

Economic
and Social History
of Medieval Europe

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runners of the great colonial expansion projected by Germany in the territories on the right bank of the Elbe and the Saale. Here, settlement was simply the sequel and result of conquest. The dukes of Saxony and the margraves of Brandenburg, by driving back and massacring the Slav population of these regions, opened them to German occupation. Furthermore, it is certain that this occupation could never have gone forward so widely and with such vigour, if the soil of the mother-country had not at this time been insufficient for its inhabitants. From Saxony and Thuringia peasants set out to install themselves between the Elbe and the Saale. Westphalians soon followed and together they poured into Mecklenburg, Brandenburg and Lausitz. By the end of the twelfth century Mecklenburg was completely colonised; and in the thirteenth Brandenburg also. It was reserved to the Teutonic Order to pave the way by force of arms, from 1230, for a German advance in East Prussia, Livonia and Lithuania and to carry it as far as the Gulf of Finland. But Bavarians and Rhinelanders were also advancing at the same time into Bohemia, Moravia and Silesia, into the Tyrol and as far as the borders of Hungary, superimposing themselves on, or settling down side by side with, the original Slav inhabitants of these countries.

The movement was directed with as much skill as energy. The princes apportioned the conquered territories to locatores, great colonising agents whose business it was to attract people and to distribute land to them. The Cistercian monasteries were liberally endowed with these areas won from the "barbarians" and at once set up their farms and granges there. The condition of the inhabitants was also the same as that of the *hôtes* of the *villes neuves*. After all, these immigrants of colonial Germany were also and pre-eminently new-comers, *hôtes* on this foreign soil where they were taking the place of Slavs. They received it by hereditary right in return for a moderate *cens*, and

German, Slavs

they were granted personal liberty, which was indeed indispensable in all colonial territories. Thus the new Germany not only differed from the old Germany in the distribution of its land, but also in the status of its inhabitants.

The great transformation of the rural classes in the twelfth and thirteenth centuries was not only the result of the growing density of population. It was due, also, in large measure to the revival of trade and the growth of the towns. The old manorial organisation, framed for an age in which the absence of markets compelled the produce of the soil to be consumed on the spot, had necessarily to give way when permanent markets assured it a regular sale. This was what happened from the moment that the towns began to demand the country produce, which was essential to their existence. It is entirely inaccurate to represent the first urban agglomerations as semi-rural centres, capable of provisioning themselves. From the beginning, the bourgeoisie appeared as a class of merchants and artisans and it retained this character in all its greatest centres. Thus it was, in the language of the eighteenth century physiocrats, a sterile class, since it produced nothing which could directly serve to maintain life. Its day-to-day existence, its daily bread, depended on the peasantry of the neighbourhood. Up to then the peasants had tilled the soil and reaped the harvest only for themselves and for their lords: now they were urged, and urged increasingly as the number and importance of the towns grew, to produce a surplus, for the consumption of the burgess. The corn came out of the granaries and entered in its turn into circulation, either being carried to the neighbouring town by the peasant himself, or being sold on the spot to merchants who traded in it.¹

¹ The influence of the towns on the country was particularly powerful in Italy, where the countryside fell under the domination of the large communes. For the most recent account of this phenomenon see A. Doren, *Italianische Wirtschaftsgeschichte*, t. 1, p. 193 *et seq.*

per harvest
markets

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growth of
population
trade
towns

merchants
artisans

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This mobility of the fruits of the earth necessarily brought with it the progress of monetary circulation in the country,—the progress, not the beginning, for nothing could be more contrary to truth than the belief, which has too often been held, that the first centuries of the Middle Ages, i.e., those subsequent to the eighth century, were an era of exchange, not in money, but in kind. Properly speaking, what is called natural economy (*Naturalwirtschaft*) never existed in its pure form. There is no doubt that the dues payable to the lord from the *familia* of the great estates were usually paid in products of the soil. Nothing could be more understandable or more practical in a system where the sole purpose of such rents was to provision the landowner; but as soon as the harvest became an object of exchange, its price was expressed and paid in money. This was already the case in the intermittent trade to which it was necessary to have recourse in times of famine; there is no sign that the much-needed corn was ever bartered instead of being bought for ready money. Moreover, it is enough to open the Carolingian capitularies to be convinced of the regular use of money in the most trifling transactions effected by *denaratas* in the small markets of the time. It is true that the use of money was limited, but that is not because it was unknown, but because the economic structure of the period, being incompatible with genuine commercial activity, reduced it to a minimum. But as soon as this activity became normal and regular again, monetary circulation, which had never disappeared, advanced side by side with trade. Dues in kind did not disappear—they have never disappeared in any period, not even in our own—but they were less often used, because they were less useful in a society where exchange was increasing. What happened was not the substitution of a money economy (*Geldwirtschaft*) for a natural economy, but simply the fact that money gradually

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took its place as a measure of value and an instrument of exchange.¹

The very fact that it was in general use increased the volume of currency. The stock of money in circulation was infinitely more considerable in the twelfth and thirteenth centuries than it had been from the ninth to the end of the tenth century, and the result was a rise in prices which, naturally, turned everywhere to the advantage of the producers. Now this rise in prices went hand in hand with a way of life whose demands became more costly. In every direction where commerce spread, it created the desire for the new articles of consumption which it brought with it. As always happens, the aristocracy wished to surround themselves with the luxury, or at least with the comfort befitting their social rank. We see at once, for instance, by comparing the life of a knight in the eleventh century with that of one in the twelfth, how the expenses necessitated by food, dress, household furniture and, above all, arms, rose between these two periods. They would have risen still higher if revenues had shown a similar rise, but in a landowning class, such as the nobility, these remained, in the midst of a rise in the cost of living, what they had been before; fixed by custom, the rents payable by the land were unalterable. The landowners certainly received from their tenants enough to continue in the old way of life, but not to live as they now wished to do. They were the victims of an obsolete economic system, which prevented them from drawing from their landed capital a rent proportionate to its value. Tradition made it impossible even to think of increasing the dues of their tenants or the labour services of their serfs, since these were sanctioned by age-old usage and had become rights which could not be

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TRADITION

dues of tenants

labour service of serfs

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rights

¹ H. Van Werveke, *Monnaie, lingots ou marchandises? Les instruments d'échange aux XI^e et XII^e siècles*, in *Annales d'histoire économique et sociale*, 1932, p. 452 et seq.

attacked without causing the most dangerous economic and social repercussions.

Equally incapable of resisting their new needs and of finding the wherewithal to satisfy them, numbers of the nobility were reduced first to debt, and then to ruin. In the middle of the thirteenth century, Thomas de Cantimpré relates that in his native parish the number of knights had dropped from sixty, at the end of the preceding century, to one or two,¹ and this is certainly only a local instance of a general phenomenon. The Church itself was affected by it. At about the same time, Eudes Rigaud, archbishop of Rouen, describes the situation of the majority of small monasteries in his diocese as exceedingly embarrassed.² The great lay and ecclesiastical landowners were clearly in a better position to withstand the crisis, but only at the price of a more or less complete rupture with the traditional manorial organisation. Though it had been in existence too long to permit of change, costs could at least be reduced and a rather more profitable yield extracted from it. Many of its institutions had become superfluous with the revival of commerce. Of what use now were the domestic workshops (*gynecaea*) which on each important manor used to maintain a few score serfs to manufacture textiles or farming tools, not half so well as they were now made by the artisans of the neighbouring town? They were allowed to disappear almost everywhere in the course of the twelfth century. The same reason prompted the sale of the remote estates which monasteries in countries with no vineyards owned in wine-growing regions.³ Since wine could be obtained in the

¹ Thomas de Cantimpré, *Bonum Universale de apibus*, II, 49, p. 446, in the Douai ed., 1605.

