



MONEY  
AND BANKING  
IN MEDIEVAL  
AND  
RENAISSANCE  
VENICE

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VOLUME 1  
COINS AND MONEYS  
OF ACCOUNT

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REINHOLD C. MUELLER

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*Front case stamping:* Silver mezzanino of Andrea Dandolo.  
See p. 343 for a full description.

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## SEIGNIORAGE AND INTERNATIONAL FLOWS OF SILVER AND GOLD

### i. SEIGNIORAGE

**S**INCE MEDIEVAL GOVERNMENTS expected mints to produce revenue, a mint paid out for a given weight of silver or gold bullion somewhat fewer coins than the number made from the bullion. Some writers call the whole difference between what the government paid for the bullion and the value of the coins made from it seigniorage, but that is misleading. The mint's total charge included the costs of making coins as well as a "seigniorage," which was the profit made by the government.<sup>1</sup> Seigniorage was a kind of tax justified on the ground that issuing coinage was one of the rights of government belonging to a territorial lord, a "seigneur." Even medieval Venice, which as a merchants' republic had a tradition of collecting little seigniorage, expected to collect some profits on its coins.

A government's readiness to coin unlimited amounts of a specified metal at fixed rates is sometimes loosely called "free coinage." Free coinage in the literal sense, however—that is, coinage at government expense—began only at the end of the fifteenth century, and then only for a few coins, as when Venice's Council of Ten ordered that suppliers of gold to the mint be paid the whole 67 ducats made from a mark of gold.<sup>2</sup>

<sup>1</sup>See below, app. A, n. 1, on the meanings of *seigniorage*, *brassage*, etc.

<sup>2</sup>See below, chap. 10, sec. iii.

\*  
free  
coinage  
for



For many medieval rulers, especially the several princes crowded closely together within approximately the area of modern Belgium, their mints became a major source of revenue. The existence of independently directed mints within short distances of each other led to many "wars" fought with coins instead of swords and spears.<sup>3</sup> Each prince tried to coin as much as possible so as to increase his total receipts from seigniorage. Within his own territory he had a legal monopoly of the production of coins, but his ability to act like a monopolist in setting the price of his product, that is, his mint charges, was in fact limited by the competition of the mints of neighboring princes, each of whom was likely to use his legal monopoly of coinage within his own territory as a base for attacking the monopoly of his neighbor.

The competition between mints sometimes took the form of cheaper products, that is, of coins inferior in fineness but similar or even identical in appearance to those of a country into which they were introduced. That kind of competition was considered an act of hostility close to armed conflict. The prince who succeeded in getting his inferior coins accepted in neighboring countries could increase the flow of precious metal to his mint.

Another way in which a prince might induce bullion to flow to his mint rather than to that of a neighbor was to offer a higher price for the metal. A higher mint price might be offered either directly or by lowering a minting fee expressed as a percentage of the coins minted. Such a lowering of the amount charged for the service of turning bullion into coin required a reduction in the rate of seigniorage. It might increase the amount of bullion attracted by the mint sufficiently that the total revenue obtained by a prince or city-state from its mint was increased.

## ii. EXPORTS AND IMPORTS OF BULLION AND COIN

When a prince's territory contained mines, he could of course order coined in his mints all the silver and gold produced, but his powers of policing did not always enable him to cope with the lure of higher mint

<sup>3</sup>Some examples involving Flanders and Brabant are analyzed in Henri Laurent, *La loi de Gresham au Moyen Age: Essai sur la circulation monétaire entre la Flandre et le Brabant à la fin du XIVe siècle* (Brussels, 1933); John H. Munro, *Wool, Cloth, and Gold: The Struggle for Bullion in Anglo-Burgundian Trade, 1340-1478* (Toronto, 1972); and Spufford, *Monetary Problems and Policies*, 75, where the author comments, "Coinage in a medieval state could not be a placid affair, but was a perpetual struggle with neighbors, mitigated only by occasional monetary conventions. To this struggle the rather grandiose name of "Guerre Monétaire" has been applied. The term is perhaps too strong, for political enmity is not necessarily implied; the struggle for bullion was as likely to occur between political allies as between political enemies." The concept was developed by Albert Girard, "Un phénomène économique: La guerre monétaire (XIVe-XVe siècles)," *Annales d'histoire sociale* 2 (1940):207-18. He included competition in attracting gold by coining with higher gold-silver ratios.

prices elsewhere. Even the ruler of a kingdom rich in the minerals had to moderate his claims for seigniorage to take account of the better prices his subjects might get for bullion by smuggling it to another country. Miners and powerful landlords in a producing area had an interest in marketing at the best possible price. The sovereign might be more interested in the expansion of minting than in the expansion of mining, but both he and the mines' workers and owners had reason to favor the export of gold and silver to a wide market.

The centers of consumption, such as England, Flanders, and France, saw things differently. Veins of gold and silver west of Germany had been practically exhausted by the fourteenth century. Metal for the mints of those countries came either from recoinage or from the importation of bullion or coin. Although each country welcomed imports of bullion, almost all forbade the export of uncoined silver or gold and in general also of good coin, so that the international flow of the precious metals had to penetrate many customs barriers, at each of which existed the risk of confiscation.

The restrictions varied from country to country, with England and Venice presenting contrasting extremes. England forbade the use of foreign silver coins; Venice permitted many to circulate so long as they were up to the standard of the country minting them. Indeed, like most Continental countries, Venice could not exclude foreign coins or compel their prompt presentation to the mint for recoinage as successfully as could seagirt England. After 1299, England forbade the export of silver either uncoined or coined. Although exceptions were made for some years and by licenses for some purposes and persons, the historian of the pound sterling summarized the emphasis of English policy by writing: "For a long period death was the penalty for those found exporting good English money."<sup>4</sup> Venice, in contrast, sought profit as an international intermediary and thus permitted supply and demand to govern its bullion market. It even encouraged the export of silver bullion as well as of good gold and silver coin.<sup>5</sup> The policies of most countries were intermediate between English bullionism and Venetian permissiveness but were closer to the former.

<sup>4</sup>Feavearyear, *The Pound Sterling*, 3-4. Cf. Craig, *The Mint*, 55; and John H. Munro, "Bullionism and the Bill of Exchange in England, 1272-1663: A Study in Monetary Management and Popular Prejudice," in *DMB*, 173-74. Edward Ames, in "The Sterling Crisis of 1337-1339," *JEcH* 25 (1965):496-522, tabulates licenses and regulations and shows ingenuity in compiling figures indicating periods of relatively active exports, although his general analysis is flawed by his not recognizing the gold basis of the Florentine lira a fiorini, on which see below, chap. 4, n. 9, and chap. 13, sec. iii. For the general problems of the period see Michael Prestwich, *The Three Edwards: War and State in England, 1272-1377* (London, 1980).

<sup>5</sup>See below, chap. 9, sec. iii, and on foreign coins in Venice, chap. 13, sec. i.

## SEIGNIORAGE AND INTERNATIONAL FLOWS

As a practical matter the prohibitions on the international flow of precious metal were of limited effectiveness. From the centers of production in eastern Europe silver found its way to England, on the western edge of the European commercial network. Large quantities of foreign coins were acquired by the London mint for recoinage so as to increase the English currency.<sup>6</sup> In spite of legal barriers, shipment of precious metal was an essential element in medieval international commerce.

\* In that trading system as a whole, the bullion flows were only occasionally dominated by the efforts of princes to increase their revenues through manipulation of mint prices and the fineness of their coins. Short-term movements of specie were occasioned by the need for coins as ready cash for military outlays or, especially at Venice, for the preparation of seasonal commercial voyages. In the long run, precious metal was attracted to mints in countries that regularly offered for sale commodities in demand elsewhere, as were the tin, wool, and cloth of England, or in countries that after years of good harvest had surplus grain for export. The silver obtained by the export of English wool is an especially well-documented example. The scale of such international flows of precious metals can be indicated by a few figures from England and Venice in years of peak coinage. For a half-dozen years at the beginning of the fourteenth century, the English mint coined into English pennies over 40,000 kg a year of foreign coin.<sup>7</sup> For 1423 the yearly product of the Venetian mint was re-

<sup>6</sup>C. G. Crump and C. Johnson, "Tables of Bullion Coined under Edward I, II, and III," *Numismatic Chronicle*, 4th ser., 13 (1913):200-245, as summarized in Harry A. Miskimin, "Monetary Movements and Market Structure—Forces for Contraction in Fourteenth and Fifteenth Century England," *JECH* 24 (1964):477. Crump and Johnson indicate (p. 202) that foreign silver was distinguished by a different mint charge. It was identified as coming from Bruges, Ghent, and Brussels or was simply called "Baudekin" silver.

<sup>7</sup>Terence H. Lloyd, "Overseas Trade and the English Money Supply in the Fourteenth Century," in *Edwardian Monetary Affairs (1279-1344)*, ed. Nicholas J. Mayhew, British Archaeological Reports, 36 (Oxford, 1977), 96-124. Lloyd's table 1 gives the annual output for the years 1303-9 as 105,730 pounds (47,896 kg), of which 99 percent was from foreign coin. Reservations concerning Lloyd's estimates, as presented here and in his *The English Wool Trade in the Middle Ages* (Cambridge, 1977), were expressed by John Munro in "Bullionism," 178 n. 22; in "Mint Policies, Ratios, and Outputs in the Low Countries and England, 1335-1420: Some Reflections on New Data," *Numismatic Chronicle* 141 (1981):71-116; and most recently with improved tables of coinage in England and the Low Countries in his "Bullion Flows and Monetary Contraction," in *Precious Metals in the Later Medieval and Early Modern Worlds*, ed. John F. Richards (Durham, N.C., 1983) (for more on the volume edited by Richards see below, chap. 9, n. 1). There is no doubt, however, that large amounts of silver were imported to England, obviously more in some years, less in others. Mavis Mate, in "High Prices in Early Fourteenth Century England: Causes and Consequences," *EcHR*, 2d ser., 28 (1975):4, reports that an Italian who had been master of French mints for twenty years estimated that during that time nearly 100 tons of silver had been exported from France. Cf. Harry Miskimin's view, as cited below in chap. 4, n. 9.

ported to be about 4,000 kg of gold ducats and about 10,000 kg of silver coin made from imports.<sup>8</sup> Although the estimates involve a large margin of error, they leave no doubt that when the balance of trade was favorable, gold or silver was imported. An international flow of bullion or coin was essential in creating a balance of payments when the balance of trade was distinctly favorable or unfavorable.

The balance of trade itself depended on the exchange not only of commodities but also of services. In applying to medieval and early modern Europe the dictum that to obtain precious metals a country without mines had to export more goods and services than it imported, it is necessary to stretch the meaning of "services." It has to be stretched to cover more than the shipping and financial operations that economists now usually include as supplements to the merchandise trade balance. In medieval and early modern times, "services" included military activities that were hardly distinguishable from plunder or piracy, like that by which the admirals of a heroic naval tradition added to the money supply of Elizabethan England!<sup>9</sup> Important also in balances of payments were the ransoms that kings or lesser warriors who had been captured in battle had to pay for the "service" of being released, as well as the tolls or gifts that international traders paid in many forms for protection (or for the benefits of not being plundered) and for advantages that princes gave some merchants over competitors. Between the badly policed and intermittently warring feudal states the most obvious flows of specie arose from the use or restraint of force in ways that we can call "services" only ironically and in order to emphasize the importance of military events in connection with changes in the flows of specie.<sup>10</sup>

Even more important in many regions during the later Middle Ages were the international payments made for the "services" of the popes. The religious services rendered by the Church all over Europe were of course paid for locally. The transfer of a part of that income from local churches to the papal court became an important part of the international flow of specie.<sup>11</sup> Some of the money that the popes drew to Rome or Avignon was used for the political purposes of particular pontiffs, for the pope was

<sup>8</sup>According to a senatorial decree of 1419, the normal imports of silver amounted to 40,000 marks. On its agreement with the figures included in the oration of Doge Mocenigo, see below, app. B, sec. iii.

<sup>9</sup>Keynes wrote, "The boom period in England definitely began with the return of Drake's first important expedition" (*Treatise on Money*, 2:156n).

<sup>10</sup>See Frederic C. Lane, "Economic Consequences of Organized Violence" and related essays reprinted in his *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises* (Albany, 1979).

<sup>11</sup>Yves Renouard, *Les relations des papes d'Avignon et des compagnies commerciales et bancaires de 1316 à 1378*, Bibliothèque des Ecoles Françaises d'Athènes et de Rome, 151 (Paris, 1941), 32-39; William E. Lunt, *Papal Revenues in the Middle Ages*, 2 vols. (New York, 1934), 34-56.

a temporal ruler, but as a whole it was claimed as payment for the very extensive administrative and doctrinal functions performed by the pope as the head of the Church and for his broad cultural functions within western Christendom.

If the three kinds of services mentioned above—the ecclesiastical, the military, and those that we think of as economic services in the ordinary sense—together with the relation between the value of the commodities exported and the commodities imported, left the country with a surplus, then its balance of trade was “favorable.” It was owed additional payments in the form of gold or silver in order to complete the balance of payments.

### iii. EFFECTS OF MINT CHARGES

Whether in a particular historical case international payments were immediately balanced by a shipment of precious metals into the country with a favorable balance of trade depended on many factors, one being the level of the mint charges in the countries having a favorable balance. By asking too high a seigniorage, a prince might discourage the import of gold or silver and encourage instead other forms of importation. A low seigniorage and a favorable trade balance was the combination most likely to attract precious metal into the country.

