰ The debt in Flanders had grown from nothing in 1544 to £132,000¹⁴¹ War had consumed the state.

¹³⁷Ibid. p. 84-85. The basis for the assessment is explained in footnote 87 at the bottom of page 84.

¹³⁸Ibid., p. 89.

¹³⁹F. C. Dietz, English Government Finance, pp. 147, 182.

¹⁴⁰C. E. Challis, "Debasement", p 454.

¹⁴¹F. C. Dietz, English Government Finance, p. 191 n 9.

NORTHUMBERLAND AND MARY

Northumberland's government attempted to confront the fiscal crisis. The Privy Council launched a series of investigations of the royal revenues to establish a basis for reform. The most important of these was the Revenue Commission of 1552 which studied in detail the regular sources and uses of the king's funds. Its conclusions highlighted the seriousness of the revenue shortfall. After fixed charges grants and annuities, the crown had available £168,150 per annum. From this sum had to be deducted normal government payments for officials and ministers, the household and wardrobe, the charges for the audit courts, and the charges for permanent garrisons totaling £131,600. This left a clear account of £36,550 with which to meet the charges of the admiralty, the ordinance, the privy purse, the New Years gifts, the charges of the household in excess of its assignments, and the charges of Calais and Ireland. The peacetime expenses exceeded the normal revenues by a sum in excess of £60,000 per annum.¹⁴² But this was not all. The realm was nearly defenseless for lack of money. It was immediately necessary to service and if possible retire £250,000 in debts of which £132,000 were owed in Flanders.¹⁴³

Until substantial reforms could be undertaken there was simply no way to meet the ordinary charges of government, short of

¹⁴²W. C. Richardson, ed., The Report of the Revenue Commission of 1552, p. 157; Dietz, English Government Finance, 190-191.

¹⁴³W. K. Jordan, Edward VI, The Threshold of Power, (London: George Allen & Unwin, 1970), p. 457.

taxation, without a continuation of debasement, the sale of additional lands, or a renewed attack on the church's remaining assets. Taxation was, if not out of the question, politically risky. It would have required summoning Parliament to ask for a peacetime tax.

Dietz stigmatized Northumberland's government as follows. "In the expedients which were used to remedy this alarming deficiency, resort was had to all the old devices, betraying a sterility of ideas and a failure to grasp the cause of the situation."¹⁴⁴ This was unfair.

The duke's government did focus on retrenchment, debt collection, and stricter accounting. Costs were reduced. Soldiers and workmen were discharged and the expenses of the household reduced. Both the Flanders debt and the domestic debt were reduced. Northumberland inherited an Antwerp debt of £132,000 while Mary inherited only £61,000.¹⁴⁵ It is true that Northumberland resorted to a final major round of debasement in April 1551 which made £114,500 for the crown, but it also true that in October 1551 he restored the fineness of the new silver coin to approximately that of 1526.¹⁴⁶

¹⁴⁴F. C. Dietz, English Government Finance, p.191. I suspect that this was largely an attack on Pollard as the language is essentially the same as he used to describe Mary's government.

¹⁴⁵D. M. Loades, The Reign of Mary Tudor, (New York: St. Martin's Press, 1979) p.183; J. Guy, Tudor England, (Oxford: Oxford University Press, 1988) p. 217 says, "Borrowing was initially extended but-partly thanks to manipulations of the foreign exchanges by Thomas Gresham £132,372 in Flanders and £108,800 in England were repaid by 1553." I cannot determine the source of this inconsistency.

¹⁴⁶J. D. Gould, Debasement, p. 12.

What Dietz really undervalued was Northumberland's determined effort to reorganize the fiscal administration. His efforts toward reducing the complexity of administration and concentrating oversight and policy formulation in the Privy Council. This led, in March 1553, to an Act for the Dissolving, Uniting, or Annexing of certain Courts, which would have amalgamated First Fruits and Tenths, and Augmentations with the Exchequer, thereby bringing the bulk of receipts and the bulk of payments into a single court.¹⁴⁷

Whether the combination of cost reduction and administrative reform pushed forward by Northumberland would have worked cannot be known. The reality of royal insolvency in the summer of 1552 required the sale of crown lands for £144,259 in the last six months of the reign.¹⁴⁸ This in itself was insufficient. William Cecil proposed a new export levy on cloth to raise £40,000, an idea that died at the time but shows that the sort of thinking that led to Mary's new Book of Rates was already current in Northumberland's Council.¹⁴⁹ Parliament had to be summoned in March 1553. Not without opposition, a peace time grant of a subsidy and two fifteenths and tenths was made.¹⁵⁰

¹⁴⁷J. Guy, Tudor England p. 216-219.

¹⁴⁸W. K. Jordan, Edward VI, Threshold of Power, (London: George Allen & Unwin, 1970), p. 463.

¹⁴⁹*Ibid.* p. 457.

¹⁵⁰W. K. Jordan, Edward VI: The Threshold of Power, pp. 508-509.

The accession of Mary, did little to change the direction of government policy. William Cecil was removed from the council but, after a period of hesitancy, Winchester was retained as Lord Treasurer, Peckham was retained at the mint, Sir John Baker was retained as Chancellor of the Exchequer, Sir Walter Mildmay was retained at Augmentations, and Sir Thomas Gresham was retained in Flanders.¹⁵¹

This continuity of key individuals in office led to a very high level of continuity between Northumberland's administration and Mary's. The amalgamation of Augmentations and First Fruits into the Exchequer was reauthorized and carried through. After a two year increase in the household expenses (1553-1555) expenses were reduced from a peak of £62,640 in 1553-1554 to a minimum of £36,208 in 1557-1558. The expenses of the wardrobe were stabilized at something over £6,000 per annum. Payments of pensions and annuities were brought down to £5978 from Easter 1557 to Easter 1558 compared to a cost of £20,000 per annum under Edward.¹⁵²

On the revenue side the Marian administration was more than a mere continuation of its predecessor. Net land alienations ceased. The attainders against Northumberland were offset by grants to the Howards, Percies, and others who had suffered under Henry VIII and Edward VI. The management of the remaining estates was improved. Rents and entry fines were increased to compensate for inflation.

¹⁵¹D. M. Loades, The Reign of Mary Tudor, pp. 190-191.

¹⁵²C. F. Dietz, English Government Finance, pp 202-205.

This was a long process because of the normal lease term of approximately 20 years but a start was made. The clear yield of lands in Augmentations rose from £26,883 in 1552-1553 to £47,723 in 1556-1557.¹⁵³ This increase continued into Elizabeth's reign.

Finally and most importantly the customs were reformed. The valuations for customs purposes had not changed from those of 1507. As a result of the inflation the value of customs revenues had declined. Moreover nominal revenue had declined due to changes in the mix of exports away from wool to clothes and from traditional cloth to new draperies. Mary had the right to increase import duties but in former times export duties had been negotiated with the merchants. The decision to increase the export duties by more than 100% led to the referring of the matter to the courts which ruled that as the sovereign had the right to forbid exports she also had the right to tax them "de son absolute power." On May 28, 1558 the new book of rates came into effect. At a single blow it increased customs revenues from approximately £30,000 to in excess of £80,000.¹⁵⁴

In the matter of the Flanders debt Mary's policy followed a different course than Northumberland's. Upon her accession Mary's greatest need was for cash. Inheriting a debt of £61,000 she expanded it by October 1554 to over £150,000.¹⁵⁵ By January 1556

¹⁵³Ibid. pp. 205-206.

¹⁵⁴Ibid. pp. 208-209; D. M. Loades, The Reign of Mary Tudor, pp. 415-418.

¹⁵⁵D. M. Loades, The Reign of Mary Tudor, p. 201.

that had been reduced to £109,013. When Thomas Gresham closed his accounts in August 1557 the debt had been eliminated. The renewal of war in 1557 called the debt back into existence. On Mary's death she left Elizabeth an Antwerp debt of £90,000.¹⁵⁶

¹⁵⁶Ibid., p. 420.

CHAPTER VI

THE FLANDERS DEBT 1544-1550

Henry VIII's Flanders loans played only a modest role in financing the first phase of his third war with France. They were important because they provided ready money in the theatre of operations. Bedeviled, as always, by the delay between the proclamation of forced loans, Parliamentary grants, and land sales and the collection of coin, Henry needed to tap new sources of coin. The solution was, as it had been repeatedly for Charles V, to borrow money in Antwerp. To this end Stephen Vaughn, a governor of the Merchant Adventurers¹⁵⁷, and the King's Agent in Flanders, was commissioned, in May 1544, to "take up" 100,000 ducats monthly in Antwerp.¹⁵⁸ That would have been in excess of £30,000 per month. It appears that Wriothesley's estimates of cost were already proving overly optimistic by May.

¹⁵⁷The Merchant Adventurers had two governors, one in London, and one in Antwerp. Vaughn was the Antwerp governor. , Ehrenberg, Capital and Finance, p. 251.

¹⁵⁸The single ducat had been set by proclamation at 5s in July 1538 and were therefore equivalent to a crown. Hughs and Larkin, Tudor Royal Proclamations, Vol I p. 264. The fiat value of foreign gold pieces was not expressly effected by the revaluation of 16 May 1544, Ibid., p. 327.

