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ECONOMIC ORGANIZATION AND
POLICIES IN THE MIDDLE AGES

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The Organization of Trade¹

I. A General Picture

From the point of view of business organization, the Middle Ages present no uniform picture either in time or in space. During the so-called Dark Ages, the manorial economy was dominant and most landed estates were relatively self-sufficient. Exchange, at any rate, was reduced to a minimum, and trade, while it did not disappear altogether, fell to a low ebb. What little survived was carried on by groups of travelling merchants who catered for the rich by selling them luxuries or who exploited the poor by charging high prices for necessities in times of famine or distress. A real revival did not occur until the eleventh century with the cessation of the Norman invasions and the decline of feudal anarchy. In Italy urban life regained vigour; in Flanders it sprang up anew. From these two centres, the movement spread and gained momentum. The Crusades gave it further impetus. Latin merchant colonies were established all over the Levant. Soon the Venetians, the Genoese and the Pisans controlled the foreign trade of the Byzantine Empire. Methods of business organization made steady progress, but the merchants continued to be peregrinators, moving constantly about in unending pursuit of profit. They and their servants still accompanied their goods either by land or by sea. In the twelfth and thirteenth centuries, the travelling trade of western Europe gravitated to the fairs of Champagne, and their rhythm regulated the coming and going of the merchant caravans from Italy, Flanders, Germany and all corners of France.

The Italians played an important part, but as yet they did not dominate, although they were spreading their tentacles and slowly choking off their rivals. Flemish and English merchants still went as far as Genoa to fetch spices or silks and to sell their cloth. As early as the thirteenth century, the enterprising Italians, by-passing Flanders, were penetrating into England as papal bankers, but the transfer problem forced them into the wool trade, since the exportation of specie was forbidden and English wool was in great demand on the continent. Paris proved to be another attraction, and the Italian companies began to establish permanent agencies in the French capital, so favourably situated close to Champagne. This new development was only the spearhead of far greater changes which transformed the entire fabric of medieval trade.

Instead of travelling to and from the fairs, the Italian merchants, es-

¹ The writer wishes to express his appreciation to the Social Science Research Council for a grant that enabled him to collect material for part of this chapter.

pecially those of the inland cities, Siena and Florence, began to direct their affairs from the counting-house and to secure permanent representation abroad by means of partners, factors or correspondents. The one-time traveller gradually turned into a business administrator, who spent most of his time behind a desk reading reports and giving instructions. How to get satisfactory representation in foreign parts was perhaps the major problem of this sedentary type of merchant, and success or failure often depended on the selection of efficient and honest representatives. Since the merchant no longer went abroad himself, he had to delegate power to someone he could trust and who would attend to his business.

The rise of this new system of business organization based on correspondence and representation abroad is intimately connected with the rapid decline of the fairs of Champagne after 1300. There was no longer any need for the Italian merchants to visit the fairs after their companies had established permanent branches in Paris, London and Bruges. As initiators of the new system, the Italians reaped the greatest benefits from its success. During the fourteenth and fifteenth centuries, they dominated trade and banking in the entire area from Constantinople and Alexandria in the east to Bruges and London in the west. To a large extent, this supremacy rested on superior business organization, since the military power of the Italian republics did not extend beyond the Alps. In the Levant, however, Genoa, Pisa and Venice maintained powerful fleets to protect their colonies as well as their trading interests. The only competitors who more or less succeeded in holding their own were the Catalans, who, at an early date, had adopted Italian business methods. The Flemish carrying trade was completely eliminated. In England, however, the Italians did not succeed in rooting out the native merchants, but it is true that the English merchants did not yet seriously challenge Italian supremacy. They confined their activities to the intercourse with the Low Countries, Scandinavia, Germany, northern France and Gascony. The Italians also tried to gain a foothold in the Baltic, but they failed. In the middle of the fifteenth century, several Florentines, among others a Francesco Rucellai and a Gherardo Bueri, were doing business in Lübeck. Apparently they had to struggle against overwhelming odds and barely succeeded in eking out a living; the Italian colony in Lübeck failed to grow. Probably Italian business methods, although superior, afforded no advantages in the Baltic region, where they did not fit in with local customs. Moreover, the Hanseatic League, one may be sure, was on the alert and stood ready to defend its monopoly by economic and political means against any serious encroachment.

Throughout the later Middle Ages, the Hanseatic cities, under the guidance of Lübeck, controlled the Baltic trade as the Italians dominated in the Mediterranean. Any Scandinavian competition had long been

crushed, and most cities, including Stockholm, were German settlements. Business methods in the Baltic were relatively backward as compared with those of the Italians, but they met the needs of a different environment where operations were on a smaller scale, where commodities were not high-priced and where merchants still needed to travel a great deal more than did the heads of Florentine banking-houses.

It is now an accepted view that the Black Death (1348) marked the end of a long period of demographic and economic expansion and the beginning of a downward secular trend characterized by the closing of markets, the recurrence of wars and epidemics and the contraction of the volume of trade. Without challenging this view, it may be pointed out that no such setback is noticeable with respect to the improvement of business techniques. On the contrary, the fourteenth century, especially, is one of continuous progress, innovation and experimentation. The draft form of the bill of exchange, for example, although known before 1350, did not come into general use until after that date. The same applies to marine insurance. Mercantile book-keeping, too, did not reach full maturity until 1400, as is clear if we compare, for example, the account-books of the Peruzzi company (failed in 1343) with those of Francesco Datini (1410).¹ Another innovation introduced after 1375 is the combination of partnerships similar to the modern holding company. The best example of this is the Medici banking-house founded in 1397. It is true that the foundations of all these new commercial institutions were laid in the twelfth and thirteenth centuries. Nevertheless, they did not fully develop until later. Perhaps it could be argued that the secular decline which set in with the Black Death, by sharpening competition and reducing profit-margins, spurred the merchants to improve methods, increase efficiency and reduce costs, with the result that only the fittest were able to survive.² Perhaps it is significant that no firm, not even the Medici bank, ever attained the size of the famous Peruzzi and Bardi companies, which both failed shortly before the Black Death.

In one respect, medieval trade differed totally from modern trade. To-day most goods are sold before they are shipped. This is especially true of heavy equipment and machinery. Medieval trade, however, with few exceptions involved venturing. An assortment of goods was shipped to a distant place in the expectation that it would be sold at a remunerative price and that the merchant would be able to make his returns in other commodities demanded at home. The same principle applies to the earlier as well as to the later period. It really does not make much difference whether goods are entrusted to a travelling merchant or sent on consignment to a correspondent who has the burden of finding a market for them. Each transaction, therefore, involved a speculative element and,

¹ For a biographical sketch, see *Camb. Econ. Hist.* II, 337. ² *Ibid.* 310 and 335.

in a certain way, was an adventure. It is with good reason that the exporters of English cloth called themselves the Merchant Adventurers, since they bought cloth in the hope of finding customers at the marts of Brabant. As late as the sixteenth and seventeenth centuries, mercantilist writers insist on this venturing aspect of foreign trade, although some point out that the Merchant Adventurers do not run great risks, that the distance to the marts in the Low Countries is short, and that their trade is well established. Nevertheless, it sometimes happened that the English expected big sales, but that the continental buyers failed to appear. We have mentioned that there are exceptions to venturing. Most of them concern luxury articles, such as tapestries, paintings and silks with armorial bearings, which were made to order according to the specifications of foreign customers. Thus the Medici branch in Bruges had tapestries of prescribed dimensions and on requested subjects made for Italian princes.

Venturing also affected the way of thinking of medieval merchants. It largely explains the prevalence of venture accounting. As a result, it was a widespread custom to open a separate account for each shipment. By this method, it was possible to determine which ventures yielded a profit and which resulted in a loss. Undoubtedly, the medieval merchant was keenly interested in this type of information. Moreover, in order to divide risks, medieval merchants resorted to an infinite number of combinations, and frequently participated in joint ventures with other merchants. Thus the Medici of Bruges, in 1441, had for sale three different lots of pepper: one they were selling for their own account, another lot was being sold in joint account with the Medici of Venice and a third was simply handled on a commission basis for an outsider. This may be considered as a typical situation, in no way limited to Florentine firms. The account-books of the Venetian Andrea Barbarigo (1418-49) contain other examples of the same sort. It is safe to assert that this way of doing business was fairly general.

The explanation lies, of course, in the desire to split risks, and medieval business was beset with all sorts of hazards. The magnitude of the risks is perhaps another outstanding feature. Shipwrecks were frequent, but disaster at sea was not the only peril: piracy was an even greater threat. Even on land, roads were often insecure because of warfare or robbery. The slowness of communications favoured the spread of false rumours, which were sometimes deliberately planted by unscrupulous speculators in order to drive prices up or down. Drastic price fluctuations were likely to upset the most careful forecasts, since a market, lacking supplies, might be glutted the next moment by the unexpected arrival of a cargo or the sudden curtailment of the demand. Embargoes and reprisals were another source of uncertainty and frequently led to spoilage through lack

of care and to plunder through lack of supervision. Credit risks created another serious problem, because recalcitrant debtors often took advantage of legal technicalities and conflicting jurisdictions to evade their obligations or to delay the course of justice. Besides, judges were often hostile to foreign claimants and lenient with local debtors, even when these were patently lacking in good faith. As a rule, trade privileges contained provisions promising prompt and impartial justice, but whether they were always carried out is another matter. Much might depend on the political mood of the moment. Conditions varied from one country to another. Flemish courts, for example, enjoyed among the Italians an enviable reputation for impartiality. As a matter of fact, the Bruges *échevins* or aldermen went so far as to consult alien merchants on points of law or merchant custom, namely in difficult cases concerning bills of exchange.

Against these hazards, the medieval merchant protected himself in various ways, but chiefly by dividing the risk or sharing it with others. Diversification was, therefore, the rule rather than the exception. As the account-books clearly show, merchants rarely specialized in one line of business; they dealt in all kinds of commodities and tried to take advantage of all profit opportunities that might present themselves. Even banking was not a special field. Without a single known exception, the great Italian companies combined international banking and foreign trade. Merchants usually sold wholesale. Although they did not disdain occasionally to retail their wares, they were often barred from the retail trade by the privileges of the local guilds. Infringements of these privileges gave rise to numerous conflicts. In Bruges, there were instances of 'Lombards' being fined for selling silk by the ell. In London, too, violation of the rule was a perennial source of grievance, aroused steady complaints from the mercers and other guilds, and made the Italians unpopular in the city.

II. The Travelling Trade before 1300

1

Of the organization of trade before the twelfth century, not much, if anything, is known. Extant sources do not contain much information on this particular aspect of economic life.

Merchants, in any case, had no assigned place in the pattern of feudal society, and their activities, under the influence of Church doctrine, were regarded with distrust as something tainted with the stigma of usury or wickedness. Did not the Canon Law, from early times, declare that it was difficult to distinguish honest from ill-gotten gain and that it was nearly

impossible to avoid sin in the course of buying and selling?¹ Moreover, trading was forbidden to clerics because being constantly on the road was incompatible with requirements of residence.² The implication is clearly that merchants were always on the move.

In order to protect themselves against high risks, they formed bands and 'fraternities' which, in northern Europe, were called merchant guilds. Such a guild existed apparently in the tenth century among the merchants of Tiel, a town near the mouth of the Rhine, at that time presumably a Frisian settlement. The monk Alpert, who reports on their activities, considers them as wicked and lawless men, and relates, what is more significant for us, that they pooled their resources, shared their profits and spent part of their gains in licentious feasts. Unfortunately, he does not go into more detail about the operation of this profit-sharing scheme.

From the statutes of another guild, the *frairie* or brotherhood of Valenciennes, portions of which probably date back to the tenth century, we also learn that the members did not stay at home but were constantly exposed to perils 'on sea, water, and land'. They probably travelled together in armed caravans, since an article of the statutes fines the member who appears in the ranks without armour and bow. Once a caravan has left town, the statutes provide, no one is allowed to leave but all are to stay together and to give each other aid and assistance in case of emergency. If anyone dies on a journey, his companions are under obligation to carry the corpse for at least three nights and to bury it, if possible, according to the wishes of the deceased.

An excellent picture of the venturesome career of a merchant in those early days is afforded by the life of St Godric of Finchale (1080?-1170).³ He started as a beachcomber, earning his first pennies by selling jetsam. With this money he set out as a pedlar roaming the countryside and then going from market to market. Thus he met and joined a company of merchants and with them visited all the shores of the North Sea. Using his earnings to expand his business, he bought his own ship and became

¹ *Decretum Gratiani*: c. *Qualitas lucri*, Dist. 5, c. 2, *De poenitentia*. This canon is an epistle of Pope Leo the Great (440-61) to the bishop of Narbonne (J. P. Mansi, *Sacrorum Conciliorum... collectio*, vi [Florence, 1761], col. 404). It is quoted in all the earlier collections of canons, including those of Dionysius Exiguus (sixth century), Regino of Prüm (906-13), Burchard of Worms (1008-12), and Ivo of Chartres (†1115), as well as in the *Polycarpus* of Cardinal Gregorius of S. Crisogono, compiled between 1101 and 1120. Through these collections, the canon *Qualitas lucri* found its way into the *Decretum* of Gratian, composed about 1140 and destined to become the standard compilation until the publication of the new code of Canon Law in 1917.

² Franz Schaub, *Der Kampf gegen den Zinswucher, ungerechten Preis und unlauteren Handel im Mittelalter: Von Karl dem Grossen bis Papst Alexander III* (Freiburg, 1903), 109.

³ See *Camb. Econ. Hist.* II, 239. The story has been told briefly by Pirenne, but a more detailed study is that of Walther Vogel, 'Ein seefahrender Kaufmann um 1100', *Hansische Geschichtsblätter*, XVIII (1912), 239-48.

his own captain. Favoured by good luck, he prospered and acquired shares in other vessels. At this point, he probably settled in a port and let others do the travelling and expose their persons to the fortunes of the sea. Late in life, he was touched by grace and gave up the pursuit of wealth in order to become a saintly hermit whose *vita* a pious biographer thought well worth telling for the edification of less devout men.

Details of business organization are not given, but we gather from the story that the ownership of ships was divided into shares and that merchants were often shipowners and navigators as well, a situation duplicated in contemporary Mediterranean trade. In order to succeed, a travelling merchant had to possess a great deal of physical endurance and be ready to face many hardships. Although conditions were primitive, he needed more than brawn: moral stamina and some intellectual baggage were indispensable prerequisites to success. A good idea of the knowledge and the character indispensable for a successful business career is given in the *King's Mirror*, a Scandinavian treatise on education, probably written in the early part of the thirteenth century. The date is rather late, but the author's bits of advice are so precious that they constitute a *vade mecum* for any enterprising youth.

The unknown author of the *King's Mirror* starts out by stressing the obvious fact that a merchant needs a good dose of bravery and must expect to encounter perils at sea and in heathen lands. While he should be polite and agreeable, he should also be wary and not buy any goods without first checking their quality and condition. When abroad, he should live well and go to the best inns, but not indulge in extravagance. It is also advisable to keep away from drink, harlots, brawls and dice. A knowledge of foreign languages, especially French and Latin, might be handy, and he should not neglect the study of law and the observation of local customs. Some notion of arithmetic and astronomy the author of the *King's Mirror* considers as fundamental, since a merchant must know how to figure and to read the skies when navigating. It is desirable to sell quickly, at reasonable prices, for a quick turnover is a stimulus to trade. If the merchant owns a ship, he should have it tarred every autumn, keep the tackle and apparel well in order, sail in the spring, and be sure to return by the end of the summer. Shares should be bought in good ships only or in none at all. If successful, he might invest his earnings in partnerships, but he should be extremely careful in selecting his associates. This policy will eventually enable him to discontinue his own journeys and instead finance the business ventures of younger men. As profits continue to pile up, they should not all be reinvested in business. It would be wiser to devote the major part to the acquisition of land. Land being the safest form of investment, it alone will provide security for him and his descendants.

Although safety along the roads greatly increased in the course of time, the merchants from the Flemish towns, visiting the fairs of Champagne, still used to travel together in armed caravans as late as the end of the thirteenth century. The caravan would set out on a given date under the command of a 'mayor', preceded by a standard-bearer, armed servants and crossbowmen flanking the carts and wagons carrying the precious cloth. In 1285, about twenty-five merchants of Douai journeying together had with them thirty-six attendants, all armed, in case of need. It is true that such a military display had become more traditional than necessary. Single merchants—or were they professional wagoners?—were already going to the French fairs leading a train of four or five carts with several servants to take care of the teams.

The organization of the fairs of Champagne is, however, a separate subject. On the whole, the documentation regarding early medieval trade in northern Europe is scanty and gives us only fleeting glimpses of the conduct of business. To gain more insight, we have to turn south, to the magnificent series of the Genoese notaries which starts in 1156 with the published cartulary of Giovanni Scriba or John the Scribe. Several thousand contracts of later notaries have also been published, including those of Oberto Scriba de Mercato (1186–90), Guglielmo Cassinese (1190–2), Bonvillano (1198), Giovanni di Guiberto (1200–11), and Lanfranco (1202–26). This unique source material is complemented by a series of Venetian acts, which are less numerous but start even earlier; the first date is 1021 and the last 1261. There are also available the acts of Pietro Scardon (1271) and Benvenuto di Brixano (1301–2), Venetian notaries in Crete. Some studies based on this superabundant material have already appeared, but much remains to be explored.

From these Genoese and Venetian records, it appears that the two most typical contracts in overseas trade were the *commenda* and the *societas maris*—they were called *collegantia* in Venice, but the name has little, if any, importance.¹ Both contracts were partnership agreements, concluded not for a period of years, but for a single venture or voyage, usually a round trip to the Levant, Africa, Spain or even Provence. There were also *commenda* contracts *per terram*, that is, relating to distant trade overland, or even to local undertakings, but these were relatively few.

The *commenda* and the *societas maris* both involved co-operation between a travelling partner, called *tractator* or *procurator*, and an investing partner who stayed on land and was called *stans*. In the case of the *commenda* the venture was financed entirely by the *stans*; the travelling partner did not supply any capital, but he took the risk of embarking upon a dangerous sea voyage and had to endure all the discomforts that went with it. As a reward for his labours and his hardships, he usually received

¹ On the origins of the *commenda*, see *Camb. Econ. Hist.* II, 267.

only one-fourth of the profits; and the investing partner, who ran only the risk of losing his money, received the remaining three-fourths. This arrangement may seem unfair, but in the twelfth and thirteenth centuries life was cheap and capital scarce.