The interactions between the seigniorage, the flows of precious metals, and the flows of other commodities can be illustrated by imagining an Italian who acquired silver in Germany and was deciding to which of two countries, say, France or England, he should ship his bullion. If the seigniorage in England and France were such as to make the mint charge in England 10 percent and in France 2 percent or even 9 percent, a reason for shipping to France seems obvious. But in reality, even if silver supplied the only significant currency in both countries, as was the case for many centuries, there were other considerations to be weighed. He had to think of what he could do with the coin he received for his bullion. The best way to get the funds back to his own country would be to use the coins to buy something he could import into Italy at a profit, let us say wool. His choice of where to send his bullion would be determined partly by where wool or some other desired commodity could be bought most cheaply. To be sure, if the difference between the seigniorage in France and England was as much as 8 percent, he might calculate that it would pay to send the bullion for coinage at the cheaper rate and then export the coins to the country where wool was cheapest. He might compare (a) the differences in mint charges with (b) the differences in the price of wool and (c) the costs of transporting bullion or coin, including smuggling charges. After bills of exchange came into use in the fourteenth century, he could use the exchange rates quoted in bills of exchange in calculating which was the better market. Those rates would be used in figuring out the specie points,

namely, the mint prices that in the light of shipping costs would make shipments of specie profitable.

Mint charges and mint prices (which reflected the mint charges) represented only one among several sets of prices determining the flow of coin or bullion, as of other commodities, but they were one factor. Charging low seigniorage was one way in which a ruler of a country with a favorable balance of trade could encourage the importation of gold and silver.

In contrast, if a country had an unfavorable balance of trade, even the low mint charge made possible by low seigniorage would not attract precious metal. Its merchants would not be importing specie but instead would be picking out for export the heaviest of the coins in circulation. In that situation a high seigniorage was more helpful. It made culling coins for export less profitable and helped keep within the country its stock of specie.

High seigniorage discouraged export of coins because it increased the difference between their exchange value and that of the metal they contained. In general, coins were worth more than bullion for the same reason that gold or silver jewelry cost more than bullion of the same weight and fineness: the coins incorporated more labor. On the other hand, the size of the spread between the value of coins and that of bullion depended also on the demand for coin. For export and perhaps for hoarding, bullion might seem better, but coins were preferred in making most payments in the country in which they were legal tender. Some coins, such as gold crowns, were useful as royal gifts; others, such as small bits of black money, for other purposes, such as paying for being ferried across Venice's Grand Canal. So different coins can be said to have had different demand schedules, but the exchange value was always above the metallic value.

A high seigniorage added to the spread between the price a mint paid for bullion and the legal value of the coin made from the bullion. A merchant culling coins for export had to calculate their value as bullion. In fact, when he sold overseas, the foreign mint or moneychangers would ignore legal values and treat the coin as bullion. A small difference between the price offered for bullion abroad and that offered at the mint of his own country would not be an incentive to export. If the export was to be profitable, the price at the foreign mint or on the international bullion market had to be sufficiently above the domestic mint price to cover the whole mint charge, seigniorage included, as well as the costs and risks of transport and smuggling.<sup>12</sup> Consequently, the higher the seigniorage, the greater had to be the contrast in bullion prices at the two mints before specie would flow from the one country to the other.

<sup>12</sup>Munro, "Bullionism," 174.

Thus a high seigniorage had different effects according to circumstances. For a country with a favorable balance of trade, or with its trade nearly in balance, a low seigniorage encouraged the import of gold or silver. For a country with an unfavorable balance of trade, a high seigniorage increased the amount by which the international market price for bullion had to rise above the domestic mint price before culling coins for export became profitable.

In any case, a high seigniorage increased the chances of counterfeiting and also of invasion by foreign coins manufactured more cheaply by a foreign mint, perhaps coins inferior in fineness to those of which they were imitations, perhaps coins being minted somewhat more cheaply because they were minted in a country where lower seigniorage permitted a lower mint charge.

The deleterious effects of a monetary war were most severely felt in a country suffering from a trade balance so unfavorable that its best coins were being culled for export. The lack of good currency then made it easy to introduce counterfeits and inferior foreign issues. While complaints about the scarcity of good coins multiplied, exporting merchants were blamed for not bringing back bullion and were accused of importing useless luxuries instead. Rulers were under pressure to do something to improve the coinage.

## THE RISE OF BANKERS

### i. ENGLAND'S PLACE IN BANKING HISTORY

MACAULAY WROTE THAT when the Bank of England was founded, "all the goldsmiths and the pawnbrokers set up a howl of rage."<sup>1</sup> Anglo-Saxon historians and Anglo-American economists alike have long looked upon London's goldsmiths as the "pioneers of bankers and financiers."<sup>2</sup> It is true enough that in England goldsmiths performed many banking functions, but they began doing so only at the beginning of the seventeenth century—many centuries after the development of banking in Italy. 1600s

The reasons for the late development in England of deposit banking are many and complex, and no attempt will be made to deal with all of them in the present context. Two factors, however, seem particularly worthy of consideration. First of all, in late medieval England the exchange of foreign coin for sterling was a royal monopoly, closely con-

<sup>1</sup>Quoted in R. D. Richards, "The First Fifty Years of the Bank of England (1694-1743)," in *History of the Principal Public Banks*, ed. J. G. van Dillen (The Hague, 1934; reprint, London, 1965), 257. The author shows, however, that only a minority of the goldsmith-bankers opposed the institution of a national bank of issue, as a threat to their survival.

<sup>2</sup>For one example of many see Ellis T. Powell, *The Evolution of the Money Market, 1285-1915: An Historical and Analytical Study of the Rise and Development of Finance as a Centralized, Coordinated Force* (London, 1915), 11.



nected with the mint at the Tower of London.<sup>3</sup> As was mentioned in the preceding chapter, deposit banking is now generally explained as an outgrowth of the moneychanger's service of exchanging coins from different mints and of different metals. For a long time, the royal monopoly of exchange in England, therefore, closed to the enterprise of private individuals the one area of economic activity most crucial to their development into bankers. The royal monopoly, along with the isolated geographical position of England, rendered monetary circulation more controllable, and moneychangers less necessary, than on the Continent. \*

Another factor that reduced the need for professional money-changers and promoted the activity of goldsmiths was the attraction Englishmen of wealth felt towards gold and silver plate. Ownership of objects made from precious metals had the advantage, especially in feudal society, of serving both as a store of value and as a conspicuous display of wealth. A large market for the wares produced by goldsmiths existed in most periods in medieval and early modern England.<sup>4</sup> Successful members of the goldsmiths' guild in London became dealers in precious metals, and they seem occasionally to have extended credit in the course of business.<sup>5</sup> This widespread demand for gold and especially silver plate developed in the context of the English bullionist mentality, which had its origins in a national trade policy. It was reflected in an endless series of statutes passed between 1275 and 1663 that basically sought to ensure an influx of bullion and to inhibit its export.<sup>6</sup>

<sup>3</sup>The office of king's exchanger, established about 1344, was initially held by royal license as a farm, with bases in London and some provincial centers. Between 1380 and 1505, however, the office was held by the "master-worker" of the mint, who thus combined the roles of mintmaster and buyer of foreign coins that constituted a supply of bullion for the mint; he had to show a profit in both roles. In that period the exchange was located on Lombard Street; users paid a kind of brokerage fee (Thomas F. Reddaway, "The King's Mint and Exchange in London, 1343-1543," *English Historical Review* 82 [1967], 1-23, esp. 8-11; Michael Prestwich, "Italian Merchants in Late Thirteenth and Early Fourteenth Century England," in *DMB*, 99). Many of the prohibitions that simply forbade the importation of coins were aimed primarily at keeping out counterfeit and clipped coins (see Munro, "Bullionism," 187-90 and his app. A).

<sup>4</sup>See the general comments on hoarding in John H. Munro, "Monetary Contraction and Industrial Change in the Late-Medieval Low Countries, 1335-1500," in *Coinage in the Low Countries, 880-1500*, ed. Nicholas J. Mayhew, British Archeological Reports, International series, 54 (Oxford, 1979), 102-3. Of course in England as everywhere, there were periods when hoards were monetized: during the dissolution of the monasteries under Henry VIII and during the Civil War a century later as a means of financing the Royalist cause (Reddaway, "The King's Mint and Exchange," 23; Powell, *Evolution of the Money Market*, 34; and Christopher Hill, *The Century of Revolution, 1603-1714* [London, 1961], 214).

<sup>5</sup>George Unwin, "London Tradesmen and Their Creditors," in *Finance and Trade under Edward III*, ed. George Unwin (Manchester, England, 1918), reprinted in George Unwin, *Studies in Economic History: The Collected Papers of George Unwin*, ed. Richard H. Tawney (London, 1927), 107-9.

<sup>6</sup>Munro, "Bullionism." The proto-mercantilism of Edward III's staple policy was moti-

## THE RISE OF BANKERS

The contrast between a late feudal monarchy like England and the highly commercialized city-states of Italy on this score is neatly drawn in a "relation" prepared by the secretary to the Venetian ambassador Andrea Trevisan, resident in England in 1497-1498.<sup>7</sup> One of the aspects of English economy and society that struck him particularly—as it did his successors—was the concern for extravagant display and the ubiquity of silver plate as the primary form of conspicuous hoarding. This situation he attributed to the favorable balance of trade enjoyed by England and to the bullionist concern for prohibiting the reexportation of coin and bullion accumulated within the country as a result of the positive commercial balance.

Extravagance was everywhere manifest to this Venetian observer: in the churches, monasteries, and convents—from the richest to the poorest; in the wardrobes of feudatories and ecclesiastics (the Venetian ambassador in 1531 estimated the value of Cardinal Wolsey's holdings of plate at 150,000-200,000 ducats); in the houses of London merchants. No one was considered a person of consequence, he said, who did not have in his house plate worth at least £100 sterling, equal to 500 scudi d'oro, and even the humblest innkeeper supposedly set his table with silver plates and cups. It was thus logical, although hardly less surprising to our observer, to find fifty-two goldsmith shops on the Strand alone, "so rich and full of silver vessels, large and small, that in all the shops of Milan, Rome, Venice and Florence put together I do not think there are as many of such grandeur as are to be seen in London."<sup>8</sup>

Of course there is some exaggeration in the Venetian diplomat's description. Some bullion occasionally had to be exported, in response to a particular monetary policy or to fluctuations in rates of foreign exchange, not to speak of the need for provisioning armies on the Continent, a need that could not always be met on the foreign exchange market.<sup>9</sup> More significant, however, is the Venetian's perception of a contrast between

vated, according to the parliamentary rolls, by the desire "to replenish the realm with Money and plate of gold and silver" (discussed by George Unwin in "The Economic Policy of Edward III," in Unwin, *Finance and Trade*, reprinted in his *Studies*, 128).

<sup>7</sup>A *Relation or rather a True Account of the Island of England . . . about the Year 1500*, ed. and trans. C. A. Sneyd (London, 1847), 28-29, 77-78 (n. 40), reprinted in facsimile in Luigi Firpo, ed., *Relazioni di ambasciatori veneti al Senato*, vol. 1, *Inghilterra* (Turin, 1965), with an introductory note concerning the attribution of the anonymous text; original pagination is maintained. The text of 1531 is Firpo, *Relazioni*, no. 3.

<sup>8</sup>A *Relation*, 42-43 (also quoted in Reddaway, "The King's Mint and Exchange," 23). In the 1560s there were 90-100 goldsmiths in Cheapside and an increasing number on Lombard Street (Powell, *Evolution of the Money Market*, 53-54. In general see F. J. Fisher, "The Development of London as a Centre of Conspicuous Consumption in the Sixteenth and Seventeenth Centuries," reprinted in *Essays in Economic History*, ed. E. M. Carus-Wilson, vol. 2 [London, 1962], pp. 197-207).

<sup>9</sup>Munro, "Bullionism," esp. 212.

conspicuous  
hoarding  
(2)  
US  
silver  
to prevent

the England he observed and the Venetian scene, where the exportation of bullion to the Levant was a natural and accepted phenomenon and where conspicuous hoarding among active merchants was as a result more contained.<sup>10</sup> For him, the bullionist mentality and the tendency to hoard that paralleled it belonged to another world. And indeed it is surprising to learn that no less a figure than Sir Thomas Gresham, the royal agent on the money markets of London and Antwerp, remembered for the monetary law that bears his name, had invested his patrimony largely in gold chains, as was discovered at his death in 1579.<sup>11</sup>

The England of these traditions did not know—or need—the services of the local deposit and transfer banker. The nonexistence there of deposit banks similar to those operating in Venice and other major market places on the Continent is evidenced by the absence of references to such institutions in the handbooks of accounting produced as late as the Elizabethan period. When Luca Pacioli's famous tract on double-entry book-keeping, published in Venice in 1494, was translated into English in 1588, the section relating specifically to banking was omitted as irrelevant.<sup>12</sup>

Partial banking functions were therefore handled by a cluster of financial intermediaries: the merchant—first foreign, then English—who dealt also in bills of exchange; the scrivener, who, while primarily a writer of bonds and contracts, was the first to accept fungible deposits of money and make them available as investment credit; and the goldsmiths, as craftsmen and bullion merchants.<sup>13</sup> But even taken together they did not constitute a banking system and therefore created no ready alternative to coin, as deposit banks created bank money. English merchants reacted to this handicap and to national bullionist policies by assigning and discounting such credit instruments as letters obligatory and bills of exchange long before endorsement became widespread.<sup>14</sup>

Goldsmiths began to take on new functions only under Elizabeth and developed rapidly into bankers only in the Cromwellian and Restoration periods. It was only in the late sixteenth century, according to R. D.

<sup>10</sup>This is not to say that Venice's conception of coin and bullion as exchange commodities was considered the norm by contemporaries. The Florentine polemicist and Medici partisan Benedetto Dei (d. 1492) praised Florence's exports of woolens and silks to the Levant, while disparaging Venice's export of ducats (Giustiniano degli Azzi, ed., "Un frammento inedito della cronaca di Benedetto Dei," *Archivio storico italiano* 110 [1952]:109).

<sup>11</sup>Powell, *Evolution of the Money Market*, 34; cf. de Roover, *Gresham*, 17–30. In the seventeenth century the East India Company exported bullion, an activity that needed the careful defense of Sir Josiah Child (Hill, *Century of Revolution*, 214).

<sup>12</sup>R. D. Richards, *The Early History of Banking in England* (London, 1929), 21.

<sup>13</sup>*Ibid.*, 2–20, 223–30. It is worth remarking that Richards begins his classic history with a brief consideration of banking in Venice in order to underscore the contrast with developments in England.