² *Journal des visites pastorales d'Eudes Rigaud, archevêque de Rouen (1248-69)*, ed. Th. Bonnin (Rouen, 1852).

³ In 1264, the Abbé of Saint-Trond sold the monastery of Himmerode his vineyards at Pommeren and Briedel on the Moselle. See the texts relating to this matter in Lamprecht, *Deutsches Wirtschaftsleben*, t. III, p. 24 et seq.

artisans
of
town?

expense of
material

town

↓

wine

market, why continue to supply it at great expense on one's own lands? As to the lord's demesne, it was advisable to turn as much of it as possible into holdings, for labour services were unproductive and it was better to lease the land in return for cash rents, than to store the harvests at the risk of spoiling or being lost by fire.

Clearly the aim of the most prudent owners from now onwards was to increase their cash revenues as much as possible. This naturally led them to abolish or to modify serfdom. To enfranchise a man in return for a sum of money was doubly profitable, since he paid for his liberty, while giving up the ownership of his person did not entail giving up the cultivation of his holding. If he wished, he could keep it on conditions more advantageous to the lord; if he preferred to go, nothing was easier than to put another farmer in his place. Numerous as they were during the twelfth century, however, enfranchisements did not, as we know, put an end to the existence of a servile class. But although it was maintained it lost much of its primitive character; peasants were allowed to commute the labour services and other dues with which they were burdened for money, and although the old names of *mortmain*, *heriot* and *formariage* were occasionally retained down to the end of the *Ancien Régime*, in practice they were very much softened. Even though they continued to be levied, the *corvées* were light in comparison with the obligations which they had entailed of old. Seigneurial authority nowhere disappeared, but its power grew steadily less and little remained of its former patriarchal character. The result of this evolution was that the position of the great landowners approximated more and more closely to that of a *rentier* of the soil, a landlord in the modern sense. The majority of the emancipated peasants became tenants to whom the soil was granted in return for a *cens*, which was almost always hereditary. And in the course of the thirteenth century leases for a period of years spread in the

cash rents

enfranchisement

change to peasants was advantageous to lord

dues became money

landlords of soil
↓
peasants become tenants
↓
leases

most advanced regions. Many of the old demesnes were farmed to wealthy agricultural labourers. Eudes Rigaud advises the abbots in his diocese to lease their lands as often as possible.¹ In the south, in Rousillon, for example, land leases for two to six years were customary, and alongside of these the *métayer* lease, or payment of a share of the crop, was also in general use.²

It is characteristic that the decay of the seignorial system advanced in proportion to the development of commerce. In other words, it was much more rapid in the countries with large towns and a great trade like Lombardy, Tuscany, the north of France, Flanders, or the banks of the Rhine, than in central Germany or England. It was only at the end of the thirteenth century that the manorial system began to break down in the latter, while there were already numerous signs of its disintegration in Flanders from the middle of the twelfth century. Here, economic progress would seem to have brought about the disappearance of serfdom more than anywhere else. In 1335, the *échevins* of Ypres could write, "Onques n'avons oy de gens de serve condicion, ne de morte main, ne de quel condicion qu'il soient."³

The growing influence of commerce had the further result, at least along the great routes of transit and in the hinterland of the ports, of bringing about a specialisation of cultivation in accordance with the nature of the soil and climate. As long as traffic had been absent or insignificant, it had been necessary to make each manor produce the greatest possible variety of cereals, since they were unprocurable in the markets. But at the beginning of the twelfth

¹ See his *Journal*, cited p. 82, n. 2. In 1268 he advised an abbot "quod quam melius posset, maneria ad firmam traderet" (p. 607). He himself let several manors for two, three or four years to burgesses and clerks. *Ibid.*, p. 766 et seq.

² J. A. Brutails, *Étude sur la condition des populations rurales du Rousillon au Moyen Age*, p. 117 et seq.

³ Beugnot, *Les Olim.*, t. II, p. 770.

century the progress of trade brought about a more rational economy. Everywhere where export could be depended on, the soil was farmed for what it was suited to supply best and most cheaply. From the twelfth century onwards the Cistercian abbeys in England specialised in the production of wool; woad, the indigo of the Middle Ages, was cultivated in the south of France, in Picardy, Lower Normandy, Thuringia and Tuscany. Above all, vineyards spread, to the detriment of corn, all over those countries, where they produced good wine, plentiful and easily transported. Salimbene observed very acutely that if the villagers in the valley of the Auxerre "neither sowed nor reaped", it was because their river carried their wine to Paris where it had a "noble" sale.¹ The Bordeaux district presents the most typical example of a region where commerce determined cultivation. Through the estuary of the Gironde, by way of la Rochelle, its wines were exported more and more widely to the shores of the Atlantic, to England and to the basins of the North Sea and the Baltic. At the end of the twelfth century they had already spread from the port of Bruges to Liège, where they competed with the Rhine and Moselle wines. At the other end of Europe, Prussia on its side applied itself to the cultivation of corn, which the Hanse ships carried to North European ports.

Finally, it is important to observe that the greater intensity of the economic movement gave to the land a mobility which upset the traditional holdings into which it was divided. The primitive equality of the *mansu* and *Hufen* yielded little by little to holdings of diverse size, each composed of parcels acquired by one tenant and forming a single individual farm. Now that the peasant found a market for his goods in the neighbouring town, the taste for saving came to him with the taste for profit and there was no better use for savings than to acquire land. But

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a taste
for land

¹ Marc Bloch, *op. cit.*, p. 23.

Primo

86 LAND AND RURAL CLASSES

the bourgeoisie also was in search of land; to the wealthy merchants of the town it was the best possible investment for the profits realised in trade. In the thirteenth century a great number of them purchased *censives* in the countryside. In Flanders capitalists interested themselves in draining polders; in Italy the Sieneese and Florentine bankers bought up manors and in the fourteenth century the partners who looked after their business in France, England and Flanders showed themselves equally desirous of getting land into their hands.

warning of generalization

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But we must not generalise too much in regard to phenomena which were peculiar to a few countries, where capitalism was able to develop all its consequences. In reality, the changes in agricultural organisation and in the condition of the rural classes were very slow in all those parts of Europe which were not opened up by the great trade routes. Moreover, even where progress had been most rapid, the sway of the past remained powerful. The area of cultivation seems to have been larger than at any former period, but it was still infinitely less than it is to-day. Methods of cultivation appear to have remained stationary: the use of manure was unknown except in a few privileged regions, and everywhere men remained faithful to the traditional system of rotation. However much serfdom may have been modified, the peasant was still subject to seigneurial jurisdiction, tithes, banalities, and all the abuses of power against which governments did not protect him, or protected him inadequately. All things considered, the rural masses, who numerically formed the overwhelming majority of the population, played a purely passive rôle. The *vilain* had no place in the social hierarchy.

vilain



But on the other hand it is clear that, even though limited to the needs of a society based on a rural economy without markets, the action of credit was nevertheless considerable ; so much so, indeed, that it is difficult to see how this landed aristocracy, which was the basis of the whole social organisation, could have maintained itself without its aid. It was by means of credit, indeed, that society was able to survive the disaster into which it was periodically plunged by famine.