The Regent, Mary of Hungary, also bedeviled by the slow collection of taxes, was alarmed by Henry's wish to borrow in Flanders. She wrote Chapuy's, the imperial ambassador in England:

"If the King were then to raise money here it would much impede the Emperor's affairs, who cannot bring money out of Spain without risk, whereas the king can safely conduct money from England; here also a great part of the aids have to be raised "par finance", as they are not paid as promptly as needed."¹⁵⁹

She however told Chapuys to inform the king,

.....she desires nothing so much as that he might get all he needs, provided the Emperor's affairs are not impeded thereby, but that, for the aforesaid reasons, the levying of money here would much hinder them, and she would pray him to levy it in his own realm.¹⁶⁰

The regent was not overstating the case. She was in the process of raising enormous loans in Flanders, mostly on the credit of the Receivers General but also on the credit of the cities including Antwerp, in Charles V's behalf. In this process her principal agent was Gaspard Ducci, a Florentine banker, and arbitrageur of somewhat unsavory reputation. He had raised £1.2 million Flemish for Charles on the credit of the City of Antwerp in 1543, and was to raise an additional £3.5 million Flemish for the Hapsburgs in 1544. He also invented a new export tax and became its first farmer.¹⁶¹ With such large financial measures in hand the

¹⁵⁹Letters and Papers, XIX, part I, 578.

¹⁶⁰*Ibid.*

¹⁶¹For Gaspard Ducci's activities see Ehrenberg, Capital and Finance, pp. 146-271.

Regent's displeasure at the English entering the market was not surprising.

Professor Dietz said, referring to Vaughn's entry into the market, "No real opposition, however, was made to Vaughn's operations. He fell in with a broker or intermediary, Jasper Douche, through whom he was brought in touch with merchants and bankers who had money to lend."¹⁶² This explanation is unsatisfactory on two accounts. First, as the Governor of the Merchant Adventurers, it is inconceivable that Stephen Vaughn was so ill informed of matters on the Bourse that he needed Jasper Douche to tell him who had money to lend. Second, this Jasper Douche was Gaspard Ducci.

Apparently Henry had received permission to borrow, but only under the strict supervision of the Regent's chief financial agent. Vaughn employed the services of Jasper Douche as a broker, but Douche's real master remained the Hapsburgs. Vaughn made at least one attempt to borrow around Jasper Douche but to no avail. He was simply referred back to Jasper Douche. Antwerp was the Hapsburg's credit market and Jasper Douche was their agent. No substantial loans could be taken up without his consent.

Douche arranged loans of 122,778 crowns from the Welser¹⁶³ for nine months at a rate of 10 1/2% or 14% per annum. This first

¹⁶²F. C. Dietz, English Government Finance, p. 167.

¹⁶³ For information on the Welsers of Augsburg see R. Ehrenberg, Capital & Finance in the Age of the Renaissance, a Study of the Fuggers and Their Connections, translated by H.M. Lucas, (New York: Augustus M. Kelly, 1963) especially p.139ff; The Welsers had already loaned 800,000 crowns to the Emperor but, according to Vaughn, 17 June 1544, were "not yet empty". Letters and Papers, XX, part I, 725.

loan was followed by other smaller loans. By the end of 1544 Vaughn and Douche had raised a total of only 210,000 crowns net, that is with the interest deducted in advance¹⁶⁴ Maturities on Vaughn's borrowing extended from December 1544 to February 1545. Attempts to raise more loans failed. Douche advised Vaughn, who advised the Council, December 19, 1544, that the best means to raise additional money was to borrow goods, "as pepper and fustians, which may be uttered again for ready money" on the credit of major London merchants, especially "both the Greshams and Ralph Warren".¹⁶⁵ While this particular expedient was not used at this time it will recur later.

The English loans were secured in the same cumbersome fashion as were imperial loans. First a merchant, or banking house had to guarantee the king's bonds against default. The credit of neither the Staplers nor the Adventurers was acceptable¹⁶⁶ and so the Vivaldi and Bonvisi houses were pressed into service¹⁶⁷. The bankers in turn were guaranteed by individual Privy Councilors including, Wriothesley, the Duke of Suffolk (who was closely associated with the Bonvisi), and Sir Anthony Brown. In addition Sir Richard Gresham and Sir John Gresham guaranteed the Italians.¹⁶⁸

¹⁶⁴Letters and Papers, XIX, part II, 822.

¹⁶⁵Letters and Papers, XX, part II, 764.

¹⁶⁶*Ibid.*, part II, 630.

¹⁶⁷These were long established in England and the Bonvisi continued to play a significant role into the 1570s. Ehrenberg, pp. 226-227.

¹⁶⁸Dietz, English Government Finance, p. 167; Letters and Papers, XIX part I, 630, 725, 759.

As always with sixteenth century floating loans the coin had scarcely been taken up when the issue of repayment became pressing. In June Vaughn approached the Welser with the proposal that they buy lead from the king to fund the repayment of their loan. In July Vaughn urged the Council to send a stock of lead to Antwerp to improve the government's credit. However, the price of lead fell and Vaughn urged, at the end of August, that it would prove cheaper, in light of the high transportation costs, to renew the December loans until February than to sell lead at a loss on a depressed market.¹⁶⁹ This was accomplished through the agency of Jasper Douche, who appears to have received, in return, permission to transport certain jewels into England, free of customs, to sell either on his own account or for the account of the Fuggers.¹⁷⁰

As the new day of payment approached, means of payment without exporting coin were again sought. Paget had the idea of using the proceeds of the Merchant Adventurer's sales at the Cold Mart of 1545 to repay the loans. This idea was to recur over the next twelve years and was to become an important element in debt service. It would not serve in 1545 as the debt was due on February

¹⁶⁹For the negotiations concerning the lead see, Letters and Papers, XIX, part II, 119, 143, 743; XX, part I, 1261, 1265; part II, App. 41. The negotiations on the lead were to drag on until July 1545 when Vaughn succeeded in arranging with a group of Spanish merchants the exchange of lead at £4 13s 4d the fodder (2184 lbs) for 30,000 quintals (3,000,000 pounds) of alum at 13s 4d the quintal, customs duties to be paid by the Spaniards. This is an example of the lack of separation of official trade and state finance which typify Henry's and Edward's dealings at Antwerp. This deal turned out to be unsatisfactory due to the large amount of alum depressing the English market.

¹⁷⁰Letters and Papers, XIX, part II, 755.

10 while the Adventurers could not receive payment for another six weeks. Vaughn did attempt, unsuccessfully to discover the amount owed to the merchants due on February 10 but was unable to do so secretly.¹⁷¹ In any case, the merchants, "fearing the last peace between the Emperor and the French king, took wares beforehand for the greater part of their debts owing this Cold Mart."¹⁷² That is, the merchants, fearing a disruption of trade due to diplomatic changes, sold their bills on the bourse and purchased goods. This effectively forestalled any attempt to use their funds to service the debt.

On February 10, 1545 the loans were repaid in full out of Henry's domestic revenue. The fiscal situation was such that funds had to be assembled from a multiplicity of sources. Funds were scraped together from the Exchequer, Augmentations, the Treasury of the Chamber, First Fruits and Tenths, and the mint.¹⁷³ Presumably the payments were 2/3 gold and 1/3 silver, the standard imperial repayment terms.¹⁷⁴ This, according to Dietz, established the king's credit.¹⁷⁵

The payment terms enjoyed by the English government were slightly better than the terms Douche arranged for the imperial government. The emperor paid 12% interest plus 1% per fair. As

¹⁷¹Letters and Papers, XIX, part II, 751.

¹⁷²*Ibid*, XIX, part II, 795.

¹⁷³*ibid*, XX, part I, 154; XXI, part I, 716 (4), (5).

¹⁷⁴Letters and Papers, XIX, part II, 756.

¹⁷⁵F. C. Dietz, English Government Finance p. 170.

there were four fairs in the year this made 16% per annum.¹⁷⁶ The English paid only 14%. The English had to make the payment in the same manner as the emperor, that is 2/3 gold and 1/3 silver.¹⁷⁷

This first group of loans had been intended to be simple revenue anticipation loans. As Wriothesley intended to wage the war without drawing on the king's reserves, coin was needed for the war in advance of the receipts of Augmentations and the profits of the mint. The proceeds from the loans were spent directly on the invasion of France. They were used for the expenses and pay of the army invading France, for the hire of wagons, and for the purchase of munitions.¹⁷⁸

Unfortunately the war had cost more than 2 1/2 times Wriothesley's projection. Between their inception and their due date the loans had become a major burden. Other means of repayment were sought, but the situation was not yet so bad that money could not be pulled together to liquidate the debt.

The second round of loans was different. With the King's credit, if we are to believe Professor Dietz, now established,¹⁷⁹

¹⁷⁶Letters and Papers, XIX, part II, 66.

¹⁷⁷Van der Wee, Antwerp, vol I, p. 120; vol II., p. 203.