<sup>14</sup>Munro, "Bullionism," 212–15; van der Wee, "Monetary, Credit, and Banking Systems," 347–54.

\* Levant  
silver  
drain

Pacioli

\*

## THE RISE OF BANKERS

Richards, that goldsmiths, after a long tradition of handling bullion, took up the manual exchange of coins and began accepting deposits of money and valuables, albeit only as nonfungibles and merely for safekeeping. But even these services were by no means habitual. As late as the early decades of the seventeenth century many London merchants deposited their specie and bullion for safekeeping at the Tower of London, where Elizabeth had concentrated the national mint. However, Charles I's seizure in 1640 of private stores kept there for a total of £200,000 sterling certainly encouraged merchants to turn away from royal institutions and to seek out the private goldsmiths as safe depositories.<sup>15</sup> Rapid modernization in English banking took place in the last decades of the seventeenth century under the stimulus of the whole gamut of new opportunities that opened up in the course of the so-called Puritan or bourgeois revolution. It was then that goldsmiths began issuing the negotiable promissory notes for which they are best known.<sup>16</sup>

## ii. INTERNATIONAL BANKERS

Since England developed native operators on the money market only in the sixteenth and seventeenth centuries, she had to rely on foreigners in the preceding centuries. Those foreigners were primarily Tuscan merchants, whose numerous financial activities led to their being called bankers or merchant bankers by modern historians.

It is not uncommon to apply the term "banker" to any person of the medieval and early modern period who dealt in money—whether coin or its surrogates—or provided financial services. It is much more useful, however, to conceive of the ancestors of modern bankers in terms of a tripartite division: international bankers, pawnbrokers, and local deposit bankers.<sup>17</sup> Each was involved in a different kind of credit. The first were

<sup>15</sup>Richards, *Early History of Banking*, 35–36; Hill, *Century of Revolution*, 219.

<sup>16</sup>Richards, *Early History of Banking*, esp. 223–30; van der Wee, "Monetary, Credit, and Banking Systems," 347–54.

<sup>17</sup>These distinctions were already clearly made by Gino Luzzatto, in *Enciclopedia italiana* (Rome, 1929–36; reprint, Rome, 1949), s.v. "banca—dal medioevo ai nostri giorni"; and they became practically codified by de Roover in his *Money, Banking, and Credit*, passim. See also his "New Interpretations of the History of Banking," reprinted in his *Business, Banking, and Economic Thought*; idem, "Early Banking before 1500 and the Development of Capitalism," *Revue internationale d'histoire de la banque* 4 (1971):11–16, which is an expanded version of "Banking and Credit in the Formation of Capitalism," *Fifth International Conference of Economic History, Leningrad 1970* (Paris, The Hague, New York, 1979), vols. 4–5, pp. 9–17; and idem, "La structure des banques au Moyen Age," *Third International Conference of Economic History, Munich 1968* (Paris, 1974), vol. 5, pp. 159–69. Henri Lapeyre, "La banque, les changes et le credit au XVIe siècle," *Revue d'histoire moderne et contemporaine* 3 (1956):284–97, basically accepts de Roover but creates a fourth category for public banks, which here will be treated as an outgrowth of local banks. Jacques Heers, *Gènes au XVIe siècle: Activité économique et problèmes sociaux*, EPHE-6, Affaires et gens d'affaires, 24 (Paris, 1961), 91–92, found the

merchants who, *inter alia*, made short-term credit available in the course of their international transfers of funds; the second extended consumption loans on collateral; the third accepted deposits, transformed them into bank money which was readily available for making payments via transfer, and created credit by lending on current account.

Specialization among these categories was by no means complete, and the division is not intended to imply a rigid exclusiveness. An individual or a company might be involved in some way in functions relating to all three categories: international bankers sometimes established local deposit banks; they and local bankers occasionally extended consumer credit on collateral, although not as openly as the pawnbroker; and local deposit banks turned to long-distance commerce as one way of investing deposits. Distinctions among these categories probably meant little outside the commercial community. The general public tended to classify all dealers in money as usurers.<sup>18</sup> However, in many medieval towns and cities, most clearly in Bruges, the principal functions of each category were considered quite separate juridically.

International bankers and pawnbrokers have caught the attention of modern historians, much as they held the attention of inhabitants of the medieval world, haves and have-nots alike. By contrast, the local moneychanger and deposit banker, will be accorded pride of place here. In the traditional historiography of banking, Venice is identified with the giro bank. During the seventeenth century, giro banks continued the most basic of the operations performed as early as the fourteenth century by local deposit bankers, most intensely and notably at Venice. The government-operated giro banks of the later century were but emaciated descendents of medieval private bankers who had used their transfers of deposits to add bank credit to the money supply and who therefore deserve to be called, in one sense of the term, the first true bankers.<sup>19</sup>

The size and extension of the networks created by international bankers, however, attracted much more attention than did giro banks in the fourteenth century as well as later. International bankers needed large organizations to carry on their extended operations, and in order to mobi-

division not in accord with the situation in Genoa. The division was most recently accepted by Robert S. Lopez, "The Dawn of Medieval Banking," in *DMB*, 7. Finally, see Raymond Bogaert, "Ursprung und Entwicklung der Depositenbank im Altertum und Mittelalter," in *Essays zur historischen Entwicklung des Bankensystems*, by Raymond Bogaert and Peter Claus Hartmann (Mannheim, 1980).

<sup>18</sup>Iris Origo, *The Merchant of Prato: Francesco di Marco Datini* (London, 1957), 151. See also Jacques Le Goff, "The Usurer and Purgatory," in *DMB*, 25-52, and in his recent opus, *La nascita del purgatorio* (Turin, 1983).

<sup>19</sup>As Henri Lapeyre puts it, the local deposit banker was the only banker properly so called ("La banque, les changes et le credit," 286-89, 296).

usury  
Bruges

giro or  
deposit  
bank

intl  
bankers

lize the necessary capital, they developed forms of business organization that constitute a major contribution to the development of capitalism and were used later by all kinds of bankers.

The companies that led in international banking were originally family partnerships. When outsiders were taken in as partners, they generally accepted the directorship of the family nucleus. While most companies were small, the most famous were extraordinarily large, as were in the first half of the fourteenth century the Florentine firms of the Bardi, the Peruzzi, and the Acciaiuoli, which the chronicler Giovanni Villani called the "Pillars of Christendom," and later the Alberti and the Medici. An idea of their size can be gained from the lists of branch offices that they maintained in some 8 to 16 cities and from the number of employees operating the branches: in 1336 the Peruzzi had a staff of 88; in 1341 the Acciaiuoli had a staff of 53; and in 1469 the Medici personnel numbered about 60 (50 salaried factors and 10 managers and partners).<sup>20</sup> The home office was generally housed in the family palace. Branch offices were usually small, and the employees of all firms from a single city of origin felt the need to join together into a corporation, or "nazione," for mutual assistance against their hosts. The business of the foreign nazioni was generally transacted, not in private offices, but in a public Bourse, or exchange. The magnificent palace built by the Medici in Milan in the 1450s to house their branch office, however symbolic of economic and political power, was an exception.<sup>21</sup>

The legal structure of these big inland firms of international bankers differed from the temporary venture partnerships that predominated among merchants in such maritime cities as Venice. Tuscan companies preferred setting a period of three to five years for the life of a partnership, which could of course be renewed in similar or modified form for another period of years after the balance was cast and profits (or losses) were distributed. Before the failures of so many Florentine companies in the 1340s, the large partnerships preferred a unitary legal structure whereby the home office directly controlled the whole network of branches, which were run largely by salaried employees, sometimes by full partners. After the bankruptcies and the Black Death, large firms like those of Francesco Datini and the Medici evolved a more flexible form of business organization somewhat resembling a holding company whereby the central office established a new partnership, a separate legal entity with separate capital

<sup>20</sup>Raymond de Roover, "The Organization of Trade," in *The Cambridge Economic History of Europe*, vol. 3 (Cambridge, 1963), 85-86.

<sup>21</sup>On the Florentine nazioni see Goldthwaite, *The Building of Renaissance Florence*, 34-41. For proud comments by Benedetto Dei on the far-flung Florentine "banchi" see degli Azzi, "Un frammento inedito," 208 f. Only the portal of the Medici branch in Milan remains, preserved at the Castello Sforzesco (see de Roover, *Rise and Decline of the Medici Bank*, 263).

and separate liability, for each foreign branch. In practice, however, the legal structure used by international bankers made little difference in the daily task of entrepreneurial decision making; and the communication of decisions remained slow and problematical, whether branches were run by employees or by partners.<sup>22</sup>

International bankers mobilized capital by pooling funds. They formed partnerships with designated capital funds in which they owned shares according to the portions invested; a majority of the shares was usually held by members of the family that gave its name to the company. Working partners either received a salary or their input was capitalized and assigned a share in the capital fund; they were forbidden by the articles of association to invest personally outside of the firm. Profits and losses were divided among the partners in proportion to their share in the capital. Liability was technically unlimited for all partners until the spread in fifteenth-century Tuscany and Genoa of the accomanda form of organization, whereby silent partners, liable only up to the amount of their investment, were admitted. Up until the middle of the fourteenth century the partners often assigned 1 to 1 1/2 percent to the Lord God ("Messer Domenedio"), who thus became a shareholder with an interest in the success of the company; when profits were divided, his portion was rendered to the poor.<sup>23</sup>

Share

Above and beyond the capital fund, or "corpo," of the partners was another more flexible fund which enabled the further accumulation of investable capital. It was called the "sopracorpo" and consisted of a kind of time deposit that earned interest, or "discrezione," at a rate of 8, 10, or 12 percent per annum. As Raymond de Roover has explained, these investments "fuori del corpo" were of three kinds: funds provided by partners in addition to their shares in the corpo; reinvested earnings; and deposits by outsiders, who were often aristocrats and clergymen or in general persons not directly active in business. These deposits must be contrasted with the demand deposits of the local banks, for they were not readily transferable, nor could they normally be withdrawn on short notice.<sup>24</sup>

Capi  
7  
time  
cap

<sup>22</sup>de Roover, "The Organization of Trade," 75-90.

<sup>23</sup>Ibid., 76-77. On the structure of the early firms see Armando Sapori, *La crisi delle compagnie mercantili dei Bardi e dei Peruzzi* (Florence, 1926); and Michele Luzzati, *Giovanni Villani e la compagnia dei Buonaccorsi* (Rome, 1971). For "véritables sociétés par actions" in Genoa see Heers, *Gènes au XVe siècle*, 151, 200-206.

<sup>24</sup>de Roover, *Money, Banking, and Credit*, 31-42. There was room for flexibility within generally accepted guidelines, as the following example shows. Late in the year 1400 the Datini firm in Florence negotiated a deposit from a third party for the firm of the heirs of Zanobi Gaddi, which needed operating capital. The sum deposited was 1,200 florins, at 8 percent interest. Upon learning the conditions, the manager of the Gaddi firm in Venice voiced serious objections in his next letter: while the rate of interest was reasonable ("el detto pregio è ragionevole"), the depositor had been given the unusual option to withdraw on only 15 days' notice, in contrast to the prevailing practice of fixing the term of the certificate at 4-6

As generic businessmen or *hommes d'affaires*, international bankers compiled diversified portfolios by investing in long-distance trade, local manufacture (usually in textiles), government bonds, tax farming at home and abroad, maritime insurance, provisioning of armies, and international transfer of funds. Some opened local deposit banks in their home city as part of their diversified investments and as a means of increasing the funds at their disposal. Such a decision signified their willingness to undertake daily and apparently petty tasks such as exchanging coins for a fee, but their subsidiary local banks were important in the creation of long-term credit. In their international activity, which covered from one end to the other the known commercial world, they developed and perfected the bill of exchange as a means of transferring credit balances over long distances without the risk and cost of transporting specie. They also utilized the bill of exchange as a means for very extensive short-term lending and borrowing. Some firms in fact specialized in foreign exchange and created, through their transactions in bills, sophisticated money markets that registered slackness or intensity in the supply and demand both of credit and of specie.<sup>25</sup> These markets made it possible for merchants to function as collection agents for the papal Curia, to transfer money to cover purchases made abroad, to ransom feudal lords captured in war, to provision armies on the march, and to extend credit to other merchants or to princes. All these elements were combined into a single network of regional and international debits and credits, held together with constant letter writing. \*

Best known perhaps are the contacts between international bankers and foreign princes, always in need of credit. The majority of loans made to foreign rulers might more accurately be called the purchase of futures. Such loans were made only in exchange for trade privileges and were generally recouped in raw materials such as wool or via contracts making the bankers collectors of taxes or customs. As Richard Goldthwaite has recently remarked, such merchants and international bankers had as much need of the prince as he had of them.<sup>26</sup>

Thanks to studies by such historians as Armando Sapori, Yves Re-

months, with a given number of days' notice due prior to withdrawal at the end of that time. A fixed term, he wrote, normally covered periods of variable interest and profitability ("grasso e magro") and inhibited the depositor from seeking to withdraw his funds on short notice in order to reinvest them elsewhere at a higher return. As negotiated, the manager continued, the agreement permitted the depositor to withdraw at will, forcing his own firm to seek alternative sources of credit on the foreign exchange market at higher rates of interest (ASP, Datini, b. 713, letter of the Commissaria Gaddi to Florence, 23 December 1400).

<sup>25</sup>See Reinhold C. Mueller, "Chome l'uccello di passaggio: La demande saisonnière des espèces et le marché des changes à Venise au Moyen-Âge," in *Etudes d'histoire monétaire*, ed. John Day (Lille, forthcoming); and below, vol. 2.

<sup>26</sup>Richard A. Goldthwaite, "Italian Bankers in Medieval England," review of *Bankers to the Crown: The Riccardi of Lucca and Edward I*, by Richard W. Kacoper, in *JEECH* 2 (1972):703-71, esp. 767.



