



THE ATLANTIC ISLANDS AND THE ENTREPRENEURIAL
DEVELOPMENT OF SOUTHERN CASTILE

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The role played by the Atlantic Islands as a prelude to the Castilian enterprises of discovery and those that led to the rapid «mise en valeur» of her newly acquired territories in America is well known. The importance of the foreign influences upon the inspiration, organisation, and the actual execution of those enterprises, needs no introduction either¹. Hitherto, far less

1. Charles VERLINDEN, *Précédents Médiévaux de la Colonie en Amérique*, México, Instituto Panamericano de Geografía e Historia, 1954, Publicación Núm. 177, Comisión de Historia, 70. See esp. pp. 10-11, 17, 37, 45-49.

———, «Les Influences Italiennes dans l'Économie et dans la Colonisation Espagnoles à la Époque de Ferdinand le Catholique», Separata del Volumen III de *Estudios del V Congreso de Historia de la Corona de Aragón*, Zaragoza, Institución «Fernando el Católico», C.S.I.C., 1954, pp. 269-283.

———, «Les Italiens et l'Ouverture des Routes Atlantiques», *Les Routes de l'Atlantique*, Travaux du Neuvième Colloque International d'Histoire Maritime, (Sevilla, 24-30 Septembre, 1967), Paris, S.E.V.P.E.N., 1969, pp. 259-276.

———, «Quelques types de marchands italiens et flamands dans la Péninsule et dans les premières colonies ibériques au XVe. siècle», *Fremde Kaufleute auf der Iberischen Halbinsel*, Kölner Kolloquien zur Internationalen Sozial und Wirtschaftsgeschichte, Köln/Wien, Böhlau Verlag, 1970, Band I, pp. 31-39.

———, «Italian influence in Iberian colonization», *The Hispanic American Historical Review*, Vol. XXXIII, Num. 2, 1953, pp. 199-211. «Italian influence was very important in Iberian colonization during the late Middle Ages and early Modern Times, but it should always be kept in mind that external influence combines with internal development. There exist no Italian nor Spanish, nor Portuguese history of such evolution; there is only the general western one.», p. 211.

After almost thirty years, the interplay between external influences and internal development in the Castilian economy remains largely unexplored, despite its enormous explanatory potential to further our understanding of the Castilian and European expansion and the process of economic development itself. From an economic point of view, the real importance of those foreign influences in the economy of Castile cannot be assessed without a prior evaluation of the Castilian economic actors and economic conditions. This paper is an effort in that direction, not an attempt to deny the importance that foreign influences of foreign entrepreneurs may have had in the Castilian economy or in the conquest and «mise en valeur» of the Canary Islands. It may be useful to underline though, that without «adequate» responses to economic incentives the efforts of foreign entrepreneurs would have come to nought. This has been often overlooked.



attention has been given to the economic aspects of those enterprises, and particularly, to what they reveal about the economic actors and the economic conditions in Southern Castile during the late XV Century.

An important indication of both can be found in the Castilian answer to the stern entrepreneurial challenges represented by the occupation, settlement, and in the turning of the opportunities offered by the Canary Islands into economic reality. As a business venture, those events were undoubtedly an element of the business situation in Southern Castile —as Schumpeter noted with reference to their American counterparts². Indeed, as any other contemporary enterprise undertaken in Castile, they were bound to be an element of that business situation, as well as a reflection of the economy, the economic thinking and the economic attitudes prevailing in Castile at the time.

Here we shall explore those entrepreneurial challenges brought about by the islands of Gran Canaria, La Palma, and Tenerife —hereafter referred to collectively as The Islands. We shall examine first the operations leading to the conquest of The Islands, with particular emphasis upon their managerial, financial, infrastructural and organisational requirements. Through a detailed scrutiny of some of the psychological and economic demands that those requirements exerted upon the participants, we shall endeavour to limn then as economic actors, and in the process, to gather valuable information about basic characteristics of the Castilian economy. The second part of this inquiry will be concerned with the same aspects, as they pertained to the activities that, partly by design, and partly through the unforeseen consequences of human action, led to the «mise en valeur» of The Islands. Aside from focusing upon attitudes to risk and uncertainty, ambiguity, competition and cooperation, special attention will be placed upon the interplay between individual behaviour and overall performance, a relationship that may be of no small importance not only for our understanding of the Castilian and European expansion, but also of the process of economic development.

The example of The Islands is a deliberate, not an accidental choice. The events in which we are interested are often inter-connected in The Islands and have characteristics that set them apart as a distinct microcosm. Consideration of the archipelago as a whole would have meant the broad-

2. Joseph A. Schumpeter, *Business Cycles. A Theoretical, Historical, and Statistical Analysis of the Capitalist Process*, New York and London, McGraw-Hill Book Company, 1939, Volume I, p. 8.

ening of the time span and the inclusion of factors that cannot be properly evaluated here. They will be analysed in a more comprehensive study already under way. We should like to emphasise at once that this paper does not attempt to give a complete account of the affairs under consideration of their causes; it merely seeks to elucidate certain essential relationships. Historical narrative —kept to the minimum— will illustrate the argument to render it accessible to the non-expert in Spanish history.

Since throughout this paper we shall frequently make use of a proposition of general character, often misunderstood, we shall outline Schumpeter's concept of economic development, enterprise, and entrepreneur. He defined the fundamental phenomenon of economic development as the new combination of existing means of production; the carrying out of new combinations he called «enterprise»; the individual whose function was to carry them out were the «entrepreneurs».

Schumpeter stressed that development primarily consists of employing the economic system's existing supplies of productive resources in a different way, in doing new things with them, irrespective of whether the productive resources increased or not. It cannot be assumed, he emphasised, that new combinations were carried out with unused means of productions, though the latter could be a contributory circumstance, a favourable condition, and even an incentive to the emergence of new combinations.

Schumpeter also underlined that development were changes forced upon the economy not from without —simple fluctuations in the data due to shifts in demand to which the economy tends to adapt itself— but from within, arising in the productive sphere of the economy and taking place through the withdrawal of productive means from previous employment. Mere growth, as shown by increases of population and wealth were not considered *per se* as part of the process of development by Schumpeter.

Though much misquoted and frequently misinterpreted, Schumpeter's theory has neither lost its freshness nor its usefulness as an analytical tool. It is not concerned with the concrete factors of change, but with the methods by which the work, with the mechanics of change. Schumpeter entrepreneur is not a hero —as the author found necessary to emphasize³.

3. ----, *The Theory of Economic Development. An Inquiry into Profits, Capital Credit, Interest, and the Business Cycle*, Translated from the German by Redvers Opie, Cambridge, Mass./London, Harvard University Press/Oxford University Press, 1955, Fifth Printing, First Printing 1934, pp. 57-94, esp. p. 61, ref. 1 and p. 90, ref. 1.

Free from the burden of moral judgement, Schumpeter's theory of development is abstract, and ahistoric in natura, thus it is adaptable and eminently suitable in our view, to analyse the economy and the economic actors under consideration.

Schumpeter himself singled out some of the types of enterprises and entrepreneurs we are about to examine to illustrate his theory⁴. The adaptability of the latter becomes clearer when one takes due note of the circumstances of the case and all the external factors to which the author drew attention when considering specific cases of economic history as opposite to pure economic theory: «for the economic state of a people does not emerge simply from the preceding economic situation, but from the preceding total situation»⁵.

I

To some extent, the economic activities that are the subject of this investigation had deep roots in the Iberian Peninsula in general and in Castile in particular. In many ways, an undertaking such as the conquest, settlement, and economic «Aufschliessung» of the Islands, must have had an air of continuity and even of «déjà vu» in the late XV Century Castile. Seven centuries of «Reconquista» effort could be counted on having that effect on a population that in spite of long periods of uneasy peace was used to a fluid, ever expanding frontier. During that time, the complex process of incorporating new territory to the realm was honed and perfected into a discernible, smoothly institutionalised pattern.

However, the conquest of The Islands differed from the established tradition on two fundamental aspects: first, it was a seaborne operation; secondly, from an economic point of view The Islands could be regarded as virgin territory. A seaborne operation well beyond the continental mass of the Iberian Peninsula presented some formidable logistic problems, even though such operations were not entirely without precedents, if we regard as such the «cabalgadas» or «entradas» (razzias) and the «rescates» (trade exchanges) carried out along the African coast, as far South as the Río de Oro

4. ----, *Business Cycles*, pp. 8-9.

----, *The Theory of Economic Development*, pp. 134-135.

5. *Ibid.*, pp. 58-59.

We are referring of course to the theory expressed in these early writings of Schumpeter, not to that of his later period or its oversimplification by Galbraith and others.

and Guinea. The need to start anew the economic life of The Islands compounded those difficulties.

The territory repossessed in the Iberian Peninsula was generally adjacent or close to the home base of the conquerors, and often commercially linked to it, depending on political and military circumstances. Those territories enjoyed, on the whole, a comparable economic life, and not infrequently a superior one to that of Castile. Provided that severe devastation had not taken place, the victors were generally able to carry on with an economy that was normally not much disrupted by changes at the top or the bottom of society, which could be easily integrated with the economy of Castile, and whose output had established markets there or abroad. Spoils provided the conquerors with housing, tools, equipment, beasts of burden and domestic animals, and other accoutrements of a civilisation comparable to the Castilian one. Furthermore, the booty could be cashed in promptly and safely. A highly institutionalised system ensured that, through the «almoneda» (public auction of booty) and through the services of «alfaques» (officials in charge of redeeming prisoners and captured goods).

We may assume, therefore, that these type of operations presented to the investors and all other participants not only the comfort of doing something tried and almost habitual, but also offered substantial economic advantages, such as a relatively quick turnover of the investment, the possibility of selling personal services and of using or renting equipment and animals during the slack agricultural periods in which those ventures normally took place, and a visible time horizon for the termination of the operation and return home, or the beginning *in situ* of what was regarded as the possibility of a new and better life.

All these factors should not be construed as an indication that these operations were free from hazards; often enough they ended in disaster. However, as a business proposition, the long experience of the «reconquista» and the well developed organisation of these ventures could be counted on having reduced the perils that confronted the prospective participant to a statistical or measurable uncertainty, that is to risk, as defined by Frank Knight⁶.

6. Frank KNIGHT, *Risk, Uncertainty and Profit*, London, The London School of Economics and Political Science, 1939, Fourth Impression, First Reprinted, 1933, (*Series of Reprints of Scarce Works on Political Economy*, 16), (Reprint of First Edition, Boston and New York, Houghton Mifflin Company, 1921), pp. 19-21.

In contrast, a project as untried and with as many new elements as the conquest of Gran Canaria —and to a slightly lesser extent of those of La Palma and Tenerife— must have been perceived by the prospective participants as a true or unmeasurable uncertainty, a higher form of uncertainty not susceptible to measurement, and hence to elimination.

In real life, the differences between those two categories of uncertainty may have never been as sharply distinguished as in Frank Knight's definition⁷, the notion of probability on which they are based is arguable, and the men whose business behaviour we are endeavouring to analyse probably never thought of formulating their dilemma in those terms. Nevertheless, this bold distinction is a useful way of introducing the business option that must have been perceived by the prospective participants in these ventures.

What the Iberian undertakings demanded from them, and what they could expect in return was as clearly established as in any other routine business in Schumpeter's sense. Such reassurance did not exist in a project to conquer any of The Islands. To the logistic complications the much higher cost of transportation to and from the target area, the wider time range and space range of the action, and consequently, the bigger investment required and the slower turnover of capital, we have to add what certainly was a different economic prospect upon successful completion of the operation. Although the smaller Canary Islands were economically opened up, and a rough idea of the potential of the larger ones existed before the attempted conquest, it was an intelligence that could confirm only one basic fact: The Islands were economically undeveloped relative to Castilian standards. The economic possibilities were there, but they were not as obvious, easy to estimate, and quick to realise as the well tried ones existing within the Iberian Peninsula.

In the absence of evidence that would allow us to make a meaningful business comparison within and between the Iberian undertakings and those whose objective was to conquer The Islands, it is impossible to rank these two types of business ventures in terms of financial requirements, returns on investments, or in any other way. Because we lack the bases to make a serious use of statistical or business analysis techniques, the differences pointed out must stand or fall within the domain of logic. (Metho-

7. *Ibid.*, pp. 198-232.

dologically, it is extremely important, in our judgement, to follow in this regard the strict approach of Oskar Morgenstern and others.)⁸

It is obviously more difficult to discern the psychological motivations that might have moved the participants to take part in those ventures; moreover, they can be counted on having differed from individual to individual, and as time went on, as a result of other participant's actions and volitions. However, it seems evident to us, that undertakings such as the conquest and settlement of The Islands exerted far more taxing demands upon the participants, the investors, the Castilian economy and resources, and above all, the leaders, than their counterparts during the Castilian Reconquista.

If we think that all decisions are based on some abstraction of a desired situation, we may say that these new ventures required decision-makers capable of visualising further into the future, and of bringing some existing situation into conformity with some desired situation along a longer, different, more complex path than the routine Reconquista ventures. Fundamentally, therefore, the undertakings to conquer and settle The Islands required men capable of conceiving and carrying out new economic combinations; in other words: they demanded ENTREPRENEURS, and may be properly called ENTERPRISES in Schumpeter's sense.

II

A «capitulacion» (articles of agreement) with the Crown served to launch the enterprises to conquer and settle The Islands —hereafter referred to as The Enterprise(s). Those agreements formed their basic core. Around them grew a myriad of contractual and sub-contractual obligations —some probably just oral ones— that formed the nerve and substance of the business. From the point of view of business and financial analysis, the latter are the most important ones. They alone can allow a true assessment of the intricacies of The Enterprise, its organisation, costs, investments, management, managerial abilities of the leader, and how uncertainties were dealt

8. Oskar MORGENSTERN, *On the Accuracy of Economic Observations*, Princeton, New Jersey, Princeton University Press, 1963, Second Edition, completely revised, First Edition 1950, passim.

John von NEUMANN and Oskar MORGENSTERN, *Theory of Games and Economic Behaviour*, Princeton, New Jersey, Princeton University Press, 1947, Second Edition, First Edition, 1944, passim, and esp. pp. 1-45.

with by management, investors, and other participants. The «capitulaciones» with the Crown give only a broad outline of the business and the demarcation of the responsibilities, liabilities and benefits that were to be received by the signatories upon successful attainment of the objectives.

In any of these areas, the «capitulaciones» we have seen as well as those alluded to⁹ show a clear division between the parties: the Crown on the one hand, and the other contractors on the other. As far as the bearing of risks was concerned the distinction was unequivocal: the Crown bore virtually nil; the other signatories most of them. Indeed, in these agreements the Crown was in the enviable position of contributing to an uncertain enterprise with nothing more than promises to distribute «benefits» that had to be gained by the «beneficiaries» entirely at their own risk, cost, and effort.

On the few occasions in which we found the Crown offering something more tangible, the substance of that offer or the final outcome of it tend to confirm that state of affairs. In one of the early agreements, we see the Crown waiving the export duties on the weapons, equipment, victuals, beasts, and provender necessary for the expedition¹⁰, but the true «cost» of this largesse was most likely borne by the tax farmer, who in accordance with the custom of the time, had tendered an offer, bought, and paid for in advance for the temporary right to collect that tax. On another occasion, the Crown offered the fleet mustered for other specific royal service by Iñi-

9. *Gran Canaria:*

Martín FERNANDEZ de NAVARRETE, *Colección de los Viajes y Descubrimientos que hicieron por Mar los Españoles desde Fines del Siglo XV*, Madrid, En la Imprenta Real, 1825, Tomo II, Apéndice Núm. IV, (1478), pp. 390-393; Apéndice Núm. VI, (1480), pp. 395-396.

Rafael ARIAS FUENTES, *Alfonso de Quintanilla, Contador Mayor de los Reyes Católicos*, Oviedo, Tipografía de la Cruz, 1905, Vol. II, Doc. Núm. XIX, (1480), pp. 75-78.

La Palma:

Leopoldo de la ROSA OLIVERA y Elías SERRA RAFOLS, *El Adelantado D. Alonso de Lugo y su Residencia por Lope de Sosa*, La Laguna de Tenerife, C.S.I.C., Instituto de Estudios Canarios en la Universidad de La Laguna, 1949, (*Fontes Rerum Canarium*, III), *Memorial*, LXXXVII, p. 45; *Interrogatorio*, CLIII, p. 111, esp. (Gallinato); CLIV, pp. 111-112; CLV, p. 112, (Alcazar) and (Gallinato); *Diversos*, Doc. 1-4, pp. 147-151, (1492-1494), Doc. 7, (1496), pp. 154-155.