¹⁷⁸Letters and Papers, XIX, part I 822, 859, 887, 1099 and, *ibid*, part II, 108, 160, 220.

¹⁷⁹F. C. Dietz, English Government Finance, p. 170 ; As we shall see, this was a very optimistic assessment of the King's credit. Despite major efforts to negotiate loans Stephen Vaughn managed to complete one significant loan in 1545. Dietz based his opinion on Vaughn's report , Letters and Papers, XX, part I, 154 This acceptance of a single report by Vaughn as an established fact is unfortunately typical of Dietz.

Douche moved to raising money from the Fuggers who were willing to accept the guarantee of the Merchant Adventurers, the Staplers, and the king. The Fuggers lent Henry VIII a nominal 300,000 crowns composed of 260,000 gold crowns at 10% with an additional 2% charge to dispense with repayment provisions specifying repayment in Carolus gilderns and crowns¹⁸⁰, and 40,000 crowns in jewels at an unknown profit.¹⁸¹ This loan was actually concluded on the credit of the City of London, and the Merchant Adventurers. The exemption from repaying in gold crowns was important. There was a coin shortage in the Netherlands due to the war and the consequent interruption of coin and specie deliveries from Spain.¹⁸²

The Flemish believed that the proceeds of the loan were bound for the mint.¹⁸³ If this was true then it could have been reminted at a 6% profit at fiat value to Henry.¹⁸⁴ This would have effectively reduced the interest rate to something over 4% depending on the actual value of the jewels received, given that the exchange rate

¹⁸⁰That is to say, the Fuggers were willing to accept the exchange risk in accepting repayment in English or other coin rather than in "valued gold", coin with an established fiat value in the Netherlands.

¹⁸¹F. C. Dietz, English Government Finance, p. 170; Letters and Papers, XX, part I, 13, 892, 996, 1316; part II, 36, 114, 333, 362, 595, 707.

¹⁸²Letters and Papers, XX, part I, 578.

¹⁸³F. C. Dietz, English Government Finance, p. 170; Letter and Papers, XX, part II, 262 seems to support Dietz's contention but Wriothsley's language is sufficiently guarded to leave some room for doubt. Vaughn in Letters and Papers, XX, part II, 388, which relates to the actual arrest of coin in September 1545 ascribes the Flemish fear of melting to his position at the mint.

¹⁸⁴Gould, Debasement, p. 12.

between Antwerp and London remained stable. The Flemings opposed the export of coin for melting but permission was finally obtained and the coin was allowed to depart.¹⁸⁵ How much of it reached the mint is problematic.

Vaughn entered into extensive negotiations with Christopher Haller for additional loans.¹⁸⁶ The amounts sought varied over the time of the negotiation but were initially 40,000 crowns, and in the end 100,000 crowns.¹⁸⁷ These negotiations proved abortive for several reasons. In the first place not all of the money would be available in Antwerp. Half of it would have to be received in Frankfort, a great inconvenience when the money was truly wanted at Calais.¹⁸⁸ Second, the Haller required not only the guarantee of the City of London and the king but also those of no less than four Italian banking houses established in London. When these guarantees were forwarded Christopher Haller changed to asking that the guarantors be in Antwerp. This portion of the negotiation was hampered by the refusal of the Antwerp Bonvisi to support the London Bonvisi, having suffered some form of falling out. Third, the English wished to have delivery changed to Calais to avoid the arrest of their funds by the Hapsburgs. Fourth, by October, the Haller were

¹⁸⁵Letters and Papers, XX, part II 407, 507, 550.

¹⁸⁶Letters and Papers, XX, part I, 1214, 1223, 1316 (1, 2), 1317, 1333; part II, 9, 36, 74, 92, 111, 113-4, 153, 192, 217, 243, 258, 284, 302, 324, 333-4, 340, 355, 362-4, 340, 355, 362-4, 374, 388, 443-4, 507, 551, 565, 597, 654-5, 694.

¹⁸⁷*Ibid*, part II, 9, 694.

¹⁸⁸*Ibid*, part II, 36.

no longer willing to loan the full amount in coin but wished the English to take 25,000-30,000 crowns in jewels.¹⁸⁹

These negotiations are revealing for at least two reasons. First, the coin shortage in Antwerp must have been becoming acute by August 1545. The Haller's wish that coin be taken up in Frankfort pointed in this direction as did the switch to jewels in October. Second, the diplomatic situation was clearly deteriorating. Henry VIII's breach of his agreement with Charles V to make Paris the goal of the campaign of 1544 had guaranteed an indecisive campaign which the Emperor, who wished to disable France so that he could turn against the League of Schmalkalden, could not afford. When a separate peace was concluded between France and the Empire on September 19, 1544, the decline in amity led to the fear that the king's money would be "arrested".¹⁹⁰

This was delayed until the death of the Duke of Orleans removed the French threat in September 11, 1545.¹⁹¹ At that point the Fugger loan was still not entirely in hand and the chances of completing the Haller loan declined dramatically. The king's funds were actually arrested on September 20. Negotiations succeeded in gaining the release of the funds but all coin had to be converted out of Imperial coin into a wide variety of other coin before export. This process was costly and time consuming.¹⁹²

¹⁸⁹Ibid, part II, 694.

¹⁹⁰Ibid., part II, 388, 407, 507, 550.

¹⁹¹Ibid., part II, 350, 351.

¹⁹²Ibid., part II, 407.

Vaughn's account¹⁹³ for 1545 shows five borrowings. Of these three are bill transactions originated in England by the Lord Chancellor for payment in Antwerp. The first of these was for £5,500 Flemish for conduct money for German mercenaries secured from, rather than on the credit of, the Bonvici bank. The second was for £18,000 Fl. which netted to £16,896 12s Fl. after origination, delivery and interest charges. The third, also for unknown purposes was a small loan of £533 6s 8d Fl. made by Sir John Gresham.

The other two loans were actually "taken up" in Antwerp. That is they were borrowed on the bourse. They consisted of the Fugger loan of £100,000 Fl. and a loan of £6,000, actually taken up by Jasper Douche, for repayment in London. This loan was probably related to Douche's much troubled trade in wode and herring. This was a rather poor showing for a king whose credit "was established."

During the year Vaughn remitted £31,827 to Thomas Gresham, who may then have been acting as a treasurer for War at Calais, directly paid £77,066 for military expenses, primarily the wages of German mercenaries, and sent £40,000 in jewels to England. In addition he paid £5,000 to Jasper Douche for his herring seized in England, and £800 in brokerage fees. Miscellaneous fees were paid for transporting coin. How much of the money paid to Gresham was spent in France and how much was remitted to England is uncertain but it is clear that most of the money was spent in France rather than forwarded to the mint.

¹⁹³Ibid, part II, 957.

Vaughn ended the year with the Fugger loan due in August and the need for additional funds to carry on the wars unabated. The change in the diplomatic situation did not immediately reduce the Imperial demand for credit as Charles continued borrowing heavily for his war against the German Protestant princes. In addition England was now facing France alone. While it was clearly in the Emperor's interest that England not be completely defeated by France, it was equally clearly in the Emperor's interest that England not be free to assist the Protestant princes. In addition the immanence of war in Germany disrupted trade, thereby reducing the value of the bonds of the Merchant Adventurers and the City of London. One positive effect of the change in the diplomatic situation was that Jasper Douche disappeared from English finance.¹⁹⁴

Despite this situation Vaughn was under enormous pressure to raise additional loans. He succeeded in borrowing £30,000 Flemish in fustians from the Fuggers in February for six months. Repayment was guaranteed by the city of London. The "loan" carried the provision that the fustians had to be sold in England for not less than the loan amount. This was accomplished¹⁹⁵ but the short period

¹⁹⁴Douche continued to play an important role for the Hapsburgs down to 1550 when his arbitrage activities between Lyons and Antwerp got him involved in loaning money to the king of France. The Procurator-General demanded the death penalty and the right to examine Ducci under torture, but, although Ducci was convicted of usury the treason charges were dropped. He fell from favor. Ehrenberg, Capital and Finance, pp. 159-160.

¹⁹⁵It is important to note that no coin was loaned in the Netherlands. The coin was instead raised in England. It would be interesting to know who the buyers were. I suspect that the sale of the Fustians was to London merchants and in part a forced contribution.

of the loan left both it and the prior Fugger loan of 300,000 crowns (£100,000 Flemish) due on August 15, 1546.

To meet this need Vaughn attempted to negotiate other loans through the spring and early summer of 1546. He succeeded only in raising £27,125 Fl. on the letters of credit of the Italian merchant houses in London. These were in fact English domestic loans on which the proceeds were received in Antwerp rather than foreign borrowing. Faced with the immanence of default, the Council decided to repay £152,189 Fl. and to prolong the rest.¹⁹⁶

The repayment of even a portion of the crown's debts required great efforts. Again, as in 1545, sums were pulled together from the various treasuries. They totaled £94,000 sterling which should have been about £120,000 Fl. In addition £20,000 Fl. was borrowed from Erasmus Schetz who paid it directly to the Fugger. Finally, on August 15, 1546, the due date, the Fugger agreed to accept payment of £92,180 Fl and to put over the balance for six months at 6 1/2 % in return for the English buying in excess of 8,571 quintals of copper for £20,000 Fl., the whole to be secured by the bonds of the City of London.¹⁹⁷ Slowly through the fall the lesser debts were retired.