* The Church was the indispensable moneylender of the period. We have already seen that it possessed a liquid capital which made it a financial power of the first order. Chronicles are full of details about the wealth of the monastic shrines, teeming with reliquaries, candlesticks, censers, and sacred vessels made of the precious metals, offerings both great and small, which the piety of the faithful lavished on the earthly representatives of those all-powerful saints, whose intervention was most surely to be obtained by generosity to their servants. Every church of any reputation had thus at its disposal treasures, which not only increased the pomp of its services, but were an abundant hoard of capital. In case of need it had only to melt down a few pieces of goldsmith's work and send the metal to a neighbouring mint, to procure an equivalent sum of money, and this was a practice to which the monasteries had recourse, not only on their own behalf, but on that of others. If a bishop had to make an extraordinary payment, whether for the purchase of an estate or in the royal service, he turned for help to the abbeys of his diocese. There are innumerable examples of such loans. When, for instance, Otbert, bishop of Liège, bought the castles of Bouillon and Couvin in 1096, it was the churches of the diocese which met the costs of the transaction.¹

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But it was above all in times of dearth that the monastic treasuries were called into requisition. They played the

¹ H. Pirenne, *Histoire de Belgique*, t. I, 5th ed., p. 139.

reasonable rate of interest. The ordinary rate was two deniers per livre per week, that is to say $43\frac{1}{2}$ per cent per annum, which was almost double the rate of commercial interest. The Lombard "tables" were, moreover, far from confining themselves exclusively to the practice of loans at interest; they also received and made payments on behalf of their clients and engaged in commercial operations.

The exchangers also took part in the trade in money and the handling of credit. Money-changing was a lucrative business and the right to exercise it was granted by princes only in return for rents and to a limited number of persons, who thus enjoyed a semi-official position. The trade in precious metals was reserved for them and obviously produced abundant profits, in addition to the commission on the exchanges. It soon became customary to entrust them with sums for safe-keeping and these services were doubtless not gratuitous. They also received deposits and funds under arrest, and it can easily be understood that they frequently acted as agents of payment and that some of them even became moneylenders.

On the other hand, ecclesiastical establishments, which had played the part of real credit establishments in the first centuries of the Middle Ages, only rarely lent money from the beginning of the thirteenth century. Unlike laymen, they could not evade the prohibition of usury, though they occasionally permitted themselves to break it.¹ Moreover, they had not enough ready money to compete with the merchants, and above all with the Italian financiers, even if they had wanted to do so. Indeed, it was usually they who had recourse to the good offices of these financiers and they were almost always in debt to them. Only the Order of the Templars, by reason of its relations with the Christian East, succeeded in becoming a

¹ In 1228, the Abbé of Saint-Bertin lent money *ad usuram*. Bigwood, *op. cit.*, t. II, p. 263.

money
change
business

deposits
moneylenders

Templars

monetary circulation back to a more healthy condition, but the abuses to which it had been subject still continued. Kings and princes went on debasing the currency and giving it an arbitrary valuation. The value of money still followed a descending curve. The general policy sacrificed economic to fiscal interests and the first appeal for a better understanding of these matters, made by Nicholas Oresme in the fourteenth century, was destined to fall upon deaf ears. Many centuries were yet to elapse before governments began to follow the principles of a true monetary administration.

IV. CREDIT AND THE TRAFFIC IN MONEY ¹

The theory according to which commercial development is divided into three successive phases, the first charac-

¹ BIBLIOGRAPHY.—L. Goldschmidt, *op. cit.*, p. viii.—M. Postan, *Credit in Medieval Trade*, in *The Economic History Review*, vol. I (1928).—R. Génestal, *Le rôle des monastères comme établissements de crédit*, Paris (1901).—L. Delisle, *Les opérations financières des Templiers*, Paris (1889).—H. Van Werveke, *Le mort-gage et son rôle économique en Flandre et en Lotharingie*, in *Revue belge de philol. et d'histoire*, t. VIII (1929).—G. Bigwood, *Les financiers d'Arras*, *ibid.*, t. III (1924).—R. L. Reynolds, *The Merchants of Arras*, *ibid.*, vol. IX (1930).—H. Jenkinson, *A Moneylender's Bonds of the Twelfth Century*, in *Essays in History, Presented to R. Lane Poole*, ed. H. W. C. Davis, London (1927).—G. Bigwood, *Le régime juridique et économique du commerce de l'argent dans la Belgique du Moyen Age*, Brussels, 1921-2, 2 vols. (Mém. Acad. Belgique).—S. L. Peruzzi, *Storia del commercio e dei banchieri di Firenze (1200-1345)*, Florence (1868).—A. Saporì, *La crisi delle compagnie mercantili dei Bardi e dei Peruzzi*, Florence, 1926.—*Id.*, *Una compagnia di Calimala ai primi del trecento*, Florence (1932).—*Id.*, *I Libri di commercio di Peruzzi*, Milan (1934).—A. Ceccherelli, *Le scritture commerciali nelle antiche aziende fiorentine*, Florence, 1910.—E. H. Byrne, *Commercial Contracts of the Genoese in the Syrian Trade of the XIIIth Century*, in *The Quarterly Journal of Economics*, vol. XXXI (1916).—A. E. Sayous, *Les opérations du capitaliste et commerçant marseillais Etienne de Manduel, entre 1200 et 1230*, in *Revue des Questions historiques* (1930).—*Id.*, *Les transformations des méthodes commerciales dans l'Italie médiévale*, in *Annales d'histoire économique et sociale*, t. I (1929).—*Id.*, *Dans l'Italie médiévale à l'intérieur des terres: Sienne de 1221 à 1229*, *ibid.*, t. III (1931).—*Id.*, *Les méthodes commerciales de Barcelone au XIII^e siècle*, in *Estudis universitaris*

terised by barter (*Naturwirtschaft*), the second by money (*Geldwirtschaft*) and the third by credit (*Kreditwirtschaft*), has had a long vogue. Nevertheless, a study of the facts should soon have made it plain that it has no foundation in reality and is merely one more example of that love of systematisation which has so often influenced the study of economic history. While it is incontestable that credit has played an increasingly considerable rôle, it is equally true that it may be observed at work in all periods. The difference between them in this respect is merely quantitative and not qualitative.¹

Naturally, during the agrarian period of the Middle Ages there could be no question of commercial credit in the proper sense of the term, which could not possibly have developed in an age of sporadic and occasional commerce and in the absence of a class of professional merchants.