## THE BACKGROUND

nouard, Raymond de Roover, Richard Kacuper, and Michael Prestwich, we have become familiar with the Tuscan firms that acted as financial agents for the Curia and the English crown: the Bonsignori of Siena, the Ricciardi of Lucca, the Frescobaldi, Bardi, Peruzzi, Alberti, and Medici of Florence, along with dozens of smaller companies. Their ability to transfer capital enabled them to extend credit in one place and collect in another. They invested in high-quality raw wool and woolen cloth, with which they supplied industries in Florence. While advances made to English kings were recouped by customs privileges or by liens on royal revenues, of which they organized the collection, these firms also advanced money to nobles and monasteries whose lands and hands produced the wool in which they were interested.<sup>27</sup>

Even though Edward III's renegeing on huge outstanding loans was only one of several causes of the famous Florentine bankruptcies of the 1340s, the Italian international bankers thereafter withdrew from involvement with royal finances. Some of their functions in England were taken over by the English Company of the Staple, which was granted monopoly rights on the export of wool precisely in order to constitute a source of royal credit. But once again, in the mid-fifteenth century the London branch of a Florentine firm, this time the Medici firm, became sufficiently involved in loans to the king and noble factions that the home office was forced to close the branch in 1477.<sup>28</sup>

1340'  
Florence  
bank

1477  
Medici  
branch

Other countries produced international bankers who thrived especially after the Florentine firms had begun to decline: Jacques Coeur in France; the Fuggers, Welsers, and others in southern German cities. The Germans made huge profits in mining, but most of their mining rights were acquired in the traditional manner, by lending money to the Hapsburgs and territorial lords. Florentine and Genoese international bankers survived throughout most of the sixteenth century as specialists in the speculative credit operations concentrated at the great exchange fairs.<sup>29</sup>

The long involvement of the Tuscan firms with the ecclesiastical and secular princes of Europe has tended to overshadow their presence in

<sup>27</sup>Besides the studies of de Roover cited in n. 17 above, extensive bibliographies and broad historical overviews of international bankers are provided by Jacques Le Goff, *Marchands et banquiers du Moyen Age* (Paris, 1956); and by Armando Sapori, *La mercatura medievale* (Florence, 1972).

<sup>28</sup>On the Company of the Staple and credit to the crown see A. B. Hibbert, "The Economic Policies of Towns," and Edmund B. Fryde and M. M. Fryde, "Public Credit, with Special Reference to North-Western Europe," in *The Cambridge Economic History of Europe*, vol. 3 (Cambridge, 1963), pp. 336 and 467, respectively; on the return to old practices by the Medici see the latter, 470-71, and de Roover, *Rise and Decline of the Medici Bank*, 332-38.

<sup>29</sup>See Jean-François Bergier, "From the Fifteenth Century in Italy to the Sixteenth Century in Germany: A New Banking Concept?" in *DMB*, 105-29.

nearly every major market place in western Europe. Dozens of such firms operated also in Venice, despite the importance of that city's own merchants and bankers and its concern for protecting the interests of its own citizens. How the operations of international bankers meshed with those of Venice's deposit banks will be analyzed in volume 2 when we describe the Venetian foreign exchange market, which was organized and operated almost exclusively by Florentine international bankers.

### iii. CONSUMER CREDIT

The second category of dealers in money very much in the public eye comprises pawnbrokers. Consumption credit was necessary for survival for the poor, whether their need was temporary or continuous, and for the "magnificentia" of the highborn who felt the need to maintain a style of life above and beyond their means. While in the countryside petty landowners and sharecroppers could put up land and agricultural produce for loans extended usually by nonprofessional lenders,<sup>30</sup> urban populations needed the services of professionals who would lend—at interest—on the security of personal property. In economic terms, their lending activities consisted merely in transferring purchasing power, which was itself consumed in the use, in contrast to the lending activities of both international bankers and local deposit bankers.<sup>31</sup>

The Church came to consider legitimate many forms of credit on which the lender took what we today would normally call interest. But the contractual forms considered acceptable in themselves, or regarding which exceptions or "titles" to taking interest existed, all involved investment credit and served the interests of merchants and entrepreneurs and were therefore not available to the poor. In most cases, some kind of risk or uncertainty for the lender was involved, an important factor in the considerations of theologians and canon lawyers. No risk factor existed in the case of the "mutuum," an illegal loan at interest generally secured on personal property, and it was therefore unequivocally judged sinful by the Church. Public or manifest usurers were excommunicated by the Third Lateran Council in 1179 and were considered by the general public—and

<sup>30</sup>There is a vast literature on rural credit. Here it will suffice to mention two recent studies on the Veneto and Tuscany: Corazzol, *Fitti e livelli a grano*; and Giuliano Pinto, "Note sull'indebitamento contadino e lo sviluppo della proprietà fondiaria cittadina nella Toscana tardomedievale," *Ricerche storiche* 10 (1980):3-19, reprinted in his *La Toscana nel tardo Medio Evo*.

<sup>31</sup>Lester Chandler (*The Economics of Money and Banking*, 34 ff.) makes the point that consumption loans can benefit the debtor to the extent that he can go into debt to meet extraordinary needs at one moment and then repay with money that has less utility to him later—a notably abstract way of contrasting the different needs of the poor when starving and when well employed.

especially by those who had recourse to their services—as infamous by virtue of their very profession.<sup>32</sup>

Civil authorities realized that the ecclesiastical prohibition against usury did not attenuate the need, and they were often forced to license the operation of pawnbrokers within their jurisdiction. Such secular acceptance of manifest usury was attacked in 1311–12 by the Council of Vienne, which charged with heresy anyone who held that usury was not a sin and therefore strongly condemned civil authorities who licensed pawnbroking. But the Church's decisions could do little to change civil policy in this regard. The public need remained, and some control was better than none. In fact, the license or charter constituted a source of revenue for the government, a guarantee of legal protection—however tenuous—for the pawnbrokers, and it offered a certain degree of governmental control over this important social function.

Licensed or not, pawnbroking remained essentially illegal, and Christian usurers still had to face the spiritual forum of confession in which restitution was a precondition for absolution. Episcopal courts were happy to agree on a forfeit covering uncertain usury (“male ablata incerta”), since those sums went to the bishop rather than to verified victims of gouging. Only after restitution was made or provided for was burial in hallowed ground permitted. Jewish lenders, obviously not bound by canon law, could simply be expelled if their services were deemed dispensable.

Interest rates were often high. In Bruges in the fourteenth and fifteenth centuries the legal rate was 43.33 percent per annum. It was normal there and elsewhere to extend loans to a maximum of about 60 percent of the value of the item pawned in order to guarantee recuperation of principal, interest, and fees from the sale of the item in case of nonpayment.<sup>33</sup> In regions where families of Jewish lenders entered the market for consumption credit, they were often able to offer lower rates of interest than individual Christian usurers and thereby cut the latter out of the market. Charters granted to Jews fixed maximum rates of interest but then helped the lenders maintain the lower rates by according them a monopoly of business in the area.

During the early centuries pawnbrokers were generally Christians and very often Italians. Italians who traveled to other countries and to the fairs were generically called Lombards. The so-called Lombards active in Bruges in the fourteenth and fifteenth centuries were in fact originally from Asti and Chieri in Piedmont.<sup>34</sup> Pawnbrokers in the Veneto and

<sup>32</sup>Noonan, *The Scholastic Analysis of Usury*; Gabriel LeBras, in *Dictionnaire de théologie catholique*, ed. A. Vacant, E. Mangenot, and E. Aman (Paris, 1903–72), s.v. “usure.”

<sup>33</sup>de Roover, *Money, Banking, and Credit*, 132–33.

<sup>34</sup>*Ibid.*, 101. See also Jacques Heers, *Il clan familiare nel medioevo* (Naples, 1976), 291–93, where the author shows that pawnbrokers sometimes belonged to solid family companies

Friuli in the thirteenth and early fourteenth centuries were known as Tuscans. But none was a member of the great families of international bankers discussed previously.<sup>35</sup> Sooner or later, at least in Italy, the Christian pawnbrokers were replaced by Jews, whose souls were not endangered by the anathemas pronounced by the Church. In Florence itself for a very long time the pawnbrokers were Christians, licensed and controlled by a foreign judge.<sup>36</sup> When the Medici took over the reins of power in 1434, that judgeship was suppressed, and negotiations were begun to replace the Christians with Jews, who finally agreed in 1437 to handle the business of pawnbroking in that important commercial and industrial capital.<sup>37</sup> In much of Italy, however, families of Jews had taken over moneylending much earlier. Jews connected with the Curia Romana moved northward from Rome as far as Tuscany as early as the second half of the thirteenth century. After the pogroms connected with the Black Death, Jews moving southward from Germany began supplanting Christian usurers in northern Italy, and particularly in the Veneto. It was then, as we shall see, that Venice first came into contact with professional Jewish lenders.<sup>38</sup>

The role of pawnbrokers was more important in social terms than in economic terms. While professional moneylenders can be found extending credit to merchants on a personal guarantee rather than on collateral, this was more the exception than the rule. They provided no other banking services, such as exchange of currencies or acceptance of deposits, which were reserved to deposit bankers. The latter usually had to be citizens of the town in which they wished to open a bank, while Jews, by contrast,

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and gives the example of the Gallerani of Siena, active in London, Paris, and the fairs of Champagne in the thirteenth century, and other "veritable tribes," such as the Vagnon and the Pelletta, who operated networks of pawnshops throughout Piedmont. On the tendency of the "merchant-banker-Lombards" of Asti to lend to princes and to buy up fiefs see Alessandra Sisto, *Banchieri-fondatori subalpini nei secoli XII-XIV*, Pubblicazioni della Facoltà di Lettere e Filosofia, Università di Torino, 14/1 (Turin, 1963).

<sup>35</sup>Exceptionally, a member of the Gianfigliuzzi family was condemned by Dante (*Inferno*, 17) and is identifiable on the basis of the coat of arms on his moneybags (see also Saporì, *La mercatura medievale*, 138 n. 1).

<sup>36</sup>The licenses, which have never been studied, were granted by the Commune upon payment of a "fine"; they netted some 3,000 florins per year for the communal treasury (see, for example, ASF, Provisioni, reg. 61, fol. 74 [20 June 1373], and *ibid.*, Esecutore degli Ordinamenti di Giustizia, n. 265 [CRIA n. 2900], acta civilia for the year 1377, a volume that contains dozens of decisions for and against the pawnbrokers. Other volumes of these acts contain complete lists of the licensed pawnbrokers).

<sup>37</sup>Essential bibliography in de Roover, "New Interpretations," 213.

<sup>38</sup>See the papers presented by Philippe Braunstein, Michele Luzzati, Brian Pullan, Renata Segre, Ariel Toaff, and Gian Maria Varanini at the session dedicated to "Prestatori e banchi di pegno a Venezia e nel Dominio" and organized by Reinhold C. Mueller, at the convention "Gli Ebrei e Venezia (secoli XIV-XVIII)," Fondazione Giorgio Cini, June 1983, forthcoming.

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were rarely accorded full citizenship. Pawnbrokers were therefore not strictly speaking ancestors of the deposit bankers.

Shortly after the middle of the fifteenth century the observant Franciscans began a movement aimed at supplanting the usury of Jewish "infidels" with public nonprofit pawn banks, or "monti di pietà," which were supposed to serve the needs of the poor. By offering loans on collateral at only about 3 percent interest, these institutions were supposed to undersell the Jews. Fighting fire with fire, the Franciscans proposed to eliminate usury, in the sense of exorbitant interest, with moderate interest. Local governments that supported the institutions could therefore terminate their charters with the Jews and expel them from their territory. Monti di pietà were established in cities and towns throughout Italy within the half-century following institution of the first monte in Perugia and its approval by the Venetian pope Paul II (Barbo) in 1467. Franciscan preaching caused many expulsions, often accompanied by the unleashing of popular furor against the hated usurers. But the monti di pietà in fact rarely succeeded in supplanting the Jews, for they were much less flexible in meeting the needs of different kinds of borrowers. Venice supported both the activities of Jews and the monti di pietà in her dominions, while seeking as long as possible to keep the capital city itself free of both.<sup>39</sup>

The later history of the monti di pietà is rather curious. In Italy they tended early to become centers of political and economic power for local families and factions and moved ever further away from their original, pious goals. When this development had become irreversible and the monti took on the role of public banks, countries of western and northern Europe became interested in the earlier program. They sought in the sixteenth century to follow the original Italian example, not so much against Jews as against Christian usurers. In 1572 a monte di pietà was established in Bruges.<sup>40</sup> At about the same time, a French observer was sent to Italy to study the institution and the feasibility of introducing it to France.<sup>41</sup> And English economic writers like Malynes began proposing the introduction of the "mounts of charitie" as antidotes to usury in the early seventeenth century—long before Cromwell made it possible for Jews to return to England.<sup>42</sup>

<sup>39</sup>See Brian Pullan, *Rich and Poor in Renaissance Venice: The Social Institutions of a Catholic State, to 1620* (Oxford, 1971), 431–75.

<sup>40</sup>de Roover, *Money, Banking, and Credit*, 101.

<sup>41</sup>Léon Poliakov, *Les banquiers juifs et le Saint-Siège du XIIIe au XVIIe siècle* (Paris, 1967), 274 ff.

<sup>42</sup>Richards, *Early History of Banking*, 12–13. For the situation in Spain see Felipe Ruiz Martín, "Demanda y oferta bancarias, 1450–1600," in *Mélanges en l'honneur de Fernand Braudel*, 2 vols. (Toulouse, 1973), vol. 1.