When Henry VIII died on January 7, 1547 he left no overdue debts. The outstanding indebtedness consisted of £80,000 Fl. owed to the Fugger, and £20,000 Fl. owed to the Schetz. This was a modest enough debt after three years of war. However, England was not yet at peace and the resources of the kingdom were very

¹⁹⁶Letters and Papers, XXI, part I, 1042.

¹⁹⁷*Ibid.*, part I, 1250, 1383 (98), 1537 (2).

strained. The year 1546 had seen a very marked change in the quality of English credit. The king, far from being able to borrow coin on his own credit and that of the Privy Council and the City of London, had been reduced to borrowing goods at artificial rates and to accepting jewels in place of coin at a significant but unknown cost. The necessity of purchasing copper in order to renew the Fugger loan in August 1546 shows clearly that the English debt was not investment grade.

Edward VI's new government under the Protector Somerset in 1547 was faced with the same need for funds as Henry's had been. Under these conditions there was little possibility of either increasing the debt, England's credit was too bad, or reducing it, England's finances were too weak. This led to a policy of prolonging repayment at the cost of repeated purchases of goods and jewels whose value was less than the nominal amount loaned. Loans were paid with other loans. This however is not the heart of the story for as we shall see a major function of the Antwerp debt became to supply silver to the mint.

In September Stephen Vaughn, who had been attempting to return to England for some time, left Antwerp to take up an appointment as an under-treasurer of the mint. He held this position until his death in 1549. The replacement of the highly competent Stephen Vaughn by William Dansell in January 1547 coincided with a change in the relationship between the King's Agent and the king's government. Stephen Vaughn's correspondence with Paget and the Council was, in general, that of a trusted and respected agent with satisfied employers. The correspondence of Dansell with Sir

William Paget, Sir Thomas Smith and the Council was a long series of exasperated complaints originating from London and querulous self justification originating from Antwerp. Dansell had assisted Vaughn in 1546. Now with Vaughn's departure to England he took over both as Governor of the Merchant Adventurers in Antwerp and as King's Agent. Thomas Gresham, who had been serving as a treasurer at Calais assisted Dansell in raising and transporting coin.

Dansell's situation was demanding. He was operating in four major areas. He was borrowing and repaying floating or bourse loans for the crown. He was buying silver bullion for the mint. He was acting as a government purchasing agent especially for military equipment. He was acting as a government sales agent for lead, tin, and bell metal. In these efforts his position was weakened by the proclivity of the Lord Protector and the Council for going around him directly to lenders, sellers and buyers. It is hard to resist a feeling of sympathy for the much harassed Dansell.

Dansell's correspondence with the Council begins with a letter to Paget, dated March 24, 1547 in which he announced the payment of the debt owed to Erasmus Schetz and A. Fugger and the transmittal of the cancelled bonds to the Privy Council. The next correspondence preserved came from 1549. In that two year period two loans were recorded in the Treasury of Receipt. The first was a loan from Anthony Fugger on 13, October, 1547 for 129,650 florins to be repaid on March 31, 1548. The second was a loan from Lazarus

Tucher in April 1548 for 167,218 florins.¹⁹⁸ This loan is probably the loan due on May 15, 1549.

It would be surprising if these two loans represented the sum total of borrowing by the crown in Antwerp in those years but they may very well be the bulk of that borrowing. We have already seen that in the Vaughn period there was usually only one major loan outstanding at a time. The easy assumption that the loan was from a single banking house should be avoided. They may very well represent consortium loans with the nominal originator acting for a group of bankers. In any case the loan of 1547 would have essentially replaced the Fugger and Schetz loans paid in April. The loan of 1548 would then have replaced the 1547 loan.

The extant correspondence resumed with a letter from Dansell to the Lord Protector, 20 April, 1549, which announced that he had acquired money sufficient to pay the debt due on May 20 at 13% and that if his majesty required more he could borrow another £100,000 at 14% without taking any goods. He added that the Emperor himself borrowed at 15, 16, and even 18%. The Council's response, 25 April 1549, noted that Lazarus Tucher expected to be repaid in full on May 15th or be informed in advance of the king's wish to renew the loan. The Council advised Dansell to take up no more money at 13% and to negotiate the renewal of the loan at 12%.¹⁹⁹ Dansell's response of 3 May, outlined his negotiations with Tucher for renewal, which were not going well, and with Erasmus Schetz for the money to pay Tucher

¹⁹⁸F. C. Dietz, "Finances of Edward and Mary", pp. 86-87.

¹⁹⁹Turnbull, Calendar, Mary, 137, 139.

which were proceeding. These negotiations yielded a loan from Schetz to pay off the Tucher loan at an interest rate of 13%. While that loan was being collected Tucher offered to loan the king 100,000 Carolus guilders (50,000 ducats, or £16,667) at 13% interest.²⁰⁰

In what may be a separate matter, the Council, on 17 May, 1549 expressed surprise that they had received no reply to their letter respecting a bargain for bullion with Lazarus Tucher. This letter crossed with a letter of Dansell's of May 17 which noted the completion of the purchase of bullion. Lazarus Tucher had absolutely refused to export bullion from the Emperor's dominions but Dansell and a friend had purchased his entire supply of silver and would sell it to the crown at 6s. the fine ounce.²⁰¹

We have obviously entered a discussion in full flow. Dansell had in hand efforts to refinance the debt at 13%, 1% lower than the rates of 1546, and without the purchase of any goods. Why the Council disapproved the rate is unclear. Van der Wee says that commercial interest rates reached 10% in the 1540s²⁰² but government interest rates had been consistently at least 2% and often 4% higher than commercial rates. Dansell says the Emperor was borrowing at 15-18%. The truth of this is hard to sort out. The Netherland's court occasionally paid as little as 9% on small

²⁰⁰Ibid., 139, 142, 146.

²⁰¹Ibid., 147, 148.

²⁰²Van der Wee, Antwerp, vol. II, p. 362.

loans²⁰³ in the late 1540s but Ducci was borrowing large sums for them at 12 1/2 -13%²⁰⁴ A thorough, loan by loan survey of payment terms and nominal interest rates would be needed to determine what rates the Imperial government was really paying on loans comparable to the English loans. In any case Dansell was not achieving the best rate in the market.

The matter of the silver bullion is equally interesting. As noted above the key source of income for Somerset's regime was the mint. In order for that source to be productive a steady supply of specie was necessary. That specie could be and was derived from three sources. The most obvious source was the minting of plate and jewels, especially church plate. The second domestic source was the reminting of coin. The third source was the importation of specie, either as coin or as bullion.

The bullion transaction of May 1549 is the first recorded but is unlikely to have been the first. In it Dansell was associated with Thomas Gresham, former treasurer at Calais and future King's Agent at Antwerp. They purchased bullion from Lazarus Tucher, clearly on government instruction²⁰⁵, but at least in form on their own account and then smuggled the bullion out of the Netherlands. They offered it for sale to the mint at 6s the troy ounce or £3 12s the pound, a

²⁰³Ibid.

²⁰⁴Ehrenberg, Capital and Finance, 264ff., S.T. Bindoff, "Economic Change", New Cambridge Modern History, ed. G.R. Elton, vol II, p.64, suggests 12% as the market rate.

²⁰⁵see especially , Turnbull, Calendar, Mary, 156.

good price as the mint price of silver varied between £3 8s and £3 12s. At the £3 12s price the mint would coin £7 4s and make a profit for the government of £3 12s the pound.²⁰⁶

This left only the problem of paying for the silver. On the surface it makes little sense to buy silver to mint, especially if one was paying 13% per annum for the privilege. The answer to the profitability of the bullion import and minting business lay in the exchange rate. Between May 1542 and April 1549 the intrinsic silver content of English coins had fallen by 60% while the exchange rate had fallen only 20%.²⁰⁷ This resulted in a situation in which the fiat value of coin produced from a pound of silver had increased by 150% while the exchange value of that coin in Antwerp had increased by 100%.

The implications of this situation were staggering. The government could, by importing and minting silver, earn a major profit at fiat value and at exchange value. If a merchant in Antwerp were willing to export silver specie, whether coin or bullion, in contravention of the imperial ban on export, and sell it to the mint in England, he too would make a substantial profit.

The situation was not the same for gold and therein lies a part of the solution to the apparent illogic of the situation. One needs to remember the standard imperial payment terms with which Stephen Vaughn had had to comply. The emperor paid in 2/3 gold and 1/3 silver. The debasement of the gold coin had been much less than the

²⁰⁶Gould, The Great Debasement p. 12.

