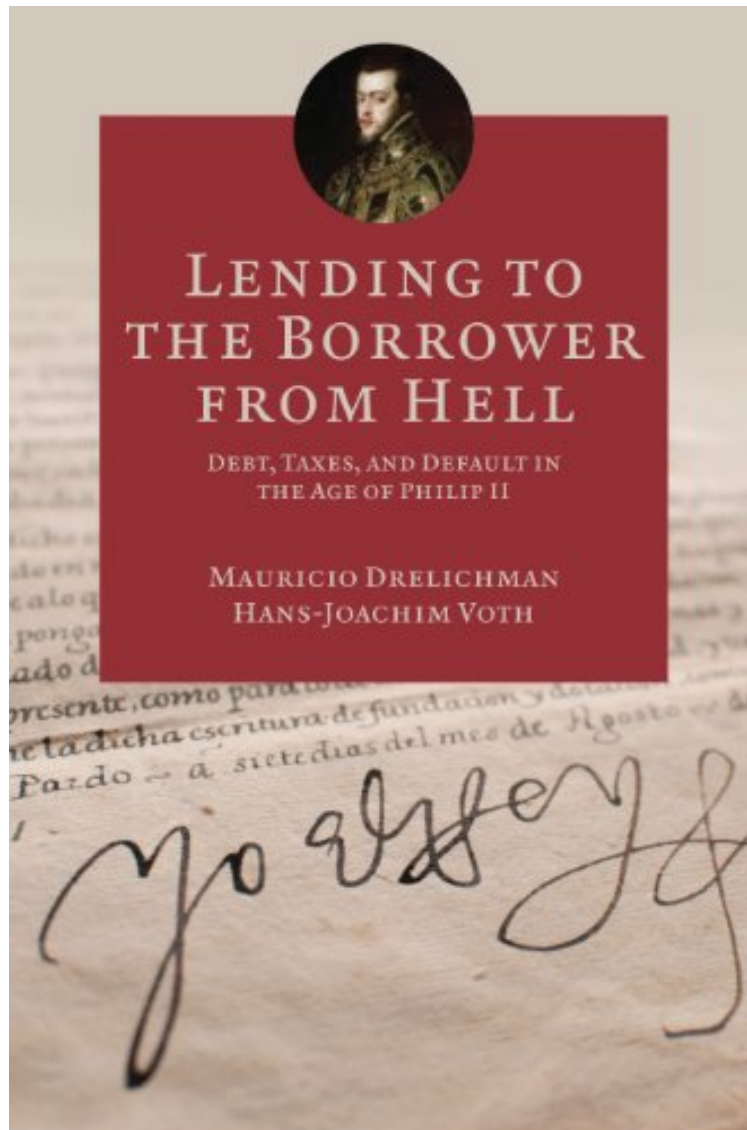


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## Lending to the Borrower from Hell: Debt, Taxes, and Default in the Age of Philip II (The Princeton Economic History of the Western World)

Mauricio Drelichman, Hans-Joachim Voth  
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Mauricio Drelichman, Hans-Joachim Voth : Lending to the Borrower from Hell: Debt, Taxes, and Default in the Age of Philip II (The Princeton Economic History of the Western World) before purchasing it in order to gauge whether or not it would be worth my time, and all praised Lending to the Borrower from Hell: Debt, Taxes, and Default in the Age of Philip II (The Princeton Economic History of the Western World):

6 of 6 people found the following review helpful. Excellent Academic Work By James Berlin Drs. Drelichman and Voth have long been academic wonders to me, ever since I discovered several of their working papers to be of great use to my undergraduate research thesis (found on JSTOR, the wonderful journal research site). The Habsburg Empire under Charles V was a complex system that seldom is understood as well as this work. The far reaching military capabilities of the Spanish Empire during the 16th century was financed and driven by a complex net of political and economic ties created by Emperor Charles V. Even those of us who are aware of the extent of Charles's debt-dealings with the German financiers (e.g. Welsers, Fuggers) and Italian financiers (e.g. Genovese) can appreciate the delicate situation created by the numerous wars and foreign pressures put on Charles. The pitfalls of the debt that would ultimately lead to the detriment of the economy for the Spanish empire by the time Charles's son Philip II took over in the mid-16th century. This book is a comprehensive review of the economy and debt during Charles's as well as Philip's reign, and I would highly recommend it to both the layman and academic for a close study of one of the most interesting reigns in the early modern Europe.

3 of 5 people found the following review helpful. A solid answer to the Black Legend By Anton Tomsinov An outstanding book. Authors have united many years of research into a highly readable work that is full of new information on financial world of the Spanish Empire. Contractual network of Genoese bankers is presented as a multilayered resilient scheme of great legal and economic finesse which allowed to distribute risks in a more efficient way than pre-2008 modern schemes. This research (based among other things on 5000 manuscript pages) decisively crushes Black Legend of "Spain's" collapse because of authoritarian rule and financial folly. Silly English-American theories on progressive democratic and stagnant authoritarian systems are also shown to have no relevance to what really happened. In fact Phillip's debt-to-revenue remained almost the same, the debt was fully sustainable and borrowing was prudent. A little more luck on the battlefield and more compromise in relationship with Cortes would be enough to avert the Castilian decline.