## iv. LOCAL DEPOSIT BANKS

The third and truest ancestor of modern banking, the deposit banker, is the most difficult to describe in general terms because of the peculiarities of each local situation. All observers seem to agree, however, on the essential nature and on the origins of deposit banking. "The essential function of a banking system is the creation of credit," wrote Abbott Payson Usher in the first sentence of his projected history of deposit banking. No matter what other functions a system of individual bankers performed nor what the peculiarities of its procedures and forms were, the primary activity was "the creation and transfer of credit, whether in the form of the current accounts of depositors or in the form of notes."<sup>43</sup> As explained above, the creation of money is made possible by the acceptance of deposits on current account and their transfer in bank. The more clients develop the habit of paying by transfer, the more of the original deposit the banker can lend or invest. After setting aside a reserve with which to meet demand for cash withdrawals, the banker can invest and lend the excess reserve at the same time that the depositor can use his claim against the banker for paying his own debts. A system of bankers holding accounts with one another creates money or credit by the mechanism of multiple expansion, thus adding to the total money supply.<sup>44</sup>

The second point of general agreement concerns the origins of deposit banking. While international banks originated in the traffic in foreign exchange ("cambium per litteras"), local banks developed in connection with the manual exchange of coins ("cambium minutum").<sup>45</sup>

When moneychangers began accepting money on deposit from their clients, they transformed themselves into bankers. But they never dropped the function of moneychanging, because it was an important source of profit. Therefore, contrary to the assertions of persons like Francesco Ferrara, who insisted that an operator had to be called "bancherius" before

<sup>43</sup>Usher, *The Early History*, 3; also Abbott Payson Usher, "The Origins of Banking: The Primitive Bank of Deposit, 1200-1600," *EcHR* 4 (1934):399-428, reprinted in Lane and Riemersma, eds., *Enterprise and Secular Change*. Cf. Federigo Melis, "La grande conquista trecentesca del 'credito di esercizio' e la tipologia dei suoi strumenti fino al XVI secolo" (Paper presented at the fourth "Settimana di Studio" of the Istituto Internazionale di Storia Economica "Francesco Datini," Prato, 1972).

<sup>44</sup>De Roover, *Money, Banking, and Credit*, chap. 13; idem, "Early Banking before 1500," 4.

<sup>45</sup>The idea that deposit banking grew out of moneylending was held by André-E. Sayous, "Les opérations des banquiers italiens en Italie et aux Foires de Champagne pendant le XIII<sup>e</sup> siècle," *Revue historique* 170 (1932): 6. In this respect he was followed by Renée Doehaerd, *Les relations commerciales entre Gênes, la Belgique, et l'Outremont d'après les archives notariales génoises au XIII<sup>e</sup> et XIV<sup>e</sup> siècles*, 3 vols., Institut Historique Belge de Rome, Etudes d'histoire économique et sociale (Rome and Brussels, 1941), 2:101. Since then the question has been laid to rest (see de Roover, "Early Banking before 1500").

the change in his functions from that of "campsor" to that of banker could be considered complete, no simple or immediate shift in nomenclature occurred. Local usages differed, and changes took a long time. The term "bancherius" was probably first encountered in Genoa, which preserves the earliest solid documentation regarding local banks. But as Robert S. Lopez has shown, even in the first century of the documented history of Genoese banking, 1150-1250, the functions of international banker, moneychanger, local banker, minter, and lender were not differentiated and were often performed by the same person or firm. Thus the terms "nummularius," "cambiator," "campsor," and "bancherius," as used in Genoa and elsewhere, were practically synonymous and applied to mere moneychangers as well as to deposit bankers.<sup>46</sup> In time, the first two terms tended to be used more for changers of coins, the latter two for deposit bankers.<sup>47</sup> Florentines used the term "tavoliere" as the Italian equivalent of "campsor" for all members of the Cambio guild, whether they emphasized manual exchange or deposit banking. Beginning in the late fourteenth century, the Florentines started applying the term "cambiatore" to specialized dealers in bills of exchange, who in the sixteenth century became universally known as "cambisti." It took a century in Venice, as we shall see, before a relatively clear distinction was made between "campsor" and "bancherius," the latter term being reserved then for the Rialto's distinctive transfer banks, or "banchi di scritta." But extreme caution must be exercised before drawing conclusions regarding functions performed merely on the basis of nomenclature. A final caveat might be instructive: in papal usage, the international bankers who handled papal business, whether the Bonsignori in the thirteenth century or the Fuggers in the late fifteenth century, were called "campsores domini pape."

The deposits that moneychangers accepted were basically of two kinds. For the commercially inactive client, such as a widow, or for a person who wished to set aside money for a specific future purpose, such as a dowry, the campsor would create a conditioned deposit—which we would call a time deposit—payable when the conditions were fulfilled, on which he might offer to pay a return.<sup>48</sup> From active merchants, in contrast, he received unconditional deposits payable on demand. Such deposits on current account were available as a ready means of payment by

<sup>46</sup>Robert S. Lopez, *La prima crisi della banca di Genova (1250-1299)* (Milan, 1956), 22 and n. 4. The same text was published as "I primi cento anni di storia documentata della banca a Genova" in *Studi in onore di Armando Saporì* (Milan, 1957), 1:215-53, but without notes or documents. See also Carmelo Trasselli, *Note per la storia dei banchi in Sicilia nel XIV secolo*, Banco di Sicilia, Fondazione "I. Mormino," Quaderno no. 1 (Palermo, 1958):10-13.

<sup>47</sup>Alessandro Lattes, *Il diritto commerciale nella legislazione statutaria delle città italiane* (Milan, 1884), 199 and 212-15, nn. 5, 6, 10.

<sup>48</sup>"Conditioned deposit" is a term used by Usher in *The Early History*, passim.

transfer from one account to another on the banker's books. They did not earn interest. By tacit understanding, the depositor permitted the banker to use the money that he had deposited or that was credited to his account by transfer in return for safety and the service of transfer. \*

The transfer of accounts on bankers' books, or "giro di partire," from which the term "giro bank" derives, was the hallmark of Venetian banking. While Venetians took the service for granted, foreigners, used to other practices, sometimes remarked on the particular advantage of avoiding the use of specie when dealing at the Rialto banks. Deposit banks in other cities had a similar potentiality, but different structures and different needs caused giro to be less characteristic of deposit banks in some cities than in others, less used in Tuscany than in Bruges or Barcelona or Venice.<sup>49</sup>

The fact that deposit and transfer banking, that is, the use of bank money, was less important at the "tavole" of Florence than elsewhere probably depended on some four factors. First, it was a practice, supported by both guild and communal statutes, for Florentine merchants generally to offset a debit with one firm by assigning it a credit with another firm. Initially the debtor was supposed to guarantee the solvency of the merchant on whose books the assignment was made, but soon the only legal criteria were the agreement of the beneficiary of the assignment and the correctness of the accounting entries involved.<sup>50</sup> Using offsets as a means of avoiding the use of specie became ingrained in Florentine business practice, among big and small operators alike.<sup>51</sup> But it did not permit the creation of credit in the strict sense, which requires the concentration of deposits in a specialized banking system, although examples of overdrafts can be found even in the process of offsetting. (Second) was the opportunity open to many active and inactive persons to deposit money in the sopracorpo of their own or others' international banking firms. This kind of deposit at interest, or discrezione, which was not readily transferable, took the place of the conditioned deposit of the local banker. A third factor was the location of the moneychangers' stalls. At least in the thirteenth century and in the first half of the fourteenth century, while offsetting was becoming a habit, the tavole of Florentine moneychangers were situated in four separate locations: the Mercato Vecchio, the Mercato Nuovo, Or San Michele, and Oltr'Arno. Such dislocation made interbank clearance cumbersome and the welding of individual banks into a system more problematical. Even though the local tavole run by international firms like the Uzzano and the Medici

Process of  
offsetting  
with OP

<sup>49</sup>Federigo Melis, *Note di storia della banca pisana nel Trecento* (Pisa, 1956), chap. 8; and Luzzatto, *Enciclopedia italiana*, s.v. "banca."

<sup>50</sup>Lattes, *Il diritto commerciale*, 135 n. 26, with specific references to the relevant guild and communal statutes; see also Federigo Melis in *Documenti per la storia economica dei secoli XIII-XVI*, Pubblicazioni dell'Istituto Internazionale di Storia Economica "Francesco Datini," Prato, 1st ser., 1. (Florence, 1972), 83.

<sup>51</sup>Goldthwaite, *The Building of Renaissance Florence*, 306-13.



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tended to locate exclusively in the area of the Mercato Nuovo, the habit of offsetting was perhaps too firmly entrenched to be replaced by transfers at the local banks.<sup>52</sup> Fourth and finally, it is worth noting that at least in certain periods Florentine international bankers preferred to pay the value of bills of exchange in cash rather than by offset or by bank transfer, a propensity reflected in accounting entries that expressly name the employee who brought ("rechò") or took ("portò") the specie to the other party.<sup>53</sup> By contrast, Florentine firms active in Venice, as we shall see, as well as in Bruges and Barcelona, drew and remitted by transferring money on the current accounts that they kept with local bankers.<sup>54</sup> In short, Florentines in Florence probably did not use bank money with any regularity.

So important was the mediation of deposit bankers in other commercial centers that when they were in financial trouble or altogether in decline, city governments stepped in to provide the service of deposit and transfer at public banks. Such a move was discussed at Venice as early as the fourteenth century, but its first public giro bank was instituted only at the end of the sixteenth century.<sup>55</sup> The first medieval public bank was founded at Barcelona in 1401 and survived the vicissitudes of centuries. It did not have a monopoly of deposit banking, but some functions, such as the payment of bills of exchange, were concentrated there. The Taula, or Bank of Deposit, was not authorized to extend credit to private parties but did so especially in certain periods. On the other hand, it was intended to extend credit to the city government and to administer its floating debt. It was even a kind of bankers' bank to the extent that private bankers deposited their reserves there.<sup>56</sup> Valencia followed Barcelona's example by establishing a public bank in 1408. Its Taula de Canvi purported to be a "safe and useful office for merchants, private parties and foreign businessmen, and a protector of pilgrims and travelers, widows and orphans." But despite its good intentions, it was dissolved in 1416.<sup>57</sup> At just about the same time, Genoa's famous Casa di San Giorgio founded the Banco di San

<sup>52</sup>The difficulty of clearing accounts by oral order in Florence probably promoted the early use of written orders or cheques (see *ibid.*; and Marco Spallanzani, "A Note on Florentine Banking in the Renaissance: Orders of Payment and Cheques," *JEECH* 7 (1978):145-68).

<sup>53</sup>See, for example, ASF, Archivio Mediceo avanti il Principato, filza 133, no. 1, ledger of Averardo de' Medici, Florence, 1395.

<sup>54</sup>de Roover, *Money, Banking, and Credit*, 57-58. It should be noted that three- and two-party bills of exchange were often intended merely to offset a debit with a credit in the same foreign city named or to mask a loan at interest; for such fictitious exchanges no transfers in a bank took place, and a simple entry in the merchant's accounts is the only evidence of the operation.

<sup>55</sup>Ugo Tucci, "Il Banco della Piazza di Rialto, prima banca pubblica veneziana," reprinted in his *Mercanti, navi, monete nel Cinquecento veneziano* (Bologna, 1981).

<sup>56</sup>Usher, *The Early History*, pt. 2; Manuel Riu, "Banking and Society in Late Medieval and Early Modern Aragon," in *DMB*, 131-67.

<sup>57</sup>Riu, "Banking and Society," 156.

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Giorgio in 1407. It was meant primarily as a tool for controlling monetary circulation. As a transfer bank it served the needs of the funded debt, for shares and interest on shares of the Casa were transferred on the books of the Banco and constituted bank money. But the Banco did not succeed in its aims and was suppressed in 1444 after considerable difficulty.<sup>58</sup> Barcelona remained unique, then, and the foundation of the more famous public giro banks had to await the late sixteenth and seventeenth centuries.<sup>59</sup>

Today to speak of banks conjures up images of skyscrapers reflecting the power of private initiative and of large regulatory agencies instituted to represent the interests of the state and of depositors. In the medieval and early modern period, banks were miniscule in physical terms, but their importance in monetary terms made some form of guild control or of governmental supervision necessary.

The tables of moneychangers and bankers were located in the center of business districts. They took up little space: a booth or stall in a public square; a small ground-floor room, perhaps connected to a small back room, in a public building or in a private palace. In some cities, such as Bruges, Milan, Genoa, and Venice, the local government owned and rented out the locales to moneychangers. In other cities, such as Florence, locales were rented out privately.

In Bruges, stalls located on the Wisselbrugge and at the adjoining Waterhalle were rented out by the city, but only to persons who had purchased (or whose forebears had acquired) the right to exchange money from the counts of Flanders. The latter viewed manual exchange and banking as part of their feudal prerogative, like the right to mint coins. Of the 4 privileges held in fief beginning in the early thirteenth century, 3 were for stalls and 1 was for a mobile unit. In the course of the thirteenth century some 10–15 further stalls were opened and licensed by the original fief holders, but in the fifteenth century the number seems to have dropped back to the 4, who insisted on their monopoly rights.<sup>60</sup> Other

<sup>58</sup>Heinrich Sieveking, "Das Bankwesen in Genua und die Bank von S. Giorgio," in van Dillen, ed., *History of the Principal Public Banks*, 21–23; idem, *Genueser Finanzwesen*, vol. 2, *Die Casa di S. Giorgio*, Volkswirtschaftliche Abhandlungen der Badischen Hochschulen, 3 (Freiburg, 1899). (Since Heers, in *Gènes au XV<sup>e</sup> siècle*, was interested in the mid-fifteenth century almost exclusively, he did not deal with the operations of the Banco di San Giorgio.)

<sup>59</sup>See the collection of essays edited by van Dillen, *History of the Principal Public Banks*; and now also Domenico Demarco, "Origini e vicende dei banchi pubblici: I banchi napoletani" (Paper presented at the fourth "Settimana di Studio" of the Istituto Internazionale di Storia Economica "Francesco Datini," Prato, 1972).

<sup>60</sup>de Roover, *Money, Banking, and Credit*, 174–77. James I of Aragon also considered the royal right to establish exchange tables in the cities of his domain parallel to his right to mint coins (1247) (see Charles Du Resne Du Cange, *Glossarium medic et infinae latinitatis*, rev. ed., 10 vols. [Nior, 1883–87], s.v. "tabula" ["tabulam tenere cambii"]. On the royal monopoly in England see above, sec. i).