Tenerife:

ROSA OLIVERA y SERRA RAFOLS, *Residencia*, *Memorial*, LXXXVII, p. 45; *Interrogatorio*, CLV, p. 112, (Benítez); *Diversos*, Doc. 5, (1496) pp. 151-152.

Antonio RUMEU DE ARMAS, *La Conquista de Tenerife, 1494-1496*, n/p Aula de Cultura de Tenerife, 1975, Doc. 4-5, (1943), pp. 420-422, Doc. 7, (1493), pp. 424-425, Doc. 14, (1494), p. 433.

10. *Ibid.*, Doc. Num. 4, (1493), pp. 420-421.

go de Artieta to transport the expedition of Alonso Fernández de Lugo to Tenerife, but the offer came to nought, and Lugo ended up having to charter vessels in the open market when a new offer of assistance from the Crown was unfulfilled¹¹.

The limited instances of financial commitment from the Crown to The Enterprises neither appear to have been substantial nor to have altered the outlined pattern. Perhaps the Crown was instrumental in obtaining some secondary sources of financing, such as the funds from the «Diezmo de la Cruzada» (Tithe of the Crusade), but these funds were rather incidental to The Enterprises. However, the Crown probably made a contribution regarded as important at the time: the umbrella of a just, legal, and sanctified war. It is impossible nowadays to gage the true value of that, but at a deeply religious time, and one highly concerned with legal niceties, one can imagine it served as an inducement to open coffers and convince the undecided. This could have been what Schumpeter called an outside, non-business factor, with an important bearing on business outcome.

It is beyond the scope of this paper to dwell in detail on those documents; our main concern is analytical, and the reader can only be referred to them. However, one aspect worth examining is the background of the participants in the «capitulaciones». The first document referring to a «capitulación», dated in 1478¹², mentions two main entrepreneurs: Juan de Frías, Bishop of Rubicón, with family ties to the Usodimare and other important Southern Castilian families¹³, and Royal Chaplain Juan de Bermúdez. Both, and particularly Bishop Frías, carried the entire financial burden of The Enterprise to Gran Canaria, but had much to gain from its success. They were respectively appointed Bishop and Dean of the Canary Islands, and, as far as the documents can tell, they certainly looked well after their economic interests and the legal means to protect them. Captain Juan Rejón, described alternately as «criado» (servant) of the Crown and of Bishop Frías, was apparently in charge of military matters and later appeared as General.

11. *Ibid.*, Doc. Num. 7, (1493), pp. 424-425, Doc. Num. 11-12, (1494), pp. 430-432. ROSA OLIVERA y SERRA RAFOLS, *Residencia, Memorial*, LXXXVII, p. 45; *Interrogatorio*, CLV, p. 112, (Benítez), CLVI, pp. 112-113, (Alcaraz), (Benítez), CLVII-CLXIII, pp. 113-117.

12. FERNANDEZ DE NAVARRETE, *Colección*, Apen. Num. IV, pp. 390-393.

13. Hipólito SANCHO DE SOPRANIS, *Historia del Puerto de Santa María*, Cádiz, Establecimientos Ceron y Libería Cervantes, S.L., 1943, p. 73.

Other names mentioned in this «capitulación», but not original parties to it, were a Micer Agustín de Spinola, Treasurer of the Indulgence for the Conversion of the Infidels of the Canary Islands, who advanced 420,000 Maravedis to Bishop Frías. He is almost surely the «Comendador» (Knight Commander of a Military Order) of Almendralejo Don Agustín de Spinola de Vera, a central figure in the XV Century of the notable Spinola family from Genoa, a branch of which was by then well settled in Castile and mixed with local families, as his name suggests¹⁴. He was a politician and diplomat, courtesan, and noble frontiersman, with vast business interests, and he was probably farming the above mentioned Indulgence. Another name appearing in this «capitulación» is Pedro de Setien, «vecino» (citizen) of Burgos, treasurer for the collection of the same Indulgence in most of the Bishoprics and Archbishoprics of Castile and Leon. He is reckoned to have advanced, 300,000 Maravedis for the venture, which, like the prior loan, were secured by Bishop Frías and Dean Bermúdez.

The second «capitulación», alluded to in a document dated in 1480¹⁵, between the Crown and two partners, Alonso de Quintanilla and Pedro Fernández Cabrón, was also concerned with Gran Canaria. Alonso de Quintanilla was an interesting character. «Contador Mayor» to the Crown (Crown's Chief Accountant), he was one of several Castilian Crown officials who in the XV Century displayed a proven ability in the business world. Without suggesting any malfeasance on his part —of which we have no evidence— it seems obvious that this man, born into a good but improverished family, used his office ably to obtain money, possessions, and honours, as suggested by his last will. He had varied business interests, ranging from minting coin and mining to tax farming¹⁶. Pedro Fernández Cabrón was a sea captain and shipowner, «Regidor» (Alderman) of Cádiz, with a reputation for vast experience in carrying out «cabalgadas», along the African coast. He is sometimes described as Genoese, but as his name suggests, he must have belonged to a family well settled in Castile¹⁷.

14. ----, «Los Genoveses en la Región Gaditano-Xericiense de 1460 a 1800», *Hispania*, VIII, 32, Madrid, 1948, p. 364.

Miguel Angel LADERO QUESADA, «Unas Cuentas en Cádiz», *Cuadernos de Estudios Medievales*, II-III, Granada, 1974-1975, pp. 92, 97.

15. FERNANDEZ DE NAVARRETE, *Colección*, Apén. Núm. VII, pp. 397-399.

16. ARIAS FUENTES, *Alfonso de Quintanilla*, Vol. I and II, passim.

17. LADERO QUESADA, *Unas Cuentas*, p. 97.

SANCHO DE SOPRANIS, *Historia del Puerto de Santa María*, p. 68, The «Capitulación» of 1480 suggests that he was a shipowner and «Capitán de la Mar».

FERNANDEZ DE NAVARRETE, *Colección*, Apén. Núm. VII, p. 397.

Quintanilla and Fernández Cabrón contributed 300,000 and 600,000 Maravedis respectively to The Enterprises. A third party mentioned in this document, who afterwards acquired half of Fernández Cabrón's share and became a full fledged partner, was Pedro de Vera Mendoza. A «caballero» from Xerez, related to some of the oldest noble houses of Southern Castile, he had been «Alcaide» (Governor of a fortress or castle) of Jimena, Cadiz and Arcos, as well as Lieutenant of the Marquis of Cadiz, before this enterprise. He had also made two profitable «entradas» to Morocco, to the islands of Fadala and to Larache. He consummated the conquest of Gran Canaria and was governor of the island between 1480 and 1483. Later, he was again «Alcaide of Arcos», «Guarda del Real de los Reyes Católicos» during the War of Granada (1485-1492) and «Veinticuatro» (Alderman) of Seville¹⁸.

The «capitulaciones» concerning The Enterprises of La Palma and Tenerife seem to have had a single «beneficiary»: Alonso Fernández de Lugo. Born probably in Sanlúcar de Barrameda, the ancestors of Fernández de Lugo appear to have come from Galicia early in the XV Century, and after almost a century of residence in the region, the family «could be considered to be pure Andalusian stock»¹⁹ —an appellation that does not seem to be as liberally applied to families of foreign origin in a similar situation. Lugo lived in Seville, where he owned land and other properties, and had carried out at least one expedition to Guinea in 1477, for which he chartered a vessel from Iñigo de Artieta. This experience and the links of his family with The Enterprises of Gran Canaria may have been of importance in deciding Lugo's path. He was a nephew of a rich merchant from Seville, Juan de Lugo, who lent considerable funds for the conquest of Gran Canaria, and the bother-in-law of the «continuo» (salaried member of the Royal Household) and Governor of Gran Canaria D. Pedro de Algaba, in whose army Lugo enlisted in 1478. In 1480 he accompanied the new Governor, D. Pedro de Vera, and having distinguished himself in the final campaign to conquer Gran Canaria, Governor Vera left him as «Alcaide» of the fortress of Agate. From that day on, Alonso Fernández de Lugo occupied the centre stage in The Islands, conquering La Palma in 1493 and Tenerife in 1494-1496²⁰.

18. Marcos JIMENEZ DE LA ESPADA, *La Guerra del Moro a Fines del Siglo XV*, La presenta con notas D. Hipólito Sancho, Ceuta, Instituto General Franco para la Investigación Hispano-Arabe, 1940, (Sección 4ª - Reediciones, Num. 1), pp. 27-32.

19. Antonio RUMEU DE ARMAS, *España en el Africa Atlántica*, Madrid, C.S.I.C., Instituto de Estudios Africanos, 1956, Tomo I, p. 308.

20. *Ibid.*, pp. 308-312.

ROSA OLIVERA y SERRA RAFOLS, *Residencia*, pp. VII-XLVIII.

RUMEU DE ARMAS, *La Conquista*, p. 135, ref. 22.

These biographical sketches are at once revealing and deceiving. They give an indication of the wide interest that The Enterprises aroused on every level of Castilian society. A perusal of the documents will readily confirm that. The Duke of Medina-Sidonia, Inés Peraza, Lady of Lanzarote and Fuerteventura, or Beatriz de Bobadilla, Lady Tutoress of La Gomera and El Hierro, appear just as easily financing these enterprises as Francisco Gorvalan, a servant of Lugo, Jerónimo de Herrera, a merchant from Sevilla, or Guillermo Blanco and Mateo Viña, «Genoese» merchants with deep roots in the political and economic life of Puerto de Santa María. Some participants were almost born into The Enterprises: Pedro and Fernando de Lugo, sons of Alonso, for instance, and Jerónimo de Valdés and Andrés Suárez Gallinato, Lugo's nephews, and the sons of the mentioned Captain Pedro de Algaba. Others may have been drawn to them by family links or ties of friendship: amongst the former Pedro Benítez de Lugo, Juan Benítez and Bartolomé Benítez, nephews of Lugo; in the latter group Lugo's friends Gonzalo Suárez de Quemada, «Regidor» of Sanlúcar de Barrameda and Francisco de Espinosa, «Jurado» of Seville.

Others participated obviously at arm's length from the promoters, such as the brothers Diego and Cristóbal Garrido, shipowners from Palos. And yet others, like Father Niculido Angelat, a Majorcan priest and Francisco Palomares, a «Genoese» merchant from Valencia, major investors in one of these ventures, may not even have resided in Castile, but must have been already involved in the Castilian commercial life or have been its profit potential.

A random sample of the participants would easily corroborate that along the entire social spectrum of Castile were men ready to react positively to economic possibilities, and that the opportunities were bright enough to attract a large number of outsiders. These possibilities could not have existed in a vacuum, they were part of the business situation in Castile, to which a significant number of Castilian are bound to have contributed.

However, the biographical outlines are also deceiving. They may convey an idea of simplicity that is nowhere to be found in these enterprises. A study of the documents confirms Schumpeter's assertion that it is a prejudice to believe that «primitive» forms of a type are the «simpler» or the «more original» in the sense that they show their nature more purely and with fewer complications than later ones. Very frequently, the opposite is the case, since increasing specialisation differentiates specific functions

more sharply²¹. Most of the persons named above appear in various business roles in these documents, often simultaneously, they may be entrepreneurs and capitalists (in the sense of banker or financier), landowners, ship-owners, merchants, or soldiers. In spite of this analytical difficulty, and bearing in mind that data were recorded for purposes differing widely from our interests, these documents are altogether eloquent witnesses of the economic and entrepreneurial development of the Castilian society, and the managerial and organisational resources it could muster for the attainment of business goals.

It appears that the participants in The Enterprises sought shelter from uncertainty chiefly by means of what is technically known as consolidation and diffusion. Both are significant indicators of business behaviour and economic attitudes. Aside from insurance—which in addition to vessels²² most likely would have covered injuries to combatants and loss of weapons, beasts, and equipment, customary in the legislation of warfare—the most important example of consolidation was the centralisation of authority and responsibility in order to secure the unity of interest implied by the organisation with which The Enterprises were carried out.

It seems that the participants saw obvious advantages in allowing a leader to take charge of the overall decision making of the enterprise. We can perceive the emergence of a leading figure initially around the person who takes care of the execution of military activities and has control in the field, as it seems to have happened with Juan Rejón, and certainly did happen with Pedro de Vera. Later we see centred around the leader the administration of the entire business, the military and naval operations as well as the dealings with the Crown on the one hand, and the contractors, sub-contractors, and other participants on the other. Alonso Fernández de Lugo gradually acquires these distinct features in the documents; he is the first of a long list of entrepreneurs of this type, who, not surprisingly, were soon to be predominant in the American enterprises.

The centralisation of the intricate diplomatic, political, administrative and naval functions was probably an indispensable convenience from the standpoint of organisation and logistics. The discernible «tendency to specialise» the leadership function of The Enterprises around a single central figure could well have been due in this case to the personal qualities of Lugo, his experience, the quality of his competitors, the lessons accumulat-

21. SCHUMPETER, *The Theory of Economic Development*, p. 76.

22. RUMEU DE ARMAS, *La Conquista*, Doc. 19, (1945), pp. 437-438.

ed through negative feedback of prior experiences (which as Burton Klein rightly affirms is critical in management²³), good luck, or any other number of reasons. The sample is far too small and the timespan too short to reach any firm conclusion or be nothing but circumspect about it. What is really important is the event itself, and what it says about the state of development of business organisation in Castile.

Centralising the decision making of the organisation around one individual and his council means—in theory, and in the event of the Law of Large Numbers being operational—a greater statistical probability that errors would be cancelled out by successes in the end than if each participant would have been forced to take every decision by himself²⁴. It stands to reason that although a leader may have the final voice and responsibility, the existence of an inner council of subordinate officials is not only natural but necessary. The inner and the general council had furthermore a long tradition in Castilian military ventures, and its absence would have been extraordinary in an enterprise with so many resembling features and in which a number of members had significant financial stakes. Such a decision-making system should have resulted, as propounded by organisational theory, in a sharpened focus on action and on solutions to attain the main objectives of the organisation. A large body of findings in organisational psychology confirms that group decision making is more action oriented than individual decision making, and tends to concentrate on solutions even before all possibilities of attaining a certain goal have been evaluated²⁵.

Aside from these considerations, it is unlikely that a business undertaking of the magnitude of The Enterprises could have been attempted without the participants divesting themselves of individual decision making and entrusting it to a central organiser and manager and his assistants. This implies the readiness of the participants to use and be used by others for the accomplishment of activities that none could accomplish alone. Whilst the use of someone else's productive resources and services is easy enough, to entrust one's own productive resources and services to the judgement of others is to take a step whose business and economic significance cannot be underestimated.

23. Burton H. KLEIN, *Dynamic Economics*, Cambridge, Massachusetts/London, England, Harvard University Press, 1977, p. 230.

24. KNIGHT, *Risk, Uncertainty and Profit*, p. 252.

25. Karl E. WEICK, *The Social Psychology of Organizing*, Reading, Mass., Addison-Wesley Publishing Company, 1969, (*Topics in Social Psychology*, Charles A. Kiesler, Edit.), pp. 11-12.

The likelihood that constant outside pressure maintained the organisation of The Enterprises —perhaps even the sheer extent of the undertaking— cannot detract from the suggestion that the Castilian society was used to routinely organising itself to achieve economic goals well in the future. The continuous functioning of an organisation with the complex network of relationships of The Enterprises is all the more remarkable because of the proven existence of internal forces tending to simplify such organisation. Karl Weick and others have shown that those forces can destroy the level of complexity acquired by the organisation, and in some instances release the level of anxiety felt by individual members²⁶. However temporary that effect might be, it is easy to imagine that many members of The Enterprises may have felt that way, especially at times in which the overall goals pursued seemed at variance with their private goals. The formation and the maintenance of organisations such as The Enterprises, for the achievement of long term goals, suggests mature business thinking, and a disciplined, consistent, unrestricted commitment of productive resources and services to the attainment of economic objectives in the future. This is symptomatic of a society economically well beyond the mere contentment with the satisfaction of immediate needs.