1 of 2 people found the following review helpful. but it would deserve better editing. By Marc A very interesting book, but it would deserve better editing.

Why do lenders time and again loan money to sovereign borrowers who promptly go bankrupt? When can this type of lending work? As the United States and many European nations struggle with mountains of debt, historical precedents can offer valuable insights. *Lending to the Borrower from Hell* looks at one famous case--the debts and defaults of Philip II of Spain. Ruling over one of the largest and most powerful empires in history, King Philip defaulted four times. Yet he never lost access to capital markets and could borrow again within a year or two of each default. Exploring the shrewd reasoning of the lenders who continued to offer money, Mauricio Drelichman and Hans-Joachim Voth analyze the lessons from this important historical example. Using detailed new evidence collected from sixteenth-century archives, Drelichman and Voth examine the incentives and returns of lenders. They provide powerful evidence that in the right situations, lenders not only survive despite defaults--they thrive. Drelichman and Voth also demonstrate that debt markets cope well, despite massive fluctuations in expenditure and revenue, when lending functions like insurance. The authors unearth unique sixteenth-century loan contracts that offered highly effective risk sharing between the king and his lenders, with payment obligations reduced in bad times. A fascinating story of finance and empire, *Lending to the Borrower from Hell* offers an intelligent model for keeping economies safe in times of sovereign debt crises and defaults.

"A thoroughly enjoyable economic history book with great relevance for the present debate on sovereign borrowing."--Diane Coyle, *Enlightened Economist* "Lending to the Borrower from Hell is a wonderful example of what becomes possible when one takes economic theory on a trip to the archive and actually reads the small print of each contract. It provides for the first time an economically sound explanation for Spain's ability to borrow in the sixteenth century that actually fits the facts. That is an outstanding achievement."--Regina Grafe, *EH.Net* "[T]his innovative monograph substantially enriches our understanding of Castile's government borrowing, as well as the nature of sovereign default in early modern Europe. And it will most certainly conquer a central place in the literature and future debates on public debt and finance from a historical perspective."--Benoit Marechaux, *CritCom* "Intensely researched."--Elvira Vilches, *Renaissance Quarterly* From the Back Cover "Sovereign debt is a paradox: why lend to a ruler who can summarily change the terms and conditions under which he repays? This is a deep question on which only history, ultimately, can shed light. Drelichman and Voth do the history right in this detailed, rigorous study of the notorious serial defaulter Philip II."--Barry Eichengreen, University of California, Berkeley "Drelichman and Voth delve into old Spanish archives to bring out a compelling story of power and profit in imperial finance. Using modern economic analysis, they offer a deeper understanding of the problems of sovereign debt and default, from the sixteenth-century world of King Philip II to our own world today."--Roger Myerson, University of Chicago and Nobel Laureate in Economics "Combining a massive reconstruction of Philip II's dealings with his creditors with elegant lessons from economics, this important book gives readers a new understanding of a key moment in European history. Demonstrating that neither the king nor his creditors were irrational, Drelichman and Voth show how extremely sophisticated contracts provided Philip with expensive but dearly needed funds, while offering bankers a panoply of

mechanisms for fund recovery."--Jean-Laurent Rosenthal, California Institute of Technology"Drelichman and Voth masterfully tell the story of state-contingent sovereign debt during the reign of Philip II of Spain. Their narrative is elegant, the analysis is compelling, and the data they've collected are simply amazing."--Kenneth A. Shepsle, Harvard University"The fruit of long, intense original research, this convincing book revises the standard histories of public credit and imperial Spain."--Larry D. Neal, professor emeritus of economics, University of Illinois at Urbana-Champaign"Assembling a truly remarkable database of the national accounts of sixteenth-century Castile, *Lending to the Borrower from Hell* takes a hard quantitative look at the fiscal position of Philip II of Spain, the world's first serial defaulter. This accessible and engaging book uses clever and comprehensive methods to make novel findings and turn conventional wisdom on its head. It will have a significant impact on economic history and far beyond."--Mark Dincecco, University of Michigan

About the Author  
Mauricio Drelichman is associate professor in the Vancouver School of Economics at the University of British Columbia and a fellow in the Institutions, Organizations, and Growth program of the Canadian Institute for Advanced Research. Hans-Joachim Voth is ICREA Research Professor in the Economics Department at Universitat Pompeu Fabra, Barcelona, where he is also a member of the Centre for Research in International Economics. He is the author of *Time and Work in England during the Industrial Revolution* and coauthor of *Prometheus Shackled*.