catalans, t. XVI (1932).—*Id.*, *Les mandats de Saint Louis sur son trésor*, in *Revue historique*, t. CLXVII (1931).—F. Arens *Wilhelm Servat von Cahors als Kaufmann zu London*, in *Vierteljahrsschrift für Social- und Wirtschaftsgeschichte*, t. XI (1913).—W. E. Rhodes, *The Italian Bankers in London and their loans to Edward I and Edward II* in *Owens College Essays*, Manchester (1902).—W. Sombart, *Die Juden und das Wirtschaftsleben*, Leipzig (1911).—A. Sayous, *Les Juifs ont-ils été les fondateurs du capitalisme moderne?*, in *Revue économique internationale* (1932).—W. Endemann, *Studien in die romanisch-hanonistische Wirtschafts- und Rechtslehre*, Berlin (1874-83), 2 vols.—F. Schaub, *Der Kampf gegen den Zinswucher, ungesicherten Preis und unlauteren Handel*, Freiburg (1905).—H. Pirenne, *L'instruction des marchands au Moyen Age*, in *Annales d'histoire économique et sociale*, t. I (1929).—A. Schiaffini, *Il mercante Genovese del dugento*, in the review *A compagna*, an. 1929.—F. Rörig, *Das älteste erhaltene deutsche Kaufmannsbüchlein*, in *Hansische Beiträge zur deutschen Wirtschaftsgeschichte*, Breslau (1928).—F. Keutgen, *Hansische Handelsgesellschaften vornehmlich des XIV. Jahrhunderts*, in *Vierteljahrsschrift für Social- und Wirtschaftsgeschichte*, t. IV (1906).—J. Kulischer, *Warenhändler und Geldausleiher im Mittelalter*, in *Zeitschrift für Volkswirtschaft, Sozialpolitik und Verwaltung* (1906).—A. P. Usher, *The Origins of Banking. The Primitive Bank of Deposit*, in *The Economic History Review*, vol. IV (1934).

¹ "Sale credit of which the existence has been generally denied, in reality formed the financial basis of the medieval trade. As to the other forms of credit their existence was never doubted but their function was wrongly interpreted." Postan, *loc. cit.*, p. 261.

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agrarian
period
of
Middle
Ages

part of credit establishments for neighbouring lords, whose reserves were exhausted and who had to obtain the essential means of livelihood for cash. They advanced the necessary funds against a land gage by the borrower, guaranteeing payment of the debt. It was called a "live gage" (*vif gage*) when the revenue from the property pledged contributed to the repayment of the principal, and a "dead gage" or mortgage when the revenues went to the creditor without any deduction of the principal debt. In both cases the prohibition of usury was respected, since the money originally lent did not by itself produce any interest.

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In operations of this sort, which were innumerable up to the mid-thirteenth century, the loans were all loans for consumption, that is to say, they were contracted as a result of some urgent necessity; the money received would be spent at once, so that each sum borrowed represented a dead loss. When it prohibited usury for religious reasons, the Church therefore rendered a signal service to the agrarian society of the early Middle Ages. It saved it from the affliction of consumption debts, from which the ancient world suffered so severely. Christian charity could here apply with the utmost rigour the principle of lending without remuneration; the precept *mutuum date nihil inde sperantes* was perfectly attuned to a period in which, money not yet being a means of wealth, any remuneration for its use could appear only as an exaction. But the revival of commerce, by discovering the productivity of liquid capital, gave rise to problems to which men sought a satisfactory solution in vain. Right up to the end of the Middle Ages society continued to be torn with anxiety over the terrible question of usury, in which business practice and ecclesiastical morality found themselves directly opposed. For want of a better solution, it was evaded by means of compromises and expedients.

The rarity of our sources makes it impossible to discover

live gage vs

dead gage (no interest)

loans for consumption i.e. urgent necessity *

usury vs business practice vs church morality

Credit =
loan with
interest

the conditions under which commercial credit first began, but there is no doubt that already in the eleventh century there was in existence a considerable number of merchants disposing of liquid capital. Of such were the merchants of Liège, who in 1082 lent the abbot of Saint-Hubert the sum which he required for the purchase of an estate.¹ Although we know nothing of the contract between the parties, it is impossible to believe that the loan was a gratuitous one. The lenders obviously agreed to it only in return for advantages which they considered sufficiently remunerative, and it is difficult to believe that they abstained from any sort of usury. In any case the practice of usury appears in full vigour in the middle of the twelfth century. We possess enough details of the career of a burgess of Saint-Omer, William Cade (who died about 1166), to suspect that he engaged simultaneously in trade in merchandise and trade in money. We see him engaging in real credit operations, buying the wool of their sheep in advance from the English abbeys, and in so acting he was without doubt only conforming to the practice of all the great merchants of his age. Moreover, there is no lack of evidence for purchases and sales on credit in the wholesale trade in spices, wine, wool, cloth and other commodities.

purchase + sale
with
credit

The insufficiency of monetary circulation would render the possibility of large-scale commerce incomprehensible, except on the supposition that it made use of credit as a normal operation. Of this use Italy, where the economic advance began much earlier than on the continent, provides unexceptionable proofs. Already in the tenth century the Venetians were investing money in maritime ventures, and as soon as Genoa and Pisa devoted themselves to navigation, numbers of nobles and burgesses began to risk their capital on the sea. The smallness of the sums involved ought not to blind us to the importance of these

¹ *Chronique de Saint-Hubert*, ed. Hanquet, p. 121.

investments. In order to distribute the risks, men took "parts" in several ships at a time. The *commendata*, already flourishing in the twelfth century, shows very clearly the part played by commercial credit. The lender (*commendator*) advanced to the borrower for a share in the resultant profits (usually three-quarters) a capital sum which the latter was to put to use abroad.¹ Maritime insurance, which Genoese documents show us in operation from the twelfth century, is another application of credit. In order to describe the many and various forms which it assumed from this time onwards, it would be necessary to trespass further than is here possible into the field of commercial law. Its earliest development would appear to have been due to Italian and more especially Genoese shipowners. It was through them that insurance spread from maritime transactions into general financial practice.

origins of insurance

Commenda
lender
advanced
to
borrower
or share
in
voyage

Societies devoted to land commerce developed rather less rapidly than those which originated in sea trade, but in the twelfth century they appear in full vigour in all the mercantile cities of Italy. Letters of credit were then in regular use; we have already seen what an essential part they played in the business conducted at the Champagne fairs. The documents of obligation, out of which the bill of exchange developed, were drawn up either by notaries, as in Italy and the south of France, or by municipal scribes in Flanders.

notary's
letter or
credit
↓
document
of
obligation
↓
became
bill of
exchange

The development of instruments of credit presupposes a knowledge of reading and writing among the merchants. The activity of commerce was no doubt the reason for the foundation of the first schools for the children of the bourgeoisie. At first these children must have had to rely entirely upon monastic schools, where they learned the rudiments of Latin necessary for commercial correspond-

¹ According to Byrne, the normal profit of the Genoese companies in the twelfth century amounted to 25 per cent.

ence. But it is obvious that neither the spirit nor the organisation of these schools would allow them to devote enough attention to the kind of practical knowledge which was required by pupils, who were destined for a commercial career. Thus from the second half of the twelfth century the towns began to open little schools, which may be considered as the starting-point of lay education in the Middle Ages. The clergy, of course, opposed this intervention of the secular power in a domain which had hitherto been their exclusive property. Though they did not manage to put a stop to an innovation which had become indispensable to social life, they did almost everywhere succeed in submitting the town schools to the supervision of their own theologians, although the municipal authorities retained the right of nominating the schoolmasters.