Such business and economic attitudes are confirmed by the use of diffusion as a method of dealing with unfavourable contingencies. Closely linked to consolidation, there is, according to Frank Knight, a logical distinction between the two concepts and a practical possibility of separating them²⁷, which in this case we think to be useful. Hedging one's bets or committing assets to different projects is the typical non-specialist method of diffusing risks —specialists diminish risks by concentrating on the same type of venture, so that, statistically, errors in judgement must show a tendency to cancel out. If we observe the ways in which Lope Fernández —one of Lugo's lieutenants— participated in The Enterprises of Tenerife —lending money to Lugo to carry it out, taking clothes and other goods to sell during or after the campaign, and providing his own personal services to

26. *Ibid.*, pp. 25-35.

27. KNIGHT, *Risk, Uncertainty and Profit*, pp. 232-263, esp. p. 239.

For an earlier treatment of the topic, which constituted the basis of Knight's analysis, see Irving Fisher, *The Nature of Capital and Income*, New York/London, The MacMillan Company/MacMillan & Co., Ltd., 1906, pp. 288-300.

The Enterprise²⁸— we have a text-book example of diffusion. Besides, the carrying of goods to sell during or after the conquest of Tenerife required the anticipation of the wants and needs of the prospective buyer. This reveals a business mentality and is characteristic of a society whose production is geared to the general market, not only to fill the direct demand of a given consumer. We have here the critically distinguishing feature of a market economy, and a clear sign that at least a considerable sector of the Castilian society functioned in such an economy.

The likelihood that most participants in The Enterprises took part in them only in response to the proposals of the promoting entrepreneurs neither detracts from our assesment of the business and economic attitudes demanded from those participants nor from the type of attitudes implied by their actions. On the contrary, this outward and visible sign of inner Castile strengthens the argument. The incentive that impels a man to act is always some uneasiness. But as Ludwig von Mises noted, «uneasiness and the image of a more satisfactory state alone are not sufficient. A third condition is required: the expectation that purposeful behaviour has the power to remove the felt uneasiness. In the absence of this condition no action is feasible»²⁹.

The evidence at our disposal gives ample reasons to believe that the participants in The Enterprises entered free and voluntarily into the economic agreements and exchanges indispensable to carry them out. Their behaviour, examined in the light of von Mises' argument, must have been prompted by a desire to advance to a more desirable personal position, and the expectation that their actions should result in economic gain—clear in many cases— or whatever they perceived as attainable through economic and social gain. This picture is not altered by the single example to the contrary we have found: the men, who took a pardon offered by the Crown to those convicted of exporting or falsifying coin, willing to join The Enterprise of Tenerife may have had a different immediate motivation, though perhaps one that was neither at variance in substance nor in long run expectations with that of the other participants. Besides, these men could have been only a minority of those who joined, and there was still an element of choi-

28. Leopoldo DE LA ROSA Y OLIVERA, «El Conquistador Lope Fernández», *Revista de Historia*, XIX, La Laguna, 1953, pp. 6-10.

ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Interrogatorio, CLIX, p. 115, (Amarillo).

29. Ludwig von MISES, *Human Action. A Treatise on Economics*, New Haven, Conn., Yale University Press, 1949, p. 14, see also 11-29.

ce in their decision. The vast majority of the participants decided to take part of their own volition. This freedom of contract and exchange is another essential characteristic of a market economy³⁰, and a further indication of its existence in at least one sector of the Castilian economy.

A close examination of the social and economic advantages enjoyed by many promoters and participants indicates that many of those who risked the most must have had safer economic alternatives. The Duke of Medina-Sidonia and most others were men of such economic and social position that rendered unnecessary for them to enter into risky enterprises to obtain further advancement and recognition. Neither Alonso Fernández de Lugo nor Pedro de Vera appear to have been compelled to run awesome risks. Both men seem to have enjoyed a comfortable economic and social station before their initial involvement with The Islands; neither of them appears to have been at that point in a temporary financial situation demanding daring and risky manoeuvring to stave off disaster. Besides, their social status was such that they could have found an easier, more secure way of making money, if that was their goal. Shipowners like the brothers Garrido or merchants as Jerónimo de Herrera may not have been confronted by relatively «soft» alternatives, but they must have been able to direct their business efforts into more conventional, well proven, and thus more predictable economic paths, than those offered by The Enterprises.

An exhaustive study of the evidence in our hands has not shown the specific motivations and expectations of any of the participants in The Enterprises. However, Adam Smith may have provided us with a plausible explanation. He said that men are more likely to risk a small amount of money in the hope of winning a large one when the adverse possibility—known or estimated—against winning is much in excess of the ratio of the amounts, but commonly will refuse to incur a small chance of losing a large amount for a virtual certainty of winning a small one, even though the actuarial value of the chance is in their favour³¹. What constitutes a «large» or a «small» amount is of course a relative matter, varying from individual to individual.

Whatever may have been the rationale behind the participant's decision to join The Enterprises, it seems obvious to us that they expected high rewards, and presumably, though not necessarily, higher ones than those

30. KNIGHT, *Risk, Uncertainty and Profit*, pp. 240-1, 244-245, 351-358.

31. *Ibid.*, quoted on pp. 235-236.

that could derive from alternative actions. The participants may have been prompted also by expectations other than pure profit and loss estimates. The goal of lordship may have been such a desired prospect. As Schumpeter stresses, that was a perfectly legitimate economic inducement³², and probably just as effective as comparable incentives today, be they monetary or non-monetary, such as «actualising» oneself in Maslow's sense³³.

Alonso Fernández de Lugo may have been spurred on by any of those motives when in order to raise money for The Enterprise of Tenerife he sold at a huge loss a hard earned property in Gran Canaria with a fortress of which he was «Alcaide», accepting for it just a fraction of the large investment he had made to develop the property and to build a sugar mill on it³⁴. This was a perfectly «rational» business decision if in his judgement the likely returns of the enterprise would offer ample compensation for the loss and the risks incurred. In this, as in the prior selling of his properties in Castile and the heavy burden of debts the acquired with family and friends there, as well in the pawning of his clothes, jewelry, and even of his sons to secure needed capital for The Enterprises, Lugo many have exhibited and egregious folly in the eyes of many, but we do not know the odds he saw for the success of them. He may have even found himself at the point of no return, so committed to The Enterprise that he could no longer extricate himself from it. From the depositions at his «Residencia» trial (public investigation of his conduct as public administrator) there can be little doubt that people remembered and respected him for those actions, which perhaps comforted the more timorous participants or dispelled the doubts of others contemplating joining The Enterprise in some capacity.

Pedro de Vera, before Lugo, acted in a similar way when he found himself at a critical point during the conquest of Gran Canaria. He sold his property in Castile—in this or in a similar situation he also pawned his sons, and not to a Castilian noblewoman as Lugo did but to a Morrish chieftain—to buy supplies and charter a ship to carry them to Gran Canaria³⁵.

32. SCHUMPETER, *The Theory of Economic Development*, p. 93.

33. A.H. MASLOW, *Motivation and Personality*, New York, Harper & Row, 1954, passim.

34. ROSA OLIVERA y SERRA RAFOLS, *Residencia, Memorial*, XXVI, p. 18, LXXXVII, p. 45; Interrogatorio, CLIX, pp. 114-115, (Alcaraz), (Amarillo), (Benítez), (Serrano). See also CLX-CLXIII, pp. 115-117 for further details of Lugo's efforts to secure funds.

RUMEU DE ARMAS, *La Conquista*, pp. 208-210.

35. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, pp. XXX-XXXI, ref. 71.

Both men performed true acts of leadership, in the ordinary meaning of the word as well as in the specific one of Schumpeter's theory, in the sense of «leading» the means of production into new channels³⁶. Through their actions Vera and Lugo also exhibited a highly speculative nature, which is indispensable for advancement not only within the restricted entrepreneurial field of this theory, but for the economy as a whole.

A separate speculative function is not clearly discernible in the documentation available. Speculation is much in evidence, but on the whole it would appear to have been carried out in a non-specialist fashion. The case of Lope Fernández, already mentioned as an example of the method of diffusion is typical of that. We see the merchant Mateo Viña investing capital for the conquest of Tenerife, and at the same time carrying goods for sale, and either fighting in the campaign or just going along to supervise personally his investment³⁷. Instances of this pattern of business behaviour are indeed common, but perhaps nothing illustrates better the speculative nature of the participants in the conquest of The Islands than the financing of The Enterprises.

In carrying out new enterprises, financing is as fundamentally necessary in practice as in theory. As a rule, Schumpeter stresses, new combinations must draw the necessary means of production from old combinations³⁸. These productive means must be withdrawn from the relative safety of tried operations into new high risk ventures. We may think, for instance, of vessels involved in fishing or in ordinary freighter duty to Flanders or the Mediterranean. This required a shipowner not confining himself to routine business, which would lead to a very static economy in Schumpeter's theory, but willing to try new things, to take new risks, presumably for higher monetary rewards. If the entrepreneur happened to be the owner of the vessel —as Fernández Cabrón most likely was— no problem as far as the command of this particular productive resource for The Enterprise existed. If

36. SCHUMPETER, *The Theory of Economic Development*, pp. 87-90.

37. ROSA OLIVERA Y SERRA RAFOLS, *Residencia*, Interrogatorio, CLXIII, p. 116, (Alcaraz); Diversos, Doc. 8, (1497), pp. 155-156.

RUMEU DE ARMAS, *La Conquista*, Doc. 19, (1495), p. 437, Doc. 20, (1495), pp. 438-439.

Miguel Santiago RODRIGUEZ, «Un documento desconocido en Canarias referente a la conquista de Tenerife», *Revista de Historia*, XVI, La Laguna, 1950, pp. 44-51.

Elías SERRA y Leopoldo DE LA ROSA, Edits., *Reformación del Repartimiento de Tenerife en 1506 y Colección de Documentos sobre el Adelantado y su Gobierno*, Santa Cruz de Tenerife, Cabildo Insular de Tenerife/Instituto de Estudios Canarios de la Universidad de La Laguna, 1953, (*Fontes Rerum Canariarum*, IV), Proceso, III, (Viña), p. 56.

38. SCHUMPETER, *The Theory of Economic Development*, p. 68.

the entrepreneur was not the owner of the required productive resource, as appears to have been the case with Bishop Frías or Lugo, the entrepreneur either had to have disposable property to obtain the necessary funds or convince an investor to finance the operation on a partnership basis.

Schumpeter emphasized that control over required productive resources, rather than ownership of them, is indispensable for the carrying out of new combinations. Eventually, for any sum above the combined resources of the entrepreneurs they would have to resort to credit financing. To provide this is the function of a category of individuals which he called «capitalists». In what is known as a «capitalistic» type of society, credit financing is the obvious method of shifting the economy into new channels —and its «*differentia specifica*»— as Schumpeter rightly asserted³⁹. He was wrong though, or at least not clear, in the dating of that phenomenon⁴⁰.

There can be no question about the extensive use of credit in The Enterprises. This took place in a number of ways, albeit in most cases, without a distinguishable separate «capitalist» function. Examples of credit extended in money or money substitutes are abundant in the documents examined. In some of them, the existence of a loan contract is rendered evident by the mention of the multifarious sureties used as collaterals for the loan. In many of these instances one can perceive the creation of new purchasing power out of nothing, as it is carried out by banks in a modern economy. This was clearly so when those credits were guaranteed by securities which were not themselves circulating media —real estate and other property, future revenues⁴¹, or the pawning of Lugo's sons to Lady Inés Peraza⁴².

In other cases, credit was granted fully or partly against a participation in the expected profits of The Enterprise. In other words, the creditors advanced productive resources, such as good, equipment, weapons, the money-capital required to purchase or hire them⁴³ or their personal servi-

39. *Ibid.*, 69.

40. *Ibid.*, p. 70.

He appears to have modified his views later - *Business Cycles*, I, p. 222, see also 223-234.

41. SCHUMPETER, *The Theory of Economic Development*, pp. 70-74.

See the sources cited in our ref. 34 for examples.

42. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Memorial, XXVI, p. 18, LXXXVI, p. 45; Interrogatorio, CLX, p. 115.

43. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Diversos, Doc. 4, (1494), pp. 150-151, Doc. 8, (1497), pp. 155-156.

RUMEU DE ARMAS, *La Conquista*, Doc. 19, (1495), pp. 437-438, Doc. 20 (1495), pp. 438-439, Doc. 32, (1496), pp. 455-456, Doc. 23-24, (1496), pp. 442-444, Doc. 48-50, (1505), pp. 475-483.

ces⁴⁴, and in consideration of submitting themselves to the risks of The Enterprise acquired the right to participate in the profits. Sometimes, prominently with hired manpower, the agreements seem to have involved a salary and a share of the profits⁴⁵.

In all the above mentioned examples, even those in which people agreed to provide personal services against a claim to payment of wages upon the successful completion of The Enterprise, the participants fulfilled a function basically different to that which would result from a similar action within the routine business of the established economy. Because these participants were engaged in new combinations or enterprises in Schumpeter's definition, they played essentially an entrepreneurial role. At the same time, they were risk bearers. In Schumpeter's theory, these are two distinct functions that need not be carried out by the same person. According to him, risk as such, always falls on the owner of the means of production or the money-capital which was paid for them, never on the entrepreneur⁶⁴; of course, this does not apply to the resources owned by him and invested in the enterprise or to those guaranteed by him.

It is perhaps not a digression to insist here that Schumpeter's entrepreneur is a temporary condition, not a permanent category. The difficulties of isolating special functions in The Enterprises need not disturb us. This is not on account of the refinements of pure theory being seldom applicable to concrete situations, or our endeavours to apply them to a different economy, but because the theory itself assigns a temporary existence to the entrepreneur and contemplates the possibility of a single individual performing concurrently several functions in the enterprise.

The willingness to bear risks even of low wage earners associated with The Enterprises confirms an attitude towards risk and speculation that seems to have characterised at least one sector of the Castilian economy, and one where all social groups were represented. (To those who may argue that low

44. *Ibid.*, Doc. 44-45, (1504-1505), pp. 470-473. Francisco Gorvalan, servant of Lugo (Doc. 23-24, pp. 442-444) had rendered personal services and *advanced* cash to finance The Enterprise is one of many such examples. Lope Fernández and Mateo Viña had also contributed with personal services to The Enterprises in addition to their participation in other areas of them.

45. RUMEU DE ARMAS, *La Conquista*, Doc. 21, (1496), pp. 440-441.

The combination of a salary and a share of the profits was customary in Castilian military enterprises.

46. SCHUMPETER, *The Theory of Economic Development*, p. 75.

Frank KNIGHT concurs - *Risk, Uncertainty and Profit*, p. 289, ref. I.

wage earners may not have had alternative employment, we would point out that up to 1492 the War of Granada absorbed large quantities of manpower and productive resources, probably with lower risks, that afterwards the American enterprises took up a good share of the slack, and that the seemingly increasing numbers of slaves sold in Castile without visible effects on the price level suggest that there were shortages of manpower in some segments of the Castilian economy.) Without this attitude and motivation it is difficult to imagine the many followers that rendered possible The Enterprises and who entered into them with rather flimsily secured investments or rendered productive services on credit and thus, became technically entrepreneurs as well.

The widespread bearing of risks, the methods used to minimise them, the many modes or participations and competition must have added a dynamic dimension to The Enterprises well worth considering. A temporary monopoly granted to the promoters may have enhanced their attractiveness, but did not insulate them from competition. The promoters had to face competitors and competing projects, and had to compete to secure productive resources. Reference to a competitor, Diego de Ferrera, was specifically made in a document referring to the «capitulación» with Quintanilla and Fernández Cabrón⁴⁷. He was probably the son of Diego García de Herrera, to whom Enrique IV had granted the lordship of the entire archipelago in 1468⁴⁸, and he was to be prevented from taking any action in The Islands. Known losses to the promoters resulting from the breach of their monopoly by competing entrepreneurs⁴⁹, suggest the difficulty of enforcing the monopoly, and that with or without license, there were entrepreneurs prepared to compete for the opportunities for presumably higher than average returns on investment offered by The Islands.

Such opportunities existed as well in alternative projects, theoretically also examples of enterprises demanding entrepreneurs in Schumpeter's sense. Falling squarely into this category are the trade ventures to «La Mina de Oro»⁵⁰, Guinea⁵¹, «Berberia»⁵², and the American voyages after 1492.

47. FERNANDEZ DE NAVARRETE, *Colección*, Apén. Núm. VII, p. 398.

48. RUMEU DE ARMAS, *España en el Africa*, II, Doc. IV, pp. 6-8.

49. ----, *La Conquista*, Doc. 8, (1493), pp. 495-497.

