of things had entirely changed, but the old regulations were jealously maintained by the company of *La Mesta,* one of the most powerful and independent corporations in Spain. This body, which derived large revenues from the sale of wool, was enabled to retain its privileges intact until the reign of Charles III. Every summer their flocks poured down the northern mountains, and the absence of enclosures made it impossible to defend the crops from their ravages. Besides making agriculture impossible, the exclusive attention to sheep-rearing led to the gradual disappearance of the old forests, and, as no one ventured to plant new trees, great parts of Castile became an arid desert. Every kind of industry suffered in the same way as agriculture. The true Spaniard despised all who earned a living by handicraft, and when the Moriscoes had been banished it was impossible to obtain skilled artisans except by importing them. The Spaniards could not even cut their own timber into ships or construct fortifications for their own towns. Madrid and other cities were crowded with foreigners, who hastened to make a fortune that they might carry it back to their native land. The Government was quite as much to blame as individuals. The gold from the New World would have enabled Spain to command the markets of Europe, but the mediæval restrictions on the exportation of the precious metals were strictly enforced. The high price of commodities was attributed, not to the superfluity of the medium of exchange, but to the competition of foreign and colonial markets. It was forbidden to export one article after another, and the colonies were expected to send gold without receiving anything in exchange. A more ruinous policy could hardly be conceived ; but it was supported by the merchants themselves, who refused to fill their vessels with anything but gold and silver, and left the indigo, cotton, and other commodities to the English and the Dutch. Domestic production, crippled by these restrictions, was almost destroyed by the exces­sive taxation rendered necessary by the ambitious schemes of Philip II. and his descendants. It is notorious that Austria could never have carried on the Thirty Years’ War so long but for the supplies received from Spain. Spain, in fact, was the great subsidizing power in the 17th century, as England was in the 18th. The enormous expenditure thus necessitated was wrung from the classes least able to pay it, as the Government was not strong enough to attack the exemption of the nobles and clergy. The *alcavala,* the tax on sales which Ximenes had abolished, was restored under Philip II., and in the 17th century reached the enormous amount of 14 per cent. The traders naturally sought to evade a tax which it was impossible to pay. But this only increased the vigilance of the revenue officers, who endeavoured to collect the tax at every opportunity, on the raw material, on the manu­factured product, and again every time that it changed hands. Taxation in Spain was a caricature of Alva’s system in the Netherlands, and was even more ruinous than that had been. Foreign nations reaped all the advantages which the short-sighted policy of the Spaniards threw away. It has been calculated that five-sixths of the manufactured commodities consumed in Spain were provided by foreigners, and that they carried on nine- tenths of the commerce with the Spanish colonies. By law all foreign trade with the colonies was prohibited, but the decline of native industry made it impossible to enforce the laws, and the Spanish Government had to con­nive at a contraband trade of which other countries gained all the profit. The policy of the earlier kings had made the colonies dependent upon European products, and when Spain could no longer supply them they had to be obtained elsewhere. Circumstances in the latter half of

the 17th century allied Spain with England and Holland against France, and the English and Dutch founded their commercial supremacy upon the trade which Spain threw into their hands. The country which had sent a hundred vessels to Lepanto, and which in 1588 had despatched the great Armada against England, was reduced under Charles II. to borrowing Genoese vessels to maintain its con­nexion with the New World. The army, which had once been the terror of Europe, had sunk at this time to an effective force of little more than 20,000 men. In litera­ture and art the decadence of Spain was equally con­spicuous and complete. The religious unity of the country was preserved, but all touch with the intellectual advance of Europe was deliberately sacrificed.

In spite of its loss of power and prestige, the crown ofSpain was still regarded as a prize well worth winning. Ever since Charles II.’s accession the Spanish succession had been a prominent question for European diplomacy, and from 1697 it became the pivot on which international relations turned. Charles II.’s first wife, Maria Louisa of Orleans, had died childless in 1689, and his second marriage to Maria Anna of Neuburg was equally unfruit­ful. The male line of the Spanish Hapsburgs was evidently on the verge of extinction, and by law and tradition the crown would pass to the nearest female or her heir. But the question was complicated in many ways. Of Charles II.’s two sisters, the elder, Maria Theresa, had married Louis XIV., and had renounced her claims, but her husband had always protested against the renunciation, and the non-payment of the stipulated dowry gave him an argument for its nullity. The younger, Margaret Theresa, had married the emperor Leopold I., and had made no renunciation ; but she had since died, leaving an only daughter, Maria, who married the elector of Bavaria. Going a generation back, the two sisters of Philip IV. had also married into the houses of Bourbon and Hapsburg. Anne of Austria, whose renunciation of the Spanish crown was undisputed, was the mother of Louis XIV., while Maria Anna was the mother of Leopold I. Ever since the division of the house of Hapsburg into two branches it had been agreed by a family compact that if either became extinct the other should succeed to its territories. Leopold I. was extremely anxious to restore the unity of the family by securing the observance of this compact, and he had a great advantage in the fact that Charles II.’s mother was his own sister, and Charles’s second wife was his sister- in-law. The will of Philip IV. had arranged that, after Charles II. and his descendants, the crown should pass, first to Margaret Theresa and her children, and secondly to Leopold and his children. It was a great disappointment to Leopold that his first wife left him only a daughter, but he tried to secure the claims of his family by extort­ing from her on her marriage a renunciation of her rights to the crown of Spain. This renunciation the Spanish Government had never recognized, and the queen-mother, whose adherence to the Hapsburg interests was overcome by her feelings for her own family, induced Charles II. to make a will in 1696 in which he named Joseph Ferdinand, the infant electoral prince of Bavaria, as his heir. But the queen-mother’s death withdrew the dominant influence at the court of Madrid and enabled the Austrian envoy, Count Harrach, with the help of the queen, to procure the revocation of this will. The succession now became the subject of party quarrels and intrigues, in which the rival envoys of Austria and France took a prominent part. The aim of Leopold I. was to obtain the succession of his second son, the archduke Charles, while Louis XIV. hoped to procure the Spanish crown, if not for his son, at least for one of his grandsons. The office of first minister