²⁰⁷*Ibid.*, p 94.

debasement of silver coin. The imperial payment terms by placing gold in the dominant position reduced the impact of the debasement of silver. Between May 1542 and April 1549 the gold content of English coin had declined only 20% against fiat value. This was approximately equivalent to the decline in the exchange rate.²⁰⁸ That is English coin was trading at about the melt value, or Flemish mint price, of the gold component. The silver component, because of its convertibility at fiat value, was trading far above its melt value. The profits from importing silver were equal to the full seignorage available on silver minted plus 1/3 of the exchange profit as long as the English were willing to export gold to make up balance of payments residuals. A glance at Table III will show that at precisely this period the mint was making a major effort to attract gold for reminting. The seignorage on gold was reduced from £5 8s in April 1546 to only £1 4s in April 1547 while the fineness of the gold coin was maintained. This foregone profit was worth it if it permitted the government to obtain gold to export in return for silver. If this analysis is correct, it is as elegant an example of bimetallic currency value manipulation as one is ever likely to see.

Dansell was also attempting to sell tin, lead, and bell metal. In this he seems to have been somewhat confused and the Council's exasperation is easy to understand. On 29, May 1549 he notified Sir Thomas Smith that Lazarus Tucher had received letters from Bruno, his factor in Antwerp, that the Lord Protector and the Council would

²⁰⁸This is a rather simple explanation. For a more sophisticated view see Gould, The Great Debasement, pp.86-113.

"bargain with him for money to be had in Frankfort, and to repay the same in tin, lead, and bell metal here." He informs Smith that Tucher is willing to loan the king £22,500 at 12%.²⁰⁹

On 3 June the Council replied that they had not wished to borrow money but to buy money for tin, lead and bell metal. On June 11th the Council instructed Dansell to drop the matter with Tucher if he would not let the king have money except on interest and then demanded that he attempt to get Tucher to accept commodities in payment of his Tucher's debt due in September. If this were unacceptable, Dansell was to extend the loan for another year at the lowest interest rate possible.²¹⁰

Dansell's negotiations with Tucher proved fruitless. On September 11th 1549 the loan appears to have been replaced with a new loan from the Fuggers for 328,800 florins to be repaid August 15, 1550.²¹¹ The sudden doubling in the basic indebtedness was undoubtedly the result of the French declaration of war and invasion of the Boulonnais, August 8, 1549. This disaster coupled with widespread insurrection in England led to Somerset's fall and replacement by Hertford, soon to be Northumberland, in October 1549.²¹²

²⁰⁹Turnbull, Calendar, Mary, 155.

²¹⁰Ibid, 161, 164.

²¹¹Ibid, 199, 207.

²¹²Wernham, Before the Armada, pp. 177-178.

CHAPTER VII

THE FLANDERS DEBT 1550-1557

Northumberland's rise to power began a period of retrenchment in the government's finances. In April 1550 the Council ordered Dansell to prolong the debt due May 15, 1550 for another year. He was to accept the condition of purchasing 2400 kintalls of gunpowder at 50s the kintall for renewal.²¹³ A further loan was taken from Erasmus Schetz on 5 May 1550 of 107,520 florins to be repaid May 15, 1551.²¹⁴ With both the Schetz and the Fugger debt coming due in May 1551 the government's obligations in the Netherlands stood at at least 500,000 florins (£167,000 Fl.) with no visible means of repayment.

On March 23, 1551 a major refunding of the debt was achieved through the Fugger. It provided for the Fugger to pay the Schetz £42,090 Fl. on May 15, 1551. That amounted to approximately 125,000 florins for an effective interest rate on the Schetz loan of nearly 17%.²¹⁵ The king was to repay the Fugger in one year with 8% interest on the amount paid to the Schetz. The sum of £38,976 Fl.

²¹³APC, n. s. II, 426; Journal Edward VI, 18.

²¹⁴Dietz, "Finances of Edward VI and Mary", p. 87 cites State Papers Domestic, IV, no 5.

²¹⁵Given that the loan of May 1550 was the only outstanding debt to Schetz.

owing to the Fugger was extended for one year at 12% interest. In return for the Fugger's assistance the king purchased jewels worth £33,333 6s 8d Fl. to be paid for in Antwerp in 11 months without interest; 12,000 marks weight of silver for just over £30,000 Fl. to be paid in August; and £14,000 Fl. of fustians to be sold in England, payable in Antwerp in April 1552 without interest.²¹⁶ This was the last loan of Daunsell's period as king's agent. He was discharged April 15, 1551.

It is clear that the Fugger loan of March supplied the mint with much of the specie for the final debased issues of silver coin. Two mints, Southwark and Tower I issued coin between April 1st and July 31st 1551. Together they produced coin to the face value of nearly £173,000.²¹⁷ This would have required approximately 12,000 lbs of fine silver.²¹⁸ The Fugger loan, given an 8oz. Troy mark would have supplied 2/3 of the total.

The crown debt in Antwerp stood at at least £158,000 Flemish, £58,000 higher than in January 1547.²¹⁹ The government's situation was critical. The mint could no longer be a source of significant revenue as it had resumed minting high standard coin in

²¹⁶F. C. Dietz, "Finances of Edward VI and Mary", pp. 86-87; this loan is typical of Fugger activity in the early 1550s. There appears to have been a change from loaning goods as a means of making a profit to loaning goods as a means of gaining coin. In April 1551 the Fuggers had made a substantial loan to the Emperor by issuing bonds on their firm which Charles V discounted through Wolf Haller von Hallerstein. Ehrenberg, Capital and Finance, pp. 105-106.

²¹⁷Challis, "The Debasement", pp. 460, 465.

²¹⁸Gould, The Great Debasement, p. 11.

²¹⁹This is almost assuredly too little.

September 1551.²²⁰ The political situation precluded any major effort toward taxation. To make matters worse the exchange rate had gone into collapse at the end of 1550. Between June 1550 and July 1551 the £ sterling fell from 19s 5 1/2d Fl. to 12s 9d Fl., a fall of over a third in 14 months.²²¹ That is the debt had increased by approximately 50% in sterling terms. The ability to profitably service debt by borrowing specie in Antwerp for the mint was gone.

To a major extent this was self inflicted damage.²²² The rumors of a calling down of the coin created a flight out of English coin. The calling down began in effect with the revaluation of French gold, August 1550, which put the merchant community on notice that in English eyes, English gold was overvalued.²²³ By the time actual devaluation of the teston to 9d was announced on April 30 1551 the foreign exchange market had already responded by dropping over 20%. That the announced devaluation was not to take effect until August 31 created a situation in which English silver coin could only be acceptable at near post devaluation rates. This led to an additional fall which was enhanced by continuing rumors of a further call down. The government responded by advancing the date of the call down to 8 July and ordering punishment for rumors

²²⁰APC , n.s., III, 400, IV, 57, 102; For the proclamations revaluing the base coin and related matters see Hughs and Larkin Vol I, 364, 367, 372, 373, 375, 376, 379, 381, 382.

²²¹Gould, The Great Debasement p. 89.

²²²see Turnbull , Calendar, Mary I, for Thomas Gresham's thoughts on the effect of a calling down of the coin.

²²³Hughs and Larkin, Vol I, 364.

of further debasement. This was followed, on 17 August by a further devaluation of the teston from 9d to 6d.²²⁴ With the calling down of the base currency bimetallic arbitrage was no longer profitable.

The new situation required a new approach to the debt. For a period in 1551 there was no chief financial agent. Sir Philip Hoby, Master of the Ordinance, and Sir Richard Morysine, and probably others acted in limited capacities in Flanders. Dansell was finally replaced by Thomas Gresham, his associate in the matter of the bullion. Gresham moved his family to Antwerp in December 1551 or January 1552. He lodged there with Jasper Schetz, who had taken Jasper Douche's vacated position as the Brussels court's primary financial agent at about that time.²²⁵ This intimate relationship with the largest borrowing agent on the bourse and a major creditor of the English crown may go far to explain Gresham's success both as an advisor to the Privy Council and as a financier.

Gresham's early activities in Antwerp focused on debt refinancing. When the first payment came due on the Fugger bonds in February 1552 Sir Philip Hoby took £53,500 Fl. out of England to Antwerp. To complete the payment Gresham borrowed, at a rate of 7% for six months, £10,000 Fl. from Lazarus Tucher. Of this £4,000 went to complete the sum for a debt payment due April 30, 1552²²⁶,

²²⁴Ibid, 372, 373, 376, 379.

²²⁵J. W. Burgon, Gresham, p 70; Ehrenberg, Capital and Finance, p. 250.

²²⁶As it appears that the amount due in February was only £33,333 Fl. the need for £57,300 is puzzling. Perhaps a portion of the £91,000 Fl. due in March and April was paid in advance or perhaps there were other loans of which no record survives. The king's Journal, 66, records payments of £63,000 Flemish to the Fuggers in February and £14,000 in April.