The majority of merchants engaged in international commerce in the thirteenth century undoubtedly possessed a more or less advanced degree of instruction. It was certainly largely as a result of their initiative that the vulgar tongues took the place of Latin in private instruments. At all events it is worthy of note that this practice began in those countries which were economically the most advanced, that is to say, in Italy and Flanders. The earliest charter drawn up in French comes from the latter. In Italy the practice of writing was so much a part of commercial life that the keeping of books by merchants seems to have been general, if not obligatory, in the thirteenth century. From the beginning of the fourteenth century it was general all over Europe. The account books of the Bonis brothers at Montauban begin in 1339,¹ and that of Ugo Teralh at Forcalquier² covers the years 1330-2. From Germany there have come down to us, among others, the

¹ E. Forestié, *Le livre de comptes des frères Bonis, marchands montaubanais du XIV^e siècle* (Paris-Ausch, 2 vols., 1890-3).

² P. Meyer, *Le livre journal de maître Ugo Teralh, notaire et drapier à Forcalquier (1330-2)*, in *Notices et extraits des manuscrits de la Bibliothèque Nationale, etc.*, t. XXXVI (1898).

Towns
schools - to
keep children
of merchants

Practice of
writing
Account
books

Handlungsbücher of Johann Tölner of Rostock,¹ of Vicko von Geldersen of Hamburg,² of Hermann and Johann Wittenborg of Lübeck;³ the oldest of all, that of the Warendorps, also comes from Lübeck.⁴ At the beginning of the thirteenth century Leonardo Pisano (Leonardo Fibonacci) composed a treatise on arithmetic for the use of merchants.

The knowledge of foreign languages, too, was certainly widespread among men of business, among whom French played much the same part that English plays to-day in economic affairs. The fairs of Champagne no doubt did much to bring this about. There have been preserved a number of little conversation books, composed at Bruges in the middle of the fourteenth century, in order to teach this language.⁵ Side by side with it Latin continued to fulfil the rôle of an international language, especially in relations between the romance and germanic peoples.

The advance of education appears to have been intimately connected with that of credit, and the example of Italy shows that the further credit was developed, the more rapid was this advance. The commercial documents which have been preserved show that long-term payments were very common; the most cursory glance at the account books mentioned above will make this plain. Moreover, these books are concerned only with retail trade. Analogous documents dealing with wholesale operations would

¹ K. Koppmann, *Johann Tölners Handlungsbuch von 1345-1350* (Rostock, 1885).

² H. Nirnheim, *Das Handlungsbuch Vickos von Geldersen* (Hamburg-Leipzig, 1895).

³ C. Mollwo, *Das Handlungsbuch von Hermann und Johann Wittenborg* (Leipzig, 1901).

⁴ F. Rösig, *Hansische Beiträge*, etc., cited p. 119, Bib.—For Bruges there remain only the fragments of an account-book of Collard de Marke (1366-9). R. de Roover, *Considérations sur le livre de comptes de C. de M.*, in the *Bulletin de l'école supérieure de commerce Saint-Ignace à Anvers* (1930).

⁵ *Le livre des métiers de Bruges et ses dérivés. Quatre anciens manuels de conversation*, ed. J. Gessler (Bruges, 1931).

foreign
languages

certainly be still more striking. It is impossible to believe that the merchants who bought hundreds of bales of wool in England could have paid for them before they had sold the cloth made from it. Moreover, we possess enough evidence to warrant the conclusion that great merchants were in continual relations of debt and credit with one another. In fact, instead of the almost negligible function which it had been customary to attribute to commercial credit in the Middle Ages, we shall have to admit that it played a preponderant part.

Of course it was not equally advanced in all countries. It was much less widespread in Germany beyond the Rhine than in Flanders and above all in Italy, and it is an error of methodology to generalise from that country to the whole of Europe, as has too often been done. In order to understand the scope of a given phenomenon, it must be studied where its manifestations are most vigorous. The economic activity of the great Flemish and Italian cities cannot be reduced to that of second-rate towns like Frankfurt-on-Main. It would be equally unjustifiable to exaggerate the importance of commercial credit in the Middle Ages by comparing it with that of our own day, or even of the end of the fifteenth century. Essential as it was, it had to operate within the limits of an economic territory bounded on the West by the shores of the Atlantic and on the East by the Mediterranean, Black Sea and Baltic coasts. It was not, then, upheld by the power of great states, nor was it able, for reasons which will appear later, to influence at all seriously the organisation of industrial production.

Commercial credit employed only a part of the liquid capital available. By far the greater part was used for loans to public authorities or to individuals. The banking operations of the Middle Ages were essentially loan operations, and almost the whole history of the trade in money at this period is concerned with these. This trade was

Commercial
Credit
high rate

more money
loans to
public +
ports

itself only a result of the commercial revival of the eleventh and twelfth centuries. Of the first medieval bankers, some were descendants of the exchangers (cambitores), who came into existence at an early date as a result of the diversity of currencies and rapidly grew rich in the exercise of a profession which necessarily escaped all control, while others, many more numerous, were great merchants, who found a use for their surplus capital by lending it to others. It may be observed, moreover, that banking was never entirely divorced from trade in merchandise, upon which it was, so to speak, grafted. It was simply one way of utilising reserves of capital.

As a general rule the medieval banker was both money-lender and merchant. The foundation of great commercial fortunes in the course of the twelfth century inevitably drew the attention of kings, princes, aristocracy and even of the church. They were all suffering from an insufficiency of revenue, as a result of the increasing economic activity and the continual growth of expenses, which were the fruit of more refined standards of life. It was much more convenient for them to get an advance of the money they needed from those merchants who were rolling in it, rather than to pledge their lands to abbeys or to send their plate to the mint. And how could the merchants have withstood their demands? It would have been too dangerous to refuse borrowers whose political and social influence was considerable. It is true that their very power might endanger the repayment of the sums risked in their hands, but it was a sufficient guarantee to demand a rate of interest high enough to compensate the losses due to debts unpaid. All things considered, if the risks were great (and were they any greater than those involved in international commerce, subject to all the hazards of war and shipwreck, pirates and robbers?) the profits in prospect were attractive. From the thirteenth century onwards they must have tempted almost all the *nouveaux riches*. It is obvious that

① money obtained
 ② great merchants
 ↓
 attached
 reserves
 in commerce
 *
 *

only small traces remain of the loans which they made, the title deeds of which were destroyed on repayment. We owe entirely to chance the preservation of the few sources of information which have come down to us, and which, despite their rarity, enable us to appreciate the vast credits which the merchants placed at the disposal of their clients.