In the *societas maris*, profits were shared equally by the two partners, but the *tractator* supplied one-third of the capital and the *stans*, two-thirds. Essentially, the two contracts were the same, since in both cases, one-fourth of the profits went to the *tractator* for his labour and three-fourths to the investors of capital. In the *societas*, however, the *tractator* received an additional fourth, or one-half the profits in all, because he had supplied one-third of the capital. The only difference is really that the Genoese notaries called one contract a *commenda* and the other a *societas maris*.

Among Italian scholars, there has raged a fierce controversy about the legal character of the *commenda*; some argue that it is a kind of loan and others that it is a partnership, but all the medieval jurists, canonists as well as civilians, regard the *commenda* as a licit partnership agreement and not as a loan subject to the usury prohibition. The practical result was that the lawfulness of the *commenda* was never questioned by either jurists or theologians; in the Middle Ages, as everyone agrees, it was considered a partnership. Moreover, legal writers tend to exaggerate the importance of their categories and they tend to overlook the fact that, in economics, partnership agreements and loans are basically alternative and interchangeable forms of investment.

There are different types of *commenda*. In some cases, the *tractator* was left free to make his returns as he saw fit or deemed most profitable. In others, he was bound to bring back certain specified commodities. It would be a mistake to consider the *stans* as a sort of sleeping partner, who was only interested in getting a return on a speculative investment. This was certainly true of the numerous cases in which the investing partners were widows and orphans, priests and nuns, public officials and notaries, artisans or other persons without business experience. However, there were other cases in which the *stans* was an older merchant who no longer went overseas, but who was still actively engaged in business and sometimes undertook the sale of the goods brought back by his partner. It also happened that an experienced *stans* acted as adviser to relatives or other persons and helped them with their investment. Without more information than the abstracts of notarial contracts give, it is dangerous to make any dogmatic statements: real situations do not always fit into neat classifications.

In Genoa, it was also common for a merchant starting out on a trip to conclude a number of *commenda* and *societas* contracts with several persons in all walks of life. In other instances, he dealt with only a single *stans*. Examples of reciprocal *commendae* are not rare: a merchant starting out

for the Levant might entrust goods in *commenda* to another about to leave for Champagne and vice versa. It even happened that a travelling merchant concluded a *commenda* with another sailing on the same ship and bound for the same destination. Usually travelling charges were deducted from gross profits and only net profits were distributed, but it also occurred, especially in the case of a reciprocal *commenda*, that the contract provided that no account should be taken of expenses. There are not, consequently, two opposed or antagonistic groups of investing and travelling partners, or of exploiters and exploited. In a great many cases, the *tractatores* were ambitious young men who were willing to take heavy risks in order to accumulate sufficient capital to join eventually the ranks of the *stantes*.

How the *commenda* favoured the rise of capable young men is illustrated by the story of Ansaldo Baialardo.¹ When he started on his first trip, in 1156, he was still a minor, since he had to be emancipated by his father in order to enter into a *commenda* agreement with an important merchant, Ingo da Volta. Apparently, Ansaldo received from the latter an amount of £205 4s. 1d. Genoese currency, for a coastal voyage to Provence, Montpellier or Catalonia. At the termination of this venture, profits amounting to 74 Genoese pounds were divided as usual: three-fourths or £55 10s. to the *stans* (Ingo da Volta) and one-fourth or £18 10s. to the *tractator* (Ansaldo Baialardo). This was a return of more than 30% on invested capital. Such a highly satisfactory result probably induced Ingo da Volta to entrust another *commenda* to Ansaldo by reinvesting his initial capital plus the major part of the profits or £254 14s. 1d. Genoese in all. In addition, Ansaldo invested £18 10s. Genoese, or the earnings of his previous trip. This sum, however, remained outside the *commenda* agreement and Ansaldo was consequently entitled to the full profit on his own investment. This second voyage was exceptionally profitable and yielded a total return of £244 15s. 11d. Genoese, of which £17 9s. 11d. represented the earnings made privately by Ansaldo. The remainder, or £227 6s. Genoese, was then divided according to customary proportion: £170 9s. 6d. to the *stans* and £56 16s. 6d. to the *tractator*.

Because Ansaldo managed his affairs so well, Ingo da Volta continued to give him financial support, but this time for a voyage to Syria, Palestine and Egypt. Since Ansaldo had now accumulated some capital, the two parties, on 3 August 1158, concluded a *societas maris*, in which Ingo da Volta supplied £128 17s. 4d. and Ansaldo half this amount, or £64 8s. 8d. Genoese. Furthermore, Ingo da Volta put up an additional £284 9s. 8d. Genoese under the terms of a *commenda* agreement which entitled him, as usual, to three-fourths of the profit. The remaining fourth,

¹ Cf. *Camb. Econ. Hist.* II, 306.

instead of going to Ansaldo personally, was to be assigned to the *societas maris*. By virtue of this arrangement, seven-eighths of the profits of the *commenda* went to Ingo da Volta and only one-eighth to Ansaldo. According to these data, the total invested in the venture, both *societas* and *commenda* combined, amounted approximately to 478 Genoese pounds.

This third venture proved to be profitable, but not quite so profitable as the second. The sale of the goods brought back by Ansaldo produced 760 Genoese pounds, so that there was a total profit of 282 Genoese pounds. This amount was divided between the *commenda* and the *societas maris* in proportion to the capital invested in each, so that £168 was allocated to the first and £114 to the second. The partners received, consequently, the following amounts:

Ingo da Volta	
$\frac{7}{8}$ of the <i>commenda</i> profits	147 Genoese pounds
$\frac{1}{8}$ of the <i>societas</i> profits	57
	<hr/>
	204
	<hr/>
Ansaldo Baiardino	
$\frac{1}{8}$ of the <i>commenda</i> profits	21
$\frac{1}{8}$ of the <i>societas</i> profits	57
	<hr/>
	78
	<hr/>

In about three years, Ansaldo Baiardino, who had started with nothing, had accumulated a capital of 142 Genoese pounds (£64, his investment, plus £78, his profit on the last venture). On the other hand, Ingo da Volta had nearly trebled his capital in the same period.

This unique information about the actual operation of twelfth-century partnerships is taken from data scribbled on three small scraps of paper inserted in the cartulary of John the Scribe. They are regarded as the earliest examples of medieval mercantile accounting. Although crude, they prove that partnership arrangements made it indispensable for the merchants to keep records, not only about accounts payable and receivable, but also about any elements that would enable them to determine profit or loss.

In Venice, Pisa, Amalfi, Marseilles and the entire Mediterranean area, the *commenda* and the *societas maris*, although known under different names, were no less popular than in Genoa. As a matter of fact, the earliest example of a *societas*, or a *collegantia*, as it was called in Venice, is a contract dated August 1073, according to which a *tractator* or *procertans* binds himself to a *stans* named Sevasto Orefice to take his cargo on a voyage (*in*

taxegio) to Thebes in Greece and there to make the best possible returns (*in quo melius potuero*). Profits are to be divided equally between the partners, without fraud or evil intent. If the venture, because of disaster at sea or enemy action, results in a total loss, neither partner will have any claim on the other. If any of the invested capital is recovered, each will participate in it in proportion to his investment. Consequently, it is plain that profits were shared half and half, but that losses were borne two-thirds by the *stans* and one-third by the *procertans*.

One of the great advantages of the *commenda* and the *societas maris* was that the investors assumed only limited liability: they could lose their initial investment, but no more, whereas, in the case of the *compagnia*, or ordinary partnership, the partners were held liable to the extent of all their property. Another advantage was that any investor could easily reduce risks by placing his money in several *commendae* instead of staking it all on a single venture. Still another feature of the *commenda* and the *societas maris* was that they lent themselves to any number of combinations and were usually dissolved at the completion of each voyage. The resulting flexibility explains why the two contracts in question were admirably suited to the conditions prevailing in the twelfth and thirteenth centuries, especially in overseas trade. They persisted even in the later period, and disappeared only gradually as more elaborate forms of business organization gained ground. The *commenda* is still discussed by legal writers as late as the seventeenth and eighteenth centuries, though this may be an indication of conservatism on the part of the jurists rather than of extensive use of the contract.

Next to the *commenda* and the *societas maris*, the sea loan was frequently used to finance overseas ventures. It differed from a straight loan in that repayment was contingent upon safe arrival of a ship (*sana eunte nave*) or successful completion of a voyage. The risk of loss through the fortunes of the sea or the action of men-of-war was thus shifted from the borrower to the lender. Prior to the days of premium insurance, the sea loan performed, to a certain extent, the same function of protecting the merchant against loss through shipwreck or piracy. At any rate, in case of misfortune, he was relieved from any further liability which might otherwise have thrown him into bankruptcy. The only trouble with the sea loan was that, in order to get protection, the merchant had to borrow at high rates whether or not he needed additional funds. In the twelfth century, charges of 40 or 50% were not uncommon for voyages from Italy or Constantinople to Alexandria or Syria. Thus Romano Mairano, a Venetian merchant residing in Constantinople, borrowed, in 1167, 88 perpers and promised to repay 129 perpers, both principal and interest (*inter caput et prode*), twenty days after the safe return of his ship from a voyage to Egypt. This is an increase of more than 45% which, of course,

does not represent pure interest only, but also includes a heavy premium for risk. Nevertheless, such high charges absorbed most of the merchant's trading profit.

What distinguishes the sea loan from the *commenda* is that the investor assumes the sea risk (*ad risicum et fortunam Dei, maris et gentium*), but does not enter into partnership with the borrower and share with him the business risk. If the ship or the cargo arrives safely at destination, the debt is due in its entirety, regardless of the debtor's success or failure in earning enough to cover the charges on the loan.

There are at least three different types of sea loans. In English they bear different names, but not in French or Italian, which has been a source of confusion. All three types appear in the Genoese notarial instruments from an early date. The first is the ordinary sea loan or *foenus nauticum*, which was unsecured save for a general lien on the debtor's property. One example among many is a contract concluded on 5 September 1155, in which the debtors pledge all their property (*bona pignori*) in security of a sea loan at the rate of 25% granted for a round-trip voyage from Genoa to Tunis. This type may be older than the other two. It occurs frequently in the cartulary of John the Scribe, but it soon gives way to another variety called in England the *respondentia*. Upon such a sea loan, principal and increment must be paid, even though the ship itself perishes, provided the cargo be safe. An example is found in a contract of 17 August 1190, enacted by the Genoese notary Oberto Scriba de Mercato. According to its provisions, a borrower who has received a loan of £10, Genoese currency, obliges himself to repay a like amount plus ten measures of barley, if a certain vessel or the major part of its cargo (*vel maiori parte rerum navis*) returns safely from a voyage to Sardinia. The appearance of this new clause shows that the drafting of contracts was gradually improved by inserting safeguards which prevented debtors from seizing upon any pretext to evade their obligations.

The third type of sea loan is the bottomry loan. It is usually made in order to equip a ship or to pay for emergency repairs in a foreign port and is secured by the hull, tackle and apparel. Sometimes the lender is also given a lien on the freight at the termination of a voyage. In Genoa, bottomry loans could also be secured by part of a ship, as in a contract of 6 April 1213, according to which a borrower offered as security all his property (*omnia bona mea*), but especially four *loca* or shares in a company operating a vessel fully manned and rigged. In addition, he pledged the expected income from freight which would be allotted to his four shares. As usual, fulfilment of the contract depended upon the fortunate outcome of a sea voyage. Although the contract relates only to a short trip from Genoa to Sardinia and return, the rate was presumably as high as 30%, since the debtor, who promised to repay £26, Genoese currency,

had apparently not received more than £20. The contract, it is true, does not specify the amount actually borrowed, but the notary, in his register, first wrote it down and then crossed it out, substituting the vague expression *tantum de tuis denariis*. Why? Perhaps because the borrower was a cleric. Another and similar contract, bearing the same date, involving the same lender, and relating to the same ship, states openly how much was borrowed by a layman, owner of eighteen *loca* or shares, instead of four. At any rate, our example proves first that ownership of shares in merchant vessels was widely diffused and was not confined to classes closely connected with shipping or mercantile interests. Second, it seems to indicate that the sea loan was considered as a dubious contract even before the promulgation of the decretal *Naviganti*.

Although the sea loan had been used since Antiquity, the Genoese notarial records give the impression that after 1250 it suddenly lost its popularity in favour of another contract, the *cambium maritimum*. This decline is undoubtedly due to the impact of the decretal *Naviganti*, by which Pope Gregory IX, in 1236, formally condemned the sea loan and similar contracts as usurious, even though the lender assumed a risk not present in a straight loan.¹ It would certainly be a mistake to believe that the usury prohibition had no repercussion on business practices. As a matter of fact, it influenced greatly the development of banking because the theologians, while frowning upon discount, did not object to *cambium* or exchange. The decline of the sea loan is another instance of the same sort. Since any form of loan aroused the suspicion of the ecclesiastical authorities, the merchant found it preferable to shift from the sea loan to the *cambium maritimum*.

The difference between these two contracts was that the *cambium maritimum* involved an advance of funds repayable in another, instead of in the same, currency. In both cases, of course, the debtor was relieved from any obligation if the ship or the goods failed to reach their destination. In the *cambium maritimum*, however, the lender's gain, instead of being expressed in a percentage of the principal, was cleverly concealed in the rate of exchange. Incontrovertible evidence is found in a contract, dated 19 July 1157, and enacted by the Genoese notary, John the Scribe, according to which a merchant going to Constantinople acknowledged the receipt of £100, Genoese currency, and promised to repay the equivalent of this amount at the rate of three perpers per pound if a certain vessel safely made port. However, should this repayment not take place in Constantinople, then the debtor was bound to pay in Genoa 300 perpers, at 9s. 6d. Genoese for each perper, one month after the safe return of his ship from the Levant. In other words, the debtor, who had borrowed 100 Genoese pounds before sailing for Constantinople, incurred the

¹ *Decretals*, in X, v, 19, 19. The authenticity of *Naviganti* is beyond question.

obligation to give his creditor either 300 perpers at destination or £142 10s. Genoese upon completion of the round trip. To explain the gist of the agreement in another way, the lender, who had lent 300 perpers at 6s. 8d. Genoese each, expected to be repaid at the rate of 9s. 6d. Genoese and to gain the difference, viz. 2s. 10d. Genoese on each perper, in case of successful completion of the voyage. The figures show a profit of exactly 42·5%. This rate may seem high but, as stated before, it was normal at that time for a long voyage to the Levant. On the much shorter trip from Genoa to Sicily, a return of 25% was not exceptional. As the presence of this and similar contracts in the cartulary of John the Scribe proves, the *cambium maritimum* was known long before the promulgation of the decretal *Naviganti* and, hence, was not invented because of it and for the sole purpose of evading the ban against usury.

In the thirteenth century, agreements become more precise and elaborate. In general, repayment is secured by pledging the goods bought with the proceeds of the loan and registering them under the creditor's name in the ship's cartulary. As a rule, contracts also stipulate that the loan will be repayable upon safe arrival of a certain ship or most of its cargo (*sana tamen eunte dicta nave vel maiore parte rerum*). This clause offered better protection to the creditor, since it occasionally happened that a ship ran aground on entering a harbour, but that the cargo was salvaged before the hull was broken up by the pounding waves. The loss of the ship, then, could not be used by the owners of the cargo as a pretext to repudiate their debts. After 1250, the Genoese notaries, when drafting contracts relating to *cambium maritimum*, took the precaution of stating explicitly that the agreement was concluded *nomine venditionis* or *nomine cambii*, no doubt for fear that otherwise it might be invalidated in court as a usurious loan.

Besides the *cambium maritimum*, there existed also a contract called *cambium quasi nauticum* by modern jurists. For example, according to an act of 17 December 1215, a merchant borrowed in Genoa an unspecified sum in local currency and pledged as security certain goods which he was sending to Champagne. Repayment in money of Provins was to take place at the forthcoming fair of Lagny, with the restriction that the goods travelled at the creditor's risk. In other words, the debt would be cancelled if they were stolen or, for some other reason, failed to arrive. Perhaps fulfilment of the contract was made dependent upon this contingency because the goods were entrusted to a third party—possibly chosen by the creditor—instead of being accompanied by their owner as was usually the case.

Premium insurance did not develop prior to 1300, but merchants in the thirteenth century were searching for a solution of the risk problem and were experimenting with different types of contracts that would offer protection. The role of the sea loan has already been mentioned in

this connection. Another type of contract was the so-called insurance loan by which a shipowner made an advance to a shipper with the understanding that it was due, together with freight charges, only upon arrival of the shipment at destination. Complete coverage was not achieved, since such advances rarely exceeded 25 or 30% of the cargo's value.

The earliest known examples of insurance loans date from 1287 and are found in deeds drafted by a notary in Palermo. Later, this form of contract is also encountered in Pisa (1317). Its rather late appearance may be explained by the fact that insurance loans were usually granted to merchants remaining ashore instead of travelling aboard the same ship with their merchandise, as had been the common practice hitherto.

Fictitious sales were also used for shifting risks. An example is afforded by a curious and involved contract entered into by Palaeologus Zaccaria, in his own name and that of his father, Benedetto, the famous Genoese admiral, colonizer and owner of the alum mines at Phocaea, near Smyrna.¹ According to this contract, concluded on 29 October 1298, Palaeologus sold for £3,000, Genoese currency, 650 cantars of alum, which he had in Aigues-Mortes ready to be shipped to Bruges in his own galley. The seller, however, retained the option to repurchase this shipment in Bruges for 3,360 *li. tur.*, which he did not need to disburse but could keep as a loan until the galley got back to Genoa, by offering as a guarantee the return cargo bought with the proceeds from the alum. The sea risk was assumed by the lenders who, upon safe arrival of the galley in Genoa, were entitled to 13s. 5d. Genoese for every sou tournois or 3,780 Genoese pounds. However, a modifying clause limited the duration of the contract to 1 November 1299, and released the lenders from any further commitments after this date. In other words, the debt was due not later than 1 November 1299, even if the galley were still under sail. To put the matter more succinctly, Palaeologus borrowed 3,000 Genoese pounds and promised to repay £3,780 within a year, or sooner, upon the safe return of his galley from a round trip to Bruges. The charges on the loan were, consequently, 26%, which not only represent interest, but include a premium for risk. If this figure is at all representative, the rate of interest must have dropped considerably by the end of the thirteenth century.