£1,000 was paid to Schetz, and the residue placed in safe custody. At the end of April an additional £14,000 Flemish was paid to the Fuggers.²²⁷ In May 1552 Jasper Schetz was paid £6,180 out of money raised from the king's debts.²²⁸

There remained bonds due in May for £45,500 Fl. and in August for £56,600. At the instruction of Council, Gresham put over the August bonds possibly on the terms offered to the Fuggers of payment of £5,000 with the remainder to be carried over for one year. He also negotiated an agreement with the Fuggers on the August loans but it was rejected by the Council. Gresham seems to have exceeded his authority. He had been authorized to put over the bonds on the original terms without accepting any goods, but had only been able to negotiate a renewal on the normal condition of the king taking goods "in fee penny" in addition to the renewal.²²⁹

Gresham had negotiated to convert the £56,000 due in August into a new loan of £52,000 at 12% for one year and the purchase of two jewels for £9,000. Separately he had negotiated with the Fugger an agreement to put over £25,000 for a year in return for taking £5,000 in fustians. Both of these agreements were refused by the Council. Gresham warned the Council of the great damage to the king's honor and profit to be expected from default and offered

²²⁷J. W. Burgon, Gresham, p. 80-81, cites Add Mss. No. 5498, fol 36 b; Journal, 33, 60, 62, 63, 65; APC, n.s. IV, 27; This was presumably for the fustians.

²²⁸APC, IV, 58.

²²⁹J. W. Burgon, Gresham, vol. I, pp.88-92.

his resignation. This was followed by a promise that if his advice were followed "I do not mistrust but in two years to bring his majesty wholly out of debt."²³⁰

Gresham's advice was to improve the exchange rate by creating an artificial shortage of pounds sterling in Antwerp, and to establish a royal monopoly on lead with its staple at Antwerp. The lead staple idea, however feasible, was not acted on. The exchange operation was actually begun in September but soon suspended. Gresham's idea was to buy up sterling in small quantity on a daily basis. By taking up £1200 a week a shortage would be created and the pound would slowly rise, facilitating repayment of the debt and reducing the cost of imports.²³¹ While this plan might have worked over a period of months, the government was on the verge of suspending payments and probably had more pressing uses for its limited funds.

Of far more immediate importance was the decision of the Council to employ more fully both the funds and credit of the Staplers and Adventurers. We have seen that as early as 1545 Stephen Vaughn and the Council had considered using the proceeds of the Merchant Adventurer's sales in Antwerp to service the debt. It had proved infeasible at that time. Now, in the summer of 1552 with the government actually out of money, and about to suspend payments this plan was revived. Between July 1552 and July 1553 the City of London, and the merchants of England, especially the

²³⁰Ibid.

²³¹Ibid., pp. 94-95.

Adventurers and the Staplers, were to assume responsibility for funding the debt.

This was accomplished in three steps. First, the Mayor and aldermen of the City of London guaranteed loan renewals in April and September, presumably to cover the May and August bonds.²³² There was nothing new about this. Second, in July, the Merchants of the Staple loaned the government the amount of the expected customs revenues from their next shipping with "some good portion of money besides". In October the Merchant Adventurers agreed to lend the king £40,000 repayable in March 1553. Third, in November 1552 the Staplers agreed to take over a loan of £21,000 due to the Fuggers in February, agreeing to pay £10,000 before February 15 and the rest on prorogation, on which they would be responsible for the interest. In the Spring of 1553 the Staplers and the Adventurers jointly assumed responsibility for another £43,771 in debts due to the Fugger, the Schetz, the Rellingers and van Hall.²³³

The crown was only borrowing this money but the debt had become domesticated. The claims of Northumberland's government to having reduced the foreign debt rest on this very thin foundation. Nearly £70,000 Fl. of debt had been transferred from Antwerp to London. It would still have to be repaid but the repayment would be in part political and economic rather than in part diplomatic. The repayment included the removal of the Hanse privileges in England, and the strengthening of the Adventurer's monopoly against English

²³²APC, IV, 29, 129.

²³³F. C. Dietz 197, APC IV, 169, 267; Journal Edward VI, 80.

interlopers. This policy of effective monopoly of the cloth trade was critical to Gresham's and the Council's major effort on behalf of the exchange.²³⁴

Next, the Privy Council, following Gresham's advice, used a different set of measures to improve the exchange and service the debt. As we have noted the Adventurers sent their cloth to Antwerp in fleets twice a year for the Pask and Cold Marts. Council had the fleet for the Cold Mart of October 1552 held until the Adventurers agreed to tender all the bills of exchange from the mart to Gresham in Antwerp for future repayment in London. In October 1552 Gresham reported that the Antwerp-London exchange rate stood at 16s. Fl. to the pound sterling. Gresham took in some £60,000 Fl. in bills of exchange for redemption in London. By reimbursing the merchants at 19s Fl. to the pound sterling the government not only made a short term profit but forced up the exchange. This maneuver was repeated in April/May 1553 for the Pask Mart. On that occasion some £61,000 Fl. at an Antwerp exchange rate of 19s Fl. to the pound sterling were taken in for repayment in London at 23s 4d Fl. per pound sterling. In both cases the government paid the notes in 6 months rather than the six weeks normal in commercial transactions at the Antwerp marts.²³⁵ Thus, the payment of one set of bills

²³⁴Gresham himself seems to have been particularly concerned with interlopers. See his comments to Northumberland on the injurious effect of "retailers" on trade, Turnbull, Calendar, 655.

²³⁵Tawney and Powers, Tudor Economic Documents, II, 146-149; APC IV 183, 199, 204, 267-268.

matched the receipt of the next. A permanent loan of £60,000 at no interest had been transferred to the government.

This compulsory exchange mechanism was, in effect, a tax on exports which yielded approximately 18 3/4% ad valorem in the fall of 1552 and approximately 27 3/4% ad valorem in the spring of 1553. It was also a long term loan at no interest. This was worth another 14% per annum on £60,000 to the crown. The exchange rate effects were more problematic. It is possible but not certain that the exchange would have improved in any case with the minting of new coin at higher specie content. If the entire exchange rate effect were due to Gresham's and Council's manipulations then the net effect would have been that the management of bills of exchange for the benefit of the crown reduced the value of the crown's debt in sterling terms by approximately 44% between October 1552 and May 1553.

The immediate effect must have been to reduce the volume of imports into England dramatically by sharply reducing the Adventurer's liquidity. This would have reversed the trade deficit and created a positive balance of payments between England and Flanders. The secondary effect of the improvement in the exchange may have been to bring an end to the cloth boom of the late 1540s.

The merchants were not pleased. Even Gresham's uncle, Sir John, was displeased and complied only upon seeing Northumberland's warrant.²³⁶ Yet, in the end, the Adventurers benefited through their enhanced monopoly. This policy of

²³⁶J. W. Burgon, Gresham, vol. I, pp. 464-465.

supporting the exchange continued intermittently down to the 1570s as a major, and much overlooked, element in Tudor fiscal policy.

The success of the restoration of the exchange can perhaps best be measured in the relatively small foreign debt inherited by Queen Mary. As we have seen the minimum foreign debt in April 1551 was £158,000 Fl.. Of this £44,000 Fl. was transferred to the Adventurers and Staplers in the spring of 1553. When Mary ascended the throne the debt had shrunk to £ 61,000 Fl..²³⁷ Therefore approximately £ 50,000 Fl. had been repaid in the spring of 1553. Professor Dietz states "This reduction was made by allowing the payments of various government departments to fall very much further in arrears."²³⁸ While it is true that the government's domestic payments were badly in arrears, the logic of the situation argues that the Privy Council used its Flemish bills of exchange to pay down the debt.

The management of the foreign debt in the reign of queen Mary was, in most important respects, a continuation of the policies begun under Northumberland. There were however differences. As early as October 1553 the government decided to reverse the policy of Northumberland's last year and increase the debt. There were pressing reasons for this, not least the political decision to cancel the remaining payments of Northumberland's subsidy and the political importance of bringing domestic accounts current. With

²³⁷F. C.Dietz, "Finances of Edward and Mary", p. 112, cites State Papers Domestic Mary I, No. 14.

²³⁸F. C. Dietz, "Finances of Edward VI and Mary", p. 112.

parliamentary taxes politically infeasible for the moment, there was really no other option. A second significant difference between Mary's debt management and Northumberland's was that Mary restored the privileges of the Hanse.²³⁹ This imposed an unnecessary strain on relations between the Merchant Adventurers and the crown, and therefore between the City of London and the Crown. The third, and most important difference was Queen Mary's marriage Philip von Hapsburg. This unavoidably affected English credit at a time when the credit of the Hapsburg lands was collapsing.

In brief, the Hapsburg's financial situation had been deteriorating from the 1520s onward. The high cost of continual wars with France and the Turks and intermittent wars with the German princes had over strained the resources of the emperor. Only the unprecedented inflow of silver from the new world which began in the 1540s permitted the Hapsburgs to carry on. The great crisis in Imperial finance began in 1551 with the agreement between Elector Maurice of Saxony and the French crown in which the French, in return for Metz, Toul and Verdun, funded Maurice's war against the Emperor.