50. FERNANDEZ DE NAVARRETE, *Colección*, Apén. Núm. III (1478), pp. 386-389, Apén. Núm. V, (1480), pp. 393-394, Apén. Núm. VI, (1480), pp. 395-396.

51. RUMEU DE ARMAS, *España en el Africa*, II, Doc. Num. V-VII (1475), pp. 13-14. The enthusiasm evoked for the enterprises to La Mina de Oro and Guinea is reflected in the

These alternative investment opportunities must have exerted a competitive pressure to obtain key productive resources, such as vessels and specialized manpower, that were equally indispensable to them and to The Enterprises. Similar pressures came also from activities that, being older practices, might be better classified as routine business, such as the «African Fisheries», which in 1490 were rented to Juan de Venegas and Pedro Alonso Causino, shipowners of Palos⁵³.

The productive resources required by the above mentioned enterprises and routine business, along with the necessary consumptive and intermediate goods to carry them out, had to be obtained in Castile and in competition with ordinary business and consumers. A simple perusal of a set of accounts of the conquest of Gran Canaria will readily confirm that⁵⁴. At the same time, these accounts illustrate the demands that the conquest and settlement of The Islands made upon the economy of Castile, that production for the market characterised at least an important sector of the Castilian economy, and how productive resources were drawn out of the routine sector of this economy for the enterprises to The Islands, as required to satisfy Schumpeter's theory. All these aspects, however, will be seen in detail in section III of this paper.

These accounts represent only a fraction of the requirements of The Enterprises to conquer Gran Canaria, needed there to re-supply the main expedition. They embody a variety of goods and services available in Castile, and range from foodstuffs and victuals to finished and semi-elaborated goods. Amongst the foodstuffs and victuals we find wheat and barley, and processed items, such as wine, oil, vinegar and the only made-to-order product mentioned in these accounts: biscuits. The finished goods form an

well known commentaries from the contemporary chroniclers Hernando del Pulgar, Andrés Bernáldez, and Alonso de Santa Cruz.

52. RUMEU DE ARMAS, *España en el Africa*, II, Doc. VIII (1480), pp. 15-16, Doc. IX (1481), pp. 17-18, Doc. XIII-XIV, (1492), pp. 22-24, Doc. XXV, (1496), p. 40.

JIMENEZ DE LA ESPADA, *La Guerra del Moro*, *passim*.

LADERO QUESADA, *Unas Cuentas*, pp. 98-100. The Marquess of Cadiz stimulated further those enterprises by reducing 1/3 of the customary Fifth owed to him by the successful entrepreneurs.

53. RUMEU DE ARMAS, *España en el Africa*, II, Doc. XI, (1490), pp. 20-21. This was notified to the ports of Palos, Moguer, Huelva, Gibraleón, Cartagena, Lepe, Ayamonte, Sanlúcar, Puerto de Santa María, and others.

----, «Las Pesquerías Españolas en la Costa de Africa. (Siglos XV-XVI)», *Hispania*, XXXV, Madrid, 1975, pp. 295-319, pp. 295-312.

54. Miguel Angel LADERO QUESADA, «Las Cuentas de la Conquista de Gran Canaria», *Anuario de Estudios Atlánticos*, 12, 1966, pp. 11-104.

interesting catalogue: a variety of weapons (swords, lances, crossbows, helmets), shoes (some made in Cordoba), needles, horseshoes, nails, pieces of harness for horses, shirts made of linen from Brittany (probably made in Castile, since cloth was normally exported unfinished and in bales), gun powder (at the time freely manufactured in Castile)⁵⁵, metals such as lead and iron from Milan or Milan type, and a compass. The list of intermediate and productive goods includes leather for soles and shoes, thread, tools, cauldrons (probably for making sugar), equipment for sugar mills and flour mills, bricks for ovens (presumably for bakers and smiths), components to make arrows in Gran Canaria, a vessel in parts to be assembled there, as well as spare sails, ropes, masts, boxes, casks, and other containers.

Examples of productive services acquired in the Castilian market are also prominent in these accounts. Chartered vessels, one clearly showing its mode of ownership by shares⁵⁶, and payments for overland transportation services are mentioned frequently, and there is an instance of the rental of a beast of burden, which was common in Castile⁵⁷. The availability of these services bespeaks the existence of a segment of the Castilian economy that specialized in supplying transportation. Payment for professional services to shipbrokers, shipwrights and various shipbuilding specialists, carpenters, and others, along with the array of goods purchased in the market indicate that many in the Castilian economy lived chiefly by supplying specialized services or goods to the market. Further evidence that the market operated in at least a sector of the Castilian economy comes from the mention of imported goods in these accounts; for in the end, imports are never paid with «money», but with local goods and services, regardless of the origin of those acting as intermediaries⁵⁸.

Since no central authority allocated the goods and services referred to in these accounts, or was in a position to do so, we must conclude that, for the most part, the requirements to carry out The Enterprises had to be pro-

55. Jorge VIGON, *El Ejército de los Reyes Católicos*, Madrid, Editora Nacional, 1968, p. 249, also p. 245.

56. LADERO QUESADA, *Las Cuentas*, p. 20.

57. Carlos Alberto CAMPOS, *Entrepreneurial Spirit and the Climate of Business in Castile-Aragon Before the Incorporation of America*, M.A. Dissertation (currently being prepared for publication), Carleton University, Canada, 1980, p. 20.

58. Ludwig von MISES, *The Theory of Money and Credit*, Translated from the German by H.E. Batson, London, Jonathan Cape, 1953, New enlarge edition, First English translation 1934, p. 252, see also pp. 242-252.

One of many possible authorities that could be cited. Most economists agree on this point.

cured in the market, and competitively bid away from other users. Up to this point, we have spoken about competition in the classical sense of rivalry amongst buyers and sellers in the market place. Competition, in this sense, looks at the business organisation as a single unit in its relations with the outer world. Burton Klein has expanded the theoretical notion of competition to include the inner world of the business organisation⁵⁹. Competition can exist within a business organisation; and must have existed within the enterprises under consideration.

Diversity amongst the participants and the organisation of The Enterprises was bound to produce that. Diversity existed not only in the social and economic background, and in the psychological make up of the participants, but also in their economic interests. From a business organisational point of view, we may describe these ventures as a large umbrella organisation with a single overall objective and a number of subordinate enterprises dependent upon the success of the main objective. Thus, the normal conflict between people with different backgrounds and different perceptions of the world, was certain to have been heightened by conflicting personal interests pursued concomitantly. These differences amongst the participants who, arrayed in accordance with their primary needs in life, from total adventure to total security were also bound to have differed, may have been an invaluable asset—even a necessary condition—for the success of The Enterprises.

A traditional theoretical emphasis on the analysis of similarities amongst groups members has resulted in overlooking the differences between them. Departing from that tradition, Georg Simmel considered the perceived differences between members of a group to be far more important than the perceived similarities in determining individual action. The practical interest of members, he said, would make them concentrate on their perceived differences in order to know what gives them advantages in their dealings with others. This observation was vital for an individual member in order to use other members of the group and to adapt his behaviour to them⁶⁰. Modern theorising and research in group psychology underlines the constant vacillation felt by group members between identifying themselves with the group and stressing their individuality. This tension is

59. KLEIN, *Dynamic Economics*, passim.

60. Georg SIMMEL, *The Sociology of Georg Simmel*, Trans. K.N. Wolf, New York, Free Press, 1959, p. 30.

regarded as essential to preserve group unity⁶¹. The perceived social and economic diversity amongst the members of The Enterprises may thus have furnished the basis for their association and affected those organisations as an ongoing group, intensifying internal competition and cooperation between the participants, whilst strengthening the organisation's overall goal as a way of preserving group's ties and cohesion.

The reciprocal forces of competition and cooperation within must have been further augmented by the temporary nature of these organisations, which newly formed, were likely to have fostered greater interaction amongst their members whilst at the same time evoking less caution in their pursuit of influence in The Enterprise and control of it. Free from the sclerosis that tends to set in older permanent organisations, The Enterprises are also likely to have been more alert organisations, more reactive to external circumstances, and more adaptable to them, than more established structures could have ever been. Their success does not appear to have resulted so much from one brilliant entrepreneur planning the conquest to the minutest detail as from the interaction of a large number of entrepreneurs pursuing an overall objective along with individual goals, whose attainment hinged on achieving the primary objective. From an organisational as well as from an economic point of view, the participants were thus prodded by two interests: simultaneous competition and cooperation. In the absence of an able interplay between them, it seems obvious that neither general nor individual success could have been obtained.

The quality and intensity of that interplay may have been a vital factor for success. Burton Klein asserts that the greater the uncertainty of the environment in which an organisation exists, the greater are their internal interactions⁶². Statistically speaking, The Enterprises were carried out in a world of strong uncertainties, because probabilistic predictions could not be made regarding the dilemmas that would arise in the pursuit of their goals or the possible ways of solving them. Though we have seen several methods of shifting risks, and various procedures to guarantee credits that reduce the risks borne by some individual participants, since in effect they resulted in making a single credit run statistically independent chances of default, none of these practices fundamentally altered the uncertain environment in which The Enterprises were carried out.

61. WEICK, *The Social Psychology*, p. 15.

62. KLEIN, *Dynamic Economics*, pp. 140-176.

The Crown added to that uncertainty: the evidence suggests not only that her promises and guarantees were written on very thin paper, but also that she was incapable of fast responses, none of which could have gone totally unnoticed by the entrepreneurs. In addition to that, the world in which The Enterprises existed was not only completely removed from the «given» environment of Bayesian probability theory, but also physically removed from any Castilian political jurisdiction, so that there were not even political friends on whom to call for temporary assistance or a suitable change of the rules of the game.

Having to contend with a world of high uncertainties and having no recourse to manipulate it in their favour must have exerted a continuous pressure to internalise risks upon The Enterprises; that is, to deal with dilemmas when and as they arose. Under such conditions there were greater incentives for these organisations to engage in risk taking, and since there were no known alternatives to some of the most serious dilemmas that may have confronted them, there were greater possibilities that they would be resolved in an imaginative fashion and that adjustments could be made in the behaviour of The Enterprises as demanded by circumstances.

Lugo's decision to risk all and press ahead when the Crown failed to provide the promised transportation from the mainland to Tenerife is a good example of fast reaction and adaptive behaviour under an increased level of uncertainty. It was a decision demanding a greater level of risk-taking for The Enterprise as a whole as well as for the individual participants; and as such, one unlikely to have been taken without the acquiescence of the majority amongst them. Approval could not have been granted lightly. Lugo's creditors were confronted with perhaps the hardest choice: the decision demanded from Lugo to go heavily into further debt, thus not only weakening his already strained ability to repay, but also making Lugo a poorer credit risk, by saddling him with a worsened debt/asset ratio. At the same time, with an extended time horizon and higher time and monetary costs, a greater share of the expected returns would have been required to cover costs, and a slower turnover on investment could not be avoided. Big and small investors alike can be visualised as been on the horns of an acute dilemma with equally unpleasant alternatives: to press ahead with higher risks and costs, or to quit, cutting their losses but removing themselves further from recuperating them, and completely from potentially high returns.

Though the participants may have never conceptualised the situation in this fashion —and even nowadays perhaps neither would we— it is use-

ful to think of them as facing a very small portion of their trade-off curve between time and cost uncertainty. Technically, a smooth trade-off curve exists only when there are «known» statistical uncertainties. Given the fresh experiences of Gran Canaria and La Palma, the participants could expect Tenerife to be eventually conquered. But it was impossible to predict when; and that meant an ill-defined limit to the time and cost uncertainty of the enterprise. The decision of Lope Fernández to sell for 16,000 Ducats his «hacienda» and «ingenio» (Sugar mill) in Gran Canaria to assist Lugo may have been prompted by the much respected behaviour of Lugo on that occasion. However, Lope Fernández' impressive record as entrepreneur⁶³ would suggest that the «rationality» of his actions did not consist of imagining less uncertainty than there really was, but rather of reappraising the situation and extracting new conditions reflecting the new risks and uncertainties of his investment.

At the other end of the scale, the smallest entrepreneurs may not have been confronted by such complex problems, but faced nonetheless perhaps more vital decisions. Those contributing to The Enterprise only their personal services on credit may have had only a choice between losing their accrued wages and forfeiting any claim to a share of the spoils, or deferring those claims further into a more uncertain future. In the end, there were none of the alternatives imaginable in a sedate, static environment. Without greater risk-taking, this particular dilemma, which the participants and the participants alone could resolve, would not have been resolved.

There is a strong suggestion therefore, that the incentives created by the pressure to internalise risks, combined with the peculiar make up and organisation of The Enterprises, resulted in a greater ability to deal with uncertainty, to survive, and eventually to succeed. Not only were high rewards attainable upon meeting the general performance goals within the time and monetary cost constraints, but dependent on the success of the main enterprise was that of individual subordinate ones, creating strong incentives to increase its dynamic efficiency. As defined by the dynamic theory of Burton Klein, this meant incentives to use the committed productive resources in such a manner that the general and individual objectives were accomplished and the new economic opportunities transformed into realities.

63. LA ROSA y OLIVERA, *El Conquistador Lope*, pp. 6-7, 10-12.
ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Interrogatorio, CLIX, p. 115, (Amarillo).

III

To determine whether dynamic efficiency was achieved would require measurements and a type of analysis for which the fundamental data are wanting. However, by focusing alternatively on individual behaviour and overall performance (microbehaviour and macroperformance in Klein's terminology), it is possible not only to illustrate many of the points raised in the prior discussion, but to draw conclusions which are entirely consistent with those reached above and with the ideas set forth by Schumpeter.

We shall endeavour to demonstrate further those conclusions and elaborate on the relationship between microbehaviour and macroperformance in this section, whilst attempting to limn a panoramic view of the «mise en valeur» of Tenerife. Particular attention will be paid to some of the serious problems to be overcome in that economic pursuit, including a necessary detour with the African ventures of Lugo, which sapped productive resources from the Islands, because we believe strongly that it is against this background, even only in its broader contours, that the calibre of entrepreneurship responsible for the creation and the seizing of economic opportunities in a world of high uncertainties can be seen and assessed best.

The documents at our disposal permit us to identify a sizeable number of entrepreneurs, representing a wide cross-section of the Castilian society, competing to secure productive resources and to carry out enterprises in that world of high uncertainties, and cooperating with each other in the conventional as well as in Klein's sense, by imposing risks upon each other —because for this author entrepreneurial self-interest and risk-taking are not enough in a dynamic world. In the absence of simultaneous competition and cooperation the results attained by these men seem most unlikely.

In Schumpeter's view, any economic actor, however briefly, has a chance to be an entrepreneur at least once throughout his economic life. Most men would not see it, some would seize upon it. A few amongst the latter, either on account of personal characteristics or favourable circumstances were able to remain entrepreneurs during most of their business lives, and thus became something approaching a «professional» entrepreneur. Men like Lope Fernández, and particularly Lugo, emerge from those documents as almost akin to Schumpeter's «professional» entrepreneur.

Both men, had at the end of their lives, managed to assemble an impressive array of real estate and other property which required heavy invest-

ments and imaginative management to develop⁶⁴. It is most unfortunate that we know next to nothing about their beginnings. Many details of their activities reveal their bold entrepreneurial nature, as well as their resourcefulness and managerial skills, but knowing neither the economic base from which they started nor the restrictive covenants, mortgages (or more accurately live gages)⁶⁵ and other obligations to be weighed against their assets (in some instances very onerous ones)⁶⁶, it is impossible to assess how well or how badly they really performed from an accounting point of view. It is disappointing not to be able to use interesting information, such as the sale by Lope Fernández of irrigated land in Gran Canaria in 1491 for 100 «arrobas» (1 arroba = 25 Lbs. or 11,5 Kilograms) of white sugar to Vasco López, who subsequently sold it in 1506 for 1,500 «arrobas» of sugar of the same quality. Quite simply, this information is economically meaningless unless we have some idea of the rate of inflation, the improvements that were made in the property, and the accuracy of the price measurements, a notorious source of errors of observation. However, with the reader's indulgence, we might be able to overcome some of these obstacles: as entrepreneurs, our men can be best appraised through their actions in the field.