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nearby towns had different systems: in Lille moneychangers' locales were situated in a building on the market place, which was in the domain of the count of Flanders, while in Ghent the count had conceded his rights to the town government.<sup>61</sup> A diploma of Philip the Fair of 1304 restricted the activities of moneychangers in Paris to part of the pons magnus; in the rest of the domain, moneychangers having royal authorization operated at public "tables" (1305).<sup>62</sup>

Communal traditions in Italy had promoted the privileges and jurisdictions of city governments in the regulation of moneychanging as in minting. Milan is said to have built a special structure for banks.<sup>63</sup> The statutes of the Cambio guild of Bologna speak of the rental of stalls situated in a special area ("infra confines cambii").<sup>64</sup> In Genoa the government rented out stalls located under a loggia at Piazza Banchi until it burned down in 1415, but even thereafter the 6-12 bankers active at any one time were located close to the Casa di San Giorgio.<sup>65</sup> In both Palermo and Messina there were "contrade dei banchi."<sup>66</sup>

In Florence the Cambio guild set certain rules regarding the renting of quarters by moneychangers, but it was the individual tavoliere who contracted directly with the landlords of palaces adjacent to the market places for the ground-floor space they needed. Leaving such matters to private initiative was characteristic of Florence.<sup>67</sup>

<sup>61</sup>de Roover, *Money, Banking, and Credit*, 177; van Werveke, "The Economic Policies of Governments," 358-59.

<sup>62</sup>Du Cange, *Glossarium*, s.v. "cambium publicum" and "tabulam tenere cambii."

<sup>63</sup>Lattes, *Il diritto commerciale*, 215 n. 15. In January 1410, Milanese campsores were ordered to move their banks to the area called "il Broletto"; if their bank was "cum tapedo," they were taxed £10,000 on that occasion; if "sine tapedo," the tax was 1,000 florins (Soldi Rondinini, "Politica e teoria monetarie," 304).

<sup>64</sup>A. Gaudenzi, ed., *Statuti delle società del popolo di Bologna*, 2 vols., *Fonti per la Storia d'Italia* (Rome, 1896), 2:106-7.

<sup>65</sup>de Roover, *Money, Banking, and Credit*, 199; Heers, *Gènes au XVe siècle*, 92-95.

<sup>66</sup>Trasselli, *Note per la storia dei banchi in Sicilia nel XV secolo*, pt. 2, *I banchieri e i loro affari*, Banco di Sicilia, Fondazione "I. Mormino," n.s., Quaderno no. 6 (Palermo, 1968):164, 181; and below, n. 68.

<sup>67</sup>The earliest statutes of the Cambio guild in Florence permitted moneychangers to transact business at home as well as at the table (Saverio La Sorsa, *L'organizzazione dei cambiatori fiorentini nel medio evo* [Ccrignola, 1904], 50-51 and cap. 82; the statutes were since published in a critical edition, *Statuti dell'Arte del Cambio di Firenze (1299-1316)*, ed. Giulia Camerani Marri [Florence, 1955]). Some accounts showing the payment of rent by bankers for their locales at the Mercato Nuovo are extant (see de Roover, *Rise and Decline of the Medici Bank*, 19-20. See also ASF, Magistrato dei Pupilli avanti il Principato, vol. 4, fols. 160r-v, which shows that banks owned by the estate of Johannes Guidonis Pescie were rented to the de' Ricci, Alberti, Portinari, and da Uzzano for 45 and 50 florins per year during the last quarter of the fourteenth century; in vol. 2, fol. 52v, the rent of a tabula in the Mercato Nuovo belonging to the estate of Bartolomeo di Ser Spinello is documented. Cf. Charles M. de la Roncière, *Un changeur florentin du Trecento: Lippo di Fede del Segna (1285 env.-1363 env.)*, EPHE-6, *Affaires et gens d'affaires*, 36 [Paris, 1973], 69-70). In Barcelona, local bankers

Licensed moneychangers usually distinguished themselves from retail merchants and others by draping a colored cloth over their table. Such was the case in Tuscany, Lombardy, and Aragon.<sup>68</sup> Only one mention has been found of a moneychanger in Venice having such a cloth; there it may not have been obligatory but merely traditional.<sup>69</sup> The moneychanger-banker or his factor could be found seated at his table, on top of which he kept a pouch for coins and an account book for entering deposits and transfers. That was the way he was pictured in the earliest statutes of the Cambio guild of Florence: “sedentes ad tabulam cum tasca, libro et tapeto.”<sup>70</sup> Pen and ink, an assay scale, and some kind of abacus completed the necessities of the profession.<sup>71</sup>

Moneychangers and early bankers formed guilds in perhaps a majority of Italian cities during the thirteenth century.<sup>72</sup> One of the best-known guilds, even though in a market city of secondary importance, is that of Perugia. For most people, its fame derives from its beautiful guildhall, perhaps the only one remaining in Italy today.<sup>73</sup> One of the earliest, on the other hand, is the Cambium Sancti Martini of Lucca. As early as 1111, Luccese moneychangers had to take an oath, the text of which was affixed to the facade of the cathedral. They swore to commit “no theft, nor trick, nor falsification.” Evidence of the existence of a guild dates from the early thirteenth century.<sup>74</sup> Statutes for the “società dei cambiatori” in Bologna were drawn up in 1245. They reveal that by that time Bolognese bankers were not only changing coins but accepting deposits and making transfers between merchants and other bankers.<sup>75</sup> Venice’s neighbor

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began by doing business in their dwellings, until they were all required to relocate at or near the exchange (Usher, *The Early History*, 12–13).

<sup>68</sup>Lattes, *Il diritto commerciale*, 201 and 216 n. 17; Riu, “Banking and Society,” 143; Usher, *The Early History*, 239. In Palermo, privately owned banks in the “contrata camporum” were distinguishable by tellers’ windows (“finestralia”) (Trasselli, *Note per la storia dei banchi in Sicilia nel XIV secolo*, 19, 21, 23, 27). In Venice, shipmasters set up tables similarly identifiable by distinctive insignia when they hired crews at San Marco.

<sup>69</sup>ASV, Avogaria di Comun, reg. 3647, fol. 106 (30 July 1421): during a scuffle over an exchange of coins at a bank at San Marco, some coins spilled from a bag “super tapeto banchi.”

<sup>70</sup>de Roover, *Rise and Decline of the Medici Bank*, 17.

<sup>71</sup>See the sixteenth-century paintings of moneychangers by M. van Reyerswael reproduced in de Roover, *Money, Banking, and Credit*, 206, 270; see also 200–201 and 216 n. 26.

<sup>72</sup>La Sorsa, *L’organizzazione*, 23–24.

<sup>73</sup>Raffaello Marchesi, *Il cambio di Perugia: Considerazioni storico-artistiche* (Prato, 1853).

<sup>74</sup>Thomas Blomquist, “The Dawn of Banking in an Italian Commune: Thirteenth Century Lucca,” in *DMB*, 57. The text of the oath is in La Sorsa, *L’organizzazione*, 29.

<sup>75</sup>Armando Saporì, in *Enciclopedia italiana* (Rome, 1929–36; reprint, Rome, 1949), s.v. “cambiatori”; Gaudenzi, ed., *Statuti delle società del popolo*, vol. 2, esp. caps. 34, p. 73, and 62, p. 86. The latter reads, “de rationibus reddendis, ubi dicitur de facto cambii, in eis non solum inteligantur in simpliciter facto cambii, id est de una moneta vel re cambianda pro altera, sed de

## THE BACKGROUND

Padua also had a guild ("fratela camporum") from an early date, but Venice had none.

The earliest extant statutes of the Florentine Arte del Cambio, one of the seven major guilds of that city, date from 1299, although the existence of a guild is documented at least by 1234.<sup>76</sup> It is clear from the statutes as well as from the matriculation lists of individuals and partnerships that the guild was concerned, not with international banking, which was completely unregulated, but exclusively with moneychanging and local deposit banking.<sup>77</sup> As mentioned above, several international banking firms like the Medici firm operated local moneychanging and deposit banks at the Mercato Nuovo and for that reason had to be members of the Cambio. Many members, however, were small operators.<sup>78</sup> Goldsmiths were probably part of the guild until the late thirteenth century, when they joined the Arte dei Medici e Speciali. On the other hand, in the fourteenth century the Cambio incorporated some refiners of silver and maintained a special matriculation for brokers, who were to bring business to members of the Cambio. Pawnbroking was strictly forbidden to members. The guild itself performed some functions in the market place—for a fee. It weighed gold and silver, checked weights and measures, and weighed coins brought to it, cutting up those that were illegal.<sup>79</sup>

omni re et debito ad quod et quam campores se constituerint vel in libris suis scripserint debitores. . . ."

<sup>76</sup>La Sorsa, *L'organizzazione*, pt. 4.

<sup>77</sup>de Roover, *Rise and Decline of the Medici Bank*, 16; in polemic with La Sorsa, idem, "La struttura della banca fiorentina nei secoli XIV e XV e la tesi Salvemini-La Sorsa," *Economia e storia* 11 (1964): 190-98.

<sup>78</sup>de la Roncière, *Un changeur florentin*; Lippo the moneychanger was not even a member of the Cambio! (see p. 93 n. 2). See also Richard A. Goldthwaite's article on the banchi al minuto in fifteenth-century Florence, forthcoming in *JEECH*.

<sup>79</sup>La Sorsa, *L'organizzazione*, 57-58, 68-69, 80-81. The guild had to employ brokers, some twelve of whom were members of the guild in the early fourteenth century, although enrolled in a special category; they directed manual exchange business (technically buyers and sellers of gold and silver coin) to the moneychangers and collected a brokerage fee of 1 soldo di piccioli per 100 florins (6 denari di piccioli per party to a transaction) (see Francesco Balducci Pegolotti, *La pratica della mercatura*, ed. Allan Evans [Cambridge, Mass., 1936; reprint, New York, 1970], 196; cf. de Roover, *Rise and Decline of the Medici Bank*, 17 and n. 56, where the brokerage fee is seen as the banker's commission fee). A practical example is illustrative of the procedure followed. On 9 April 1397 the Datini branch in Florence brought to the guild 350 florins tale which had been culled by the branch in Pisa and sent to Florence; weighing and evaluation at the guild showed there to be 8 different types and conditions of coins; only 5 coins were standard, or "pari," whereas all the rest were heavy ("meglio"), resulting in an addition of almost 9 florins in gold value to the tale value (2.57 percent). For this service, and for the brokerage fee charged on converting 220 lire in silver coin into 57 gold florins, the accountant recorded expenses of 8 soldi di piccioli, thus: "Abatiamo per senseria de' fiorini e della moneta s. 4, e per la pesatura al peso dell'arte, s. 4" (ASP, Datini, reg. 595 [a ricordanza], fol. 12). The coffers of the guild, finally, also received income from fines levied for use of illegal weights and measures (La Sorsa, *L'organizzazione*, 80-81).

Both where guilds predominated and where they did not exist, communal governments stipulated certain preconditions for legitimate operation of a bank. An oath to observe guild statutes and/or the monetary ordinances of governments was required of moneychangers just about everywhere in Italy, as well as in other places, such as Bruges.<sup>80</sup> Moreover, concern for the trustworthiness of a banking operation and the desire to reassure if not protect depositors caused governments and guilds alike to insist on the prior posting of surety in some form, whether real or personal, before a banker could begin operation.<sup>81</sup> The suitability of the surety and sometimes of the candidates themselves might be examined by councils or magistracies, as was the case in Venice in the fifteenth and sixteenth centuries. As in Venice, very high bonds were required also in Genoa and Palermo beginning in the mid-fifteenth century.<sup>82</sup>

The relationship of moneychanger-bankers to their local government was often ambiguous and never easy, whether bankers were organized in guilds or not. Expertise was useful but could involve conflicts of interest. There are cases in which governments deposited cash in private banks, as at Cremona and Milan in the late fourteenth century. The practice was forbidden in Perugia in 1342.<sup>83</sup> In other cases, local bankers were asked to serve as collectors, fiscal agents, or administrators of public funds.<sup>84</sup>

<sup>80</sup>Lattes, *Il diritto commerciale*, 219 n. 26; de Roover, *Money, Banking, and Credit*, 182–83; for Padua, Luigi Rizzoli and Quintillio Perini, *Le monete di Padova* (Rovereto, 1903), doc. 35; for Catalonia, Usher, *The Early History*, 237.

<sup>81</sup>Lattes, *Il diritto commerciale*, 202–3, 219–20, nn. 26, 33. On the bond posted by moneychangers in Pistoia according to their guild statutes of 1296 see David Herlihy, *Medieval and Renaissance Pistoia: The Social History of an Italian Town, 1200–1430* (New Haven, 1967), 161–62 and n. 36; for Sicily see Trasselli, *I banchieri*, 53–55, 61. In Catalonia, a statute of 1301 (reconfirmed in 1359) seems to consider the bond a kind of insurance: “quod aliquis non teneat tabulam cambii in aliquo loco Cataloniae nisi prius eam assicuraverit pro mille marchis argenti. . . . Et qui dictam securitatem, sub dicta forma, non praestiterint, non audeant tenere in sua tabula tapits, vel alios pannos. . . .” (Latin partially in Du Cange, *Glossarium*, s.v. “cambiare: cambitor”; in English in Usher, *The Early History*, 239–40). Assurance of correctness and reassurance of clients are implied in the statutes of Marseilles (n.d.): “quod nullus possit vel debeat esse campsor vel nummularius nisi fuerit civis Massiliae et satisdederit idonee [sic] per 300 marchas, scilicet quod bene et fideliter exerceat officium suum et tute et secure cum eo contrahatur” (Du Cange, *Glossarium*, s.v. “cambiare: campsor”). In Siena in 1383, in the wake of a series of bankruptcies, bond was set at £4,000: “E gli ufiziali della Mercanzia di Siena féro lege che nisuno tenesse banco se prima no ne avesse dato la ricolta di IV milia lire” (A. Lisini et al., eds, *Cronache senesi* [Bologna, 1931–39], *Rerum Italicarum Scriptores*, 2d ed., 15:697). In general, on requirements to post bond and their ineffectiveness in protecting depositors see de Roover, “Early Banking before 1500,” 15.