Round about 1160 William Cade was furnishing considerable sums to the king of England and to a number of nobles.¹ John Rynvisch and Simon Saphir of Ghent performed the same office for John Lackland.² About the same time Arras was famous for its moneylenders,

Atrebatum . . . urbs . . . plena
Divitiis, inhians lucris et foenore gaudens.³

The richest of them all, the Louchards, left a name which was legendary in the Low Countries and the Crespins enjoyed an almost equal reputation. Artesian poetry still preserves for us the impression that their wealth and their love of gain made upon contemporaries.⁴ From the beginning of the thirteenth century all the great nobles of the Scheldt basin were in debt to the bourgeoisie of the towns. Side by side with the men of Artois we hear of the burgesses of Lens, Douai, Tournai, Ghent, Valenciennes and Ypres as lenders, and the list of their debtors includes the Countesses Jeanne and Marguerite of Flanders, Count Gui de Dampierre, his sons, Robert and Jean, bishop of Liège, Count Robert II of Artois, the sire de Termonde and many

¹ On these operations see H. Jenkinson's article, quoted p. 118, Bib.

² Already in 1176 English prelates were borrowing considerable sums from the "mercatores Flandriae". A. Schaube, *Handels-geschichte der Romanischen Völker*, p. 393.

³ Guillaume le Breton, *Philipidis. Mon. Germ. Hist. Script.*, t. XXVI, p. 321.

⁴ A. Guesnon, *La satire à Arras a XIII^e siècle*, in *Le Moyen Age* (1889 and 1900). On the reputation for cupidity and wealth enjoyed by the Artesians at the beginning of the twelfth century, see Guibert de Nogent, *Histoire de sa vie*, ed. G. Bourgin, p. 223

others. The sums advanced vary from 60 to 14,000 livres, but the same persons continually return to the charge. From 1269 to 1300, the known debts of Gui de Dampierre reached a total of 55,813 livres, in the county of Flanders alone, and we do not know how many more he may have contracted. Repayment was usually stipulated for in a year's time and under the guarantee of sureties, who were sometimes rich bourgeois, sometimes great personages, such as the avoués of Arras and of Bethune and the lord of Audenarde, sometimes (and most often) the town of Bruges. Sometimes, too, the guarantee was provided by the real property of the debtor. Towns were as ready to borrow as the nobility. Large and small, they continually had recourse to the merchant's moneybags. From October 1284 to February 1305 on ten separate occasions Bruges obtained advances which amounted in all to over 460,000 livres.¹ The needs of religious establishments were less considerable, but they too continually sought for credit and the journal of his visitations kept by Archbishop Eudes Rigaud (1248-69) shows that almost all the monasteries of Normandy were in debt.

These illustrations will suffice to show the extent of the credit operations, which arose out of the existence of liquid capital derived from commerce. The picture presented by the Low Countries was reproduced all over Europe, with differences due to the greater or less activity of economic life in the different regions. Everywhere money was assured of a more profitable investment in proportion as the demand for it was greater. Each sum advanced by the lender meant a remuneration which was simply usury, or, to use the modern expression, interest. Neither municipal accounts nor individual memoranda recoil before the odious word usury; but in documents intended for the public the reality was dissimulated. The borrower habitually agreed to repay, on the expiration of

¹ G. Bigwood, *op. cit.*, t. I, p. 99.

E.S.H.

nobility + towns borrow with guarantee of people or property

monasteries + Normandy

demand for money provided by usury (dissimulated)

" credit operations (debt, loan) which arose out of the existence of liquid capital (money) derived from commerce "

the term, a sum greater than that which he had in fact received; the difference formed the interest. In loans with damages (*ad manatum*) the debt acknowledged is exactly that originally contracted. On the nominal day of payment the damages are paid and if the principal is not paid at the same time the debt is renewed until the debtor finally discharges himself. It must have been understood that the debtor would not pay up on the agreed date, so that usury was here concealed under the guise of a penalty for delay.¹ In general the rate of interest varied between 10 and 16 per cent. Sometimes it fell as low as 5 per cent, or rose as high as 24 per cent and even more. The degree of risk involved in the transaction naturally affected the stipulated rate.

The trade in money as it was practised by the merchants of Northern Europe, Cade, Louchard, Crespin and their like, was very primitive in form, in spite of its wide extent. It seems to have been confined to individual contracts between capitalists and borrowers. The financiers of Arras and of the other Flemish towns do not appear to have formed companies. "They either acted alone, or else, more often, in groups of two or three, among whom a temporary association no doubt existed, but not a regular company."² They had neither representatives abroad, nor corresponding establishments. They do not even seem to have been in relations with the bankers and exchangers of the Champagne fairs, for they regularly stipulate that the money advanced is to be repaid at their own domiciles. Furthermore, they undertook neither to receive deposits, nor to make payments abroad, nor to discount bills of exchange. The Italians, on the contrary, were familiar with all these operations from the twelfth century and from the thirteenth had brought them to the highest degree of development compatible with the social conditions of the age. So great was their superiority over the Northern

¹ G. Bigwood, *op. cit.*, t. I, p. 441.

² *Ibid.*, p. 178.

primitive
usury
between person *

developed
credit
Italians
deposits
payments
discount

financiers that the latter had to yield place to them, and the financiers became, from the end of the thirteenth century, no more than wealthy rentiers, *otiosi*, who occupied themselves with the administration of their own fortunes. the acquisition of real property and the purchase of rents.

As we have already seen, the merchants of the North and of Italy were frequenting the fairs of Champagne and Flanders from the thirteenth century. The cloth industry, the products of which they exported in ever-growing quantities to the South of Europe, was so important for them that many of them were led to settle in the centres of production and even to enter into affiliations with the bourgeoisie. But no sooner were they there, than they began to compete successfully with the natives, over whom their organisation and superior technique gave them a great advantage in finance. The powerful companies to which they belonged supported them with capital from abroad and from the end of the thirteenth century all had their representatives in the Low Countries. We find there associates or factors of the Salimbene, the Buonsignori and the Gallerani of Siena, the Frescobaldi, the Pucci, the Peruzzi and the Bardi of Florence, the Scoti of Piacenza, and side by side with them Genoese, Pistoians and Cahorsins from Languedoc. All these southerners possessed a commercial education, a routine of exchange and credit business and a knowledge of the great mercantile centres of Europe with which they were in constant relations, which placed them beyond competition. It is not surprising that, after the Battle of Bouvines, Countess Jeanne had recourse to Italian credit for the sum which she needed to ransom her husband, Ferrand de Portugal, from the hands of Philip Augustus. In 1221 she had received 29,194 livres at a cost of 34,626. It was good business for the money-lenders and doubtless the Countess, on her side, could congratulate herself on their *savoir faire*.¹ At all events,

¹ *Ibid.*, p. 180.

from this time onwards the practice of borrowing from the *ultramontani* spread rapidly.