The behaviour of the conquerors immediately after the conquest of The Islands is a good indicator of how undeveloped they were relative to Castilian standards, and that the slow materialisation of the expected gains from the main and subordinate enterprises was a major hurdle to be overcome. Slave hunting and slave trading have always been potentially lucrati-

64. *Ibid.*, Diversos, Doc. 16, (1506), pp. 164-166, Doc. 17, (1515), pp. 166-171, Doc. 22, (1525), pp. 179-184, Doc. 25, (1507), pp. 187-189.

LA ROSA OLIVERA, *El Conquistador Lope*, pp. 6, 10-12, 22-28.

In spite of the indictment of this author against the activities of Lope Fernández («he was more a merchant than a farmer» -p. 12), from an economic point of view, there can be no question that the presence of men who understood speculation was indispensable for the economic development of the island and even to ensure the viability and survival of the «true farmers». Both the *Residence* and the *Reformación* contain valuable information about the economic activities of Lope Fernández and Lugo.

65. Since her lender normally took possession of the land and retained it, until the loan was repaid. Meanwhile, the lender was entitled to keep any of the crops or rents earned from the land. For an example: Serra y de la Rosa, *Reformación*, Apéndices, pp. 244-245, (1515).

66. José PERAZA DE AYALA, «El contrato agrario y los censos en Canarias», *Anuario de Histori del Derecho Español*, XXV, Madrid, 1955, p. 287, ref. 92.

The inability of Lugo to meet the sureties required to become the legal tutor of Guillén and Inés Peraza, the children of his second wife, Beatriz de Bobadilla, is a further indication of the difficulties one finds trying to assess Lugo's net worth and how unreliable is real estate as an indicator of wealth. For the documents about the Peraza minors see: SERRA y DE LA ROSA, *Reformación*, pp. 165-167.

ve undertakings, but the emphasis on this type of activities during the early stages of the conquest surely indicates the absence of available economic alternatives in The Islands and the need to find a faster turnover of the capital invested as well as means to finance the productive resources and the time required to develop their economic potential.

Immediately after the conquest of Gran Canaria, and well before the conquest of La Palma and Tenerife was attempted, one «cabalgada» after another was carried out there and along the African coast without apparent ill effect upon the Castilian or for that matter the Valencian market price for slaves, which would suggest the presence of labour shortages in those economies⁶⁷. The African «cabalgadas» were further stimulated by granting Pedro de Vera 50% of the Royal Fifth belonging to the Crown «in payment of past services»⁶⁸.

Even those enterprises were not without shortcomings. The expected quantity of slaves captured in a raid may have had to be higher in order to compensate qualitatively for the captures that could be made in the Iberian campaigns or closer to the home waters. The market price that a Guanche or another «Canario» or Negro could fetch was not comparable to the ransom that could be extracted for a wealthy merchant, landlord, or an important Moorish official. Admittedly not all those captured in or near the Iberian Peninsula would fall into that category, but even the lowliest Moor was used to organised work, and likely more able to perform a task suited to the Castilian economy than a «Canario» or a Negro. All other things being equal, a Moor might have been regarded as a better investment even as a navy and thus as a better prospect to reach a higher price at the auction block⁶⁹.

67. Vicenta CORTES, *La esclavitud en Valencia durante el Reinado de los Reyes Católicos (1479-1516)*, Valencia, Excmo. Ayuntamiento, 1964, passim.

Alfonso FRANCO SILVA, *La Esclavitud en Sevilla y su Tierra a fines de la Edad Media*, Sevilla, n/d, 1979, passim.

LADERO QUESADA, *Unas Cuentas*, pp. 98-100.

----, «La esclavitud por guerra a fines del siglo XV: El caso de Málaga», *Hispania*, Tomo XXVII, Madrid, 1967, pp. 63-88.

----, *Las Cuentas de la Conquista*, Doc. 3.3.3., pp. 81-89.

José-Enrique LOPEZ DE COCA CASTAÑER, «Esclavos, Alfaques y Mercaderes en la Frontera del Mar de Alborán (1490-1516)», *Hispania*, XXXVIII, Madrid, 1978, pp. 275-300.

José SANCHEZ HERRERO, Cádiz, *La Ciudad Medieval y Cristiana, (1260-1575)*, Córdoba, Publicaciones del Monte de Piedad y Caja de Ahorros de Córdoba, n/d, pp. 161-168.

68. LADERO QUESADA, *Las Cuentas de la Conquista*, Doc. 3.3.2., pp. 79-80.

Lugo was also the recipient of a similar franchise: ROSA OLIVERA Y SERRA RAFOLS, *Residencia*, Diversos, Doc. 2 (1492), pp. 148-149.

69. CORTES, *La esclavitud*, pp. 103-104.

LOPEZ DE COCA, *Esclavos, Alfaques*, p. 282.

FRANCO SILVA, *La Esclavitud*, pp. 105-120.

Moorish, Canario and Negro captives were different commodities with separate demand and supply curves, and as an object of economic gain liable to produce incentives reflecting that diversity. Whether as a reflection of this or for other reasons, slave hunting was an enterprise to which those based in The Islands seem to have turned with alacrity. One expression of concern about the price of slaves brought to the Castilian market came from Queen Isabel. The Queen not only demanded that a lot of 35 «Moriscos» belonging to the Crown was to be sold at the highest possible price, but also enhanced the attractiveness of her product declaring its purchase free from «Alcabala» duty⁷⁰.

Outside this line of business, the difficulties to finance the coming into being of the economic opportunities offered by The Islands were aggravated by the slow settlement of debts emanated from The Enterprises. The Crown was a major but not the only culprit. The already noted rolling over of the Crown's debts to Pedro de Vera was a common procedure, with an aid of 700,000 Maravedis promised to Lugo to be paid from «future profits» being another one of many examples of how poor the credit worthiness of the Crown really was⁷¹. Payments of salaries to fighting men and sailors with three and four year delays were common in these⁷² as well as in related ventures⁷³. In addition to having an adverse effect upon the economic development of The Islands, the creditors suffered a likely loss in terms of the purchasing power of money in some cases, such as Tenerife, where there is evidence of an increase in prices that cannot be fully ascertained because we do not know whether the quality of the goods had also changed. Above all, the creditors suffered a certain loss in terms of the opportunity cost of money, which under the circumstances must have been quite

70. *Ibid.*, pp. 63-64, 107.

71. ROSA OLIVERA Y SERRA RAFOLS, *Residencia*, Diversos, Doc. 2, (1492), pp. 148-149. During the course of The Enterprise, for reasons which are not clearly established, Lugo appears to have resigned to the «aid» from the Crown, as one can gather from Doc. 4, (1494), pp. 150-151. The incident is treated further by RUMEU DE ARMAS, —*La Conquista*, p. 138— but the case does not seem as clear cut to us. At any rate, what is really important for our point is that the so called «aid» from the Crown has in fact to be earned by Lugo with further entrepreneurial activities at his own risk and expense.

72. LADERO QUESADA, *La Cuentas de la Conquista*, pp. 61-74.

Francisco MORALES PADRON, *Sevilla, Canarias y América*, Las Palmas de Gran Canaria, Ediciones del Excelentísimo Cabildo Insular de Gran Canaria, 1970, (Geografía e Historia, III), pp. 173-174.

RUMEU DE ARMAS, *La Conquista*, Doc. 21, pp. 440-441.

----, *España en el Africa*, II, Doc. XXXVII, (1499), p. 86-66; Doc. XLIV, (1501), pp. 96-97, Addenda, pp. 303-307.

staggering. Those awarded land for example, must have seen the capitalisation of the grant retarded, and with it the capitalisation of The Island's economy must have been retarded as well.

The existence of these problems and some of their consequences in The Islands is beyond doubt —al though they could be treated with circumspection, because it is bad or troubled business that normally leaves traces, but statistically tends to be a minority in any economy. It is most interesting that Lugo himself affected by the same problems in spite of his power and position.

To some extent, these problems may have been a major reason behind his entrepreneurial behaviour after the conquest of Tenerife. The pace of it was most striking. Lugo may have been forced to keep entrepreneurially very active, for it seems that despite a discernible unity of purpose in all his endeavours he spread himself thin, spending and investing heavily and probably mostly on credit. If Lugo's financial position was as precarious as it seems, it made excellent business sense to keep as active as possible. Maintaining his credits and debts rolling may have been important, since creditors would have been tempted to foreclose or otherwise seek repayment more eagerly unless bright and renewed prospects of gain were clearly visible on the horizon.

The African ventures, a potentially good source of badly needed cash, must have been considered by Lugo amongst his top priority options. On 2nd. October 1499 Lugo signed a new «capitulación» with the Crown, this time to conquer the «Verbería» coast of Africa, from Cape Aguer to Cape Bojador. Once again, the Crown contributed preciously little to the enterprise; Alonso de Lugo committed himself to cover all the costs, including the building of three fortresses and the recruiting of an army of 50 «Lanzas» (that is, about 250 men, 50 knights on horseback and assistants) and 300 foot soldiers. In return, Lugo obtained the usual set of promises: he would be the Captain and Governor General of the conquered region for life, with a salary of 365,000 Maravedis per annum, and he could be involved in the «rescates» with those the Crown would send to the area for this purpose —an interesting clause we shall examine in detail. Lugo's expenses were to be reimbursed from the first proceeds of the enterprise. Once that debt was satisfied, Lugo was to receive 20% of the rents to be collected in «Berbería» by way of a «Juro de Heredad» (perpetual annuity assigned upon the revenue of the Crown) transmissible to his heirs. Lugo was to be the «Alcaide» of the fortresses to be built by him at his expense, but the salaries

and rents corresponding to these «Alcaidías» as well as those of Captain and Governor General were to be paid only from the revenues accruing from the enterprises and not from any other source⁷⁴. In the same vein, Lugo could carry out «cabalgadas» against rebel or enemy Moors at his expense, and was granted half of the customary Royal Fifth to be levied upon the earnings derived from those activities.

In other words, as on previous occasions, the Crown was entering into a sound business arrangement and incurring neither risk nor expense, both lying squarely in the entrepreneur's lap. The commercial concerns of Fernando and Isabal with regard to these enterprises are manifest in a paragraph of the instructions given on 20th. June, 1500, to Antonio de Torres, «Veedor» (Crown's Overseer) to supervise Lugo's actions and expenses. He was commanded in a thorough fashion to verify Lugo's expenses and to deduct all those he did not judge to be strictly indispensable for the construction of the fortresses and the viability of the enterprise. More interesting for our purpose is that Torres was ordered to gather comprehensive intelligence about the best season, manner, and locations to carry out «rescates» in the region to be conquered by Lugo. He was to find out which items would be most profitable to take along for that purpose, and to report the best terms that, in his estimation, the Crown could be able to secure from third parties interested in undertaking «rescates» in «Berberia»⁷⁵.

The surreptitious behaviour of Fernando and Isable is most suggestive. Though the gathering of intelligence could not have been alien to people with their military and political experience, the kind of interest exhibited by them on this occasion bears the mark of those who feel at home in the business world, who could think and act in business terms, and who were thus bent on maximising the business opportunities they decided to seize upon. This first-hand experience with business is unlikely to have existed in isolation. It reflects an attitude entirely consonant with the generally favourable business climate that would seem to have prevailed at the time in Castile⁷⁶, and which would explain the business involvements of many courtiers and court officials. It is hard to believe that they could have been entirely unaware of the business consequences of their decisions.

74. ROSA OLIVERA Y SERRA RAFOLS, *Residencia*, Diversos, Doc. 9, 2nd, October, 1499, pp. 156-158.

75. *Ibid.*, Doc. 10, 20th. June, 1500, pp. 158-160, Doc. 11, 12, 13, same date, pp. 160-161.

76. Campos, *Entrepreneurial Spirit*, passim.

As fate would have it, the enterprise to «Berveria» ended in disaster. Surprised by a superior Moorish force in San Miguel de Saca, towards the end of 1500, Alonso Fernández de Lugo was lucky indeed to save his life. He suffered many casualties amongst hard to replace settlers from The Islands who formed the bulk of his force, including many members of his family and a monetary loss that Lugo claimed to have been upward of 10,000,000 Maravedis⁷⁷.

The opportunity to make up his losses eluded him this time. Alonso de Lugo prepared with astonishing rapidity a second expedition to «Berveria» and had successfully established a bridgehead at Cape Aguer (Agadir) around September 1502, when the Crown ordered him abruptly to call the enterprise off, after the foundations of a fortress and considerable work had already been completed. It seems that a diplomatic agreement with Portugal caused the decision of the Crown. «Things were going well this time» —as Lugo's wife Beatriz de Bobadilla bitterly stated⁷⁸— and Lugo complied with the Royal Order, «after spending all the had on the effort»⁷⁹.

The contractual details of this second enterprise to «Berveria» are unfortunately unknown; the havoc caused to the finances of the leading entrepreneur, however, is only too palpable. Many references to these economic problems in the *Memorial* and his *Residencia* and in the *Proceso de Reформación del Repartimiento de Tenerife* point clearly to a dangerous compounding of Lugo's financial difficulties. Lugo's deposition at his *Residencia*, and particularly the summation —after making due allowances for the circumstances in which it was made— is adroit, and reveals in clear words and syntax the attitude and poise of a man of action, a cool tactician, quite sure of himself and not unjustifiably proud of his achievements, who in 1509 was yet to have received a single Maravedi for his expenses⁸⁰.

Beatriz de Bobadilla seems to have forecast this problem, as can be gathered from a direct, even terse letter addressed in 1504 to Queen Isabel

77. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Memorial, XXXVII, p. 26, LXXXVII, p. 46, Interrogatorio, X, pp. 53-54, CX., pp. 106-107, esp. (El Vicario), p. 107. An interesting point in the testimony of the latter is the exhaustive examination of the accounts of this enterprise by the «Veedor» Torres, which would suggest that the Crown was obliged to pay for at least some of the expenses in case of failure.

78. SERRA y LA ROSA, *Reformación*, Memorial de Doña Beatriz de Bobadilla, 7th. October 1504, pp. 190-191.

79. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Memorial, LXXXVII, p. 47.

80. *Ibid.*, pp. 44-47.

and King Fernando⁸¹. Her foreboding was not only attributable to feminine intuition: in addition to vas business and political experience and a firsthand knowledge of the Court, she had a personal financial interest as entrepreneur in the African enterprise. We know that she had been the victim of a fraud in connection with the sale of 144,000 Maravedis worth of orcheal to a merchant of Majorca, Mateo Bofill, carried on a vessel owned by the Castilian noble Pedro de Portocarrero and mastered by Juan Sánchez, who managed to spirit away from Seville without paying for the merchandise. The proceeds from this sale were destined to buy supplies in Seville for the expedition to San Miguel de Saca⁸², and most likely it was not the only financial involvement of Beatriz de Bobadilla in that enterprise. A few months after the disaster of San Miguel de Saca Lugo pawned clothes and jewelry belonging to himself and to his wife to Gonzalo de Burgos in order to satisfy debts to the owners of vessels chartered for the enterprise⁸³.

Aside from Lugo and his wife, many more seem to have been adversely affected by the outcome of the African enterprise, as it transpires from the depositions of Lugo's *Residencia*. In some cases the damages caused appear to have been quite serious, even if we dismiss all the exaggerations, feigning, and venting of enmities that a judicial process of that sort was bound to encourage. Although Lugo had compensated some of the participants or their heirs as early as 1503⁸⁴, most claims seem to have been pending in 1506, 1509, and as late as 1511⁸⁵. To make matters worse, Lugo was far from clear of debts incurred in the conquest of Tenerife. Nine years afterwards, Jerónimo de Herrera, a merchant from Seville, was still pursuing court action for payment of goods he had contributed to The Enterprise⁸⁶. Further evidence of Lugo's strained finances are his being forced to make

81. SERRA y LA ROSA, *Reformación*, pp. 190-194.

82. RUMEU DE ARMAS, *España en el Africa Atlántica*, I, pp. 344, 363, ref. 34; II, Doc. XXXVIII, (1500), pp. 88-89.

A good idea of her entrepreneurship and her interest for this type of enterprises, before marrying Lugo, can be gathered from her approach to the Crown in order to gain acceptance as an investor in The Enterprise of Lugo to La Palma —RUMEU DE ARMAS, *La Conquista*, Doc. 13, (1494), p. 432. References to her political acumen, from witness at Lugo's *Residencia*: ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Interrogatorio, XII, p. 55-56.

83. *Ibid.*, Interrogatorio, CXXXIX, p. 106, (Amarillo).