Maurice's spectacular advance into the Tyrol and the Emperor's flight to Villach exposed the full bankruptcy of the Hapsburgs. The emperor, having failed to borrow money in the Netherlands, south Germany and Italy, was unable to raise troops. He was only saved from capitulation by a personal loan from Anton Fugger. Continuing

²³⁹D. M. Loades, Reign of Mary Tudor, pp. 195-196; Cal Sp., XI, 315.

war in Germany and renewed war with France in 1555 brought the Hapsburgs to the brink of disaster. The French king raised enormous loans on Lyons, the famous "Le Grand Parti". The Hapsburg's could barely prolong their notes and had to give security for all new borrowings. By mid 1555 new loans were costing the Hapsburgs 24%. All revenues were thought to be pledged through 1557. The interest on the floating debt of the Netherlands government rose from £ 285,982 in 1554 to £1,357,287 in 1556. In the Spring of 1557 the Spanish crown declared a moratorium on payments both in Spain and in the Netherlands. The Spanish public debt was converted into perpetual bonds at 5% interest.²⁴⁰ Given that the proper rate of interest on the Spanish debt, after refinancing was approximately 14% this represented a capital loss of over 2/3 on any sale of Spanish bonds.

The troubles of the Hapsburgs put a very significant strain on the Antwerp markets. Coin was in short supply through the 1550s because the south German bankers were overextended to the Hapsburgs and because continuing war in Germany disrupted their business.

The English decision in the fall of 1553 to reenter the market as net borrowers was at least ill timed. Hapsburg borrowing was squeezing everyone else out. To further complicate matters Thomas Gresham was not reappointed as Agent for three months. In November 1553 he was dispatched to Antwerp to borrow £50,000 at

²⁴⁰van der Wee, Antwerp, Vol II., pp. 214-215; Ehrenberg, Capital and Finance, pp. 275-280, pp. 334-335.

not more than 12%²⁴¹. In the interim one Christopher Dawntesey had been authorized by the Privy Council to take up 200,000 florins (£33,000). He borrowed from Lazarus Tucher at an effective rate of 14%.²⁴² When Gresham again took control he found the loan to be unbreakable and the 14% rate established.²⁴³

In December, 1553 Gresham was instructed by the Queen to raise £100,000 at not more than 12%. This proved to be impossible. He was instead offered two loans of 40-50,000 Carolus gildern at 15%. Arte van Dale and Pruen offered 16,000 at 6% for six months. However his commission did not permit him to take up money for less than a year and by the time he had received permission the money was no longer available. The Fugger and the Schetz initially pronounced themselves unable to loan because of their large commitments to the Emperor.²⁴⁴

Finally, on December 24th Gresham was able to inform the Council that he had succeeded in borrowing 120,000 Carolus guildern (£20,000) from the Schetz, the Ligsalz and the Fleckhammer at 13% for one year. He asked whether it was enough and requested permission to return to England to settle his account.²⁴⁵ The Council

²⁴¹W. B. Turnbull, ed., Calendar of State Papers, Foreign Series, of the Reign of Mary 1553-1558, (Her Majesty's Stationery Office: London, 1861; reprint Krause: Nendeln, Liechtenstein, 1967), 73.

²⁴²Turnbull, Calendar, Mary, 69, 77.

²⁴³ibid., 83, 87, 104.

²⁴⁴ibid., 104.

²⁴⁵ibid., 111.

responded on December 28th that when he had taken up another 60,000 florins the Queen would allow him to return home for a time.²⁴⁶ In January 1554 Gresham succeeded in making an agreement with the Diodotti of Lucca for 50,000 florins at 12%. This loan was delayed for a month by the political uncertainties caused by Wyatt's rebellion but was available in February.²⁴⁷

The tightness of money in Antwerp was repeatedly noted by Gresham. The Emperor's demands for money were draining the Schetz and the Fugger. Tucher was forced to request new bonds from the Queen and Privy Council because he had been obliged to loan the Emperor 200,000 florins and so to keep his promise to the Queen had had to borrow 54,720 florins from other houses. These houses wished to have their own bonds as security. The sums available on the bourse were now so small that Gresham requested blank bonds in the amount of £10,000 each to facilitate his taking up coin.²⁴⁸

Given the shortage of coin on the Antwerp market it is not surprising that Gresham, when approached by certain Genoese in January 1554, was interested in taking up a large amount of silver on bills of exchange in Spain. The Genoese were not the only ones interested in getting money owed them out of Spain. The Hapsburg credit demands coupled with export restrictions from Spain had left a large number of important bankers with funds trapped in Spain. The approaching marriage of Philip and Mary offered them an

²⁴⁶ibid., 112.

²⁴⁷ibid., 130, 146, 156.

²⁴⁸ibid., 104, 123, 135, 210.

opportunity to convert their bills of exchange on the fair at Villalon into coin at Antwerp. By May 26, 1554 Anthony Fugger and nephews, Gaspar Schetz and brothers, and four Italian houses had all agreed to deliver their bills of exchange to Gresham.²⁴⁹

The Spanish venture turned out to be a complete fiasco. Gresham had agreed with the foreign houses and had been instructed by the Queen to take up 300,750 ducats (£100,000), most of it in June but some of it as late as October. Passports had been obtained, not without difficulty, from the Emperor for 200,000 ducats to be exported from Spain. Gresham departed for Spain about the middle of June 1554 leaving John Gresham and Nicholas Holborne to act in Antwerp in his absence. It was not until August that passports were made available for an additional 120,000 ducats to be exported. It was not until November 30th that the first shipment of 100,000 ducats was ready for shipment from Seville. The rest had not arrived. The coin shortage in Spain was intense because the plate fleet was late. Gresham was being blamed for the failure of a bank in Valladolid.²⁵⁰

Eventually all 300,750 ducats were shipped but it is unlikely that they were available at the mint before December 1554. As repayment was due on 235,000 ducats with interest in May and June the Queen had not had much use of her money. Efforts were made, by

²⁴⁹ibid., 135, 201. I; The amounts of the bills provided by each are in the Queens instructions to Gresham are printed in Tawney and Powers, Tudor Economic Documents, Vol II, p. 144.

²⁵⁰W. B. Turnbull, Calendar, Mary, 297.

John Gresham and Holborne to prolong the debt. They were to little avail. The Tucher loan due in October was extended with half of the amount due three months and half in six months but the bonds for the bills on Spain were not.²⁵¹

In Thomas Gresham's absence the crown's agents had remained active on the Antwerp bourse. John Gresham and Nicholas Holborne had borrowed £71,000 Fl. of which £20,000 came from the English merchants. They had expended almost £100,000 sterling on paying loans. Of this £35,000 had been forwarded by Sir Edward Peckam from the mint. These activities left the debt in Flanders reduced by about £55,000 and the debt in England increased by nearly £20,000.²⁵²

Thomas Gresham, upon his return to Antwerp in March 1555, undertook a major program of debt reduction which was to culminate in the elimination of the Antwerp debt in 1557. The loans outstanding in March 1555 were substantial. The inherited debt had been £61,000. The Dauntsey borrowing from Tucher had increased the debt by £33,000. Gresham's loans from the Shetz, Ligsalz and Fleckhammer, and the Diodotti had increased the debt by £28,000. The Spanish loan had added another £100,250. Thus the balance forward plus total major borrowings for the period to March 1555 totaled no less than £222,000. Of this some £55,000 had been paid by John Gresham and Nicholas Holborne. This left a balance of approximately £167,000 owing.

²⁵¹W. B. Turnbull, Calendar, Mary, 332.

²⁵²Loades, The Reign of Mary Tudor, pp. 291-292.

Between March 1555 and January 1556 the debt was brought down to £109,103. How this was accomplished is unclear in detail but clear in outline. Thomas Gresham again employed the credit and the receipts of the Merchant Adventurers and Staplers to domesticate the debt. Professor Loades misunderstands the history of the transactions between Gresham, on behalf of the crown, and the Adventurers and Staplers. Loades says:

"At that point (January 1556), there seems to have been a change of policy. Hitherto the staplers and merchant adventurers had been used mainly to supply short-term or 'bridging' loans to cover payments to the Antwerp bankers that the latter had been unwilling or unable to extend. In later years Gresham was to develop a technique for minimizing the effects of a capricious exchange by using the adventurers and staplers to deliver money in Antwerp at artificially fixed rates. The Crown then repaid them in London. As we have already seen, a transaction of a similar kind had taken place in the first year of the reign, and it is likely that Gresham had, in fact, developed this 'device' several years before 1558, when it was first specifically mentioned.²⁵³

Professor Loades is quite correct that the loan of £18,000 made by the adventurers, at an artificial exchange rate, was in the nature of a bridging loan.²⁵⁴ It was not, however, a pure bridging loan as the moneys were loaned in Flemish pounds and repaid in pounds sterling at a profit to the crown. Professor Loades is vague on the date of the "device". As we have seen it was first applied in October 1552. It was applied again in May of 1553. It does not

²⁵³Loades, The Reign of Mary Tudor, pp. 292-293.

²⁵⁴W. B. Turnbull, Calendar, Mary, 354.

appear to have been applied in October 1553, May 1554, October 1554 or May 1555. It does however look suspiciously as though it were back in force in October 1555 in modified form. In that month Gresham gathered £25,000 from the Adventurers and £13,000 from the Staplers on the payments of the Cold Mart. These sums are considerably less than the approximately £60,000 Fl. in bills of exchange taken at the marts of 1552 and 1553 but enough to meet the queen's need for £38,000 to repay outstanding notes in October. If the May loan of £18,000 and the October loan of £38,000 are deducted from the £167,000 outstanding in March 1555 the calculated debt would have been £111,000 in January 1556. If both of these loans from the merchants were at the artificial rate governing the loan of May (21s Fl./£ st.) the actual debt outstanding would have been almost precisely £109,000 Fl.