The advance of credit is shown by the variety of the forms which it assumed. The fairs of Champagne were usually fixed as the place of repayment and determined the term of the loan. But the Italian bankers also acted as intermediaries in making payments abroad, and their mastery of exchange operations and "clearing house" practice, i.e., the mutual setting off of debts, gave them, from the end of the thirteenth century, a monopoly of banking north of the Alps. The kings of France and England, territorial princes, bishops, abbots, towns, all provided them with an international clientèle. The Papacy made use of them to manage the enormous sums at its disposal, to collect Peter's Pence and the ever-increasing taxation of every kind with which it burdened the Church.¹ In fact, they managed the finances of the whole of Europe. Kings called them into their councils, entrusted them with their mints, charged them with the supervision and collection of their taxes. They farmed the excises in many towns, and everywhere princes authorised them to keep loan establishments (*tables de prêts*). Besides banking they engaged in all kinds of commercial operations. They bought wool and sold cloth, spices, goldsmiths' work, brocade, and silks. They owned ships on the one hand and hostels in Paris, Bruges and London on the other. As their business grew they became increasingly bolder, for the profits realised more than compensated for the risks. They had no hesitation in squeezing the debtors, who were forced by necessity to apply to them and not infrequently exacted interest of 50 per cent, and even over 100 per cent, from abbey or individuals in distress. But in big business,

¹ G. Schneider, *Die finanziellen Beziehungen der florentinischen Bankiers zur Kirche* (Leipzig, 1899); ed. Jordan, *Le Saint-Siège et les banquiers italiens*, in *Congrès internationale des catholiques*, 5th section, p. 292 (Brussels, 1895).

clearing house
 operations
 tax collection
 mint supervision
 commercial ops

and in transactions with clients whose power or solvency were their recommendation, the rate was usually round about 10 per cent.

Compared with the efflorescence and ubiquity of Italian credit, that of the Jews appears a very small affair and the part which they played in the Middle Ages has certainly been much exaggerated. In actual fact, the more economically advanced a country was, the fewer Jewish money-lenders were to be found there. In Flanders there were never more than a negligible number, but they became increasingly numerous towards the East of Europe. In Germany their numbers grew with the distance from the Rhine and in Poland, Bohemia and Hungary they were to be found in quantities. In the agrarian period of the Middle Ages, as was shown above, they acted as pedlars of oriental goods.¹ Through Moslem Spain, where their co-religionists had early acquired great economic influence, they introduced into Northern Europe spices, precious stuffs and goldsmiths' work. They even seem to have engaged in a clandestine traffic in Christian slaves up to about the end of the tenth century. A certain number of them had acquired lands, vineyards and mills in the South of France. But the Church, without persecuting them, always sought to prevent all contact between these "miscreants" and the faithful, and the outburst of mysticism, which was contemporaneous with the first crusade, unleashed popular hatred against them and inaugurated that long series of pogroms, of which they were so often henceforth to be the victims. At the same time the revival of Mediterranean commerce in the eleventh century made it possible to dispense with them as intermediaries with the Levant. It was only at Barcelona that Jewish traders, who had grown rich during the Moslem period and remained in the

¹ See above, p. 11.—Cf. M. Hofmann, *Der Geldhandel der deutschen Juden während des Mittelalters bis zum Jahre 1350* (Leipzig, 1910).

town after the *reconquista*, took part in maritime trade as owners or sleeping partners in the ownership of ships. Everywhere else the Jews of the West were reduced to mere pawnbroking, lending money at interest on the security of pledges. They were unaffected by the prohibition of usury, which applied only to Christians, and they profited by and undoubtedly abused this freedom. For no one came to their doors save in case of need and necessity enabled them to exploit their clients as much as they liked. Their connections with their co-religionists, not only in Europe but in the Islamic lands of the South, made it easy for them to procure the ready money which they required for their business, and individuals in distress could always obtain assistance from them; the more urgent the need, the less likely was the client to haggle over the price. Moreover, borrowing from the Jews had the appreciable advantage of secrecy. It was so convenient that even ecclesiastical establishments resorted to it.

Wherever they settled the Jews were under the protection of the territorial sovereign, which is as much as to say that they were dependent on his good-will. In 1261 Duke Henry of Brabant, on his death-bed, ordered all usurers to be expelled from his country and his widow only resigned herself to tolerating them, after seeking the advice of St. Thomas Aquinas.¹ Edward I expelled them from England in 1290. Philip the Fair followed his example in France in 1306, but his successors allowed their gradual return to the kingdom, whence they were once more banished in 1393. Moreover, the people periodically rose against them, instigated by debtors, for whom it was only too easy to excite the masses by appealing to their credulity.² The Jews were suspected of every sort of horror

¹ H. Pirenne, *La duchesse Aleyde de Brabant et le "De regimine Judaeorum" de Saint Thomas d'Aquin*, in *Bulletin de la Classe des Lettres de l'Académie royale de Belgique* (1928).

² For a curious example at Paris, in 1380, see the *Chronique du religieux de saint Denys*, ed. Bellaguet, t. I, p. 54.

and sacrilege. In 1349 they were massacred all over Brabant; in 1370 they were finally expelled, after a rumour that they had profaned the host.¹

As pawnbrokers the Jews encountered powerful competition from the Christians themselves from the thirteenth century. The earliest in date would seem to have been men from Cahors, who were scattered all over France and the Low Countries and were so active there that from the middle of the century the word "Cahorsin" became equivalent to moneylender.² However, Lombards, or more exactly Italians, soon took their place in this class of business. In return for a rent, princes and towns granted them the right to set up "loan tables"; the earliest of these grants in the Low Countries goes back to 1280. The grantees of these establishments enjoyed a monopoly to the exclusion of others, such as "toscans u coversins u juis",³ and it may be surmised that it was often their representations which contributed to bring about the expulsion of the Jews, whose place they took. Although the earliest grants stipulated that loans should be made "bien et loiaument sans malengien et sans usure", all that is intended is obviously the prohibition of excessive interest. Later texts leave no doubt on this point; they merely forbid "evil covenants" or oblige the lenders to conform to "the usages and customs according to which the Lombards are accustomed to lend".⁴ Thus they officially recognise the exaction of what is regarded as a

¹ They could not have been very numerous, for the confiscation of their possessions produced only 7,065 Brabantine florins. Henne and Wauters, *Histoire de Bruxelles*, t. I, p. 133, n.

² In 1367, at Bruges, the word "cauwersinen" was applied to the Lombards. Gilliodts van Severon, *Inventaire des Archives de Bruges*, t. II, p. 140.—The Cahorsins, too, dealt both in money and in merchandise. See F. Arens, *Wilhelm Servat von Cahors als Kaufmann zu London*, in *Vierteljahrschrift für Social- und Wirtschaftsgeschichte*, t. XI (1913), p. 477 et seq.

³ Bigwood, *Le commerce de l'argent* t. I p. 349.

⁴ *Ibid.*, p. 451.

real financial power in the course of the thirteenth century. Its commanderies were all in correspondence with each other, whether they were established in Syria or in the Western states. Their prestige and military power led the nobility to use them as places of safe deposit, or for the transmission of money to and from the Levant. In France the Templars were entrusted by the kings with all kinds of Treasury business, until Philip the Fair decided to bring about the dissolution of an order, whose wealth he coveted and whose tutelage he desired to shake off.