84. RUMEU DE ARMAS, *España en el Africa*, pp. 359-360; II, Doc. LXVIII, (1503), p. 126, Doc. LXXVI, (1506), pp. 146-150.

85. This is obvious from a perusal of the *Reformación* and *Residencia*.

ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Reales Cédulas, 7, (1511), p. 137-138.

86. RUMEU DE ARMAS, *La Conquista*, Doc. 48-50, pp. 475-481.

provisions for the payment of 500,000 Maravedis interest on a debt to the Riberal father and sons during the preparations for the enterprise to San Miguel de Saca, and to make other settlements⁸⁷. Strangely, there are no records of losses suffered by Mateo Viña of Lope Fernández in the African enterprise, to which one is almost sure they had contributed. If that was the case, their claims must have been settled before 1506, when they had a good chance to speak out at the *Reformación del Repartimiento* and make their own cases look stronger⁸⁸.

In 1511 Lugo was still making presentation to the Crown for the reimbursement of his expenses. No evidence is known of them having been ever paid to Lugo in full or in part, or having been finally repudiated by the Crown. In contrast to this apparent inaction of the Crown, Lugo was commanded to pay all outstanding salaries to the participants in the enterprises to San Miguel de Saca and Cape Aguer in 1511⁸⁹. All Lugo seems to have received from the Crown in compensation for those enterprises was the title of «Adelantado» which carried with it the treatment of «Magnífico Señor» and considerable prestige, but meant neither any real additional power for him nor stipends, salaries or financial rewards of any sort.

By contrast, it is remarkable that the Crown found money to pay punctually at least the first instalment of the salary of the appointed «Veedor» for the African enterprises and the man required to gather business intelligence for the Crown's benefit. Antonio de Torres received 90,000 Maravedis on 25th. June, 1500⁹⁰. Not only was he personally a well esteemed

87. ---, *España en el Africa*, II, Doc. CVI, (1551), pp. 217-218. The principal remained unpaid at that time.

88. Lope Fernández, «Maestro Artillero» (Artillery Captain), took part in the enterprise to San Miguel de Saca and prior to that accompanied Lugo to Castile, along with the notary Gonzalo de Burgos, during the negotiation with the Crown and other parties in the venture. See: ROSA OLIVERA and SERRA RAFOLS, *Residencia*, Interrogatorio, X, p. 54, (La Laguna), and RUMEU DE ARMAS, *España en el Africa*, I, pp. 321, 332, ref. 2, 341.

Given his high entrepreneurial and political profile at the time, and his past record as an investor and active participant in earlier enterprises it seems unlikely that he had not contributed financially to the African enterprise. The same would apply to Mateo Viña.

89. RUMEU DE ARMAS, *España en el Africa*, II, Doc. CI, (June, 1511), pp. 207-208. Lugo seems to have countered with renewed efforts to obtain compensation —Doc. CII-CIV, (July-October, 1511), pp. 208-215— but, at the same time, his nephew was claiming payment from the Crown of salaries owed to him as a «Contino» for his participation in the African enterprises —Doc. CV, (October, 1511), pp. 215-216. In view of this Lugo's move cannot be regarded as exclusively tactical.

90. ROSA OLIVERA Y SERRA RAFOLS, *Residencia*, Diversos, Doc. 10, 20th. June, 1500.

Court favourite with good connections, especially through his sister⁹¹; it would appear that the Crown attached great importance to his mission, recognised the need to reward his services on time, and was capable of finding the means to do so. Others equally well placed at the Royal Court and more meritorius were kept waiting «in aeternum» and were frequently paid with further promises. Unfortunately we can only speculate whether Fernando and Isabel were well aware of the different make-up of entrepreneurs and bureaucrats, or simply had a keen eye on revenues and wanted to ensure that their interests were well served.

The Crown's obligation to compensate Lugo may have not been clear with regard to the enterprise to San Miguel de Saca, but it was unquestionable in the enterprise to Cape Aguer. In this case, the precedent of Tenerife would suggest that Lugo might also have undertaken this enterprise entirely at his own risk. However, the Crown, aside from ordering him to stop the performance of the contract—it matters not whether the contract was written or oral—had repudiated it by necessary implication when entering into an agreement with Portugal that rendered Lugo's performance impossible: the breach of contract admits no doubt. Consequently, to determine whether this particular agreement between Lugo and the Crown established a master-servant or an arm's length relationship is a moot point; either as an agent-employee or as an independent contractor Lugo should have been entitled to a compensation. It seems unlikely that such compensation was ever paid.

This is not the only instance in which the Crown's actions can be found contributing more uncertainty to a highly uncertain world and being an obstacle for the «mise en valeur» of The Islands. Sometimes this resulted from what might have been basically good intentions, marred by conceit, self-deception and a thorough inconsistency between the Crown's actions and stated principles. All of them are readily discernible in the instructions issued by King Fernando to the «Licenciado» Juan Ortíz de Zárate, who on his orders carried out in 1506 the *Proceso de Reформación del Repartimiento de Tenerife*. The «Reformador» (Reformer) was expected for example to decide how much water should be made available to the sugar cane plantations in Tenerife, a crop and a territory as unknown to him as to King Fernando and his Council⁹². The example becomes even clearer in the «Refor-

91. RUMEU DE ARMAS, *España en el Africa*, I, pp. 322-332.

92. SERRA y DE LA ROSA, *Reformación*, P. 5.

mador's» numerous revocations of titles to land granted by Lugo in accordance with powers invested in him by the Crown, terminated just as easily when there were legal grounds for it as when there were none at all.

From a careful examination of the *Reformación del Repartimiento de Tenerife* it would appear that in distributing land in Tenerife Lugo was not simply rewarding his family, his friends, and the powerful, but rather compensating investors in The Enterprises and exercising not only a good deal of business and administrative talent, but a high dose of plain, ordinary common sense: Pedro Benítez was surely Lugo's nephew, but he was also an investor and an active participant in the conquest, as well as a merchant with business interests in Andalusia who was involved in trade between the latter and the Canary Islands⁹³; Mateo Viña had made a huge investment to put his land into production, and not only played a key role in The Enterprises to Tenerife, but married in the island and complied with the residence requirements⁹⁴.

The recipient of a large tract of land, the Duke of Medina-Sidonia, was probably the major single capitalist behind the conquest of Tenerife, to which he contributed with a large armed force and equipment. Granted the Kingdom of Abona, he made heavy investments in his land with disappointing results⁹⁵. Subsequently he entered into a partnership with Mateo Viña to exploit land and «ingenios» in Dabte, and bought land and «ingenios» from Lope Fernández, Jerónimo Valdés, and from «as many as he could», in the words of his factor⁹⁶.

On the whole, it is clear that Lugo distributed land in Tenerife to ensure its settlement and its «mise an valeur». Various recipients of land grants

93. *Ibid.*, pp. 19 (Vallejo), 35 (Galván), 55 (Rodríguez), 59 (Vallejo), 64 (Lope Fernández), 69 (Las Hijas), 76 (Galán), 79 (Lope Fernández), 86 (Molina), 87 (Salamanca), 90 (Lope Fernández); Proceso del Mayorazgo, p. 166.

ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Interrogatorio, XX, p. 60, XXII, p. 62, XLIV-XLV, pp. 73-74, XLVIII, p. 75, L, LIII, p. 76, Reales Cédulas, 8, p. 140 (merchandising), Diversos, Doc. 23, (1525), pp. 164-165, at that time he was still Regidor of Tenerife.

94. SERRA y DE LA ROSA, *Reformación*, pp. 40 (Las Hijas), 47 (Valdés), 48 (Llerena), 50 (Albornoz), 53 (Rodríguez), 56-58 (Viña), pp. 103-107 (business with shells).

ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Memorial, XXVI, pp. 18-19, XLIII, p. 27, LX, p. 32; Interrogatorio, LV-LVI, pp. 77-78, LXXXVII, p. 89, CLXVII, pp. 118-119; Diversos, Doc. 8, (1497), pp. 155-156.

95. *Ibid.*, Memorial, LXXXVII, pp. 47-48; Interrogatorio, LXXXVIII, pp. 89-90.

SERRA y DE LA ROSA, *Reformación*, pp. 32 (Vallejo), 38 (Trujillo), 40 (Las Hijas), 46 (Valdés), 48 (Llerena), 50 (Albornoz), 54 (Rodríguez), 56 (Viña).

96. *Ibid.*, pp. 32 (Vallejo), 40 (Las Hijas), 46 (Valdés), 48 (Llerena), 50 (Albornoz), 54 (Rodríguez).

were connected to the conquest of the island, and were thus paid for investments or for military and other services rendered. Another group of grantees received land in payment of productive or consumer goods brought to Tenerife or for provision of transportation services to and from the island. Seeing Lugo's grants in perspective, we must conclude that land given to travelling merchants was an important enticement to maintain their interest in Tenerife and so to ensure a vital nexus to the outer world. In its absence needed imports would have had to be done without; and more importantly the sugar and other outputs produced and warehoused in the island would have been valueless.

The grants cancelled and awarded by the «Reformador» Ortiz de Zárate were in sharp contrast to those aims. In some cases the Reformador's decision was justified through a strict adherence to the conditions under which those grants were awarded, but certainly not to the spirit or the intelligent interpretation of the rationale behind them. This is more apparent when we consider that without exception the new land grants were awarded to members of the Royal Council by gracious concession from the Crown and against the grand principles laid down in the instructions to the «Reformador»⁹⁷. Those dispossessed to favour the Licenciado Moxica⁹⁸, the Licenciado Luis de Polanco⁹⁹, the Licenciado de la Fuente¹⁰⁰, and the Dr. Lorenzo Galíndez de Carvajal¹⁰¹, were a mixed lot, but they were men who provided essential inputs to the conquest and settlement of Tenerife and to its economic «mise en valeur».

Yet, if the precedent of Mateo Viña is a good general indicator, it might not have been exceedingly difficult to circumvent the decisions of the «Reformador» Ortiz de Zárate. Viña's title to a large tract of land in Dabte (Daute), which he had developed at a cost of over 2 million Maravedis was granted by a «Merced Real» (royal favour) to the Licenciado Luis de

97. *Ibid.*, pp. 3-6, esp. 5-6.

98. *Ibid.*, pp. 139-141. Amongst those dispossessed, playing an active role in the economy were Juan de Vértiz (pp. 45, 57-58), Fernando Gallegos (p. 44), Francisco Bruxel (pp. 55, 58), Juan Ruiz Requena (p. 45), Barrera (45), and others.

99. *Ibid.*, pp. 122-124. An important economic actor in the island dispossessed to favour the Licenciado Polanco was Batista d'Escaño, (pp. 36, 41, 49, 57).

100. *Ibid.*, pp. 112-114. Francisco d'Espinosa, who traded between Seville and Tenerife (p. 40), was one of those dispossessed to favour the Lic. de la Fuente.

101. *Ibid.*, pp. 145-146. Andrés Xuárez (Suárez) Gallinato, nephew of Lugo and brother of Jerónimo de Valdés, one of the men most active economically, politically and militarily in the island (pp. 36, 40, 43-44, 46, 62-63, 67) was dispossessed to favour the Dr. Galíndez de Carvajal.

Zapata, member of the Royal Council. Viña, however, continued in possession of this property by paying a canon to the new owner¹⁰². A similar arrangement may have taken place between Blasino Romano and another member of the Royal Council, the Licenciado Vargas, who was granted Romano's land in the Valley of Güidmad as a «merce»¹⁰³.

Precedents aside, the «Reformador» Ortiz de Zárate may have been quite willing to cooperate in overcoming the problems created by himself. It appears that whilst on a similar mission to Gran Canaria, also in 1506, he and his brother-in-law, Juan de Ariñes, Notary of the Cabildo of La Palma, devised a clever scheme to rake off handsome fees from those whose land titles had to be approved by the «Reformador». He was accused, at the same time of illegally acquiring and distributing land in Gran Canaria and of entering into questionable business deals¹⁰⁴.

However accommodating the Crown's envoys and beneficiaries may have been to solve those problems, the net economic results were undoubtedly an increase in the uncertainty and the costs of doing business in The Islands. Had the new land grants been made to people who qualified according to a stricter interpretation of the powers given to Lugo or indeed the «Reformador», it could be argued that these measures were to serve a moralising purpose and strengthen the confidence of settlers and investors in Tenerife. The favoured members of the Royal Council, however, would scarcely qualify as settlers who came with their families to put down roots in the island. The Crown's public flouting of her own rules allowed men who incurred neither risks nor costs to make a profit only by virtue of their position. The Licenciados Moxica, Santiago, and Galíndez, for example, sold their land titles to Lugo¹⁰⁵, showing an easier way of making money than by entrepreneurial toil. In addition to that, the Crown's habit of contradicting herself—even within six days and through the same officials—on the subject of free emigration to The Islands¹⁰⁶, her little devotion to the sanctity of contracts, and a tendency to change the rules of the game, especially when it suited an increasingly voracious fiscal appetite¹⁰⁷, renders the

102. *Ibid.*, p. 56 (Viña).

103. *Ibid.*

104. RUMEU DE ARMAS, *España en el Africa*, II, Doc. XCII, (1509), pp. 191-193.

105. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Diversos, Doc. 17, p. 167.

106. RUMEU DE ARMAS, *La Conquista*, Doc. 29, (14/11/1496), pp. 450-451, Doc. 31, (20/11/1496), pp. 452-455.

107. A measure also taken to favour two members of the Royal Council, the Lic. Luis Zapata and Antón Ibañez de Aguirre, if ever implemented, was bound to have such effect. This

Crown a most unlikely source of comfort to investors or settlers in The Islands.

As Lugo himself stressed, the expectations of the prospective settlers were high, and so were their demands. He stated in his *Memorial* that subsidies and free transportation had to be offered to them¹⁰⁸, and Mateo Viña declared bluntly in a sober and by far the most concise and well balanced deposition made to the «Reformador» Ortiz de Zárate, that interested parties recoiled from the heavy investment required to put the new land into production. They expected «haciendas fechas», land already in production or just about to go into it¹⁰⁹, that is, they —perhaps with the fresh memory of the Reconquista— demanded an asset with a visible income stream, rather than the possibility of investing and working to create one.

It is possible that Viña exaggerated, but it seems that the prospective settlers were rather difficult to please, and other sources state that fewer than expected came to Tenerife. Perhaps the harsh realities of the early days deterred many, whilst Lugo's sales pitch may have contributed to create unrealistic expectations. Lugo assured the Duke of Medina-Sidonia, for example, that «antes de mucho vería maravillas» (he should see wonders in a short while)¹¹⁰. Thus, it is not unlikely that credulous people were led to expect El Dorado, found an inchoate world where plenty was perhaps only attainable after incurring considerable risks, expenses and effort, and became understandably disappointed.

Yet Lugo was absolutely right, because that inchoate world was, almost by definition, a land of opportunity. As a man used to taking risks in order to avoid more serious risks, and to make fast decisions on the bases of scanty evidence, Lugo was uniquely equipped to perceive the benefits that

time they were awarded a mining concession with absolute freedom to interfere with land in production and to use water for purpose other than irrigation. The grantees of these mining rights, either whilst prospecting for them or for the purpose of exploiting a find, were permitted to remove materials such as tress and ores that were previously the real property of the holder of absolute title to the land. Thus, these materials became the real property of the mining concessionaires, who were granted an interest in land equivalent to that known as «profit à prendre», without the consent of his owner. It may be argued that this was technically possible under Castilian law, which generally appears to have regarded minerals as a Crown property, but that does not make the measure less noxious for economic output or economic attitudes. For text of this grant see: SERRA y DE LA ROSA, *Reformación*, pp. 242-244, (1515).

108. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Memorial, LXXXVI, pp. 45-46.

Lugo's deposition was confirmed by other declarations: *Ibid.*, Interrogatorio, XIX, pp. 56-60, XXIII, pp. 63-64.

109. SERRA y DE LA ROSA, *Reformación*, pp. 30, 56.

110. *Ibid.*, p. 40 (Las Hijas).

could be derived from that world. However, visualising the future of plenty that men like Lugo could foresee, let alone living up to the challenges of that land of opportunity, imposed conceptual and behavioural demands upon the other economic actors that Lugo perhaps underestimated. These entrepreneurial requirements and the world of high uncertainty that we have tried to illustrate must be borne in mind for a proper assessment of the «mise en valeur» of The Islands and the men responsible for it.