This agreement is a curious mixture of two different contracts. Why did Palaeologus Zaccaria, in order to raise money, resort first to a fictitious sale and then to a *cambium maritimum*? It looks as if he sought to protect himself not only against the perils of the sea but also against a drop in the price of alum. The clumsiness of the methods used to achieve this purpose is due in part to the rigidity of the formulas used by the notaries and in part to the necessity of circumventing the usury prohibition

¹ Cf. *Camb. Econ. Hist.* II, 336.

by adopting a legal form acceptable to the theologians. The medieval mind was legalistic, and the Doctors—theologians as well as canonists and civilians—accorded an exaggerated importance to the legal mould in which contracts were cast.

In order to divide risks—always the same problem—the ownership of ships was commonly divided into shares called *partes* or *loca navis* in Genoa and *carati* or *sortes* in Venice. It even happened that vessels were owned by one group and operated by another. Membership in one, however, was compatible with membership in the other. There has been a great deal of discussion about the meaning of the expression *loca navis*, but it seems that it referred to shares in a company operating rather than owning a ship. According to a plausible hypothesis, a *locus* represented a certain capacity and, hence, the number of *loca* bore some relation to the tonnage of a vessel and the size of its crew. Documentary evidence shows that, in certain cases at least, there were as many shares as there were mariners. Apparently, ships could be operated jointly by the entire group of owners or of charterers, or separately by each of the shareholders. In the first case, a manager acting for the whole group would be in charge of hiring a crew and of finding a cargo and would be responsible for operating the ship in the common interest of all concerned. In the latter case, each owner of a share or *locus* had to serve as a mariner himself or else hire someone at his own expense to take his place. On the other hand, he could dispose freely of his allotment of cargo space, either by loading it himself or by letting it to a merchant. Of course, some common expenses were unavoidable. For one thing, the operators had to select a master to command the ship and had to pay his wages from the common purse. Neither statutes nor notarial contracts throw much light on the inner structure of medieval shipping. Moreover, historians up to now have been more interested in legal than in business procedure. If only some ship's accounts were available, their study would quickly solve all the puzzling problems which have stirred up so much discussion.

At any rate, the system of *loca* or shares, so pervasive in Mediterranean shipping, made it possible to experiment with the management of joint business ventures, at first on a small, and later on a larger, scale. This experimentation has an important bearing on future economic development. Did not the first joint stock companies arise in overseas trade? It is true that they were set up by the Dutch and the English, but their promoters were certainly familiar with Italian precedents in the financing and management of collective colonial enterprises, such as the *maone* of Chios and Ceuta. Was not a Genoese Pallavicini among the shareholders of the Virginia Company; and did not Thomas Mun reside for many years in Leghorn and Pisa before he returned to London and became one of the first directors of the East India Company? Moreover, let us not

overlook the fact that, even in the East India trade, a permanent company was not created at the beginning. The first voyages were each separate ventures, much like the temporary partnerships in the pioneering days of Genoese and Venetian shipping.

2

It is clear that in medieval times 'the major direction of a voyage was in the hands of the merchants, not of the shipowners, one of the characteristic differences between medieval and modern shipping'.¹ Contracts usually provided that the merchants taking passage on a certain vessel had the right to appoint a committee to inspect the ship before sailing and report on its seaworthiness and the state of its equipment. During the trip, they were lodged in the best quarters: the stern cabin under the captain's. As pilgrims usually were noisy and troublesome, none could be embarked without the merchants' consent. According to the sea laws, the master also had to take a vote among the merchants on board in order to change itinerary or to decide upon ports of call. Their agreement was even required when the safety of the ship made it necessary to jettison some of the cargo, although the captain could override their opposition in case of extreme peril, after consulting his mate and three mariners.

Next to the captain, the scribe was the most important member of the crew. By the thirteenth century, the management of a galley or a large merchant vessel required so much paper work and book-keeping that regulations in Barcelona and Venice prescribed the employment of two scribes, but in Genoa one was regarded as sufficient. The scribe was sworn to his office and his records had the same value as notarial deeds. One of his main duties was to keep the ship's cartulary in which the cargo aboard was listed, item by item, as in the modern manifest. The merchants were even required to declare to him the money which they carried in their belts or concealed in their bales. The scribe also tallied and recorded the goods loaded or unloaded, kept the roll of the crew, computed freight charges: in short, he did all the clerical work and was an indispensable business auxiliary.

Pirates and corsairs being a perennial menace, medieval vessels sought protection by navigating in convoy or in company. The Italian republics tried to increase security along the sea lanes by concluding treaties of amity and commerce with the powers bordering on the Mediterranean. This was only the first step. Usually, it was accompanied or followed by attempts to secure trading privileges, if possible on more favourable terms than those granted to rival cities. In the Middle Ages, protectionism

¹ E. H. Byrne, *Genoese Shipping in the Twelfth and Thirteenth Centuries* (Cambridge, Mass., 1930), 36.

was not yet born; the aim of commercial policy was to get preferential treatment and to strive for control of the carrying trade.

With this purpose in mind, the Italian maritime cities, especially Genoa, Pisa and Venice, put their sea-power at the disposal of the crusaders; in exchange for this aid, they secured valuable trading privileges and obtained permission to establish 'colonies' in the ports of Palestine and Syria. In some cases, the grants included only a few houses or a street (*ruga*), but sometimes they extended to an entire quarter of a town. Like the concessions in the Orient and the capitulations in the Ottoman Empire of more recent days, the Italian colonies in the Levant enjoyed extra-territorial rights. They were administered by officials sent by the mother city, called at first viscounts and later consuls, whose functions were, of course, much more extensive than those of consular officers today. The medieval colonial consuls were invested with both administrative and judicial powers and had the right to decide any disputes involving only their own countrymen. In certain cases, they even had criminal jurisdiction and authority over life and limb. As a rule, the agreements entrusted the consuls with the custody of any property left by deceased nationals. Grants usually allowed a colony the right to have landing place, mill, bakery, warehouse, baths and church of its own. Besides a floating population of travelling merchants, the Italian colonies had a core of permanent residents made up of officials, artisans, brokers, shopkeepers, and local tradesmen. Not all the settlers were Latins: the security enjoyed in the foreign concessions also attracted Levantine Jews, Greeks and Syrians.

In Moslem lands, for example in Tunis or Alexandria, conditions were different and less favourable. The concession usually reduced itself to a compound or walled enclosure, called *fondaco* in Italian and *funduk* in Arabic. It ordinarily contained lodging quarters, a warehouse, a bake-oven, a bath-house, a chapel, and a graveyard. The gates were closed each evening, and residents were locked in for the night. These precautions were no doubt vexatious but they afforded some protection in a hostile environment where religious fanaticism could touch off a riot at any time. In Tunis, customs duties were carefully regulated by treaty. Dealings with native merchants could take place either within or without the customs-house. In the first case, the administrators of the customs assumed all responsibility for the execution of the deal. In Alexandria, conditions were much the same. Genoese, Pisans, Venetians, Catalans, Provençals, French and Ragusans had separate establishments. As in Tunis, the customs officers guaranteed payment for any sale concluded through a dragoman or licensed broker. The treaties generally contained detailed provisions concerning the rates of import duties and also stipulated that the consul could present any grievances directly to the sultan, either in writing or by word of mouth. To leave nothing to chance, it

was even agreed that the western consuls in Alexandria should be granted ten audiences a year. The detailed provisions of the treaties definitely give the impression that business relations were carefully regulated in order to forestall as far as possible any causes of conflict or friction that might enrage the despotic Egyptian sultans and have dire consequences for any westerners on whom they could lay their hands.

In the early Middle Ages, Amalfi and Venice were subject, at least nominally, to the Greek emperor and, hence, the merchants hailing from these two Italian ports needed no special privileges to ply their trade in Constantinople or in any part of the Byzantine Empire. This advantage was lost after Venice, around 950, had gained its independence and after Amalfi, in 1076, had been conquered by Robert Guiscard, the Norman king of Sicily. However, this ruler's invasion of Albania caused the Greek emperor, Alexius Comnenus, to seek the support of the Venetians and to issue in their favour the Golden Bull of 1082, by which they were granted complete exemption from customs duties, or *κομμέρκιον*, and permission to have their own quarter and landing steps in the capital. The grant of 1082 was renewed in 1147 and extended to the islands of Crete and Cyprus. The Pisans did not receive similar privileges until 1111, and the Genoese until 1155; but the concessions which they wrung from the Greek emperors were less favourable than those granted to the Venetians and involved only a reduction of duties from 10 to 4% instead of complete exemption. In any case, the excessive privileges granted to the Latins, especially the Venetians, put them in a strong competitive position and enabled them to capture the Greek carrying trade and to exploit economically the Byzantine Empire.¹ Their overbearing attitude and monopolistic practices were bound to create resentment among the Greeks and to invite a hostile reaction.

The emperors, too, realized the dangers resulting from economic infiltration and alien political interference. After 1147, Manuel Comnenus gradually changed from an open-door policy to one of xenophobia. To begin with, he issued a decree which required all permanent Venetian residents to take an oath of allegiance and to become denizens, or *βουργέσιοι*, obviously a term borrowed from the occidental languages. On 12 March 1171, the emperor ordered the arrest of all the Venetians in Constantinople; many were killed in the fray and only those escaped who took to the ship of their countryman Romano Mairano, putting out to sea and outsailing a Greek fleet launched in pursuit. Although peace was restored in 1175, this incident started a chain of events which culminated in the Fourth Crusade and the establishment of the Latin Empire (1204), a Venetian protectorate. It ended in 1261, but the Greek restoration resulted only in replacing the Venetians by the Genoese, who now

¹ See *Camb. Econ. Hist.* II, 99, 311.

also obtained complete exemption from customs duties. Soon the Greek emperors adopted the policy of pitting these two rivals against each other. To no avail: it did not prevent them from reaching a *modus vivendi* at the expense of the Greeks and from dividing the Aegean into spheres of influence. The Venetians kept Candia and Negropont, which they had possessed since 1204; but the Genoese Manuele and Benedetto Zaccaria managed, in 1264, to acquire in fee the alum mines of Phocaea and, in 1304, to take possession of Chios. In 1329 the Greeks regained control of this island, but not for long. They lost it again in 1346, and this time irretrievably, to a fleet sent out by Genoa to reconquer its outposts in the Aegean. With all its major resources and its strategic points in foreign hands, the Greek Empire was undoubtedly weakened to the extent that it was unable to resist the Turkish onslaught. It is not surprising that Byzantium succumbed; rather it is a wonder that it lasted so long.

At first, all the Latin quarters in Constantinople were located in the city itself along the shores of the Golden Horn, each with its own landing steps. It was only in 1267 that Michael Palaeologus thought it advisable to transfer the seat of the Genoese colony to Pera, or Galata, on the other side of the Golden Horn. For one thing, this transfer eliminated the possibility of riotous fights between Latins from neighbouring quarters. Second, it put an end to the uncomfortable presence of a large body of foreigners within the walls and in the immediate vicinity of the imperial palace.

After 1267, the Genoese colony was headed by an official called *podestà*; the Venetian, by a *bailus*; and the Pisan, by a consul. These officials were not elected by the local residents, but appointed by the home governments. Like the consuls in Syria and Palestine, they were at the same time governors, judges and diplomatic agents. It was their duty to iron out any difficulties that might arise between their nationals and the Greek authorities. Their powers, however, did not extend to treaty making, and any important negotiations were conducted by special diplomatic missions. The Genoese *podestà* held court in Pera and was assisted in his duties by a staff of clerks, sergeants and notaries. According to the regulation of 1304, he was bound in certain cases to consult either a large council of twenty-four or a small council of six. It is even said that he could not dismiss a dragoman without their approval. One of the most important branches of the administration was the *officium mercantiae*, or commercial bureau, which had the difficult task of co-operating with the Greek customs in the detection of frauds. The purpose was to prevent goods from being falsely entered as Genoese property in order to pass them duty free. Merchants who defrauded the customs in this way exposed themselves to severe penalties inflicted by both the Greek and the Genoese authorities. The jurisdiction of the *podestà* in Pera extended beyond the local

colony to all the Genoese establishments in the Byzantine Empire, and even to those in Trebizond and the Crimea. Save that the officials bore different titles, the colonial organization of the Venetians and the Pisans was much the same as that of the Genoese.

Perhaps a word needs to be said about the Genoese colonies of Caffa in the Crimea and Tana at the mouth of the Don. They were the great slave markets of the Middle Ages, a trade in which the Christian merchants played a conspicuous part. The Genoese colony of Caffa was not founded until 1266, or thereabouts, after the treaty of Nymphaeum (1261) had given the Genoese free access to the Bosphorus and the Black Sea. The organization was much the same as that of the other colonies. In the regions around the Black Sea, conditions were still primitive and coin was only in the process of being introduced. Even in Tana, ingots of silver, called *sommi*, were the principal means of payment, and farther east trade was still based on the barter of cloth and linen against fish, caviare or slaves.

Books on economic history written fifty years ago were concerned only with commercial treaties, trade privileges and colonial establishments, but paid little or no attention to business organization itself. This is a one-sided approach. However, it should not be overlooked that these agreements and institutions provided a setting which made possible the orderly conduct of business and afforded some protection against molestation, seizure or arrest. It is not surprising that the Italian maritime cities considered any serious violation of the existing treaties as a *casus belli* and did not hesitate to use force if they failed to obtain prompt redress. The role of the colonies is important in yet another respect: they were usually outposts where the Italians, or at least the merchants of southern Europe, came into contact with another world from which they were debarred by religious, political, linguistic and other obstacles. Thus, Alexandria, for example, was the place where they met the Arabs who brought spices all the way from India. The settlements in Syria performed the same function. Tunis was the terminal of the caravans which brought the gold from mysterious Palola across the Sahara. As for Caffa and Tana, they were the two points where the Italians traded with the Russians and bought Chinese silk from Mongolian camel-drivers. Although Pegolotti asserts that the road to China across the endless steppes of Asia was perfectly safe by day and by night, the number of those who took him at his word must have been exceedingly small, and most Italians undoubtedly preferred to transact their business in Caffa or Tana rather than to imitate Marco Polo and run undue risks. In their colonies the Italian merchants found all they needed in order to deal with strangers: resident friends to give them advice about local customs, interpreters and brokers to make contacts, notaries to draft deeds and trustworthy judges to settle disputes. Why should they have ventured outside? Clearly it was preferable not to take

any chances and to deal in an organized market, and that is exactly what most of them did.

Unlike the other colonies or establishments, Constantinople was not an outpost on the fringe of the Mediterranean basin, but a trading and distribution centre located at the most strategic point of the Greek Empire. Instead of being just a port of call, it was a base of operations for many Italian travelling merchants of the twelfth and thirteenth centuries. Since the Greek carrying trade had fallen under their control, they had their headquarters, not in Italy, but in Constantinople, and from there they organized trips either inland (into the Balkans or Asia Minor) or overseas (to the Black Sea, the islands in the Aegean or even the northern coast of Africa).

An excellent example is furnished by the career of Romano Mairano, on whose ship, as we have seen, a number of Venetians made good their escape when their colony, in 1171, was suddenly assaulted by the Greeks. From 1155 to 1169, Mairano seems to have resided continuously in Constantinople, where he owned a house and from where at first he made short trips to Smyrna and to the ports of Macedonia and Thessaly. As these ventures were apparently successful, Mairano used his profits to develop the scope of his business and, after 1162, to extend his travels to Acre and Alexandria. The records show that, in 1167, he organized a voyage from Constantinople to Citro (near Salonika) and Alexandria with two ships of his own, sailing one himself as *naulerius* or master and entrusting the command of the other to a Venetian, Bartolomeo Zulian. This venture was financed in part by eight sea loans amounting to nearly 900 perpers (July 1167). Judging by their names, the lenders, with one exception, were Italians rather than Greeks. It also appears from the records that at least four of them, who had advanced a total of 488 perpers, made the same voyage and were repaid principal and interest (*caput et prode*) upon arrival in Alexandria (November 1167). The others did not receive their due until February and March 1168, after successful completion of the round trip.

Apparently, Mairano was a merchant as well as a shipowner and had an interest in the cargo loaded on his two ships. While in Alexandria, he entered into a *collegantia* contract with one Domenico Giacobbe, according to which he invested two *sortes*, worth 18 perpers and 7 albos, of the ship commanded by Bartolomeo Zulian, and his partner only one *sors*, worth half this amount or 9 perpers and 3·5 albos. Domenico Giacobbe was apparently travelling on the same ship, since he was expected to trade with these three *sortes* in Almiro (near Volo, Thessaly) and to render accounts to Mairano fifteen days after its arrival in Constantinople. As usual, profits were to be divided equally between the two partners, but losses were to be shared proportionately to investment. From the con-

text it appears that the word *sors* refers to cargo or, more precisely, to the cargo stowed in a definite amount of space. According to the surviving records, Romano Mairano was partial to the sea loan, but he did not resort exclusively to this method of finance. Besides the *collegantia*, he also used the *cambium maritimum*. In February 1167, for instance, he borrowed 100 Byzantine perpers in Constantinople and promised to repay 134 Saracen perpers at Acre.

In 1169, after several years of absence, Romano Mairano returned to Venice and took advantage of this opportunity to conclude with the patriarch of Grado an agreement by which he was to farm all the patriarch's revenues in Constantinople for an annuity of £500, Veronese currency. The contract was to last six years, but was voided after a few months, since the Venetians, on 12 March 1171, were either massacred or driven from Constantinople. As we have seen, Mairano managed to escape with his ship and even to save the lives of many of his countrymen. Nevertheless, he lost heavily and it took him years to recover from this blow, if he ever did.