<sup>82</sup>For the fourteenth century see Raffaele Di Tucci, *Studi sull'economia genovese del secolo decimosecondo. La nave e i contratti marittimi. La banca privata* (Turin, 1933), 126; on the fifteenth see Heers, *Gènes au XV<sup>e</sup> siècle*, 94, which insists that the sums were no longer symbolic, if they had been so previously; the same is true for Sicily, where after about 1460 a guarantor was liable “ut bancus” in case of failure of the bank (Trasselli, *I banchieri*, 53–55, 61).

<sup>83</sup>Lattes, *Il diritto commerciale*, 223 nn. 49–50.

<sup>84</sup>de Roover, *Money, Banking, and Credit*, 280. In Florence the Medici were official ca-

Much more frequently governments looked to local banks to supply cash and open lines of credit. In Florence not only international bankers but also the Arte del Cambio, as the representative of local bankers, lent money to the government.<sup>85</sup> The case of Venice became extreme: Rialto bankers advanced money to the Signoria continually, especially during the fifteenth century.

Relations between bankers and local mints varied. In most cases, local bankers were purveyors of bullion to the mints. But some city governments institutionalized cooperation with moneychangers as a group in order to utilize their expertise in regard to the production of coins, while others sought to avoid too close a relationship with the local mint, since conflicts of interest could give individual bankers an unfair advantage over other merchants. Genoa in the twelfth century, Bologna, Florence, and Lucca in the thirteenth, Perugia and Padua in the fourteenth institutionalized the relationship. The Bolognese statutes of 1246 call for selection by lot from among the members of the moneychangers' guild of a supervisor of the mint ("suprastans monete"), and the consuls of the guild had the duty of seeing to it that "moneta parva et etiam grossa" be produced. That probably meant, if operation of the mint was let on bids to entrepreneurs, as it was in the following century, that the guild would be involved in negotiations with prospective bidders.<sup>86</sup> Operation of the Florentine mint was not farmed out, and the Cambio guild was directly involved in two ways. First, of the two official mintmasters ("domini monete auree et argentee"), one came from the Cambio, the other from the Calimala. The Cambio's representative was selected by the directory of the guild and was named by the heads of the seven major guilds. The guild furthermore had to provide from its membership three "sententiaiores auri," who were the immediate directors of production and who tested the purity of the coins. The role of the guild in the operation of the mint was therefore essential, and supervision of its work was restricted to periodical visits by the Capitano del Popolo, a foreign official called in to verify the tests.<sup>87</sup>

It is assumed from negative evidence that Lucca had once had a

*merlenghi* of the Magistrato dei Pupilli and of the Parte Guelfa. In Palermo a banker was regularly chosen by the government as "depositario generale" (Trasselli, *I banchieri*, 57-58).

<sup>85</sup>La Sorsa, *L'organizzazione*, 75; Lattes, *Il diritto commerciale*, 209, 231 n. 81.

<sup>86</sup>Gaudenzi, ed., *Statuti delle società del popolo*, 2 cap. 69, p. 91.

<sup>87</sup>La Sorsa, *L'organizzazione*, 44-45 and pt. 11; Bernocchi, 3:5-10. In Padua, a technical committee was composed of two members of the goldsmiths' guild and two of the moneychangers' guild (Rizzoli and Perini, *Le monete di Padova*, 59 and doc. 16). Mint activity was carried out in the houses of goldsmiths and moneychangers, according to Roberto Cessi, "Documenti inediti sulla zecca padovana dell'epoca carrarese," *Bollettino del Museo Civico di Padova* 9 (1906): 110, and "Nuovi documenti sulla zecca padovana dell'epoca carrarese," *ibid.*, 10 (1907):147.

somewhat similar arrangement at the mint. In the statutes of the Commune of 1308, however, members of the moneychangers' guild were expressly prohibited from holding any office in the Lucchese mint. Thus Lucca passed from a policy of close cooperation, under a regime dominated by merchant bankers, to a policy of considering the activities of campso and mint official as mutually exclusive. Concern for conflict of interest was raised, it has recently been explained, by the more popular regime that had come into power in Lucca in 1300.<sup>88</sup> At Venice, similarly, a concerted effort was made to keep distinct the two roles of banker and official or supervisor of the mint. As in many other respects, Venice found distinctive solutions to monetary problems that were common to western Europe.

<sup>88</sup>Blomquist, "The Dawn of Banking in an Italian Commune," 61.



## VENICE'S PLACE IN MONETARY HISTORY

### i. A BULLION MARKET IN A MERCHANTS' REPUBLIC

**M**ONETARY PROBLEMS RESEMBLING those of the modern period are encountered more in medieval Venice than in most of medieval Europe because of the peculiarity and extent of Venice's international trade and its form of government.

In the sparsely settled agricultural areas that dominated the map of medieval Europe, the peasantry constituted far and away the majority of the population, and men lived largely on what they or their village produced. In Venice and several other cities in which population was densely concentrated, commercial activity governed the production and distribution not only of luxuries but also of such necessities as salt and grain. The commerce of these cities was international, which meant that Venice from its beginning was involved in trade between areas having different monetary systems. Not only in dealing with England and Egypt but also in settling balances with such nearby cities as Padua, Udine, and Bologna familiarity with foreign coins and monetary systems was required. The Rialto attracted foreign coins as well as foreign merchants. Similarly international was the trade of the few western medieval cities that can be considered in one way or another as outstanding as Venice for the sophistication of their commercial life: Pisa, Genoa, Florence, Barcelona, Bruges, and Antwerp. Among such cities, Venice was distinctive as a bullion market. Florence and Genoa are more famous as the homes of international banking houses, but neither approached the position that

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Venice attained as a center through which silver and gold were imported and exported.

Venice was also distinctive politically. Earlier and more completely than any other city, it established its autonomy, its freedom from either the western or eastern empire and from any tribal or feudal monarchy. It was a self-governing city-state, the only city-state that became a major bullion market, unless seventeenth-century Amsterdam is considered an independent city-state instead of a part of the emerging Dutch nation-state.

Venice's being a unit no larger than a city-state enabled the Venetians to develop republican institutions in which monetary policies were decided by debates and by votes in elected councils. In the large feudal monarchies where the monetary systems of such modern nations as France and England had their roots coinage was controlled by a prince and his monarchic instruments of government. In Venice the doge was exalted as the symbol of the republic, and his name (or initials) appeared on Venice's coins, but after 1172 Venice's doges executed the decisions of councils of which the doge was only one member, although for some centuries the most important member. Those councils represented an upper class that identified its interests with those of the Venetian city-state.

In the feudal states a ruler's primary interest in monetary policy was fiscal. He operated his mint as a source of revenue more or less restrained by the teaching of the churchmen and lawyers about his obligation to do justice and by powerful subjects' opposition to change. Clergy, nobles, and burghers through their representative estates protested with some success against debasements and devaluations by which a prince might enrich himself at their expense.<sup>1</sup>

In Venice the pressures determining policy had a different pattern. Governmental revenue certainly was a concern of the ruling councils, but it was only one concern among many. The upper class represented in the governing councils benefited from the financial health of the state, for it received from the state military and diplomatic support in private enterprises. Indeed, the members of the upper class who served on the councils were probably those most concerned with that aspect of their class interests. But the class to which they belonged—many of them individually and through their close relatives—was interested in monetary policy not only as an indirect way of advancing the fortunes of its members by increasing the power of their republic. It was interested also in the effects of particular monetary measures on the profits of their commercial ventures. The members of the upper class were merchant-nobles. They might, for example, gain or lose if a new kind of coin raised or lowered the prices they had to pay for cotton or spices in Syria. Moreover, quite apart from

<sup>1</sup>See Bisson, *Conservation of Coinage*.

such particular interests which might affect governmental policy, they were all in a position to see that debasement or devaluation or the raising of the seigniorage on a particular coinage might in the long run do less to increase the government's revenue than would the maintenance of Venice's reputation as an international trade center, a "world market." Even in a fairly short run—a decade or less—the loss or gain in general revenue from the turnover on the Rialto, consumption of wine in the taverns, and other incidentals of being a world market were weighed against a variety of other considerations in determining policy.

This mixture of pressures, some arising from special interests and some from differing conceptions of the general interest, adds to the modernity of medieval Venice. And because Venice was a republic and not a monarchy, policy was determined by the votes of the majority in the councils. In that respect, Venice was like other Italian city-states of the later Middle Ages. In the communes of Florence and Genoa also, innovations in monetary matters were debated and voted upon in fairly large legislative bodies. Even so, the making and execution of monetary policy at Venice seems somewhat more modern because governmental functions there were more unified. At Florence and Bologna, for example, communal councils made the major decisions, but the formulation and the administration of the regulations governing the mint were partly in the hands of semiautonomous guilds of merchants or bankers.<sup>2</sup> At Venice they were in the hands of officials and committees chosen by the Commune's integrated network of councils headed by the doge.

## ii. THE REPUBLIC'S GOVERNING INSTITUTIONS

The first coins issued at Venice were denarii bearing the names of Germanic emperors. The first of a new and better series, a series that bore the names of Venetian doges (as well as of San Marco), was issued by Doge Sebastiano Ziani, (1172–78) the same doge whose election marks the establishment of the principle that the doge should never act contrary to the advice of the appropriate council.<sup>3</sup> Sebastiano Ziani was elected after a

<sup>2</sup>See above, chap. 6, sec. iv.

<sup>3</sup>On relations between Venice and the Empire, see Gerhard Rösch, *Venedig und das Reich: Handels- und verkehrspolitische Beziehungen in der deutschen Kaiserzeit*, Bibliothek des Deutschen Historischen Instituts in Rom, 53 (Tübingen, 1982). Ziani's predecessor, Vitale Michiele II (1156–72), had already issued a coin bearing his name (Papadopoli, 1:35–71; and Franco Panvini Rosati, *La monetazione comunale in Italia*, Archivio di Stato di Bologna, Quaderni della Scuola di Paleografia ed Archivistica, 5 [Bologna, 1963], 6, 12). It was called a mezzo denaro by Papadopoli (1:67); but Ottorino Murari argued persuasively that it was the last in a series of debased Venetian denari derived from those "bearing the names of Germanic emperors. The new series which Sebastiano Ziani initiated was patterned on the less debased Veronese denari, which were the coins then most used in Venice. Michiele's coin was about half the value of the new coins" ("Il cosiddetto mezzo-denaro o bianco del Doge Vitale

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revolution that completed Venice's evolution from a dukedom into a commune. For about two centuries after becoming practically independent of both the Carolingian and Byzantine empires, Venice had been ruled by dukes who almost succeeded in making that position hereditary. Under these dukes Venice negotiated trade treaties with the Holy Roman emperors, who were supreme over the rest of northern Italy; established a Venetian lordship in Dalmatia; and gained a privileged position in Greece and the Aegean as allies of the Byzantine emperor. When the maritime power of the Byzantine Empire was undermined by the conquests of the Seljuk Turks in Asia Minor and of the Normans in southern Italy, Venice obtained extensive and profitable trading privileges from Alexis Comneni, the emperor of the Greek dynasty that beat back those foes. It was while the Comneni dynasty was ruling in Constantinople (1081-1204) that Venice grew into a major commercial center and naval power, profiting from the exceptional economic growth of western Europe in the twelfth century and from the favored position Venetians had within the Byzantine Empire, in the region the Venetians called Romania (and it is so called here [see map 2]). It was the failure of the doge Vitale Michiele II to force the Comneni emperor in 1170-72 to renew these Venetian privileges in Romania that ignited the revolution that elevated Sebastiano Ziani to the dogeship.

Even before 1172 the doge had been flanked by six councillors. This Ducal Council was elected by a general popular assembly, which also elected the doge. After 1172 a committee dominated by the same leaders who formed the Ducal Council nominated the doge, and his election by the popular assembly became a mere formality. Once they controlled the choice of the doge, the leading families chose only men whom they thought they could count on never to act against the advice of his councillors. His obligation to do so was affirmed in law, in his oath of office, and in practice.<sup>4</sup>

This limitation on the doge's power did not prevent forceful personalities among the doges of the next century and a half from dominating the government. Sebastiano Ziani dominated partly because of his great wealth and partly because of his enhancement of the power and prestige of

Michiele II," *RIN*, 5th ser., 15 [1967]:115-22). The supposed coinage of leather money by Doge Domenico Michiele (1117-30) is a myth thoroughly explored and exploded by Philip Grierson in "Deux fausses monnaies vénitienes au Moyen Age," *Schweizer Münzblätter*, August 1954, 86-90.

<sup>4</sup>Giovanni Cassandro, "Concetto, caratteri e struttura dello stato veneziano," *Rivista di storia del diritto italiano* 36 (1963), also published, but without notes, in *Bergomum* 38 (1964): 33-55; Frederic C. Lane, *Venice: A Maritime Republic* (Baltimore, 1973), chap. 8. For a quite recent survey and a useful bibliography of over 100 pages see Giorgio Zordan, *L'ordinamento giuridico veneziano: Lezioni di storia del diritto veneziano, con una nota bibliografica* (Padua, 1980).

1081-1204.  
Hadley  
privileges  
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1172+  
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power

Venice through skillful diplomacy. The culmination of his own prestige came when he presided at the peace conference held in Venice in the year 1177, at which pope and emperor, after a bitter war, met and embraced. The ensuing Peace of Constance (1183), negotiated between the emperor and the Lombard cities, united in a league of which Venice was not a part, contained a clause that was important for the history of minting: the emperor renounced imperial claims to the authority to grant or withhold coinage rights in Italy. Many Italian communes, even those that considered themselves within the Holy Roman Empire, as Venice did not, had been minting their own coins for some time, and this concession by the emperor of their right to do so, each in its own way, merely reduced the predominance of mints that had previously enjoyed imperial privilege. There was then an increase in the output of other mints, including that of Venice.<sup>5</sup>

The next dominating doge, Enrico Dandolo, managed Venetian interests so skillfully during the overthrow of the Byzantine Empire in the Fourth Crusade that he laid the foundations of a Venetian maritime empire which partially replaced the Byzantine. In making Venice's contract to provide shipping for the Crusaders and in committing the Venetians themselves to participate in the crusade, he acted with the advice and consent not only of the small Ducal Council but of a much larger council of notables, and he then expounded their decisions to a popular assembly to receive its acclaim. His monetary innovations (which will be described in the next chapter) were probably approved similarly, although the contemporary chronicles do not give such detail on the monetary matters as they do on diplomatic and military decisions.