The *Crónica Anónima de la Conquista de Gran Canaria* furnishes the earliest examples of long term investments made with a view to the formation of a negotiable asset in The Islands, that is, one capable of affording an income stream that is expected to continue. Captain Pedro de Vera built the first «ingenio» near the Ciudad Real de la Palma using water power, quickly followed by another one employing horse traction owned by the Alférez Haimés de Sotomayor. Similar «ingenios» were erected in Arucas, Firgas, and Guadalupe: Thomas de Palenzuela owned four, and his brother Alonso Rodríguez de Palenzuela three in Tijarana, the plains of Sardina and Telde, whilst in Agaete another «conquistador» the «caballero» Palomares made a similar investment. Many of those properties apparently changed hands with a relative ease, their buyers and sellers being Castilian as well as men from French and Italian extraction¹¹¹. As we have noted, Lugo had soon after the conquest of Gran Canaria constructed an «ingenio» and developed sugar fields in Agaete, and Lope Fernández, also a conqueror, had made the same type of investments in the island.

Obviously, these could neither be isolated examples of entrepreneurship nor could they exist *in vacuo*. The materialization of those investments was contingent upon a number of inputs, goods and services, which to a large extent must have been freely produced and available in the market. According to the *Crónica*, many of those productive inputs were brought from Castile¹¹². Thus, productive means were removed from the ordinary flow of the Castilian economy to form new combinations in The Islands —i.e. they were enterprises carried out by entrepreneurs in the fullest sense of Schumpeter's theory.

Coming hard on the heels of the conquest of The Islands, the speed with which the new economic opportunities were created or seized upon be-

111. Buenaventura BONET y Elías SERRA RAFOLS, Edits., *Conquista de la Isla de Gran Canaria, Crónica Anónima*, La Laguna, Instituto de Estudios Canarios en la Universidad de la Laguna, 1933, (*Fontes Rerum Canariarum*, I), p. 41.

112. *Ibid.*, p. 40.

comes more impressive when one considers the wide assortment of economic activities involved, the different technologies they required, and the variety of financial, productive and managerial arrangements resorted to by the entrepreneurs. In the search of new financial, productive and managerial formulae they may have gone in some instances well beyond what was current at the time in Andalusia and other areas of Castile as shown in the legal forms used to put into effect different modes of agricultural production arrangements in The Islands. José Peraza de Ayala has found forms that were common in the High Middle Ages, but had long before fallen into desuetude¹¹³. Any of these forms reviewed by him allowed, in theory, an almost infinite variety of combinations; it is obvious that characteristic did not go unnoticed by their users.

The earliest surviving *complantatio* contracts from Tenerife are dated in 1506, and they, as well as others from La Palma, reflect in practice the rich variety of agreements that could be arrived at in theory. The share of the land accruing to the cultivators varied from 50% to 33% in accordance with the original investment. In one example of *complantatio*, Bartolomé Benítez —Lugo's nephew, merchant and conqueror— supplies all the land, irrigation water, and the trees to plant 6 «fanegas» (roughly 750 acres or 300 hectares), plus cereals, seeds, and beasts of burden, while the cultivators Alonso Ramos and Juan de Manzanilla, who were to plant 10 1/2 «fanegas» of trees and vegetables were to receive 1/3 of the land at the end of the contract¹¹⁴.

The temporal emphyteusis granted for several lives, resembling the contractual form used in Andalusia, often carrying the obligation to renew the contract every nine years, was also used in The Islands. The first surviving example is one agreed to by Alfonso de Lugo and Diego de Llanes concerning lands and cattle owned by the former in the island of La Palma, for which the latter was to pay an annual cannon of 650 «fanegas» (likely «Andalusian» fanegas, one equals about 1 1/2 hundredweights or 55 litres) of wheat delivered at the ports of Tenago and Apuron, plus 100 pairs of hens¹¹⁵.

113. PERAZA DE AYALA, *El contrato agrario*, p. 258.

114. *Ibid.*, pp. 265, 265-267.

Reference to one likely to be older, already established on 28th. August, 1506, appears in a conveyance made by Lugo to his nephew Diego de Suazo on that date —RUMEU DE ARMAS, *España en el Africa*, II, Doc. LXXVI, p. 147.

115. PERAZA DE AYALA, *El contrato agrario*, pp. 272-273.

More common however, because of the conditions with which land was granted in The Islands, was its cession on the basis of a perpetual annuity. The oldest of such contracts found dates from 1501 and was granted by Ana de Lugo, niece of the conqueror, and her husband Pedro de Vergara to Juan Hernández and Beatriz Lorenzo, who received 100 «fanegas» of land in Tacoronte for an annual fee of 150 «fanegas» of wheat¹¹⁶. In 1502, Alonso Fernández de Lugo gave land in Daute to Gonzalo Yanes for a perpetual annuity of 630 «fanegas» of sugar. In 1509 the Adelantado sold this property to the merchant Rafael Fonte for 5,000 Ducats (equal to 2,500,000 Maravedis of The Islands) —a rather large sum attesting to the importance of the property— and similar contracts were signed on the same date between Yanes and the new owners¹¹⁷. For the most part payment in these contracts was stipulated in kind, though sometimes, as in a contract signed by Bartolomé Benítez in 1509, payment was accorded to be partly in money and partly in products¹¹⁸.

The rental contracts are equally varied, their subject ranging from beasts of burden to labour services and land. The length of these contracts differed considerably, some contained a penalty clause, and payment was generally to be made in kind¹¹⁹. As might be expected, some contracts gave rise to further contracts, such as a sharecropping agreement, in which the share to be received by a cultivator was used by him as a collateral to guarantee his purchase on credit of a slave¹²⁰. The sharecropping agreements were rarely simple, and they were often mixed with partnership contracts, as admitted in Roman Law and the Siete Partidas.

Some of these partnerships permit to distinguish a clear-cut capitalist function as envisaged by Schumpeter. In one of such contracts, dated in 1506, Antón de Vallejo supplied seed, 2 Ducats after sowing and first labours were completed, plus half of the remaining expenses, whilst the owner of the land, Pedro de Párraga, contributed land and half of the labour expenses. The contract between Lope Sequera and Juan de Castañeda was analogous¹²¹. Other partnerships were formed to exploit third party lands. A good example is the one between the Portuguese Juan González and Gil Rodríguez, whereby the former supplied the capital (cereal seed

116. *Ibid.*, p. 274.

117. *Ibid.*

118. *Ibid.*, p. 275, ref. 50.

119. *Ibid.*, pp. 267-268.

120. *Ibid.*, p. 270.

121. *Ibid.*, p. 271.

and the sowing costs) and the latter agreed to rent the land and a team of oxen, whilst contributing with a team of steers and one labourer —i.e. Rodríguez supplied primarily the management function, along with some capital, and probably personal labour as well¹²². Similar to this contract is the one agreed to by Fernando Soriano and Gonzalo Yanes in 1508. The former had rented land in Tacoronte, that from then on was to be shared by both: whilst Soriano was to supply seed and the food to maintain Yanes, the latter was to provide labour and a team of oxen¹²³.

On the whole, however, it is hard to find a single individual performing consistently as a specialist a pure capitalist or investor function. The only exception is the one already noted in the enterprises to conquer Tenerife: the Duke of Medina-Sidonia. In all the references he appears with the clearly distinguishing features of Schumpeter's capitalist, investing at a distance and entrusting the management function to a factor. Even major investment decisions such as land purchases, or complex operations —e.g. the development of sugar fields in Daute in lands that Mateo Viña had begun to clear, involving the acquisition from the latter of slaves, tools and supplies for money and an annuity in sugar— seem to have been entirely left to the care and discretion of the Duke's factor, Gonzalo Xuarez (Suárez) de Quemada, or his predecessor, Gonzalo Muñoz¹²⁴.

Lugo, in some of his investments, seems to have played a role similar to the Duke's, notably in one concerning a vessel owned by him and subsequently lost because her captain sailed into waters declared off limits by Lugo¹²⁵. However, in his agricultural enterprises and in other ventures Lugo appears to have combined with his entrepreneurial role financial and managerial functions. Mateo Viña, Lope Fernández, Bartolomé Benítez, Francisco Suárez Gallinato and others seemingly also combined investment and management functions. Yet, in other instances, these functions appear to have been further intermingled with the rendering of labour services other than managerial.

122. *Ibid.*, pp. 271-272.

123. *Ibid.*, p. 272.

124. SERRA y DE LA ROSA, *Reformación*, pp. 28 (Mesa), 32 (Vallejo), 35 (Galán), 38 (Trujillo), 40 (Las Hijas), 43-44 (Lope Fernández), 46 (Valdés), 48 (Llerena), 50 (Albornoz), 54 (Rodríguez), 56 (Viña), 58 (Mesa), 78-80, 100 (Jaime Joben).

ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Memorial, XLIII, pp. 27-28; Interrogatorio, XLIX, p. 75, LVI, pp. 77-78, LXXXVIII-LXXXIX, pp. 89-90.

125. *Ibid.*, Memorial, XXX, pp. 21-22; Interrogatorio, LXXIV-LXXVIII, pp. 84-86.

To some extent, this may have been a deliberate way of dealing with risk. Gonzalo Yanes for example, appears fulfilling an assortment of functions in a number of agricultural contracts. Pedro de Vergara, Lugo's nephew and Alguazil Mayor of Tenerife, can be seen in one sharecropping contract supplying the seed, an oxen team and its harness, and the land to a Juan de Gallegos¹²⁶, whilst he was also known to plant cereals in his own as well as in rented land¹²⁷. Francisco Suárez Gallinato, the nephew of Lugo who was dispossessed of some landholdings by the «Reformador» Ortiz de Zárate had enlarged his original land-grant through purchases, as his brother Jerónimo Valdés and his cousin Bartolomé Benítez did¹²⁸, and later appears renting irrigated land in Icod to Francisco de Madrigal¹²⁹. Bartolomé Benítez has already been mentioned in several types of agricultural contracts. Obviously, circumstances and the market determined the behaviour of these men, which is to say they attempted to seize the economic opportunities they perceived or those created by them as well as they could manage. A desire to minimise risks through diffusion may also have played an important part in their decisions.

Somebody who seems to have been singularly adept and successful in these practices was a shoemaker, Gonzalo Rodríguez. He owned at least one slave, cattle and pigs, was involved in logging, sold an estate with houses and vineyards in El Realejo for 300,000 Maravedis or 1,000 «arrobas» of sugar, and must have been active in an assortment of business ventures, since he also appears as guarantor of Rodrigo de Santelmo, the captain of a vessel owned by Lugo, worth about 1,500 Ducats, and eventually lost whilst en route between Messina and Rhodes¹³⁰.

126. PERAZA DE AYALA, *El contrato agrario*, p. 269.

127. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Interrogatorio, LI, p. 76.

PERAZA DE AYALA, *El contrato agrario*, p. 274.

128. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Interrogatorio, LIII, p. 76.

129. PERAZA DE AYALA, *El contrato agrario*, p. 269.

130. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Memorial XXX, pp. 21-22, LVII, pp. 31-32 (trading wheat), LXI, pp. 32-33; Interrogatorio, XXVI (Gallinato), p. 65, (owner of an «ingenio»), LVI (San Martín, Gallinato), p. 78, (expenses of Rodríguez in his estate in «Dabte», LXXIV-LXXVI, pp. 84-86, LXXVII (Benítez), p. 86.

SERRA y DE LA ROSA, *Reformación*, pp. 19 (house in El Realejo), 80 (sale of estate in El Realejo), 209-236 (denunciation of Lugo and Lugo's answer, 1510) —according to Lugo, Rodríguez was «hombre pobre y de baxa suerte y el dicho Adelantado le dió hacienda y le trató bien» p. 222; Rodríguez gaoled due to debt of 1,050 «arrobas» of sugar to Mateo Viña and other debts, pp. 228-229.

PERAZA DE AYALA, *El contrato agrario*, p. 207, contract with Mateo Viña regarding some

The shoemaker and entrepreneur Gonzalo Rodríguez served to illustrate an important point raised by Schumpeter: the social and economic consequences of new economic combinations and of economic development. Schumpeter thought that in a competitive market economy, in which new combinations meant the competitive elimination of the old, the economic and social rise of individuals and families was to some extent an incidental phenomena. In a non-exchange economy, Schumpeter saw only partial economic consequences emanating from successful new economic combinations, and a total absence of the social consequences just mentioned¹³¹. We have no way of assessing the social ascent of Gonzalo Rodríguez, except to mention that, rather suggestively, beyond a certain date, in the *Acuerdos del Cabildo de Tenerife* the word «shoemaker» was no longer appended to his name. It seems safe to assume that by then Rodríguez no longer plied his trade, and that his status had changed. At a later date he appears to have been a member of the Cabildo^{131 bis}.

It is certain though, that the economic pursuits of Rodríguez would have made little sense in a non-market economy, that entrepreneurship in Castile was not confined to any particular social or economic group, and that regardless of background, The Islands were an open field for imaginative entrepreneurs who were able to deal with a world of high uncertainty.

It is unfortunate that we cannot analyse any enterprise carried out in The Islands in its entirety. As in the conquering enterprises we do not know in sufficient detail all the financial, managerial, and contractual arrangements of any single enterprise. The documents, nevertheless, reveal a mature business world. There are references, for instance, to the «cooperation» between Bartolomé Benítez, Lope Fernández and Diego de San Martín to build the first «ingenio» in La Orotava, later acquired by the Duke of Medina-Sidonia¹³². These men were amongst the most active entrepreneurs in

land in the «Dabte», in 1507, with a canon to be paid in sugar, which probably resulted in the above mentioned debt to Viña.

Eliás SERRA RAFOLS, Edit., *Acuerdos del Cabildo de Tenerife 1497-1507*, La Laguna de Tenerife, C.S.I.C./Instituto de Estudios Canarios en la Universidad de La Laguna, 1949. (*Fontes Rerum Canariarum*, IV), Ac. 128-131, 139, 204 (19/12/1500, «shoemaker» no longer appended to his name), 372, 401.

131. SCHUMPETER, *The Theory of Economic Development*, p. 67.

131 bis. From 1506 he appears to have assisted frequently to the Cabildo sessions —SERRA RAFOLS, *Acuerdos*, pp. 204-206, and Ac. 503, 693-695.

132. ROSA OLIVERA y SERRA RAFOLS, *Residencia*, Interrogatorio, XLIX, p. 75.

«Cooperation» of a different kind, such as making temporarily available productive goods

Tenerife, competing fiercely for economic advantages and, with the exception of the Duke, also for political power in The Islands. Yet, their ability to do business together, and to join forces in a project that upon completion was bound to have an effect on some of their individual undertakings, is something that is likely to happen only amongst men who could live with ambiguity and with the idea of imposing risks upon each other, simultaneously competing and cooperating with one another.

There are clear indications that the complexity of these business interrelationships was far greater than the above references would suggest. The heavy investments made by the Duke of Medina-Sidonia, Lugo, Mateo Viña and others to put land into cultivation must have given rise to a network of contractual and sub-contractual agreements. Lugo for instance, in order to develop his property of El Realejo, spent a large sum of money on slave and salaried labour and other productive inputs to build two «ingenios», to clear away trees, shrubbery and stones, and to open up irrigation canals and access roads. One of those roads went up a mountain to bring down logs —a venture likely to provide a quick turnover of capital to help financing the development of El Realejo estate¹³³.

The basic contractual formulae reviewed by us, in a number of variations and combinations, must have been the legal vehicle to carry out the necessary work to put that estate into production and to finance those activities. Judging by known results, similar agreements must have been put into effect shortly after the conquest to finance the planting of orchards and vineyards. The *Acuerdos del Cabildo de Tenerife* mention vineyards already under production in May 1498, and April 1500, whilst wine produced in the island is reported as early as September 1501. By 1506, one vineyard was producing about 1,000 «arrobas» (about 3,560 Imperial Gallons or 16,130 Litres) per annum¹³⁴.

The *Libro de Acuerdos del Cabildo de Tenerife* provides by far the best comprehensive view of the entrepreneurial attitudes and the interplay between microbehaviour and macroperformance. The *Acuerdos del Cabildo* during the years 1497-1507 portray a vivid picture of a society actively engaged in all aspects of economic production: farming, fishing, logging, manufacturing, trading, transporting, and so on. In this vital process of «creat-

and services to neighbours, sometimes free of charge, appears to have been common amongst Tenerife «ingenio» owners —*Ibid.*, Interrogatorio, XXVI-XXVII, pp. 65-66.