Back in Venice, Mairano did not lose heart, for he was soon busy organizing new ventures. In 1173, he went on his own ship to Alexandria with a cargo of timber and brought back pepper and alum. At that time, his principal financial backer was the son of the Venetian doge. In 1177, Mairano undertook the organization of a trip from Venice to Alexandria and thence to Bougie and Ceuta, but this venture proved a failure and was not repeated. From 1179 onward, he resumed his voyages to Syria, Palestine and Egypt. In 1184, he built a new ship. During this period, he raised needed capital by means of a new type of contract which involved an advance of funds in Venice and the delivery of so many cantars of alum or centers of pepper upon termination of a voyage to the Levant. As usual, the goods travelled at the risk of the buyer. Although the Venetians, after the events of 1171, had re-established commercial relations with the Byzantine Empire, Mairano did not reappear in Constantinople until 1189 or 1190. Not until then do we find several contracts which show him in Tyre (Syria) taking up money on the eve of a trip to Abydos (Dardanelles) and Constantinople. Although by now sixty years old, he was still commanding his own ship, but he was about to retire from active leadership. After 1192, he apparently remained ashore and placed his son Giovanni in command of his ventures. In May 1200 this son was still managing his father's business affairs, since a contract of this date mentions him as settling the accounts of a *collegantia* relating to a trip from Venice to Alexandria.

Romano Mairano was still alive in November 1201, but he seems to have been living in straitened circumstances, since a cousin had to lend him £50, Venetian currency, *pro amore*, without interest. Did his luck

run out at last? Did one of his ventures end in a disaster involving his son? In any case, Romano Mairano must have died soon after 1201, without heirs other than a daughter who was a nun. Her convent inherited all of his property, including a bundle of business papers which tell the story of his career.

3

The twelfth and thirteenth centuries witnessed not only a great expansion of trade and industry, but also saw the development of banking. It seems likely from a number of references that this development had its roots in Byzantine and even in Roman and Greek precedents. The trouble is that the incidental mentions give little indication as to the nature of the banking business to which they refer. According to the Book of the Prefect, which dates from the tenth century, bankers of Constantinople were certainly engaged in money-changing; unfortunately, the text alludes only vaguely to their other activities.

The first documents to lift the veil are the Genoese notarial records of the twelfth century. According to this source, the designation *bancherius* was reserved exclusively for money-changers—undoubtedly because they conducted their business seated behind a table (*tabula*) or bank (*bancum*). By 1200—as the Genoese notaries reveal—these so-called bankers no longer confined themselves to money-changing, but had already invaded the field of banking proper. They are shown forming partnerships, accepting time and demand deposits, extending credit to customers and even participating directly in business ventures beyond the seas. The most useful details, however, are given in a series of sworn statements collected in 1200 by the Genoese notary, Guglielmo Cassinese, in connection with a lawsuit. They prove first of all that it was common among merchants to have bank accounts and to make payments by book transfer rather than in specie. Not infrequently, the bankers granted credit to customers by allowing them to overdraw their accounts. Finally, arrangements between banks made it possible to transfer funds even when the debtor and the creditor had accounts with different money-changers. The exact procedure followed in such settlements is not clear from the records. At any rate, cheques were not in use, but transfer orders were given by word of mouth and written down by the banker under the dictation of the customer, so to speak. The Bank of Venice remained faithful to this way of doing business until its dissolution on the eve of the nineteenth century, and its regulations strictly forbade book-keepers from entering any transfers in their journals unless the order came from the lips of the depositor or his lawful attorney.

The notarial records show that the Genoese money-changers, or bankers, occasionally made advances against promises payable abroad,

but this type of activity remained the exception rather than the rule. During the thirteenth century, not only in Genoa, but also in Marseilles, exchange dealings with the fairs of Champagne were mainly in the hands of Sienese and Placentine mercantile companies. In these transactions they made use of an instrument, called *instrumentum ex causa cambii*, by which a borrower having received an advance in local currency promised repayment in another currency and in another place. By definition, such a *cambium* contract necessarily involved a credit and an exchange transaction. The *instrumentum ex causa cambii* is undoubtedly the prototype of the bill of exchange which, as the name indicates, served originally to implement a *cambium* contract. According to circumstances, the mercantile and banking companies were at one time takers, or sellers of foreign exchange, and at another, deliverers, or buyers who made advances on the spot in order to acquire balances abroad.

The ordinary *cambium* contract differed from the *cambium maritimum* in that repayment of the debt was unconditional (*salvos in terra*) and ceased to depend upon the safe arrival of a vessel or the major part of its cargo. Among many others, a good example of a *cambium* is furnished by a contract, dated 26 March 1253, according to which Roffredo Bramazoni, the Genoese representative of the Sienese Bonsignori firm, recognizes that a Flemish merchant from Dixmude has given him £390 in Genoese currency, and binds himself and his partners to furnish in London 100 marks of 13s. 4d. sterling each not later than fifteen days after Easter, or on 5 May 1253. According to these figures, the pound sterling was rated at £5 17s. od., Genoese currency. Since the Bonsignori company was a powerful banking-house, it is likely that the main purpose of the contract was to transfer funds from Genoa to London or perhaps from Genoa to Flanders by way of London. In any case, this is an instance of a banking-house selling what may be considered the equivalent of a draft on its branch in London.

Prior to 1200, we already meet in the Genoese notarial records unquestionable examples of dry exchange, a spurious exchange contract designed to conceal a loan at interest. Thus, in a contract dated 9 April 1188, two Frenchmen acknowledged having received from the banker Beltrame Bertaldo an unspecified sum of Genoese currency and promised to pay £4 in French currency at the forthcoming May fair of Provins, with the proviso that if the debt were not repaid in Champagne it would be due in Genoa upon the return of the merchants who went in caravan to the said fair.¹ In the latter case, the four pounds in deniers of Provins were to be converted into Genoese currency at the rate of 16d.

¹ An English translation of this contract is available in Robert S. Lopez and Irving W. Raymond (eds), *Medieval Trade in the Mediterranean World* (Records of Civilization Series, No. 52, New York: Columbia University Press, 1955), 166.

Genoese per sou. In other words, the amount due would be £5 6s. 8d. Genoese. It may be taken for granted that, from the outset, the contracting parties had every intention of taking advantage of the proviso and of repaying the loan in Genoa instead of in Champagne. Besides, speculative risks were completely eliminated by determining in advance the rate of exchange, so that the contract reduces itself to a straight loan calling for the final payment of £5 6s. 8d. Genoese.

During the thirteenth century, the fairs of Champagne were the great international money market and clearing centre as well as the great mart for commodities of all kinds. Exchange-rates were always quoted on the basis of one sou or twelve deniers of Provins (which were the same as the deniers tournois) and in a variable amount of foreign currency. This method of quotation was used both at the fairs and in Genoa or any other Italian centre in regular relations with the Champagne fairs, just as today the exchange is quoted both in London and on the continent on the basis of the pound sterling. A rise of the rate was favourable to the fairs and unfavourable to the other places, and the opposite applied to a falling exchange. In accordance with medieval practice, interest, as a rule, was included in the price of foreign currency.

In comparison with the enormous quantity of notarial records still extant in Genoa, the source material relating to the other Mediterranean ports is much less abundant. In Venice, only a few hundred notarial contracts seem to have escaped destruction, although the oldest of them go farther back than those of Genoa. For Marseilles, the surviving records are not numerous; they include the register of the notary Giraud Amalric (1248) and a series of contracts relating to two prominent merchants, Etienne Manduel and his son Jean, executed in 1264 for plotting against the count of Provence. Other notarial contracts are extant for Amalfi, Barcelona, Caffa, Lucca, Palermo, Pera, Pisa, Ragusa and Zara. The Pisan archives, one of the most important, remain largely unexplored, and the same applies to Barcelona. At any rate, the available source material shows plainly that business practices were nearly the same throughout the Mediterranean area.

Despite the fact that merchants had ceased long ago to be illiterate, the notary played a cardinal role; he was requested not only to draw up deeds and testaments, but also to prepare all types of business contracts. His busiest days were on the approach of sailing dates. Thus the Marseilles notary Giraud Amalric drafted no less than fifty-seven contracts on a single day, 30 March 1248. Fifty of them were *commenda* agreements: thirty relating to the vessel *Saint-Esprit*, bound for Syria, and eleven to the *Saint-Gilles*, sailing for Sicily. There were also two *societas* contracts, both in connection with the impending departure of the *Saint-Esprit*. The next day, 31 March, Amalric was a little less rushed, but he still enacted

forty contracts, including seventeen *commendae* for the *Saint-Esprit*, which actually weighed anchor the next day, and ten for the *Saint-Gilles*, which also was expected to leave port at any time.

Although notarial fees were low, it was inconvenient and time-consuming to approach a notary for every business transaction of any importance. This inconvenience was felt more and more as the volume of business grew, and as the *ius mercatorum* gradually recognized the validity of informal instruments. Yet it is not easy to change accepted ways of doing business, and the Mediterranean seaports, in particular, were conservative in their methods. It was only gradually that the notary was dispensed with save when his services were absolutely required to give legal validity to a contract, as with powers of attorney or protests of bills of exchange. In Genoa, even as late as the fifteenth century, insurance contracts continued to require the intervention of a notary, although it was no longer the custom in Pisa and Florence, where the brokers made out insurance policies and circulated them among prospective underwriters until they had collected enough subscriptions to cover the risk. Genoa, too, was much slower than Florence in replacing the notarial *instrumentum ex causa cambii* by the informal bill of exchange.

Conditions in the twelfth and thirteenth centuries were such that the merchant usually accompanied his own goods, whether on sea or on land. In this respect, practice began to change around 1250. Nevertheless, as late as 1287, a contract states explicitly that a merchant of Palermo, who has received a *commenda* invested in a cargo of salt pork, expects to sell it in Genoa and, for this purpose, intends to go there in person (*personaliter*) and to travel on the same ship as the goods entrusted to his care. In the case of sea loans, it is by no means exceptional for the borrower to declare that he is ready to go (*paratus est ire*) on a certain trip and to repay the loan if the ship carrying him and his goods safely reaches port.

As a rule, each voyage was considered as a separate venture. Although terminal partnerships extending over several years were not unknown, such agreements were rare in overseas trade, but more frequent in local retailing and manufacturing. Sometimes one of the partners supplied all the capital and the other only his labour, as in the case of a partnership, concluded in Genoa on 6 July 1156, between an entrepreneur named Bernardo Porcello and a capitalist named Pevere Lanfranco, who invested 50 Genoese pounds and, in addition, put at the other's disposal a place to carry on the business. According to the provisions of the contract, the agreement was to last five years and profits were to be divided in the proportion of one-third to the managing and two-thirds to the investing partner. Unfortunately, the contract does not disclose the nature of the business.

Similar provisions are also found in a Venetian partnership contract of

1160. According to its provisions, an investor, Pietro Memo, went into partnership with Enrico Serzi and entrusted him with £300, Veronese currency, to start a business. It was understood that profits would be divided equally and that the managing partner would use the investor's own premises as his base of operations and not do business outside Venice except that he was allowed to visit the regional fairs of Ferrara.

Despite the prevalence of the *commenda* and the *societas maris*, terminal partnerships also occurred in foreign trade and perhaps have been unduly neglected by historians. There are quite a few examples among the surviving Venetian contracts of the twelfth century. In one case, the partnership was composed of an uncle and his nephew, the first residing in Constantinople and the second in Thebes (Greece). They were to trade together by shipping goods to each other. All profits were to be shared equally and the partnership was extensible from year to year by way of tacit agreement. Apparently, it had lasted for some time until it was terminated abruptly in 1171 by the expulsion of the Venetians from Constantinople and the Byzantine Empire. Because of the losses suffered in this catastrophe, a final settlement between the two partners was still pending in 1179.

After 1300, terminal partnerships became more and more common, even in the seaports. This does not mean that temporary arrangements disappeared entirely. Since they fitted in so well with the venturesome character of medieval trade, they continued to prosper, but within a framework of more permanent and steady relationships.

III. Italian Hegemony in the Fourteenth and Fifteenth Centuries

In establishing continuous business connections, the inland cities (Piacenza, Lucca, Siena and, later, Florence) rather than the coastal cities (Genoa, Pisa and Venice) took the lead. This development started early in the thirteenth century, when the Placentine and Sienese companies, instead of having roving representatives, began to maintain more or less permanent factors in Genoa, Marseilles, Bruges, Paris and even in distant England. Thus Roffredo Bramanzoni, already mentioned in connection with the sale of a draft on London, seems to have resided in Genoa around 1250 as the agent of the powerful Bonsignori company, in which he was also one of the partners. Whenever he assumes any obligation, he carefully states that he contracts in his own name and in those of his partners (*nomine meo et sociorum meorum*). The company was already emerging as a separate legal entity. But the Sienese company of the Bonsignori was not the only one to have resident representatives; the Placen-

tine bankers were following the same policy and the notarial records reveal that their agents dealt actively in exchange with the fairs of Champagne. What applies to Genoa applies also to Marseilles: there, too, the local representatives of the Placentine banking companies, especially one Otto Anguissola, were the main exchange dealers. Of course, they did not confine their activity to exchange business but also controlled the importation of cloth from Champagne and even invested in overseas ventures. As earlier, diversification remained the rule. The decline of the travelling trade did not lead to greater specialization: on the contrary, the new Italian companies made it their policy to branch out in order to spread risks over a larger area.

In England, the presence of Italians representing banking-houses is recorded as early as 1220. Although law and custom did not allow alien merchants to dwell in the realm, the Sienese and the Florentines secured from Henry III permission to stay for three years at a time. Matthew Paris in his *Chronicle* (1235-59) is shocked by the thought that they abide in London like respectable citizens. Being 'Cahorsins' and manifest usurers, they ought to be expelled, but far from it, they enjoy instead the protection of the Court of Rome and call themselves the Pope's exchangers. Matthew Paris gives 1229 as the date of their first appearance, although the evidence shows that from 1224 onward safe-conducts and export licences were issued to Florentines. Whatever the exact date, it is certain that, prior to 1250, the Italians had gained a firm foothold in England.

In Flanders, they did not settle until close to 1300, or even later. As late as 1322, a privilege granted to the Venetians gave them only forty days to sell their wares, which suggests that they did not yet have permanent establishments. It is true that the Venetians, like the Genoese, were conservative and did not readily adopt the new forms of business organization introduced by the Tuscans and the Lombards. In any case, later privileges no longer put any restriction on residence. Moreover, other records show that the Italians, unlike the Hansards, did not constantly come and go, but sometimes stayed in Bruges for several consecutive years. In the fifteenth century, Tommaso Portinari, the local manager of the Medici bank, lived in Flanders for more than four decades almost without interruption, save for occasional trips to Italy.

By the close of the thirteenth century, the Italian mercantile and banking companies, instead of sending special delegates to each of the Champagne fairs, were opening branch offices in nearby Paris. In 1292, the Parisian roll of the *taille* lists more than twenty companies, including the Bonsignori and the Salimbene of Siena; the Burrini, the Guadagnabene and the Scotti of Piacenza; the Francesi, the Scali and the Frescobaldi of Florence; the Ammannati of Pistoia, and a dozen firms of lesser importance. Moreover, the Italians were among the most heavily taxed. The

highest quota of all was paid by Gandolfo degli Arcelli (Gandoufle d'Arcelles), representing the Burrini company of Piacenza, who may very likely have been the richest man in Paris in the time of Philip the Fair. The Lombards as a group paid more than 10% of the total tax, although they were only a little more than 1% of the total number of taxpayers. Consequently, their average quota was ten times as high as that of the native burgesses of Paris. Among the latter, only a handful of rich money-changers and *drapiers*, or clothiers, paid a larger assessment than the smaller Italian companies.

As for Gandolfo degli Arcelli, there is no doubt that he resided habitually in Paris where he died in 1300 and was buried in the church of St Merri. Apparently he was, or became, the principal partner of the Burrini company of Piacenza. Its activity embraced not only trade and exchange, but also money-lending to persons in all stations of life from feudal lords and prelates to a poor shepherd. True to form, Gandolfo provided in his will for the restitution of his usurious gains. Endowed with unusual business ability, he proved to be irreplaceable, and his company declined rapidly after his death.

The fact that by 1300 the Italian mercantile and banking companies maintained branch offices in Paris, Bruges and London is symptomatic of a new trend which was bound to spell the doom of the caravan trade revolving around the fairs of Champagne. Because of the nearness of Paris, fairs could easily be visited by the partners or factors residing in the French capital, and there was no longer any need to send someone with the regular caravans. Moreover, now that the roads were better policed, it ceased to be necessary for the merchants or their servants to accompany their own goods, which could henceforth be entrusted to companies of *vetturali*, or wagoners, as they were called, even if they did not use wagons but actually drove trains of pack animals. About their role in medieval trade little is known, but occasional glimpses in stray documents leave no doubt about its importance.

An inter-local federation of Tuscan *vetturali* is already mentioned in a Pisan document of 1219. There is also a contract of 1200 between a carrier and several Placentine merchants concerning the safe transportation of persons and goods from Genoa to Bobbio, a small town on the route to Piacenza. These documents show that *vetturali* were operating between Italian cities, but not that they were engaged in the long-distance or trans-alpine carriage of goods. In this connection, they do not appear in the notarial records of Genoa and Marseilles until 1250 or thereabouts. This was not a very recent development, however, since their services were already used extensively by Italian and other merchants.

In Marseilles, most of the wagoners hailed from Dauphiné and carried goods by pack animals or carts to and from the fairs of Champagne. In a

typical contract, dated 12 July 1248, a wagoner (*vetturarius*) acknowledges that he has received two bales of pepper from Rinaldo Bracciarforte and Raniero Malano, merchants of Piacenza, and undertakes to deliver them to partners in Troyes for the price of £7, currency of Vienne. It is further agreed that the said bales will be carried thither by pack animals (and not on carts) and that the wagoner will take good care of the goods as carriers are wont to do for merchants (*et omnia vobis attendere et complere que vetturarii tenentur mercatoribus attendere et complere*). In another contract of the same year, a wagoner promises not to untie and open any bales save in an emergency. Similar provisions are found in the Genoese contracts. Sometimes it was explicitly stipulated whether the goods were to be sent to Champagne by way of Provence or through the valley of Maurienne (*per caminum seu stratam Moriene*), that is, over the Mont Cenis pass. Carriers were also operating trains of pack mules between Genoa and Rome and between Genoa and Florence. Among their best customers were the Placentine and Siennese merchant-bankers. One of them, Giovanni Pagano, called in a notary, the Placentine consul and several merchants to witness the fact that two bales of cloth brought by carrier from France did not contain the requisite number of pieces. These details, however, are adduced only as evidence. The important point to stress here is that the use of wagoners and carriers relieved the merchants from the need of organizing transport. So they were free to turn their attention to other tasks.