The popular assembly faded away, and the basic legislative and electoral authority passed to a Great Council of several hundred notables chosen from all six sections of the city. Until the early fourteenth century the basic regulations about the currency, for example, the decision to mint the gold ducat, were made by the Great Council.

The doge and the six Ducal Councillors managed the Great Council by formulating the proposals submitted to it. The doge presided over its meetings, as he did also over the meetings of the many smaller councils that gradually took over most of the functions of the Great Council when its membership became too large for effective debate and its main function became electing officials.

About 1300 the most powerful of the smaller councils, called the Quarantia because its members numbered forty, in addition to judicial and

<sup>5</sup>Cipolla, *Le avventure della lira*, 47-48; and Louise Buenger Robbert, "The Venetian Money Market, 1150-1229," *Studi veneziani* 13 (1971):35-36, which also cites the sources for the Peace of Constance. For the effects of the Peace of Constance on minting activity in Italy see Panvivi Rosati, *La monetazione comunale*, passim.

constitutional powers, was entrusted with special responsibility for the mint. After 1331 it shared that responsibility with a somewhat larger council that had been created to handle commercial and foreign affairs, a council later called the Senate. For some decades the Quarantia acted sometimes alone, sometimes in joint sessions with the Senate, which ultimately absorbed its legislative and administrative functions.<sup>6</sup>

When the Quarantia acted alone, it was managed by three Capi, or Heads. In many important matters the three Heads of the Quarantia met with the doge and his six Ducal Councillors. Those ten officials together constituted what was called the Signoria. Presided over by the doge, the Signoria was the supreme executive body, but it ruled by coordinating and executing the decisions of larger councils, not by deciding major issues by itself. Later, *Signoria* was used to refer to the government as a whole, but at least until 1432, Venice as a political organization called itself a commune. When the mint made a profit, that was revenue for "the Commune." Public property was distinguished from private property by being called "di Comun." Sovereignty resided in the Commune, certainly not in the top executive council composed of the doge, his six councillors, and the three Heads of the Quarantia.<sup>7</sup>

The change from "Comune Venetiarum" to "Serenissima Signoria" expressed a pride in rulership that arose not only from becoming the capital city of a colonial empire with domination over Istria, Dalmatia, and Greek islands ("il dominio da mar") and over cities and regions on the Italian mainland ("la Terraferma") but also from the fact that the monopoly of power within Venice was held by a self-conscious ruling class. A nobility largely constituted during the thirteenth century became hereditary early in the fourteenth; thereafter it reaffirmed and glorified its status.

Back in the thirteenth century, craftsmen such as the silversmiths, including those who performed the manual labor of shaping and striking coins, banded together into guilds with certain limited powers of self-government. But unlike many Italian communes, Venice had no guild of moneychangers and bankers. In communes where there was such a guild, it often had a role in administering the mint and regulating the currency.<sup>8</sup> In Venice, in contrast, the administration of the mint and the policing of

<sup>6</sup> Enrico Besta, *Il Senato veneziano (origine, costituzione, attribuzione, e riti)*, Miscellanea di storia veneta, 2d ser. 5 (Venice: Deputazione di Storia Patria, 1899), esp. 126; also Giuseppe Maranini, *La costituzione di Venezia*, 2 vols. (Venice, Perugia, and Florence, 1927–31; reprint, Florence, 1974), vol. 1, *Dalle origini alla serrata del Maggior Consiglio*, 303, 309–10, and vol. 2, *Dopo la serrata del Maggior Consiglio*, 144–45.

<sup>7</sup> Antonio Battistella, *La Repubblica di Venezia nei suoi undici secoli di storia* (Venice, 1921), 322–23; Cassandro, "Concetto, caratteri e struttura." Only in 1462 was the term "signoria" substituted for "comune" in the doge's election oath, or "promissio" (Samuele Romanin, *Storia documentata di Venezia*, 10 vols. [Venice, 1853–61; reprint, Venice, 1925], 4:312).

<sup>8</sup> See above, chap. 6, sec. iv.

moneychangers and silver merchants were directed by the Signoria and subordinate officials chosen from among the members of the ruling class. The richest Venetians had acquired their wealth from overseas trade. They and the inheritors of much real estate stood outside and above the guildsmen and dominated the wholesale markets. Among them were the bullion merchants and bankers, as well as the operators of shipping lines and the big importers of spices or cloth. This group controlled the governing councils so completely that they felt no need for any separate guild organization. To be sure, there was at least one early doge, Lorenzo Tiepolo (1268–75), who took particular care to be popular with guildsmen. The monetary policies of his dogeship may well have had the interests of the craftsmen and shopkeepers in mind, as well as those of the international traders and shippers who dominated as the ruling class.<sup>9</sup>

An important step in the consolidation of the ruling class was the so-called “serrata” of the Great Council under Pietro Gradenigo (1289–1311). While the membership of that council was greatly enlarged from a few hundred to well over 1,000, the membership was made lifelong and hereditary and was thus “closed” or, one might say, “locked in.” During the next few decades admission of new families was made more and more difficult. Hitherto the line between noble and non-noble had been indistinct; thereafter it became clearly defined by membership in the Great Council. Election to all the other governing councils and to important and lucrative offices such as mintmaster was restricted to nobles thus defined.<sup>10</sup> Nobles numbered about 1,200 adult males in a city of about 120,000 inhabitants and included leading bullion merchants and local bankers, as well as leaders in long-distance trade and the foremost admirals and politicians.

Within that ruling class, control centered in a smaller group which concentrated power more firmly through the Council of Ten. Created originally to punish and prevent domestic subversion, the Ten expanded their functions in the later fifteenth century at the expense of the Senate after the Senate had been enlarged to over 100 and had become the main theater for debates on foreign affairs and financial policy generally, as well as on coinage. When quick action was needed to meet the emergencies of international power politics, the doge and his councillors met with the Ten to take the action they felt to be immediately necessary for national security. Its jurisdiction was stretched to cover financial integrity. After a vain attempt was made to reassert the authority of the Great Council in

<sup>9</sup>See below, chap. 8, sec. i.

<sup>10</sup>Lanc, *Venice: A Maritime Republic*, 111–13; idem, “The Enlargement of the Great Council of Venice,” in *Florilegium Historiale: Essays presented to Wallace K. Ferguson*, ed. J. G. Rowe and W. H. Stockdale (Toronto, 1971); Guido Ruggiero, “Modernization and the Mythic State in Early Renaissance Venice: The Serrata Revisited,” *Viator* 10 (1979).

## THE BACKGROUND



## A BUREAU OF THE PROCURATORI DI SAN MARCO

A manuscript illumination of the late fourteenth century depicts the Procuratori paying a legacy to the monastery of San Maffeo di Murano.

*Left to right:* a bookkeeper, a gastaldo, two Procuratori, a lay brother, and a notary.

*Seminario Patriarcale, Venice, Catastico di S. Maffeo di Murano.*

*Photograph by Böhm.*

tinguishes between the executive, the legislative, and the judiciary branches. The Venetians had other ways of dividing up power. The Great Council, in addition to passing basic laws, sat in judgment in some special criminal cases and under a “*gratia*” procedure regularly granted pardons and mitigated or confirmed penalties pronounced by specialized magistracies.<sup>14</sup> Both the Senate and the Great Council not only passed laws but also chose officials, such as the mintmasters, who were charged with the execution of the laws.

To prevent individual abuses of power, the Venetians conferred power only on committees, not on individual nobles. The mintmasters,

<sup>14</sup>Carlo Guido Mor, “Il procedimento ‘per gratiam’ nel diritto amministrativo veneziano del sec. XIII,” in *Cassiere della bolla ducale: Grazie—Novus liber (1299–1305)*, ed. Elena Favaro, FSV (Venice, 1962).



like the members of almost all committees, served for short terms. The general rule that applied to all councils and chief magistrates (except the Great Council and the doge) limited the term of office to a year or two and, except in the case of senators, forbade immediate reelection to the same office. Colleagues, short terms, and liability of prosecution at the end of the term of office if the office had been misused were the Venetian guarantees against arbitrary use of individual power.

An exceptional life status was enjoyed by senior nobles elected Procuratori di San Marco. Their office was next to the mint and administered not only the funds assigned for the upkeep and operation of San Marco but also the safekeeping of coin collected for the Commune by various agencies, much of it accumulating for specified purposes, such as the periodic payment of interest on the public debt. In addition, they handled a great deal of paper work and coin as administrators of bequests, both many that named them as the trustees of legacies to minors and many that were left in perpetuity to religious and charitable institutions. As the number of public and private trust funds that they administered grew, and the honor of the office was more and more desired by leading nobles, the number of Procuratori was increased from two before 1259 to six in 1319 to nine in 1443.<sup>15</sup>

Among the many more or less permanent commissions and magistracies created to put decrees into effect, the division of authority was seldom clearly defined or enduring, especially in regard to enforcement. It was common practice to encourage several different offices to be active in punishing offenders by offering monetary reward to those officials who condemned the offender. A widely applied general practice awarded a third of the fine collected to the accuser, a third to the agency condemning the offense, and a third to the Communal treasury. A decree of 1338 restricting the sale of silver named twelve different magistracies as enforcement agencies eligible to receive a third of the fines they inflicted, including not only several specialized agencies for the Rialto market but also local police authorities.<sup>16</sup>

In spite of this application to public service of an appeal to the competitive spirit and to private interest, enforcement may well have been extremely lax in many cases. A zealous magistrate might add to his income. Whether his zeal added to his reputation among his fellow nobles and aided his political advancement or created instead a host of vindictive personal enemies must have varied with the popularity and practicality of

<sup>15</sup>Reinhold C. Mueller, *The Procuratori di San Marco and the Venetian Credit Market: A Study of the Development of Credit and Banking in the Trecento* (New York, 1977), chap. 1. For their keeping cash on hand which the government used when it had a special need to make payments in coin see, for example, below, chap. 13, sec. iv. For the importance in their operations of the changing values of moneys of account see chap. 20, n. 24.

<sup>16</sup>Doc. 3 in app. G (from ASV, Secreta, Capitolare dei Capi Sestiere, cap. 34, fols. 50-52).

the decree he was empowered to enforce and with other circumstances. It may well have been true for centuries before 1500, as a cynical diarist of that date lamented, that Venetian nobles were more interested in currying favor with each other than in enforcing the law.<sup>17</sup> Descriptions of Venice's monetary policies in ensuing chapters cannot avoid many assertions of the prohibition of this or that practice when the only evidence that it "was forbidden" is the text of a law, and "was forbidden" should not be taken by the reader to mean that there is good evidence that the law was enforced. In innumerable cases evidence is lacking, and the degree of enforcement is an open question.<sup>18</sup>

The maze of magistracies and councils through which any Venetian noble had to work to assert his ideas regarding public policy makes it difficult to follow the lines of political conflict concerning monetary matters. Advocates of hard money, of a higher or lower price for silver, or of tighter restrictions on banking can be discerned in some of the records. Occasionally a particular policy innovation or reform can be attributed to a particular doge or a particular organ of the government, such as the Quarantia or the Council of Ten, but we lack descriptions of debates before the sixteenth century, and even then we depend on personal reports such as those of the diarist Marino Sanuto. Venetians made no official record of the arguments advanced for or against proposals, unless they were embodied in the preambles to motions. They left no minutes comparable to the *Consulte e pratiche* of Florence. Records of the Senate's *Deliberazioni* help by recording defeated motions as well as those passed, but they begin to be complete only in 1333; and those of the Quarantia are even more incomplete, indeed entirely lacking for the early decades of the century, when the Quarantia was most active in formulating monetary regulations.<sup>19</sup> Motions passed or defeated sometimes refer to the general

<sup>17</sup>Robert Finlay, *Politics in Renaissance Venice* (Rutgers, 1980), 8–10, 219, and passim. Any assumption that the Venetian nobles always acted with patriotic and lawful devotion to the public welfare is an ingenuous distortion of Venetian idealizations of the constitution, which supposedly restrained their avarice and selfish ambitions. Cf. Donald E. Queller and Francis R. Swietek, "The Myth of the Venetian Patriciate: Electoral Corruption in Medieval Venice," in their *Two Studies in Venetian Government*, *Etudes de philosophie et d'histoire*, 33 (Geneva, 1977).

<sup>18</sup>Document 5 in app. G is an example of how the pardoning power of the Great Council could defeat strict literal enforcement by minor magistrates, perhaps overzealous in their eagerness for a share of the fine.

<sup>19</sup>The notes of Marino Sanuto on registers of the Quarantia, most of which are now missing (notes currently in ASV, Quarantia Criminal, b. 14bis), are of little help, since Sanuto's interests resembled those of a modern journalist more than those of a modern economist. He tends to note sexual offenses, unusual punishments, and the misdeeds of his and others' ancestors, and he is only secondarily interested in matters relating to money and banking. The lacunae in the series are analyzed by Antonino Lombardo in his "La ricostruzione dell'antico archivio della Quarantia veneziana," in *Miscellanea in onore di Roberto Cessi*, vol. 1 (Rome, 1958), pp. 239–57, and in *DQ*. On the Senate and other series see Andrea

## VENICE'S PLACE IN MONETARY HISTORY

considerations or pressures justifying monetary policy—concern for a particular branch of trade or for Venice's position as a world market, concern for revenue or for prestige—but conclusions regarding incentives or motives affecting particular decisions have to depend heavily on analyses of attendant circumstances.

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Da Mosto, *L'Archivio di Stato di Venezia*, Bibliothèque des "Annales Institutorum," 5, bks. 1 and 2 (Rome, 1937).