133. *Ibid.*, LXVI, p. 82.

134. SERRA RAFOLS, *Acuerdos*, Ac. 46, 154, 155, 248.

ing value», to use Say's terminology, or in the «provision of the flow of productive services of men or assets —including natural resources under assets—», in the modern, more rigorous definition of W.H. Hutt¹³⁵, we can clearly see the emergence and the functioning of a market economy.

The ten-year period covered is eloquent testimony of the rapid «mise-en-valeur» of The Islands and a useful illustration of the workings of Say's Law. He not only established the fundamental notion that supplies constitute the source of demands, but, as Hutt rightly asserts, he also showed that «the crucial nexus between potential sellers and potential demanders (potential suppliers and potential demanders) which, when constrained, causes a slowing down of productive activity, is never constrained through the use of money or through monetary policy, but through defects in pricing¹³⁶. Assuming that economic actor will *ceteris paribus* try to fix such prices as calculated to maximise the «creation of value», that is the yield to investment in inventories¹³⁷, it seems from an examination of the *Acuerdos* that the unsold supplies temporarily held in inventories were by and large disposed of at their market-clearing price.

The relative freedom from detective pricing is evident in the increase of productive activity in Tenerife during the decade 1497-1507. Reading the *Acuerdos del Cabildo* one gathers the impression that production expanded markedly during the second half of that decade. That expansion was twofold: in terms of volume of output of many products and in terms of the total number of products supplied to the market. Both become apparent after 1504. The growth in the volume of output is particularly noticeable with regard to sugar, but it is not an insolated case. Before 1504, references to Tenerife's products are generally reduced to leather, pitch, cattle, wood, orchard, fish (if «abadejo» refers to cod it must have been imported) and shell-fish. Some cloth may have been produced locally by 1500. References are made as well to shoe making, and to an increasing variety of shoes supplied to the market, as well as to the manufacture of carts, bricks and tiles, to tax farming, and to some professional services that required a clientele of some size to be justified, such as a butcher, and «arrieros» (Muleteers). Some «arrieros» came from outside Tenerife to ply their trade, illegally, which suggests that it was lucrative to do so and that there were short-

135. W.H. HUTT, *A Rehabilitation of Say's Law*. Athens, Ohio, Ohio University Press, 1974, p. 13, see also pp. 15-16.

136. *Ibid.*, pp. 1-45.

137. *Ibid.*, p. 14.

ages in that economic sector. Most noticeable is the increase of exchanges between Tenerife and the other islands of the archipelago, Madeira, and Castile and the increase in the number of merchants visiting Tenerife. These are signs that Tenerife had more to offer and greater needs to be catered to than before.

The recorded use of different goods as money bear witness to the vitality of those exchanges and to the economic habits of the settlers. Cheese¹³⁸, wheat, barley, and cattle¹³⁹, wheat and barley¹⁴⁰, and sugar¹⁴¹, SERVED THAT PURPOSE AT VARIOUS TIMES SINCE 1498. The formal Ordinance of the Cabildo «conferring» to sugar the role of currency in Tenerife, on 8th. January 1507, could only have added the official seal to an established practice. As Ludwig von Mises asserted, «business usage alone can transform a commodity into a common medium of exchange. It is not the State, but the common practice of all those who have dealings with the market that creates money. It follows that State regulation attributing general power of debt liquidation to a commodity is unable of itself to make that commodity into money¹⁴². The measure of the Cabildo, however, would in itself underline the growth of Tenerife's economy, and not only of the production of sugar, large enough to warrant its becoming a common medium of exchange, but also of the division of labour and differentiation of wants, which are indicative of the need for such a common medium to carry out indirect exchanges and is characteristic of a market economy¹⁴³.

The variety of products of a similar kind available in Tenerife's market is quite surprising. The choice of cloth —some close substitutes— at an early date is significant, as evidenced by a Cabildo Ordinance of 24th. April 1500¹⁴⁴. They included cloth from Brittany, Flanders, England, Aragon and probably other from Castile and Portugal, as well as some «paños de la tierra», which may have been locally made. Though it is only natural that the merchants bringing cloth would have brought an assortment, rather than a single type, and that would have been probably the attitude of a humble sutler during the conquest or of anyone who thought of cloth as an alternative to money to transmit value through time and space, the Ordi-

138. SERRA RAFOLS, *Acuerdos*, Ac. 74 (1498).

139. *Ibid.*, Ac. 62 (1498), 325 (1503).

140. *Ibid.*, Ac. 462, 464 (1505).

141. *Ibid.*, Ac. 685 (8/1/1507), 688 (10/1/1507), 713 (1/3/1507).

142. von MISES, *The Theory of Money*, pp. 77-78.

143. *Ibid.*, p. 91.

144. SERRA RAFOLS, *Acuerdos*, Ac. 164-177.

nance suggest much more. First of all, that the sellers were trying to meet the expectations of the buyers—which, in itself, is a significant indication of the habits of these men and the market conditions to which they were used in Castile and expected in The Islands. Secondly, the Ordinance suggests that the goods and services produced in Tenerife, which would have eventually had to pay for the imports, were sufficient or promising enough—if the imported goods were sold on credit or land was received in payment for them—to warrant the effort, investment, expenses, and risks incurred by the sellers.

The availability of shoes in Tenerife's market is a better indication of its economic growth: the *Acuerdos del Cabildo* show the gradual increase of the variety of shoes offered¹⁴⁵. It appears they were mostly made in Tenerife, with hides produced and tanned locally. A good example of free production for the market are the ready-made shoes that in 1505 could be bought in Tenerife at the stores of the shoemakers Fernando de Molina and Alonso de Salamanca, who were also tanners and were expected to sell on credit¹⁴⁶. It seems that competitive pressure in this sector was rather intense already in 1504, when some shoemakers were probably trying to cut corners¹⁴⁷. By 1507, the shoemakers were strong enough to threaten industrial action, in reaction to the fixing of shoe prices by the Cabildo authorities¹⁴⁸.

On this occasion the Cabildo availed itself of expert advice. Gonzalo Rodríguez, no longer «shoemaker» but now a «Jurado» of the Cabildo, and perhaps genuinely concerned with the «public good», was very much behind this measure. It seems the authorities tried to fix shoe prices at an unrealistic level, whilst the shoemakers were trying to maintain a margin of earnings larger than the one that was common in Castile, which would be a «normal» expectation under the circumstances in Tenerife. Significant in this incident is the economic behaviour of the shoemakers, typical of men used to think, measure, and act in terms of a market economy.

Having at their disposal neither the material nor the ideological resources to direct the economy, it would be erroneous to ascribe to the Cabildo authorities the pursuit of goals other than reacting to specific circumstances, and, in a very general way, to seek the «ennoblecimiento»

145. *Ibid.*, Ac. 94 (1499), 284-285 (1502), 378 (1504), 68 (1506), 694-695 (1507).

146. SERRA y DE LA ROSA, *Reformación*, XII, pp. 86 (Molina), 87 (Salamanca).

147. SERRA RAFOLS, *Acuerdos*, Ac. 378 (1504). Some shoemakers were probably trying to save material or labour on their product.

148. *Ibid.*, Ac. 694-695 (22/1/1507).

(enrichment) of the land along the lines of the «policy of abundance», which, as De Roover rightly asserted, was the only truly distinguishable «economic policy» of the Middle Ages and early Modern times¹⁴⁹.

There can be no doubt that the Cabildo was as little interested in attaining autarky as it could have been in gaining autarky for Tenerife. Most of the time we see the Cabildo reacting to events, and of course «creating» others through direct result and the unforeseen consequences of human action. It would indeed be extraordinary if behind the decisions of the Cabildo there would not have been at one time or another the desire by a member or group of members to secure personal economic gain, but we have not found any consistent pattern in that direction.

Such consistent pattern would have had to be necessarily contingent upon the existence of permanent and coincidental economic interests amongst a rather large group of people. This is not only unlikely on purely logical grounds, as Popper would certainly argue¹⁵⁰, but the lack of permanent and coincidental economic interests amongst Tenerife's cereal growers—who after all were not that many—as well as an attempt to stem the effects of competition in that business sector can be inferred from a decision taken by the Cabildo itself. An Ordinance proclaimed on 4th. April 1504, decreeing the maximum wages that could be paid to day-labourers employed in the harvest or that could be demanded by the latter, was reiterated on 20th. April of the same year. The second Ordinance forbade employers to hire workers «a destajo» (payment by the job) and imposed stiff penalties on

149. Raymond DE ROOVER, «La Doctrine Scolastique en Matière de Monopole et son application a la Politique Économique des Communes Italiennes», *Studi in Onore di Amintore Fanfani*, Milano, Dott. A. Giuffrè, Editore, 1962, Vol. I, pp. 160-179.

150. Karl Raimund POPPER, *Conjectures and Refutations. The Growth of Scientific Knowledge*, London, Routledge and Kegan Paul, 1969, Third Edition (Revised), First Published, 1963, passim especially pp. 123-135.

The lack of permanent and coincidental interests amongst producers is also discernible when we consider «that in conditions of real life the position even of any two producers is hardly ever the same is due to facts which the theory of perfect competition eliminates by its concentration on a longterm equilibrium which in an ever changing world can never be reached». —Friedrich A. von HAYEK, *Individualism and Economic Order*, London, Routledge & Kegan Paul Ltd., 1949, p. 101. This is a sadly neglected point in the examination of industrial and agricultural producers. Amongst the latter, land quality alone creates profound differences between individual producers. Distance to market and ease of transportation to it contribute further to those differences. In Tenerife, another factor tending to accentuate differences between Tenerife's agricultural producers must have been their individual perception of the new problems brought about by a largely unknown environment for which there were not ready-made answers.

the employers who contravened this decision¹⁵¹. This obvious indication that the employers were trying to circumvent the maximum wage Ordinance would rule out that a monopsonoid contrivance was behind the original decision of the Cabildo. If that had been the intent, it was disposed of by competition between the employers and a likely shortage of labour strengthening the bargaining power of the labourers.

A different type of competition is also discernible in Tenerife's economy. The shortage of coin and an attempt of the Cabildo to solve it by forbidding its «export»¹⁵² is hardly surprising; it denotes a conceptual fallacy regarding the nature of money that still plagues us¹⁵³, and could have only resulted in compounding the problem by driving coin underground or off the market. Technically, the shortage of coin is susceptible of several explanations. Given the characteristics of Tenerife's economy, it is probable that there were shortages of goods or that some of them were temporarily priced above their «market clearing value», to express Say's argument in Hutt's terminology¹⁵⁴. The simplest explanation though is, that in an exchange economy no commodity can surpass the advantages of money as a medium of exchange. Normally, coin should have been preferred to any of the other commodities money used in Tenerife, even in the unlikely event that the parity fixed by the Cabildo between the ratios of coin and the other commodities used as money coincided with the existing market ratio as it par, thus temporarily arresting the results attributed by Gresham's Law to the legislative equating of money of different value. The Cabildo itself accentuated the natural disadvantages of commodity money vis à vis coin, when reacting to different problems, gave little thought to the inconsistency of ordering merchants to accept payment in cereals and just as easily prevented them from storing cereals, from exporting or selling them in Tenerife, or when it forcibly distributed the cereal stocks in merchant hands to the population¹⁵⁵. With these added risks, the Cabildo gave an extra incentive for commodity money to lose out in competition with coin, and for the economic actors of Tenerife to express a normal preference in an exchange economy.

151. SERRA RAFOLS, *Acuerdos*, Ac. 384 (4/4/1504), 385 (20/4/1504).

152. *Ibid.*, Ac. 719, 723 (29/3/1507).

153. HUTT, *A Rehabilitation*, pp. 17-18, 19, 21.

von MISES, *The Theory of Money*, passim, esp. pp. 249-257, 195-218.

154. HUTT, *A Rehabilitation*, pp. 7-8, 19-20, 24-29.

155. SERRA RAFOLS, *Acuerdos*, Ac. 62 (10/8/1498), merchants had to accept payment in cereal; 84 (9/1/1499), merchants had to pay for orcheal purchases in coin; 108 (6/7/1499),

In theory, there is no question that the inconsistent behaviour of the Cabildo must have created an unnecessary burden upon the economy of Tenerife. Yet in any assessment of the real situation the enforcing powers of the Cabildo should be taken into consideration. It would be quite in harmony with the facts as we interpret them to conclude that the erratic nature of the decisions of the Cabildo resulted in an increase in the uncertainty surrounding business in Tenerife, thus putting additional pressure upon the economic actors to internalise risks. Along with the Crown and the general business conditions the Cabildo may, therefore, have been an unwitting contributor to the stimulation of dynamic competition and risk-taking amongst the economic actors of the island.

Consequently, the economy of Tenerife may have benefited from the dynamic insurance that competition and risk-taking can provide: i.e. an increased ability to overcome discontinuities and a fast rate of progress. This is all the more plausible with the economic and social conditions prevailing in Tenerife and the economic actors that gave vital impetus to the economy of the island.

Observing the growth of Tenerife's economy it is not difficult to think of competition as a positive-sum game, a basic tenet of Burton Klein's theory¹⁵⁶. Neither is it difficult to imagine that the economic actors, conscious of the initial favourable conditions, expected that growth would take place and acted accordingly to increase their share of it.

Tenerife's society was in the process of formation, thus it was inherently unstable and still lacking in preordained relationships and prejudices that may have impeded or rendered more difficult the required economic behaviour. Basically, the freedom to engage in entrepreneurial activities and risk-taking and the social advancement of the successful entrepreneurs does not seem to have been curtailed.

Tenerife, and The Islands, were not a «given» Bayesian world where people with little or no imagination could profit from following a routine

merchants forbidden to buy wheat; 112 (21/7/1499), merchants enjoined to accept payments in wheat; 136 (6/11/1499), Mateo Viña wanted to sell wheat on credit and wanted the Cabildo to ensure payment of time, he was probably trying to get around the conflicting regulations; 298 (29/12/1502), wheat exports forbidden; 304-309 (14/3/1503), wheat confiscated from Gonzalo Rodríguez and other cereal traders; 325 (24/7/1503), payment in wheat allowed; 438 (10/11/1505), merchants could not contract debts in wheat; 462-464 (14/5/1505), merchants commanded to accept payments in wheat; 564 (17/8/1506), merchants' cereal stocks in excess of their personal maintenance requirements to be confiscated.

156. KLEIN, *Dynamic Economics*, pp. 85-88.

patterns of predictable activities. Their economy was created in a rapidly changing environment, with many constituent elements unknown to the newcomers. Their actions inevitably resulted in further changes of the environment and new demands upon the economic actors to take them into account. Their economic survival depended on it. Under these circumstances any solace from risk-taking was bound to be shortlived. Although it was possible through luck or personal power to obtain substantial gains, microstability could not be permanently assured.

Considered from the vantage point of view of history, the enterprises that led to the conquest and the «mise-en-valeur» of The Islands, as the overall process of the Castilian and European expansion touched off by them, shows a smooth, almost predictable pattern. This may be only an optical illusion. Examining some of those enterprises in detail, we have been able to see their instability, the world of strong uncertainties in which they were carried out, and the entrepreneurship and the attitudes to risk, to competition and to cooperation that were a condition *sine que non* for their success. Forced to deal with risk and uncertainty, it was the microinstability of the economic actors that led to the impressive macropformance in The Islands.

Just as The Enterprises were an element of the business situation in Southern Castile, the realisation of the economic opportunities offered by The Islands could not fail to have been a reflection of that situation and of the Castilian entrepreneurial endowment in qualitative and quantitative terms. The deliberate exclusion of other factors in this analysis, including foreign entrepreneurs, is not a denial of their importance, but an assertion that their influence would have come to nought in the absence of business maturity in the Castilian society. The indications are that at least one segment of the Castilian economy was relatively advanced and that there were Castilian entrepreneurial forces giving momentum to the economy that have neither been recognised nor studied in detail.

The Castilian accomplishments in The Islands bear witness to the entrepreneurial development of Castile in the late XV Century. Further research along these lines, in which we are presently engaged, may lead to a better understanding of that development. At the same time, if the relationship between microbehaviour and macropformance holds in future findings, if it is true that macrostability cannot exist without a high level of microinstability, and if some plausible answers can be found as to what

brings entrepreneurship to the fore and what makes it pall, we might not only be in a position to improve our comprehension of the Castilian and European expansion, but also of the process of economic development.