There is still another factor which favoured the rise of the Italian companies with branches abroad: the steady progress in business management. This is often overlooked, but is not therefore of lesser importance. Merchants had to learn how to do business by correspondence rather than by personal contact. As paper work increased, it tied them more and more to the counting-house. This development is very difficult to trace, but business letters give some indication. A few—very few—from the end of the thirteenth century have survived. They are models of business-like procedure, matter-of-fact and to the point, without any of the verbiage so characteristic of the notarial contracts. Take, for example, the letter written on 24 March 1291, by the Cerchi company in Florence to their agents in England. After the customary greetings, the principals in Florence mention the letters received from London, then deal with shipments of wool and cloth, and go on to discuss the prospects of an abundant spring clip in England and Scotland. After that comes a long paragraph concerning the promotion of a suit or petition which the Cistercian monastery of Kirkstead (Lincolnshire) wanted to introduce in the Court of Rome. The letter ends by giving instructions regarding the payment of a draft of £14s. 8d. sterling and by quoting the rates of exchange for the forthcoming fairs of Bar-sur-Aube and Provins. The same pattern,

more or less, was followed in commercial correspondence throughout the fourteenth and fifteenth centuries.

Another clue to the advance in business management is furnished by the high level of technical efficiency achieved in book-keeping. Surviving fragments of account-books show that, by 1300, considerable progress had been made in agency accounting. Merchants kept detailed records not only of amounts owing and owed, but also of cash transactions and operating results. Judging from the extant fragments, the records of the great mercantile and banking companies were certainly adequate to permit an orderly conduct of business.

By eliminating a good deal of wasteful travelling, the new organization introduced by the Placentine and Tuscan companies was certainly more efficient than the old. It permitted the merchant to conduct his business from his desk without leaving the counting-house. Representation in foreign parts was provided by partners, factors (employees) or simple correspondents. This novel method of doing business gave rise to a new type of merchant whom Professor N. S. B. Gras has called 'the sedentary merchant'; and it was especially well adapted to the needs of overland trade as population in western Europe grew, markets expanded and security increased. No wonder that the Placentine and Sienese companies reaped great benefits from their innovation; they well-nigh dominated the trade across the Alps—at least the Genoese records of the thirteenth century definitely give this impression. Superior business organization may well explain why a city like Siena, with an unfavourable geographic location, succeeded for more than half a century in playing a major role as a commercial and banking centre.

The change from the old to the new system was certainly very gradual. In the overseas trade, where risks were greater, the old system of temporary partnerships lingered on. It had not entirely disappeared by 1600, and the first joint-stock companies in the colonial trade were formed for a single venture and dissolved after its completion. Even today, something of the old system remains: in shipping, the voyage account is still the basic unit for profit or loss computations. But even in the overland trade, the new form of business organization, despite its advantages, did not easily gain the upper hand. In 1306, the Alberti company of Florence still had several factors who were travelling back and forth between Italy and Champagne to fetch Flemish cloth. When the books were closed on 1 January 1307, three of them, it is stated, were on the road (*sul cammino*), bringing cloth to Florence. Later on, it seems that the company no longer sent factors to the fairs, but had permanent representatives in Flanders and Brabant. The trend of the times was too powerful to resist; one had to follow it or lose the race to more adaptable competitors.

For lack of documents, not much is known about the internal organi-

zation and the financial structure of the great Placentine and Sienese companies of the thirteenth century. These companies were, of course, partnerships, but the word 'company' is correctly applied to them, since it is constantly used in contemporary sources and business documents. Originally, the companies were family partnerships. Even after admitting outsiders as partners, the nucleus was still formed by the founding family, which, without exception, gave its name to the company. Thus the Sienese company of the Bonsignori, which failed in 1298, had twenty-three partners, four of whom were sons of the founder, Orlando Bonsignori, one a nephew of Orlando and eighteen outsiders. The outsiders usually accepted the leadership of the family group, but in this case disagreement among the partners about policy seems to have been a major factor in bringing about the downfall of the entire concern. Although the matter has been debated, it seems that partners, in the thirteenth century, assumed joint and unlimited liability. It was not until 1408 that a Florentine statute allowed the creation of *società in accomandita*, or limited partnerships, in which dormant partners were liable only to the extent of their investment.

Since the Italian mercantile and banking companies had branches or correspondents in all the principal centres of western Europe, their names occur frequently in English as well as continental sources. It may, therefore, be useful to include a reference list, however incomplete, of the major companies and merchant dynasties active in the later Middle Ages:

ASTI: Alfieri, Asinari, da Saliceto, Garetti, Leopardi, Malabaila, Pelleta, Roveri, Scarampi, Solari, Toma.

FLORENCE: Acciaiuoli, Alberti, Albizzi, Altoviti, Antella, Ardinghelli, Bardi, Baroncelli, Bondelmonti, Cambi, Canigiani, Capponi, Cavalcanti, Cerchi, Da Rabatta, Del Bene, Falconieri, Francesi, Frescobaldi, Gianfigliuzzi, Guadagni, Gualterotti (Bardi), Guicciardini, Mannini, Mazzi, Medici, Orlandini, Pazzi, Peruzzi, Pigli, Portinari, Pulci, Rimbartini, Rucellai, Scali, Spini, Strozzi, Tornabuoni (Tornaquinci).

GENOA: Adorno, Balbi, Calvi, Cattaneo, Centurioni, Dalla Volta, Di Negro, Doria, Embriaci, Fieschi, Gentili, Giustiniani, Grillo, Grimaldi, Imperiali, Lercari, Lomellini, Mallone, Malocelli, Pallavicini, Pessagno, Piccamiglio, Spinola, Squarzafo, Usodimare, Vento, Zaccaria.

LUCCA: Arnolfini, Balbani, Barca, Bonvisi, Burlamacchi, Calcinelli, Cennami, Dal Portico, Forteguerra, Guidiccioni, Guinigi, Interminelli, Moriconi, Onesti, Rapondi, Ricciardi, Schiatta, Spada, Spiafame, Trenta, Vinciguerra.

MILAN: Amiconi, Borromei, Castagnuoli, Da Casale, Da Fagnano, Del Maino, Della Cavalleria, Dugnano, Serrainerio, Vitelli.

PIACENZA: Andito, Anguissola, Arcelli, Bagarotti, Baiamonte, Bracciaforte, Burrini, Capponi, Cavessoli, Guadagnabene, Leccacorvo, Negrobboni, Pagano, Quattrocchi, Rustigaccio, Scotti, Speroni.

PISA: Agliata, Aiutamicro, Assopardi, Baccone, Buonconti, Buzzacarini

(Sismondi), Carletti, Cinquina, Del Bagno, Dell'Agnello, Delle Brache, Del Mosca, Duodi, Falcone, Gaetani, Gambacorta, Gatti, Griffi, Gualandi, Laggii, Lanfranchi, Martelli, Murcii, Orlandi, Papa, Pedone, Roncioni, Sampanti, Scacieri, Sciancati, Sciorta, Seccamerenda, Sismondi, Vernagallo.¹

PISTOIA: Ammannati, Cancellari, Chiarenti, Dondori, Fortebraccio, Pancia-tichi, Partini, Simiglianti.

PRATO: Datini (Francesco di Marco).

SIENA: Bonsignori, Cacciaconti, Fini, Folcacchieri, Gallerani, Maffei, Malavolti, Marescotti, Piccolomini, Salimbene, Sansedoni, Scotti, Squarcialupi, Tolomei, Ugolini, Vincenti.

VENICE: Badoer, Baldo, Barbarigo, Bembo, Bragadin, Capello, Contarini, Dandolo, Garzoni, Lippomani, Loredan, Molin, Morosini, Pisani, Priuli, Soranzo, Ziani, Zorzi.

Owing to the chance preservation of documents, and to the studies of Professor Armando Saporì, we are much better informed about the structure of the Florentine companies, especially the Peruzzi, than about those of Siena or Piacenza. Next to the Bardi, the Peruzzi company was the largest in Florence. It had a continuous existence from 1275, or thereabouts, to 1343, when it failed because of frozen credits to the kings of England and Naples. Between those dates the articles of association were renewed several times, namely in 1300, 1308, 1310, 1312, 1324, 1331 and 1335. In the interval between two renewals, no new partners were admitted and none were allowed to withdraw. At each renewal, the books of the old partnership were closed and a general financial statement, or *saldamento generale*, was drawn up. The partners then proceeded to a division of profits. Usually this division was not final but subject to later adjustments, because the balance was apt to include a great many contingent claims and other items which remained in abeyance. The final liquidation often took several years, as is evident from the account-books that are extant.

In 1310, the *corpo*, or capital, of the Peruzzi company reached a peak of £149,000 *affiorino* or about \$400,000 at the present official valuation of \$35 per ounce. This is a tremendous amount if one considers that the purchasing power of gold in the Middle Ages was many times what it is today. The share of the Peruzzi family in this total amounted to £79,000 *affiorino* and that of the outsiders to £70,000 *affiorino*. It was only in the settlement of 1331 that the latter acquired control of the majority of the capital by owning £52,500 *affiorino* out of a total of £90,000. The reduction of the capital at the time of the renewal of 1312 was not due to losses, but to the fact that several partners withdrew and were not replaced by newcomers. In 1324, the capital fell to a low point of £60,000 *affiorino*, but there is no evidence that the company, as a result, curtailed

¹ This list for Pisa I owe to the generosity of David Herlihy who is preparing a study of merchants and trade based on the Pisan notarial cartularies and other sources.

its activities. It was only in 1331, when the first cracks in the structure began to appear, that the capital was increased from £60,000 *affiorino* to £90,000 *affiorino*, probably in order to infuse new blood into a decaying body; but to no avail, as we know, since the company collapsed in 1343.

An interesting detail: one of the partners was 'Messer Domeneddio', or the Lord God. In 1310, He was allotted £2,000 *affiorino* for His share in the capital, without any corresponding investment, of course. Messer Domeneddio received His regular quota of the profits which was set aside and distributed in alms to the poor. When the company failed, this account showed a credit balance. In the name of the poor, the Capitani di Orsammichele, a religious fraternity, not only laid claim to this balance but contended that it should be treated as a preferred creditor with first priority. This claim was actually granted and the fraternity managed to get hold of some choice pieces of property to the detriment of the other creditors.

The *corpo*, or capital, of the Peruzzi company did not represent total investment. In addition to their shares, partners were encouraged to invest additional funds, *sopraccorpo* or *fuori del corpo*, that is beyond the capital. On such additional investment they received interest at the rate of 8%, prior to any distribution of profits. The company also accepted time deposits from other investors on similar terms.

In the Peruzzi company, profits were divided among the partners proportionately to capital investment. It would be a mistake, however, to assume that this procedure was typical and observed by all companies. In the case of the Alberti company during the early years of its existence, *corpo* and *sopraccorpo* were not segregated; they did not exist as separate accounts and there was no stated limit to the capital. From 4 September 1304 to 1 January 1323, each partner first received 8% on his total equity or investment. The remaining profits, if any, were then divided among the partners according to a pre-established quota system. From 1304 to 1307, for example, the partners—three brothers—divided these net profits equally, that is, to each one-third. In 1310, each of the three brothers received only three-tenths, and one-tenth went to the son of one who had been admitted as a partner. This system remained in force until 1315, when the quotas were changed again to take care of more sons brought into the family business. It was only in 1323 that the Alberti company completely changed its system of distributing profits and adopted one similar to that of the Peruzzi. A *corpo* of £25,000 *affiorino* was set up and each partner was assigned part of this amount and was expected to keep it in the company. On any additional funds furnished by a partner, the company paid 8% interest. If, on the other hand, a partner failed to supply his full share of the *corpo*, he was charged 8% on any deficiency. The remainder of the profits was then divided by the partners in

proportion to their shares of the *corpo*. There is little doubt that this system was adopted by the Alberti company in order to discourage one of its partners from drawing out most of his equity.

Consequently, there existed no hard-and-fast rule determining the distribution of profits in the Florentine companies. Everything depended on the agreements made by the partners and incorporated in the articles of association. In the Datini partnerships of the fifteenth century, the division of profits was seldom proportionate to investment; the managing partner, who invested little, usually received a more than proportionate share of the earnings in reward for his services. It is true that the structure of the Datini firm and the Medici banking-house, with a separate partnership for each one of the branches, differed greatly from that of the earlier companies.

The Peruzzi company—and the same is true of the Bardi and the other companies prior to 1350—was *one legal entity* only: it comprised the headquarters in Florence and the branches outside the city, those in Italy as well as beyond the Alps. In theory, all the partners residing in Florence had a voice in the management, but in practice the business was run by one of them who inspired confidence and assumed the same function as the president of a modern corporation. Several of the branches were administered by factors who were generally provided with a power of attorney. Incidentally, the word 'factor' had a different meaning in the Middle Ages from that which it has today; it did not designate a commission merchant, but always referred to a salaried employee doing clerical work for a trading company, a banking-house or a merchant. Branch managers, being employees, received a salary and occasionally a bonus, if the company had been pleased with their services, but never a share in the profits. It also happened that a partner was sent abroad to take charge of one of the branches. In such a case he received a salary for his services as a factor besides his share in the profits, to which he was entitled as a partner.

This form of organization was rather rigid and its weaknesses showed up when the big three, the Acciaiuoli, the Bardi and the Peruzzi companies, all failed shortly before the Black Death. After the crash, the Florentine merchants seem to have evolved a new form of organization which appeared to them to be more flexible and to offer greater protection from entanglements so that the fall of one branch would not involve the whole concern. Perhaps this expectation was a delusion. This new set-up occurs already in the Datini firm, which was a combination of autonomous partnerships, one for each branch office, but all controlled by one man who kept the reins firmly in his hands and did not allow the branch managers any deviation from his instructions. Francesco Datini (†1410) judged others only by their performance and knew how to pick

out reliable and devoted assistants, although he made practically no use of relatives at a time when the cult of the family was still great. The same form of organization was no doubt adopted by most Florentine firms after 1350, but it is encountered in its purest form in the greatest of them all: the Medici bank.

This famous banking-house was founded in 1397 when Giovanni di Bicci de' Medici, who had managed for a time the Rome branch of a partnership founded by a distant cousin, Vieri di Cambio de' Medici, established a rival firm in association with members of the Bardi family. At first, it had only two offices, one in Florence and the other in Rome. During the lifetime of Giovanni, branches were opened in Naples (1400) and in Venice (1401), but the former was discontinued in 1426, perhaps because it was not successful. In the same year, a branch was created in Geneva, the fairs of which had acquired international importance. In the beginning, this branch was financed by an *accomanda* which was only transformed in 1437 or 1439 into an unlimited partnership, the Medici assuming henceforth full responsibility. The great period of expansion of the Medici bank came, however, only after the death of Giovanni di Bicci (1429), under the administration of his son, Cosimo. Successively branches were established in Bruges (1439), Pisa (1442), London (1446), Avignon (1446) and Milan (1451 or 1453). In 1433, the Medici, as papal bankers, opened a temporary office in Basle to handle the financial business of the Church Council which was then in session. About 1464, the Geneva branch was transferred to Lyons where the new fairs created by Louis XI were such a tremendous success that the older fairs ceased to attract any trade.

In marked contrast to the Peruzzi company the Medici firm was not one unit, but was made up of several partnerships which were separate legal entities, all under the control of the same family. Its structure resembled more or less that of the modern holding company with the important difference that it was, of course, a combination of partnerships rather than of corporations.

At the summit of its prosperity, the entire complex included the 'bank' in Florence, the branches 'outside the city', that is, in Italy and abroad, and three manufacturing establishments within the walls: two woollen 'shops' and one silk 'shop'. Of course, these 'shops' (*botteghe*) were not factories or even workshops in the modern sense, but establishments which put out the materials to be worked up at home by a succession of craftsmen. In Florence, in the woollen industry, only a few operations, such as beating the wool, carding and combing, were performed in the *bottega* itself; all the others, including spinning, weaving, dyeing and finishing, were done outside. This method of production, known as the putting-out system, gave rise to a very complicated organization which

can best be studied from the account-books of another and much less famous branch of the family, since no industrial records of the historic Medici have survived.¹ The same is not true of the other records relating to their banking business. Fragments of the correspondence and the account-books are still extant and have been used by historians. Recently, a systematic search of the Florentine archives brought to light a crop of new documents, including partnership agreements, balance sheets, correspondence and, most important of all, three *libri segreti*, or secret account-books, covering the period from 1397 to 1450 without any break. In the Florentine companies, the *libri segreti* were the key books which contained vital information relating to the composition of capital and the allocation of profits, not only of the main office but also of the branches. Although this new material still requires further study, we are now much better informed than we were only a few years ago about the internal organization of the Medici bank.

According to data for the year 1335, only the major branches of the Peruzzi company (Avignon, Bruges, London, Naples, Palermo and Paris) were managed by partners; the others were administered by factors who were salaried employees. In the case of the Medici bank, branch managers were as a rule junior partners who, instead of receiving a salary, were remunerated by means of a share in the profits. It does not follow that these managing partners were on the same footing as the *maggiori* or senior partners belonging to the Medici family. Quite the opposite. The Medici records make it clear that these two categories did not have equal rights and that the managing or junior partners were definitely placed in a subordinate position. In all important matters of business policy the *maggiori* or senior partners had the final say. If a junior partner failed to follow instructions, it was always possible to get rid of him by terminating prematurely the partnership agreement, and all the surviving articles of association granted this right to the *maggiori*. A junior partner also was not permitted to leave his post and was expected to report to the *maggiori* on all the acts of his management. In other words, it is clear that the *maggiori* were masters and the managing partners only servants. An analysis of a Medici partnership agreement will further illustrate this point.

For this purpose, let us take the articles drawn up in Bruges on 25 March 1454, and relating to the London branch.² According to the pre-

¹ For the business organization of the Florentine woollen industry in the fourteenth to sixteenth centuries, see the studies, based on the account- and letter-books of the Medici-Tornaquinci, in Florence Edler, *Glossary of Mediaeval Terms of Business, Italian Series, 1200-1600* (Cambridge, Mass., 1934), Appendices, and the essay of Raymond de Roover, 'A Florentine Firm of Cloth Manufacturers: Management and Organization of a Sixteenth Century Business', *Speculum*, xvi (1941), 3-33.