No actual debt had been eliminated but, once again, a considerable portion of the foreign debt had been domesticated. The political price paid for this was paid in advance with the exclusion of the Hanse from trading between London and the Netherlands in March, 1555.²⁵⁵ It would go on being paid through the gradual reduction of the status of the Hanse and through increasing diplomatic difficulties in the Baltic, but these problems were worth it.

In the Spring of 1556 a further £100,000, presumably sterling, were borrowed from the Adventurers and Staplers to liquidate the

²⁵⁵Bisson, "The Merchant Adventurers, p. 128.

Flanders debt.²⁵⁶ These loans probably carried interest at 8 1/2%²⁵⁷ rather than 14% and could be extended indefinitely through taking new loans. In May 1557 the last Antwerp indebtedness was discharged.

AFTERWARD

The renewal of war with France in 1557 led to a final round of borrowing. By Mary's death some £90,000 was owing in Antwerp.²⁵⁸ These sums continued to grow as long as the war lasted. The peace of Cateau Cambresis, March 1559, ended the Hapsburg Valois struggle. The Antwerp debt stood at nearly £280,000 in April 1560. Thereafter it was reduced and domesticated in the standard manner under the same men who had dealt with it from the time of Edward VI. In 1571 usury was legalized in England and the Royal exchange was founded by Thomas Gresham to perform the same functions as the Antwerp Bourse. Thereafter the debt was to remain domesticated for the remainder of the Tudor era.²⁵⁹

²⁵⁶Cal Ven VI, 338, cited in Loades, The Reign of Mary Tudor, p. 293.

²⁵⁷This was the interest rate paid on the May and October borrowings., Loades, The Reign of Mary Tudor, p. 293.

²⁵⁸Loades , The Reign of Mary Tudor, p. 420.

²⁵⁹D. M. Palliser, The Age of Elizabeth: England under the later Tudors 1547-1603 (New York: Longman, 1983), pp. 294-295.

CHAPTER VIII

CONCLUSION

The finances of the English government in the sixteenth century were buffeted by inflation and war. The enormous price increases reduced the value of traditional sources of revenue while increasing expenses. One of the areas where expense increases were greatest was war. Between 1511 and 1514 Henry VIII's first war with France exhausted the reserves left him by Henry VII. Between 1522 and 1525 Henry repeated and completed the process. The failure of the Amicable Grant of 1525 demonstrated the inadequacy of Henry's fiscal system to support major foreign war.

Politically, the period from 1528 to 1542 was dominated by Henry's marital and religious controversies. Fiscally the period was dominated by Henry's need to restore the reserves necessary to wage major war either defensive against a feared combination of Hapsburg and Valois monarchs under papal sponsorship or offensive against Scotland and France. The very large sums gained by the appropriation of the Church's wealth and through attainder allowed Henry to resume his wars in 1542.

The attack on France in 1544 in concert with the Emperor was a marginal military success, a diplomatic disaster and a fiscal catastrophe. Boulogne was won, the alliance with the Empire was lost, and English expenses of £650,000 exceeded planned

expenditures by £400,000. The success of Cromwell's and Henry's fiscal efforts of the period 1534-1542 were amply demonstrated by England's ability to carry on alone against both France and Scotland and attain, if not victory, at least a draw. The cycle of wars begun by Henry in 1542 ended in 1550 with England exhausted. During that period the crown had had to rely on a number of expedients, chiefly land sales, debasement of coinage and foreign borrowing to supplement its very inadequate normal and tax revenues.

The Antwerp debt which originated in 1544 as a modest planned borrowing in anticipation of revenues became an ongoing feature of crown finances. In the original Henrician phase of 1544-1547 it was a source of funds to directly meet the needs of war. Money was borrowed in Flanders primarily for the purchase of munitions and the pay of soldiers engaged in operations against France. The money borrowed in Antwerp was either transferred to the treasurers for war in Calais or paid out in Antwerp upon instruction from the Privy Council.

Repayment was a continuing problem. The first set of loans were repaid out of domestic revenue. By 1546 loan extensions were necessary. These required the purchase of goods as fee penny. Little, if any, new money was being raised.

The situation appears to have changed dramatically in the crown's favor by 1549 through the exploitation of the differential between the metallic content of the pound sterling and the pound Flemish and their exchange rates. The small reduction in the value of the pound sterling relative to its metal content allowed the importation and reminting of silver from the Netherlands at

astounding profits to the crown and very substantial profits to those tendering silver at the mint. This process made Flanders an important source of revenue to the Protector's government. The calling down of the coin under Northumberland put an end to this source of profit and restored the Flanders debt to its role as a burden on government requiring reduction.

The reduction of the Flanders debt was accomplished by domestication. The City of London, the Staplers, and the Merchant Adventurers were brought to assume the debt. The methods of transferring the debt tended to increase the Merchant Adventurer's importance as the main source of bills of exchange. They achieved a strengthening of their monopoly of the cloth trade while the crown realized substantial profits which allowed some of the debt to be retired.

The increase in the debt in the first years of Mary's reign was ill judged. Except for Gresham's unfortunate venture in Spain little money was raised, and, without further debasement, what money was raised could not be turned to profit. The Flanders debt was costing 13%. By borrowings from the Merchant Adventurers and Staplers the debt was retired between March 1555 and May 1557.

C. F. Dietz has argued that "In the final analysis governmental revenue systems are efforts to turn the chief forms of wealth of the country most efficiently to the support of the state, with due regard for the prevailing political idea or theory. Their nature varies with

and corresponds, sometimes tardily, to the changing economic development and organization of the country."²⁶⁰

As we have noted a key aspect of the price revolution was the rise in wealth of the commercial sector relative to the agricultural sector. The traditional revenue system continued to rely on the agrarian rents and stereotyped taxes which did not reflect this change. In managing the debt, however, the Privy Council, Thomas Gresham, the Duke of Northumberland and Queen Mary found means to turn the wealth of the merchants to the support of the state.

In doing so they relieved the crown of its foreign obligations and set the pattern for the final elimination of the foreign debt under Elizabeth. This was a major achievement. Coupled with the new Marian Book of Rates it restored balance to the fiscal system and allowed England to meet the crises of the last twenty years of Elizabeth's reign.

²⁶⁰ F. C. Dietz, "Finances of Edward VI and Mary", p. 71.

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APPENDIX

**Phelps Brown - Hopkins
Price Index**

Year	Index		Year	Index	
1500	94		1530	169	
1501	107		1531	154	
1502	122		1532	179	
1503	114		1533	169	
1504	107		1534	145	
1505	103		1535	131	
1506	106		1536	164	
1507	98		1537	155	
1508	100		1538	138	
1509	92		1539	147	
Average		104.3	Average		155.1
Change in Decade			Change in Decade		4.80%
Cumulative Change			Cumulative Change		48.71%
1510	103		1540	158	
1511	97		1541	165	
1512	101		1542	172	
1513	120		1543	171	
1514	118		1544	178	
1515	107		1545	191	
1516	110		1546	248	
1517	111		1547	231	
1518	116		1548	193	
1519	129		1549	214	
Average		111.2	Average		192.1
Change in Decade		6.62%	Change in Decade		23.86%
Cumulative Change		6.62%	Cumulative Change		84.18%
1520	137		1550	262	
1521	167		1551	285	
1522	160		1552	276	
1523	136		1553	259	
1524	133		1554	276	
1525	129		1555	270	
1526	133		1556	370	
1527	147		1557	409	
1528	179		1558	230	
1529	159		1559	255	
Average		148.0	Average		289.2
Change in Decade		33.09%	Change in Decade		50.55%
Cumulative Change		41.90%	Cumulative Change		177.28%

Analysis of Land Rents After Kerridge

Decade	Phelps Brown Index 1510-19=100	Herbert Manors Rents on New Takings	Seymour Manors Rents on New Takings	Crown Manors Rents on New Takings
1510-19	100	100	100	100
1520-29	133	95	134	100
1530-39	140	202	144	116
1540-49	173	210	153	117
1550-59	229	308	159	142

Decade	Phelps Brown Index 1510-19=100	Herbert Manors Implicit Average Rent	Seymour Manors Implicit Average Rent	Crown Manors Implicit Average Rent
1530-39	140	123	128	104
1540-49	173	177	144	112
1550-59	229	232	152	123

London Shortclothes Exported Annual Averages

1500-03	49,214	1533-35	83,043
1503-05	43,884	1536-38	87,231
1506-08	50,373	1539-41	102,660
1509-11	58,447	1542-44	99,362
1512-14	60,644	1545-47	118,642
1515-17	60,524		
1518-20	66,159	1550	132,767
1521-23	53,660	1551	112,710
1524-26	72,910	1552	84,968
1527-1529	75,431		
1530-32	66,049	1559-61	93,812