Real credit (i.e., credit connected with landed estate) developed in a way which gave it, in the towns at least, an essential importance. Merchants who had grown rich on commerce did not employ all their profits in business or in loans. The safest investment was to buy land, which with the rapid growth of the urban population became building sites, to be rented to the new inhabitants. Already, at the beginning of the twelfth century, the *Gesta episcoporum camera censium* show us the first great merchant of the Low Countries whose name has been preserved by history, Werimbold, acquiring more and more rents as his fortune grows,

Census accrescent censibus
Et munera muneribus.¹

To the early land rents drawn by the owners of the soil there were soon added new rents, drawn from the houses which the occupants had put up there. The creation of these house rents was one of the most general and frequent forms of medieval credit. If a householder wanted to borrow for a long term, he sold a rent on the house, that is to say, engaged to pay the moneylender a rent, which was sometimes permanent but more often redeemable, and which represented the interest on the capital borrowed on the security of the house property. This interest, which

¹ *Gesta episcoporum Cameracensium Continuata*, ed. G. Waitz, *MM.GG.*, 55., t. XIV, p. 215.

merchants
invested
in
land

house
rent
as
interest

land rents + house rents

was much more moderate than commercial interest and had the advantage of not falling under the prohibition of usury, usually varied round about 10 to 8 per cent up to the fifteenth century.¹

Very different from these rents on real property were the life rents, which came into general use as a result of loans contracted by the towns. From the beginning of the thirteenth century the towns resorted increasingly to the practice of selling rents for one or two lives, in order to raise extraordinary sums, such rents forming the interest on the borrowed capital. They were payable to the lender to the time of his death or the death of his heirs (rents for two lives). They were thus investments which were from an early date much sought after by the bourgeoisie, and since everyone was permitted to purchase rents of this kind, each town came to possess rentiers, sometimes distributed very widely. To preclude fraud special prizes were promised to whoever would notify the death of beneficiaries of these rents, who incidentally bear an obvious resemblance to the modern holders of public debt. Sometimes, also, special agents were appointed by the town government to keep count of holders of life rents.² Certain towns assigned the administration of a part of their revenues to their creditors, who repaid themselves out of the profits. In Italy this custom was already much in vogue in the middle of the twelfth century. In 1164 Genoa handed over some of its revenues for a period of eleven years to a

¹ W. Arnold, *Zur Geschichte des Eigentums in den deutschen Städten* (Basle, 1861). G. Des Marez, *Étude sur la propriété foncière dans les villes du Moyen Âge et spécialement en Flandre* (Ghent, 1898); J. Gobbers, *Die Erbleihe und ihr Verhältniss zum Rentenkauf in mittelalterlichen Köln*, in *Zeitschrift der Savigny Stiftung für Rechtsgeschichte, Germ. Abth.* (1883).

² The abbey also created life rents in favour of their creditors. See, for example, in 1267, the list of *pensiones que post vitas hominum ad ecclesiam revertentur*, in *Le livre de l'abbé Guillaume de Ryckel*, ed. H. Pirenne, p. 68.—On life rents in towns, see G. Espinas, *Les finances de la commune de Douai*, p. 321 et seq. (Paris, 1902).

town
debt

public
debt

society (*monte*) of eleven persons. By the thirteenth century the city had already consolidated its debt and recognised the right of its creditors to sell their holdings to third parties. The famous Bank of St. George (*casa di S. Giorgio*), which was to become so powerful in the fifteenth century, originated in this way.

The foregoing sketch of the history of credit and the trade in money, slight and incomplete as it is, will nevertheless have given some idea of their importance and of the many forms which they had assumed before the end of the thirteenth century. Without them the economic life of the Middle Ages would be incomprehensible. But, save in the great Italian cities, where the governing institutions of financial markets and the banks of the future were already beginning to take shape, their vigour was greater than their technical perfection. It has been truly pointed out that no such thing as a money market, in the proper sense of the term, existed at this period. Every credit operation was, in effect, the subject of a contract determined by the particular circumstances, a private agreement between a lender and a borrower. In fact, commercial loans were not yet clearly differentiated from consumption loans.¹

One is naturally led to ask how far these weaknesses are to be attributed to the prohibition of interest. The fact that this prohibition passed from ecclesiastical into civil legislation certainly made it still more of a hindrance. In actual practice, however, it was impossible to enforce its literal observance and it was applied in full rigour only in cases of "manifest usury", i.e., of consumption loans upon pledges, in which an excessive rate of interest was stipulated. The need for credit was too great and too general for men to think of discouraging lenders. From the thirteenth century onwards the canonists were seeking to modify the absolute prohibition laid down in the text *Mutuum date*

¹ Bigwood, *op. cit.*, t. I, p. 456.

1200
right of
creditor to
sell holdings
to 3rd party

no money
market
yet
*

↓
private
agreements
between
lender
&
borrower

1200+

nihil inde sperantes by various expedients.¹ It was discovered that in any advance of money involving either an eventual loss (*damnum emergens*), or a cessation of gain (*lucrum cessans*), or a risk of the capital (*periculum sortis*), an indemnity, or, in other words, interest (*interesse*), was justifiable. Thus interest was simply legitimate usury, and it is easy to understand how delicate was the distinction between this tolerated usury and the prohibited usury, and what scope it left for interpretation by the judges. In commerce the "letting out" of money was authorised by current practice. It was the rule at the fairs of Champagne and in general in the operations of commercial societies. In the fourteenth century the theologian, Alvarus Palagius, states that the prohibition of usury is not applicable to the latter.²

The fact remains, however, that the censure of the Church was always hanging like a permanent menace over all who concerned themselves with credit. Very often debtors were absolved by the Church from the obligation to pay interest on their debts. Consequently the utmost ingenuity was expended upon dissimulating the dangerous interest. Sometimes the lender deducted it in advance of the sum borrowed, sometimes it was concealed under the guise of a penalty for delay in repayment, sometimes the debtor acknowledged the receipt of a much greater sum than he had really received. Altogether the legislation against usury does not seem to have prevented it in practice very much more than the Volstead Act in America prevented the consumption of alcohol. It was a hindrance but not

¹ W. Endemann, *Studien in die romanisch-kanonistische Wirtschafts- und Rechtslehre*, 2 vols. (Berlin, 1874-83). E. Schreiber, *Die volkswirtschaftlichen Anschauungen der Scholastik seit Thomas von Aquin*, Jena, 1913.—A. Fantoni, *Le origini del spirito capitalistico in Italia*, Milan, 1932. A. Saporì, *Il giusto prezzo nella dottrina di S. Tomaso e nella pratica del suo tempo*, in *Archivio storico Italiano*, 1922.

² E. Lipson, *Economic History of England*.

a barrier. The Church itself was continually obliged to borrow from the financiers whose actions it reprov- ed. It was to them that the Papacy entrusted the collection and management of the reveaues, which came to it from all parts of Christendom; and it is very plain that the Popes could not have been ignorant of the sort of business in which their bankers were engaged.