² An earlier contract, dated 31 May 1446, is discussed by Lewis Einstein, *The Italian Renaissance in England; Studies* (New York, 1902), 242-5.

amble, the partners were to be: the two sons of Cosimo and their first cousin, Pierfrancesco de' Medici, Giovanni d'Amerigo Benci (the general manager of the bank), Gerozzo di Jacopo de' Pigli (a former manager of the London branch) and Simone d'Antonio Nori (the new manager). Next it was stated that the purpose of the contract was to form a 'company in order to deal in merchandise and in exchange' in the city of London. In this context, 'exchange' is synonymous with banking which, at that time, consisted chiefly in the negotiation of bills of exchange. Consequently, the new partnership was intended to combine trade with banking, a common practice, since the Italian companies carried on diversified activities. It was also provided that the agreement would last four years ending on 24 March 1458. According to article 1, the partnership was to be styled 'Piero di Cosimo de' Medici e Gerozzo de' Pigli e Compagni di Londra'. The capital of £1,000 sterling was to be supplied entirely by the senior partners (Medici, Benci and Pigli). Simone Nori was not expected to invest any money, but he was to give his services and to attend to the management of the company's affairs (article 2). Although he had no money invested, Nori was entitled to one-eighth of the profits or 2s. 6d. in the pound, and the other partners to seven-eighths or 17s. 6d. in the pound (article 4). During the duration of the agreement, no partner was permitted to withdraw either his capital or his share in the profits, except that Nori was given an annual allowance of £15 sterling to cover his expenses.

The succeeding articles make it abundantly clear that all the burdens of management rested on the shoulders of Nori and that he was strictly accountable to his co-partners. Under the threat of a penalty of 100 nobles, he was not allowed to grant credit except to merchants or artificers (article 6); neither was he free to stand surety for others except with special permission of his partners (article 7). In addition, the agreement forbade him to do business for himself (article 8), to gamble and to keep women at his quarters (article 9), to underwrite insurance (article 17), to accept gifts worth more than one pound (article 18), or to leave England without express authorization (article 14). At the end of each year, on 24 March, he was expected to close the books and to strike the balance which was to be sent to headquarters in Italy. At the termination of the agreement, he promised to come to Florence in order to report in person concerning his management (article 10). He had no power to hire factors or even office boys (article 12). As a matter of fact, the Medici followed a constant policy of doing this themselves. Nori was not supposed to invest in wool, lead or tin—the products of England—more than £300 at any one time (article 15) and he was placed under strict obligation to insure all shipments sent to Italy by sea (article 16).

While the partnership agreement thus placed all kinds of restrictions

upon the freedom of the junior or managing partner, the *maggiori* were not limited by any such disabilities; not only did the provisions preserve their entire liberty of action, but they also gave them the means of exercising and retaining control. After the liquidation of the partnership, the *maggiori* were to have the custody of all books, papers and other records, although Simone Nori would have access to them whenever he needed it. More important still, the Medici kept the exclusive right to the use of the style and the mark of the partnership and remained in possession of its place of business or *fondaco*. Finally, it was explicitly stipulated that they could terminate the partnership at any time without Nori's raising any objection. In other words, it is plain that ultimate authority was vested in the senior partners and that the junior partner was expected to manage the London branch within the framework of their instructions.

Since the Medici were so involved in politics, they could not devote all their time and their attention to the management of their business interests. Of necessity, they had to delegate power and to rely for assistance on advisers. According to the records, their principal administrator was called *ministro*, and it is likely that he performed about the same functions as those of the general manager in modern corporations or joint-stock companies. His main task was to supervise the branch managers, to read their reports, to give them instructions, to examine the yearly balance sheets sent to headquarters by the branches and bring all matters of importance to the attention of whichever Medici was the head of the firm. It was also the duty of the *ministro* to prepare written instructions for managers who left Florence for their new posts and to interview those who came to Florence to report or to negotiate the renewal of partnership agreements.

From 1397 to 1433, the general managers were successively two brothers, Benedetto and Ilarione di Lipaccio de' Bardi. They were followed by Giovanni d'Amerigo Benci (1435-55), a very able man who had been trained in the Rome and Geneva branches. After him came Francesco di Baldovino Inghirami (1455-70) and then Francesco di Tommaso Sassetti (1470-90). The latter, also, had received his training in Geneva. His record as a factor and as a branch manager was so impressive that he was recalled to Florence in 1458 to help Francesco Inghirami whom he succeeded after the death of Piero di Cosimo de' Medici. Under the administration of Lorenzo the Magnificent, who had little aptitude for business, Sassetti became all-powerful, and nothing was done without or against his advice. In the course of the years, he became less adaptable and failed to keep a strong hand over the branch managers. Among other errors, he did not detect in time the frauds of Lionetto de' Rossi, the manager of the Lyons branch, or restrain Tommaso Portinari, the manager of the branch in Bruges, from lending excessive amounts to Charles

the Bold. Sassetti's laxity and faulty judgment were certainly a major cause of the downfall of the once powerful bank which was virtually bankrupt when, in 1494, the Medici rule was overthrown in Florence. A noteworthy fact is that Sassetti did not become a partner of the 'bank' in Florence until 1482. As general manager, he was rewarded for his services by being kept as a senior partner in the Avignon and Lyons branches. Sassetti's successor was Giovambattista di Marco Bracci (1490-4), who tried in vain to repair the damage during the short lease on life remaining to the Medici bank. One should not forget, however, that the bank lasted nearly a century, from 1397 to 1494, a long time for a business firm.

In 1420, the capital of the Medici bank amounted to 24,000 gold florins, of which 16,000 florins were supplied by the Medici and 8,000 florins by Ilarione de' Bardi, their partner and general manager. This capital was invested as follows: 10,500 florins in the bank in Florence; 6,000 florins in the branch in Rome; and 7,500 florins in that in Venice. Subsequently the capital was increased from 24,000 to 32,000 florins. By 24 March 1451 (N.S.), when the last of the three extant *libri segreti* was closed and balanced, the capital of the Medici bank had reached 72,000 florins, of which 54,000 represented the quota of Cosimo de' Medici and the remaining 18,000 florins that of his *ministro*, Giovanni d'Amerigo Benci. To this amount must be added a sum of 3,083 florins *di suggello* and 24s. 10d. *affiorino* due to the heirs of Antonio di Messer Francesco Salutati, a partner who died in 1443. Table I indicates how this amount was allocated. The reader will notice that the Rome branch, managed by Robert Martelli, is not listed. This is not an oversight, for no capital was assigned to this branch after the mid-1420's because the papal court was a source of funds. According to modern notions, it seems strange that a bank should have no capital. However, there is no mistake, since the Pazzi followed the same practice; like the Medici, they state explicitly in their *catasto* or tax reports, from 1427 onward, that their branch in Rome, because it needs no capital, does not have any. It should be emphasized that the amount of 75,083 florins does not represent total capital investment, but only the share of the Medici bank, properly speaking, in the capital of the various subsidiaries. Consequently, this figure does not include the amounts invested by other partners. If these are taken into consideration, the total capital investment amounted to nearly 88,300 florins, Florentine currency, or about \$353,200 in gold at the present price of \$35 an ounce. This figure of 88,300 florins is based on the data found in the *libro segreto* and in partnership agreements; it may be considered accurate, but it is not a balance-sheet total like the sum of 75,083 florins mentioned above.

Capital investment represented only a fraction of the funds with which

Table I. Allocation of the Capital of the Medici Bank to Different Branches on 24 March 1451 according to the 'Libro Segreto No. 3'

Office or Branch	Manager	Share of the Medici Bank		Total Capital Investment	
		Local Currency	Florins* F. s. d.	Local Currency	Florins* F. s. d.
Florence Silk Shop	Giovanni Benci Berlinghiero di Francesco Berlinghieri and Jacopo Tanagli		12,952 1 10 4,800 0 0		12,952 1 10 7,200 0 0
Same Wool Shop I Wool Shop II Avignon	Same Antonio di Taddeo Andrea Giuntini Giovanni Zampini	14,000 fiorini di camera or papal florins	7,824 16 2† 2,500 0 0 3,500 0 0 8,400 0 0	16,000 papal florins	7,824 16 2† 4,000 0 0 6,000 0 0 9,600 0 0
Bruges Geneva	Angelo Tani Francesco Sassetti	£2,160 groat 10,500 écus of 64 to the marc	10,800 0 0 11,807 6 10	£2,700 groat 12,000 écus of 64 to the marc	13,500 0 0 13,493 0 0
London Venice	Simone Nori Alessandro Martelli	£800 sterling £700 groat or 7,000 ducats	4,800 0 0 7,700 0 0	£1,000 sterling 7,000 ducats	6,000 0 0 7,700 0 0
Total			75,083 24 10		88,269 18 0

Source: Florence, State Archives, Mediceo avanti il Principato, Filza 153.

* These florins are *fiorini di suggello* divided into 29 *solidi affiorino*, each subdivided into 12 deniers.

† Undivided profits.

the Medici bank operated. Like other merchant-bankers, they accepted time deposits, or *depositi a discrezione*, on which they promised to pay, if earned, a return of 8, 10 or even 12%. Although the banker assumed no legal obligation to pay interest, he was under pressure to do so if he wanted to keep his customers. In answer to the upholders of the usury doctrine, the bankers argued that a return payable at their discretion was a free gift and that nothing prevented them from making presents. Nevertheless, the more rigorous theologians, including San Antonino (1389-1459), archbishop of Florence, condemned deposits *a discrezione* as 'palliate' usury. Despite this attitude of some of the leading 'Doctors', the pope himself, not to mention several cardinals, had money on deposit with the Medici; the balance sheet of the Rome branch, dated 12 July 1427, includes an item of nearly 1,200 florins standing to the credit of Martin V personally. According to the same balance sheet, Henry Beaufort, cardinal of Winchester, had a credit of 4,000 florins, and the papal treasury or *camera apostolica*, far from being in debt, had almost 24,500 florins of idle money on deposit with the Medici. It is not surprising that the Rome branch had been in a position to advance about 30,000 florins of working capital to the head office in Florence and about 13,000 florins to the Medici subsidiary in Venice. Rome, indeed, was the principal source of funds.

Capital investment is only one method for gauging the size of a business concern. The number of employees is another yardstick. What was the size of the staff employed by the Italian banking and trading companies? No figures are available for the Bardi company, apparently the largest of the big three which crashed around 1345. In 1336, the Peruzzi company, the second largest, probably employed between eighty-five and ninety-five factors. The Acciaiuoli company, the smallest of the three, had, in 1341, sixteen branches with a total of forty-two factors, not including the home office in Florence where there were eleven partners and an unknown number of employees (Table II). The plausibility of these figures is confirmed by a reliable estimate concerning the personnel of the Medici bank. At the time of Piero di Cosimo's death (1469), it included close to sixty persons of whom fifty were factors and ten, managers and partners (Table II). In an epoch when large corporations have thousands of employees, these figures may not be impressive, but the Medici bank was a giant for its time. In Lucca, during the last quarter of the fourteenth century, all firms were required by law to register their marks and to list their partners and factors. According to the business register for 1372, the largest company in Lucca was that of the Guinigi: it had five branches—Bruges, Genoa, Naples, Pisa and Venice—and the staff, including both partners and factors, numbered nineteen persons, seven of whom were members of the family. Only eleven Luccchese

Table II. *Size of Three Major Florentine Companies*

Office or Branch	Peruzzi 1336 Size of Staff	Acciaiuoli 1341 Size of Staff	Medici 1469 Size of Staff
Florence	11	11	12
Avignon	5	3	5
Barletta	5	4	No branch
Bologna	No record	1	No branch
Bruges	4	2	8
Castello di Castro (Sardinia)	1	No record	No branch
Chiarenza (Greece)	No record	2	No branch
Cyprus	4	3	No branch
Genoa	1	6	No branch
London	7	2	4
Lyons	No branch	No branch	8
Majorca	2	No record	No branch
Milan	1	No branch	8
Naples	8	5	No record
Paris	3	1	No branch
Pisa	7	2	No record
Ravenna	No branch	1	No branch
Rhodes	3	3	No branch
Rome	No record	2	8
Sicily	7	3	No branch
Tunis	3	2	No branch
Venice	3	No branch	7
Unidentified	13		
Total	88	53	60

SOURCES: Peruzzi, Armando Saporì, *Studi di storia economica*, 3rd ed. (Florence, 1955), 717-29. Acciaiuoli, Jean Alexandre Buchon, *Nouvelles recherches historiques sur la principauté française de Morée et ses hautes baronnies à la suite de la quatrième croisade* (Paris, 1843), I, i, 46 n. Medici, Florence, State Archives, Mediceo avanti il Principato.

firms employed more than six persons. In 1371, the register lists eighty-nine firms and 186 factors or an average of a little more than two factors per firm. Thirty merchants declared they had neither partners nor factors. The figures for 1372 are slightly different, but do not alter the general picture. If Lucca is at all typical, one may safely conclude that individual merchants and small firms predominated and that 'large' companies employing ten factors or more were the exception. After 1350 no medieval firm, with the lone exception of the Medici bank, even remotely approached the size of the big three, the Bardi, the Peruzzi and the Acciaiuoli companies, which the Florentine chronicler, Giovanni Villani, called 'the pillars of Christendom'. Perhaps it is not devoid of sig-

nificance that only one company attained comparable size during the period of stagnation, and even contraction, which extended from the Black Death to the Great Discoveries.

Seldom were more than eight factors employed in any one branch. In 1469, the Bruges branch of the Medici bank had a staff of eight persons: the branch manager (Tommaso Portinari), the assistant manager (Antonio di Bernardo de' Medici, a distant relative of the *maggiori*), four factors and two *garzoni* or office boys. Of the four factors, one (Adoardo Canigiani) was the book-keeper; another (Carlo Cavalcanti), who spoke fluent French, had the more pleasant duty of selling silks and velvets to the court of Burgundy; the third (Cristofano Spini) took care of the purchases of cloth and wool and the fourth (Tommaso Guidetti) was probably the cashier. In the fifteenth century, London was less important than Bruges. It is, therefore, not surprising that the Medici branch in London employed fewer people than the one in Bruges. When Gerozzo de' Pigli was sent to London in 1446 to take charge of the Medici branch, he had only three factors to assist him: (1) Angelo Tani, later transferred to Bruges, who was good at correspondence and could replace the manager when absent; (2) Gherardo Canigiani, who was best suited for the job of book-keeper, and (3) Alessandro Rinuccini, who was fit for the task of cashier and for running errands, since he knew English. Only Gerozzo de' Pigli, the branch manager, and Angelo Tani, the assistant manager, had the power to commit the London branch and to draw or accept bills of exchange. This information is so precise and detailed that it settles the problem of the size and the organization of the branches which the great Italian banking and trading companies had established abroad.

From a practical point of view, the legal structure of the companies made little difference, and it did not matter much whether the branch managers were partners or simple factors. Because of the slowness of communications it was necessary to give them a great deal of freedom. Business decisions could not be postponed two or three months in order to consult headquarters. As a matter of fact, the control of agents in distant places remained one of the knotty problems of mercantile capitalism until the end of the eighteenth century. In the case of the Medici bank, one of the main causes of its downfall was probably Sassetti's failure to take drastic measures while there was still time and to replace branch managers, like the Portinari brothers, who were steering a dangerous course and involving the firm in risky enterprises. Francesco Datini, on the contrary, was not so lenient and did not hesitate to pen angry notes in his own hand whenever branch managers bought bills from doubtful takers or, in any other way, exposed the firm to losses. The keynote of Datini's policy apparently was: it is better to turn down business than to run undue risks. He steadfastly refused to become involved in loans to

princes which so often caused the ruin of the medieval banking-houses. Co-ordination seems to have been another serious problem. Sassetti also failed to solve this, and the correspondence of the Medici bank under the administration of Lorenzo the Magnificent is filled with the recriminations of the branch managers against each other. Rome and Bruges were at odds over the alum monopoly, and Rome complained to headquarters—apparently with good reason—because Lyons was draining away working capital by drawing bills without making equivalent remittances.

In spite of such difficulties, the companies with permanent branches abroad had a slight advantage over independent merchants, because they possessed at least some authority over their managers in foreign parts. Independent merchants, unfortunately, were entirely at the mercy of the correspondents to whom they sent goods on consignment. Usually there was no remedy against agents who were ill-chosen and proved to be either inefficient or dishonest. The Venetian merchant, Guglielmo Querini (1400–68), was especially unlucky in this respect. A voluminous bundle of his letters is still preserved in the Venetian archives. Although well informed because of his many connections in the political world, he was unsuccessful as a merchant. One of his main shortcomings was presumably that he dealt with agents whom he did not know very well and who either cheated him or mismanaged his affairs. After losing most of his business capital—fortunately he also owned landed property—he had the wisdom to retrench and spent twelve years in futile and obstinate attempts to collect outstanding claims in Flanders, in England and in the Levant. In only one instance did he succeed, but it was near home and not in distant lands. An unfaithful agent in Ravenna was forced to disgorge what Querini claimed as his due. Even so, to win his suit, Querini had to marshal all the political influence at his disposal. The problem of securing satisfactory representation in foreign parts is also well illustrated by the career of another Venetian merchant, Andrea Barbarigo (fl. 1418–49). He was more cautious and more successful than Querini, but he, too, had his share of troubles with unreliable correspondents. His agent in Syria, Alberto Doceto, failed to give him satisfactory service by overcharging him on the price of cotton and discriminating against him in favour of other principals. In Spain, Barbarigo used as his commission agent Bertuccio Zorzi, the son-in-law of banker Francesco Balbi. As Barbarigo was one of Balbi's protégés, it is not surprising that he received better treatment from Zorzi, not only with regard to price, but also with respect to cargo space, quality and other matters. In dealing with London and Bruges, Barbarigo took advantage of his connection with the Cappello brothers, whose sister he married. Since family ties were so strong, he got satisfactory service and his agents let him share in several profitable

deals. Medieval business letters give the impression that principals were often disappointed because their agents sold their consignments for less than they had expected to get or paid too high a price for local commodities. Whether the agents were always to blame is another matter.

The role of commission agent was not without risks, and Francesco Datini repeatedly cautioned his branch managers against opening accounts for new principals who were not of good repute. The danger came from merchants who, being short of funds, drew on their agents in anticipation of the sale of their goods and thus forced them to make advances. An even more dangerous course was frequently followed by principals who drew on their correspondents and expected them to pay the drafts by means of redrafts. This practice was widespread because of the peculiarities of medieval banking, which rested on exchange and not on discounting. Despite Datini's warnings, the Barcelona branch, in 1400, lost two years' profits because it was held responsible for the payment of a bill of exchange drawn on Guglielmo Barberi, a principal in Bruges, who had financed himself by selling drafts on his agents and telling them to redraw. The game went on until Barberi became insolvent and the redrafts on Bruges were returned with protest.

The conduct of medieval business certainly presupposed a fairly high degree of education. In any case, the surviving business records prove conclusively that, contrary to the thesis of Werner Sombart, the merchants were far from illiterate and knew how to write letters, how to make difficult computations and how to keep books. Some of them were even the authors of chronicles and diaries, which, in the words of Professor A. Saponi, 'achieve the dignity of history'.

Where did the merchants acquire their training? The fundamentals, in grammar school; and professional knowledge, in the counting-house by being apprenticed to a merchant, a clothier or a silk manufacturer. It is certainly untrue, as Sombart contends, that economic rationalism was non-existent, in that there was no planning, no intelligent direction and no adequate accounting control. It has also been said by certain writers that medieval merchants did not know how to figure and that they made countless errors, not only in complicated operations but even in simple additions or subtractions. Yet very many medieval account-books and a great number of computations, such as conversions of sums of money from one currency into another, have shown that medieval merchants, while they were not mathematicians, were experts in commercial arithmetic. As a rule, errors were few or negligible. Medieval businessmen did not ignore the rule of three and were remarkable in discovering short cuts to simplify complicated calculations. Refunds granted for the payment of a debt before maturity were not reckoned according to the current method of commercial discount, but according to the more refined

and accurate procedure of true discount. An indispensable preparation for a business career was to learn 'the lines', that is, the use of the abacus. This device was the calculating machine of the Middle Ages and was found in every counting-room. Originally a counter (Fr. *comptoir*) was a table used for the abacus. Counting-house, in the meaning of business office, has the same derivation.

A typical Florentine counting-house—according to an inventory of the Alberti company (1348)—contained several desks (*deschi*), sometimes provided with compartments for books, large tables for displaying and measuring cloth, shelves along the walls, a large case (*armario*) with pigeon-holes for classifying mail, a strong-box for keeping cash, a couch for napping, a heavy steelyard, inkwells of brass and copper and miscellaneous other fixtures. The precious *libri segreti* were kept in a locked chest at the home of one of the partners and not in the counting-room or *fondaco*.

According to the Medici records, there were two sorts of business letters: private letters (*lettere private*) and ordinary letters (*lettere di compagnia*). The first were private messages directed to the *maggiori* themselves by the branch managers. The tone is that of a subordinate writing to his superior, which confirms what has been said about the inferior position of the junior partners. The private letters deal either with social events—congratulations for births and marriages, condolences, etc.—or with important matters relating to the conduct of the business and requiring the approval of the *maggiori*. The instructions handed to the branch managers when they left Florence belong to the same category as the private letters and also deal with overall policy instead of with specific transactions. Usually such instructions are carefully mapped out and prescribe a definite line of conduct which the branch manager is expected to follow.

In contrast to the *lettere private*, the *lettere di compagnia* dealt only with routine matters. Usually, they begin with information for the book-keeper about drafts and remittances. Sometimes they contain comments about the state of the market or the course of political events, since these might affect business decisions. It is evident from check marks in the margin of extant copies that the *lettere di compagnia* circulated within the counting-house so that each employee would take note of the items requiring his attention. The *lettere di compagnia* invariably end by giving the rates of exchange prevailing on the date or the eve of their dispatch. Thus a letter sent from London to Florence on 4 October 1453 reports in the last sentence: *Per costi* 36 2/3; *Vinegia* 40 2/3; *Bruggia* 19 2/3 in 3/4; *Genova* 22 3/4. This statement means that the foreign exchanges were quoted in Lombard Street as follows: Florence 36 2/3d. [sterling] per florin di *suggello*, Venice 40 2/3d. [sterling] per ducat, Bruges from 19 2/3d. to 19 3/4d. [sterling] per écu of 24 Flemish groats, and Genoa 22 3/4d.

[sterling] per florin of 25s., Genoese currency. Collections of medieval business letters contain invaluable statistical data about exchange fluctuations, but this material has been entirely neglected up to now.

Until lately, it was thought that double-entry book-keeping was not much older than 1340, because this was the date of the earliest known example which is found in the ledgers of the Genoese *massari* or municipal treasurers. As a result of recent research, it appears probable that double entry is much older than was commonly assumed and may have originated in Tuscany rather than in Genoa or Lombardy. It now seems that double-entry book-keeping makes its first appearance in an account-book for the years 1296–1305 kept by Rinieri Fini, the agent of a Florentine banking-house at the fairs of Champagne, and in a similar manuscript (1299–1300) once belonging to the Farolfi company, a concern of Tuscan merchants operating in Languedoc and Provence with headquarters in Nîmes and a branch office in Salon. It is true that these two account-books contain accounts not only for receivables and payables, but also for operating results, and that each entry has a cross-reference to the corresponding debit or credit, as the case may be. Still, evidence based on small fragments can never be conclusive.

These thirteenth-century account-books are still in 'paragraph' form: after an initial debit entry in the case of receivables or an initial credit entry in the case of payables, enough space was left blank to add two or three entries and to indicate how the settlement was effected. As yet, there were no accounts current and each transaction was considered separately. It was only gradually that all items concerning the same person were grouped together so as to form a running account. The next step in this direction was accomplished by relegating all debits to the front half and all credits to the rear half of the ledger. This form is encountered in the Peruzzi ledgers (1335–43), while the slightly earlier Alberti account-books (1304–32) are still in paragraph form. The new arrangement is also found in cash books, such as the *libro dell'entrata e dell'uscita* ('book of income and outgo') of an unidentified Siennese company (1277–88). Instead of using two columns, the receipts are recorded in the front section of the cash book and the expenditures in the rear. This method of presentation made it somewhat awkward to strike the balance and to close an account, because debit and credit were in different sections of the ledger; and it was necessary to transfer the smaller total of the two to the other section and deduct it from the larger in order to obtain the balance that was either due by, or owed to, a correspondent. A more satisfactory form was eventually devised by placing the debit next to the credit either on opposite pages or in two columns on the same page. In all likelihood, this arrangement originated in northern Italy and spread from there to other trading centres. By 1366 we find it adopted by

Bruges money-changers. Among specialists, it is known as the bilateral or 'tabular' form. In Tuscany, books in which the debit faced the credit were said to be kept *alla veneziana* or according to the Venetian manner.

The adoption of the bilateral form does not necessarily mean that books are in double entry. As a matter of fact, form has little importance, but there is no double entry unless certain rules are strictly observed. First of all, it is necessary that each transaction be recorded twice, once on the debit and once on the credit side (or section), so that the books will balance if correctly kept. Second, there must be a complete set of accounts, real as well as nominal, including expense and equity accounts. Third, the records must lead up to a comprehensive financial statement or balance, which shows the assets and liabilities and enables the merchant to ascertain his profit and loss. These requirements seem to have been fulfilled in the case of the Genoese records of the *massari* or municipal stewards (1340), but it is extremely doubtful whether the contemporaneous Peruzzi account-books (1335-43) meet the test. As for the Alberti (1304-32), ten financial statements covering this period are still extant. Their arrangement shows definitely that books were not kept according to the canons of double entry.

As stated above, the branches of the Medici bank were expected to send each year a copy of the balance sheet to headquarters in Florence. There is no doubt that this provision was carried out. In any case, the assertion that 'the striking of balances was performed primarily for narrow book-keeping purposes' conflicts with easily ascertainable evidence. Check marks on extant Medici balance sheets show that they were scrutinized for ageing accounts and uncollectable claims, a perennial threat to the solvency of the medieval banking and mercantile companies. Balance sheets were also used for taxation purposes. In Florence, the law required taxpayers to attach the balance sheets of their firms to the *portate*, or returns, filed in connection with the *catasto* or income tax. For the *catasto* of 1427, numerous balances and financial statements are still extant in the Florentine archives; they range all the way from brief statements submitted by master artisans, including such artists as Michelozzo Michelozzi and Donatello (Donato di Niccolò di Betto de' Bardi), to booklets of several pages in which are listed item by item the assets and liabilities of the great banking-houses, such as the Medici, the Pazzi, the Strozzi, the Tornabuoni and others. Balances were also attached to the returns for the *catasto* in 1433, 1451¹ and 1458. Later on, the law was changed and this practice, which had aroused a great deal of opposition from the mercantile interests, was discontinued.

¹ Florence, State Archives: Archivio delle Riformagioni, Carte della Classe viii, No. 35: Registro dei traffichi, 1451.

According to their *libri segreti*, the Medici followed a standard practice of setting up reserves for bad debts and accrued salaries before proceeding to a distribution of profits. No doubt the same policy was followed by other firms. Around 1400, the Datini branch in Barcelona set aside a provision to take care of unpaid taxes. Depreciation on equipment (*masserizie*) appears as early as 1324. It did not, however, develop into current practice, since investment in machinery was negligible prior to the Industrial Revolution. In the Farolfi accounts (1299-1300), there is an example of prepaid rent which is correctly handled as a deferred expense. Because of the prevalence of venture accounting, inventory valuation did not have in the Middle Ages the importance that it has today. Usually a separate account was opened for each lot of merchandise and the book-keeper waited until everything was sold before transferring the balance to profit and loss. This practice should cause no surprise, since venturing did not pass away with the travelling trade, but persisted throughout the fourteenth and fifteenth centuries, albeit in a somewhat modified form.

The origins of cost accounting can be traced back to the end of the fourteenth century. A fine example of job accounting was discovered in the *memoriale* or memorandum book (1395-8) of a Pratese cloth-manufacturing establishment founded and controlled by Francesco Datini.¹ In it an attempt is made to determine the cost of production as accurately as possible by allocating to each piece of cloth its share of overhead and indirect costs. It does not follow, however, that these refinements were integrated into a fully developed system of double entry. In Florence, especially, progress along this line was hampered by the complexities of a monetary system based on parallel standards of gold and silver with no fixed exchange ratio between the two. The merchants and bankers reckoned only in gold; the *lanaiuoli* or clothiers used both standards simultaneously: gold in buying wool and selling cloth and silver in paying wages, a custom which greatly complicated their problems in times of monetary instability.

Double-entry book-keeping was undoubtedly an Italian invention. Its diffusion in other European countries did not take place until the sixteenth century, and was greatly promoted by the publication of Luca Pacioli's treatise (1494) and of later manuals in Italian as well as in other languages. These manuals, one should not forget, are text-books for beginners and, hence, do not give a fair picture of the more advanced practices actually achieved in the counting-house. In the opinion of experts, the greatest progress in book-keeping was accomplished during the period from 1250 to 1500. From then on, accounting made little headway

¹ Federigo Melis, 'La formazione dei costi nell'industria laniera alla fine del Trecento', offprint from the journal, *Economia e Storia*, 1954, fasc. 1-11 (June-Dec.).

until the growth of large-scale enterprise in the nineteenth century brought to the fore new problems and new solutions.

According to Werner Sombart, the introduction of double-entry book-keeping marks the beginning of 'capitalist enterprise' and the triumph of the profit motive as the guiding principle of economic activity. If Sombart's criterion were accepted, capitalism would date back to the thirteenth century, or much earlier than he himself would have been willing to admit.

The great variety of weights and measures and the complexities of medieval monetary systems led, in the fourteenth century, to the compilation of the first merchant manuals. There was little need for such guides as long as trade was concentrated at the fairs of Champagne, since their regulations were well known and generally observed. This situation was greatly altered as the fairs declined and as their place was taken by several focal points, such as Paris, Bruges and London. As a result, it became more difficult for the merchant to keep track of the customs of the different places of traffic without a manual to give him secure and up-to-date information. Soon such a manual became an indispensable fixture in any self-respecting counting-house.

The most famous of the medieval merchant manuals is that compiled around 1342 by Francesco di Balduccio Pegolotti, one of the most able factors in the service of the Bardi company. The text is now available in an excellent modern edition with an introduction in English. There are also recent editions of an anonymous Venetian tariff, also of the fourteenth century, and of the manual attributed to Lorenzo Chiarini, first printed in 1481. The *Pratica della mercatura* (1442) of Giovanni di Antonio da Uzzano exists only in an eighteenth-century edition. Besides the manuals extant in print, there are numerous manuscript copies still preserved in the Italian libraries and archives. After the invention of printing, booksellers took advantage of the steady demand for merchant manuals, and the genre continued to flourish throughout the sixteenth, seventeenth and eighteenth centuries. Giovanni Domenico Peri's *Il negoziante* (1638), Lewes Roberts' *The Merchants Mappe of Commerce* (1638), Jacques Savary's *Le parfait négociant* (1675), Jacques Le Moine de l'Espinie's *De Koophandel van Amsterdam* (1694), Samuel Ricard's *Traité général du commerce* (1700) and even Malachy Postlethwayt's *Universal Dictionary of Commerce* (1751) are prominent examples of this type of useful literature. Some of these books were so popular that they ran into several editions.

What are the contents of the medieval merchant manuals? They chiefly contain practical information about the usages and customs, the weights and measures, the coinage and the monetary systems of the different places of traffic. The manuals also give data about brokerage fees, usances of bills of exchange, exchange quotations, mint regulations,

postal service, couriers and the qualities of merchantable commodities. The information given in the merchant manuals is purely factual and descriptive and one should not expect to find in them anything that even remotely approaches economic analysis. However, Giovanni da Uzzano observes that the money market was subject to seasonal fluctuations and indicates when money in different places was likely to be tight or easy. He advises arbitragists never to draw on a place when money is scarce or to remit to a place when it is abundant.

According to the merchant manuals, traffic was concentrated in certain places, or trading and banking centres. In the fifteenth century, those places were Barletta, Bologna, Florence, Genoa, Lucca, Milan, Naples, Palermo, Pisa, Rome, Siena and Venice in Italy; Barcelona and Valencia in Spain; Avignon, Montpellier and Paris in France; Bruges in Flanders; and London in England. Paris declined rapidly after 1410 and its place was taken by the fairs of Geneva and later those of Lyons. Until its capture by the Turks in 1453, Constantinople was a banking place for the Genoese and the Venetians. The Court of Rome was ambulatory and followed the pope in his travels. Because of the needs of the papal treasury, the pope had the reputation of creating monetary stringency wherever he went.

One of the main characteristics of a *piazza*, or trading and banking centre, was the existence of an organized money market. In the Middle Ages, such a market rested on the negotiation of bills of exchange. On nearly all *piazze*, the Italian merchant-bankers were the principal exchange-dealers. In the Middle Ages, a bill of exchange, as the name clearly implies, was mainly used to implement a *cambium* or exchange contract. With few exceptions, such a contract involved an advance of funds in one place and its repayment in another place and in another currency. Because of the slowness of communications, there necessarily elapsed a period of time between the conclusion of the contract in one place and its fulfilment in another. Consequently, the *cambium* contract rested on an exchange and a credit transaction. The two were inseparably linked together, even in the case of sight drafts. It further follows that medieval bills of exchange were at the same time credit and transfer instruments. Instead of being discounted, they were bought and sold at a price determined by the rate of exchange. The merchant manuals explain how foreign exchanges were quoted in different places. Unless otherwise specified, bills of exchange were payable at usance. In London, the usance on bills varied according to destination from one to three months.

Table III indicates how, during the fifteenth century, the exchanges were quoted in London. In the Middle Ages, Lombard Street was a satellite of the Bruges bourse and only the Italian residents dealt extensively in

Table III. *Exchange Quotations in Lombard Street during the Fifteenth Century*

Place of Payment	Exchange Quoted	High	Low	Usance
Bruges	In so many deniers sterling per écu of 24 groats, Flemish currency	22	18	30 days from date
Florence	In so many deniers sterling per florin <i>di suggello</i> (after 1471, per <i>fiorino largo</i> or large florin)	43	38	90 days from date
Genoa	In so many deniers sterling per florin of 25s., Genoese currency	26	20	90 days from date
Venice	In so many deniers sterling per Venetian ducat of 24 <i>grossi</i>	46	38	90 days from date

SOURCE: *El libro di mercatantie et usanze de' paesi*, Franco Borlandi ed., Turin, 1936.

exchange with Genoa, Florence or Venice. As for the English merchants, they were ordinarily takers who used the money market mainly to raise funds by selling bills payable across the Channel in Bruges or Calais. At first, the exchange, contrary to the practice prevailing today, was quoted in sterling and based on the écu, the florin or the ducat. Under these circumstances, a low exchange was favourable to England and a high rate unfavourable. It was only towards the end of the fifteenth century that the English merchants reversed this practice and began to quote the exchange in shillings and deniers groat, Flemish currency, on the basis of the noble of 6s. 8d. st. or one-third of a pound sterling. This is the method followed in the Cely papers, a collection of business letters stemming from a firm of wool merchants.

To be sure, interest was concealed in the rate of exchange, but its presence did not greatly alter the speculative character of exchange dealings. Whoever chose to operate in the money market, whether borrower or lender, had to follow the rules of the game and to run the risk of adverse exchange fluctuations. In this regard, the account-books of the Italian merchant-bankers and the treatises of the moralists give such decisive and concordant evidence that there remains no room for any doubt. The speculative element, in the eyes of the churchmen, justified exchange transactions unless they were obviously misused to conceal a loan at usury.

Whereas international banking was closely tied to foreign exchange, local banking continued the traditions established by the Genoese *bancherii* of the twelfth century and remained an activity closely connected with money-changing. In many centres, including Barcelona, Bruges, Pisa and Venice, the offices of the money-changers had become local

transfer and deposit banks which operated on a fractional reserve ratio and extended credit to their customers by means of overdrafts. As earlier in Genoa, transfer orders were usually given by word of mouth, but written assignments were occasionally accepted when a depositor was prevented from going in person to the bank. Since deposits were only partly covered by cash on hand, there can be no doubt that the money-changers created fiduciary money by their lending and investing activities and that this creation of credit had inflationary effects. The volume of bank-money in the major trading centres was far from negligible. In 1369, total deposits of the Bruges money-changer Collard de Marke exceeded £5,500 groat, Flemish, equivalent in bullion to \$154,000. This figure is impressive if one remembers that the purchasing power of money was much larger than it is today, that Collard de Marke was only one of fifteen money-changers, and that the city of Bruges had less than 50,000 inhabitants. One great weakness of medieval deposit banks was the prevailing practice of making direct investments in business ventures, undoubtedly the cause of many failures. The money-changers were also accused of driving towards debasement either by uttering current coins above the proclamation rates or by sending bullion to foreign mints. In order to curb these abuses, the city of Barcelona established in 1401 a municipal bank, the prototype of the public banks which became so popular after 1550. In Genoa, a similar institution, the Bank of St George, was chartered in 1408 in the hope that it would be able to stem the steady rise of the gold florin. As this attempt proved a failure, the bank was dissolved in 1444 and not revived until 1586. According to the first balance sheet (1409), total liabilities, chiefly deposits, exceeded 50,000 florins or more than \$200,000 at the present valuation of \$35 per ounce.

In the fifteenth century, the malpractice of the money-changers and the numerous bank failures caused the public authorities to adopt an increasingly hostile policy. In the Low Countries the dukes of Burgundy, eager to preserve the stability of their currency, practically abolished banking in their dominion by forbidding the money-changers to accept deposits and to make payments by book-transfer for the merchants. In Venice, a series of bankruptcies at the end of the fifteenth century brought the private banks into disrepute and eventually led to their elimination.

To the sedentary merchant of the Middle Ages, news about market conditions and business prospects in other places was of vital importance. He depended on such information to make his decisions and his forecasts. Of course, it was to his advantage not to send any goods to a place where they were likely to be a glut on the market. On the other hand, he was on the lookout to benefit from any increase in the demand. One can understand, for example, the disappointment of a Lucchese silk merchant whose Barcelona correspondents notified him too late about a prospective

wedding at the Court of Aragon. According to the merchant manuals, the money market, in particular, was sensitive to reports from abroad and the exchange-rates responded quickly to the trends prevailing elsewhere. The importance of news was so great that unscrupulous speculators sometimes reaped large profits by spreading false rumours or withholding intelligence received by special messengers.

In these circumstances, an efficient organization of the mails was an imperative necessity. In the absence of any public service, the merchants were forced to take matters into their own hands. Already in 1181, a treaty between Lucca and Pisa provided for the free passage through Lucchese territory of the Pisan couriers travelling over the *via francigena* and carrying the *scarsella* of the fairs of Champagne. More than a century later, the existence of a similar service is mentioned by Pegolotti, who even states that the arrival of the *scarsella* regulates the maturity of the bills of exchange issued at the fairs and payable in Genoa. Giovanni da Uzzano in his manual (1442) gives the impression that the *piazze*, or principal trading centres, were all connected by a network of regular mails. This information is confirmed by the Datini and other business letters which mention the *scarsella* so frequently that it must be considered as a well-established institution. At first, the word *scarsella* applied only to the mailbag, but this meaning was soon extended to the private mail service organized by the merchant communities in the chief trading centres of western Europe.

The only document which sheds any light on the organization of the *scarsella* is a Florentine statute of 1357. It reveals that the *scarsella* of Avignon was organized under the auspices of the *mercanzia*, or merchant guild, by a group of merchants having correspondents at the papal court. This group elected bi-monthly two masters of the *scarsella* whose duty it was to hire the *fanti* or couriers and to collect and distribute the mail. The service was limited to members, and it is not clear whether postal charges were collected by the couriers or by the masters of the *scarsella*. The letters were apparently carried in a sealed pouch which was opened only at destination. When, in 1382, the *scarsella* of Bruges was diverted from its usual route to one crossing Milanese territory, the Lucchese Republic asked the duke of Milan to let it pass without breaking any seals or inspecting any bags.

According to the Datini letters, the *scarsella* of the Catalans left Bruges for Barcelona twice a month, and probably carried also the mail for Paris and Montpellier. Although Uzzano's manual states that the trip was made in nineteen or twenty days, in fact it usually took from twenty-two to twenty-four days. Despite the numerous references in business records, there is almost nothing on the *scarsella* save one inadequate article. Historians dealing with the history of the postal service have

devoted all their attention to the courier service of the princes, but the mail services of the merchant communities might better repay detailed study.

This is not the place to discuss the polemics that have raged about the origins of premium insurance. In the present state of research, the first unquestionable examples are found in some Palermo notarial contracts dating from 1350 and relating to shipments of grain from Sicily to Tunis. In one case, the underwriter receives a premium of 18% and assumes explicitly all risks arising from an act of God, from men-of-war or from the perils of the sea. Among the Palermo contracts, there is also one covering not the cargo but the ship itself with all its tackle and apparel. The premium is 14% for a voyage from Palermo to Tunis with two or three calls at other Sicilian ports; no deviations are allowed except in an emergency.

Since Palermo was a secondary centre, and since some of the underwriters were Genoese, it may safely be assumed that premium insurance was known prior to 1350 in Genoa, Pisa and perhaps Venice. In Genoa, however, insurance contracts continued to be disguised under the form of a *mutuum*, or gratuitous loan, and later of an *emptio venditio*, or sales contract. This practice may be due to the influence of the decretal *Naviganti* condemning the sea loan, although the moralists from the start were disposed to consider insurance as a contract made valid by the risk involved. Whereas, in Genoa, insurance contracts were entrusted to notaries, a different practice prevailed in Pisa and Florence where policies were drafted by brokers and circulated by them among prospective insurers until the risk had been completely underwritten.

Premiums varied a great deal according to circumstances and seasons, but they were as a rule much lower on galleys than on round ships. In 1454, the rate was only 3% on a cargo shipped from Sandwich to Venice on board the Venetian galleys. In the same year, the premium charged on a shipment from Venice to Sluys, the seaport of Bruges, by an ordinary nef was as high as 11%. Some merchants even considered the Venetian galleys so safe that they deemed it unnecessary to take out insurance, but limited their risk by not 'adventuring' more than a certain sum in a single bottom. Large shipments were divided as much as possible among several galleys. Since medieval merchants were used to assuming risks, shipments were rarely insured for more than half their value or even less.

Despite high premiums charged by underwriters, the insurance business was not especially profitable. According to his records, Bernardo Cambi, a Florentine underwriter of the fifteenth century, paid out more in claims than he received in premiums. Presumably the business was highly competitive. Another trouble was that insurance lent itself easily to fraud. Ships were sometimes deliberately shipwrecked in order to

claim insurance for goods that were not even on board. It also happened that shippers rushed to take out insurance after they had received secret intelligence of a disaster. Such frauds still gave rise to complaints in the sixteenth century. It is only much later that their perpetration was made more difficult by the organization of Lloyd's.

Although uncommon, overland insurance was not unknown in the fifteenth century. On the other hand, the lack of statistics did not permit the establishment of life insurance on a secure basis. It was still undistinguishable from pure wagers.

A significant development in the matter of insurance was the building up of uniform customs and rules of law. This situation was undoubtedly favoured by the diffusion of Italian business methods and practices all through the Levant and western Europe. Even the Bruges court often consulted leading Italian residents regarding the law merchant before deciding cases involving insurance, bills of exchange or other matters. Codification of the prevailing rules did not start until 1484 when the Barcelona customs on marine insurance were framed into a statute, printed in 1494 together with the *Libro del Consolat del Mar*, a collection of sea laws. This publication exerted great influence on similar legislation.

In the field of merchant shipping, the most spectacular development of the fourteenth and fifteenth centuries was the creation of regular lines of galleys from Genoa and Venice to the Levant and to the West. In Venice at least, these galleys were state-owned, but they were chartered to private individuals who operated them at their own risk. The Senate, however, accepted bids only from Venetian nobles with experience in shipping affairs and sufficient financial backing. After approval of his appointment by the Senate, the master or *patronus* received permission to set up his bench (*ponere banchum*) in the Square of St Mark's in order to enrol his crew. He usually began by hiring a *naulerius* or mate who was trained in navigation. Then came the second mate, the scrivani, the barber-surgeon, the chaplain, the bombardiers, the archers, the carpenters, the cooks, the trumpeters, the helmsmen, the sailors and, finally, the crowd of oarsmen, who, in Venice, were free men and not galley slaves. It is true that these wretches belonged to the scum of society and were chiefly recruited among the Dalmatians and Albanians who flocked to Venice in quest of a pittance. A large merchant galley carried a crew of 300 men. As cargo space was consequently rather limited, the galleys were not suited for the transportation of bulky goods of low value, but carried spices, silks, wool, cloth and other luxury products that could bear high freight charges.

Although the *patronus*, on board his galley, was master after God, he was accountable to the Senate and subordinate to the authority of the captain, a government appointee, who was in command of the entire

fleet or *muda*. The galleys were expected to navigate in company and to lend each other support, if attacked. Freight rates and wages were strictly regulated, and the *patronus* who failed to comply could get himself into serious trouble.

In good years, Venice sent out several fleets: twelve galleys, in two fleets, to Syria and Alexandria, four to Constantinople, four or five to Flanders and England and two or three to Barbary. The Flanders galleys usually went straight to Sluys or Zeeland and called at Southampton on the homebound voyage. In the fifteenth century, Florence, after conquering Pisa in 1406, entered into competition with Venice and Genoa and sent galleys to Flanders and the Levant (1422-78). Documents of this period likewise mention the Ferrandine galleys of Naples, the Catalan galleys of Barcelona and the French galleys of Narbonne. For a short while there were also the two Burgundian galleys which flew the St Andrew's cross raguly of Burgundy, but were operated by the Medici with Florentine crews. Even Edward IV, in order to promote distant trade, equipped a ship, not a galley, which made trips to Porto Pisano and is called in medieval records 'The nef of the King of England'. This was the first dent in Italy's dominant position in the Mediterranean trade.

Although the Italian merchants resided in London, Southampton—the *Antona* of Italian and Spanish records—was the favourite port of call for the galley fleets. Their regular visits brought animation to the town and gave it a cosmopolitan atmosphere quite exceptional in medieval England. Since Southampton's prosperity depended upon the presence of the Italians, they were welcomed by the townspeople; and anti-alien feeling, despite occasional brawls caused by the turbulent crews of the galleys, was far less virulent than in the city of London, where it was nurtured by the rivalry of the Staplers, the mercers and the grocers. With the passing of the galley fleets early in the sixteenth century, Southampton, too, declined as an outport of London, to regain its prosperity only in the nineteenth century by becoming the terminus of the great transatlantic liners.

The Italian colonies in the Levant have already been mentioned. They were firmly established before 1300. Since their organization changed little during the fourteenth and fifteenth centuries, there is no need to return to the same subject. In Bruges and London, however, Italian colonies were not founded until after 1300 and they never attained either the size or the autonomy of the settlements in the Levant. These colonies in the north were also placed under the authority of a consul whose duty it was to settle any disputes between his nationals, to protect them against any arbitrary acts of the local authorities and to guard against any violation of the existing trade privileges. The consuls were either elected by the local residents (as in the case of the Lucchese) or appointed by the

home government (as in the case of the Florentines and the Venetians). Like the gilds, the colonies participated in social and religious activities at which attendance was compulsory for the members. To defray expenses, a tax called *consolaggio* was levied on all exchange and commodity transactions. In London, toward the end of the fifteenth century, the Florentines were taxed at the rate of one-twelfth of a penny per pound sterling on exchange, a penny half-penny per pound on merchandise and one-eighth per cent on insurance. In addition, each galley calling at Southampton was supposed to contribute a lump sum of £10 sterling—chargeable to general average. On the galleys the cargo, in addition to paying freight charges, was assessable for ordinary and extraordinary average.

Both in Bruges and in London, the Italian colony was divided into several 'nations', each headed by its own consul. Nevertheless, they sometimes presented a united front when common interests were at stake. So, after the anti-alien riot of 1457, all four Italian 'nations' in London got together and signed an agreement by which they threatened to boycott the city and to remove their residence to Winchester. The threat was not carried out, but if it had been it might have caused a serious slump. One should not forget that the Italians controlled the money market and that English merchants depended upon them for credit accommodation.

The official register of the consulate reveals that, in 1377, there were in Bruges about forty-six Lucchese residents, not counting women and children. In the next century, this number dropped to twelve, no doubt because of the decline of the Lucchese silk industry. According to the chronicle of N. Despars, in 1468 about 175 Italian merchants walked in a parade at the celebration of the marriage of Charles the Bold and Margaret of York, sister of Edward IV. This number comprised 103 Genoese and Milanese, 40 Venetians, 12 Lucchese and 22 Florentines; these figures are plausible and probably not far from the truth.

The Italian colony in London was smaller than the one in Bruges. It is doubtful if it ever exceeded 100 members. Apart from size, an important difference is that the Italians were welcomed in Bruges, but that they were hated in London. The explanation is no doubt that, in Flanders, they did not compete with the natives, since the Flemish carrying trade had been eliminated long ago. In London, on the contrary, the Italians were in keen competition with the English merchants, for each of the two rival groups sought to exclude the other from the wool and the spice trades. Moreover, pamphleteers accused the 'Lombards' of pursuing the destruction of the realm by carrying out England's valuable wool in exchange for apes, trinkets, sweet wines, velvets and other superfluities. Finally, the English traders resented being dependent upon Italian capital and viewed the exchange business—which they did not understand—with profound

suspicion. This attitude found its expression in legislation, such as the Statutes of Employment or the hosting law of 1439. Hostility against aliens in general and exchange-dealers and bankers in particular still pervades the writings of the mercantilists in the sixteenth century. It would be a mistake to overlook the fact that the prejudices of these early economists had their roots in the past.

This description probably gives a distorted picture of business organization in the Middle Ages by stressing the optimum, and neglecting the fact that it was not typical and that it was achieved only in a few major centres. The trouble is that the organization of local trade has yet to be studied. None the less, a recent work on Toulouse makes it possible to put the picture into better focus.

Toulouse, in the fourteenth and fifteenth centuries, was a secondary centre which revolved in the orbit of Barcelona and Montpellier. Besides, the town had connections with Bordeaux to the west and with Paris to the north. Early in the fifteenth century Toulouse was also in relations with the distant fairs of Geneva which, during the troubled reign of Charles VI, had supplanted Paris and risen to the rank of an international market for commodities and a clearing centre for bills of exchange on all places.

In Toulouse, there were no branches of the great Italian companies, although an occasional Italian makes a fleeting appearance in the records. The only ones who left any traces were the Florentines Otto Castellani, who was for some time collector of the king's revenue, and his partner, Jacopo Medici, who engaged in money-changing. The latter is possibly the same as Jacopo di Bernardo d'Alamanno de' Medici, a distant cousin of the historic Medici, who was living in Florence in 1498 when he was chosen *gonfaloniere*. By various and sundry means, including magic spells, this Castellani is said to have caused the downfall of Jacques Cœur in order to succeed him as *argentier* or minister of finance. Castellani himself came to a bad end and died in prison where he was held on charges of sorcery and fraud. His partner, Jacopo Medici, in 1459, obtained a pardon for murder, perjury, usury and other crimes committed at the instigation of Castellani.

For the most part, the trade of Toulouse was in the hands of local merchants who were no more specialized than the Italian companies, but who took advantage of any bargain offering profit opportunities. One of the main articles in which they dealt was fine cloth from Flanders, Brabant, Normandy and England. It was worn by the upper classes in preference to the cruder product of the local industry. English cloth was imported by way of Bordeaux and brought to Toulouse by merchants from Béarn, who exchanged it for woad grown abundantly in the Garonne valley. Among the Flemish woollens, those of Courtrai and Wervicq were the

most popular, but the demand fell drastically after 1400, while the English textiles gained ground. On the other hand, Norman cloth, especially that of Montivilliers and Rouen, retained a steady market throughout the period from 1350 to 1450. To fetch these luxury goods, the merchants of Toulouse maintained factors in Paris or sometimes went themselves on trips to Flanders or Normandy. Italian silks and merceries were chiefly bought at the fairs of Pézenas and Montagnac, near Montpellier. The Toulouse merchants either visited the fairs themselves or sent their factors. Apparently, the fairs of Pézenas and Montagnac played in southern France the same role of regional distribution centres as the fairs of Antwerp and Bergen-op-Zoom in the Low Countries. They attracted the merchants from the hinterland who came there to sell their native commodities and to buy supplies of spices and other exotic products. According to an Italian manual, extant only in manuscript form, Toulouse exported cheap local woollens and found an outlet for them at the fairs of Pézenas and Montagnac, while importing at the same time the fine and high-priced cloth mentioned above.

Not only was diversification the rule, but there existed no clear distinction between wholesalers and retailers. The Toulouse drapers sold by the ell as well as by the piece. According to the inventory of a deceased mercer, his shop contained a wide assortment of goods: Italian silks, brocades and velvets; Dutch linens and other fabrics; a variety of liturgical vestments (copes and chasubles), all ready-made; seat and bed covers; caps, purses, decorated belts, mirrors, rosaries and trinkets of all sorts.

The book-keeping of the Toulouse merchants did not reach a high level, but was probably adequate for their purpose. Double entry was entirely unknown, but records were more or less systematically kept. If the account-books of the Brothers Bonis in Montauban (1345-65) are at all representative, the merchants of southern France used a ledger for receivables and payables as well as other books. The only surviving fragment of mercantile book-keeping in Toulouse is represented by four folios which show that the mercer Jean Lapeyre (†1442) kept some kind of perpetual inventory of his stock of textile wares.

Because of the chronic shortage of currency, barter arrangements were common and credit was ubiquitous. The money-changers accepted deposits, but it does not seem that payments were frequently made by transfer in bank. There was no organized money market in Toulouse, and bills of exchange were used only to a limited extent. The money-changers did, however, sell drafts payable at the neighbouring fairs of Pézenas and Montagnac and even made arrangements for the transfer of funds to Rome or Avignon.

Since the Toulouse merchants did not operate with correspondents in other places, they were still forced to travel a great deal or to send out

their factors. Usually they had ceased to accompany their own goods and instead used the services of wagoners or mule-drivers who were chiefly Basques.

A few merchants, favoured either by good luck or by superior business ability, founded unglamorous dynasties of country squires, such as the Ysalguier. On the whole, the picture is far from rosy. Trade was repeatedly disturbed by wars, epidemics and dearths. In 1442, a fire destroyed half the town. The whole century from 1350 to 1450 was one of stagnation, if not of economic decline.

IV. *The Organization of the Hanseatic and English Trade*

The Mediterranean and the Baltic trades during the Middle Ages had hardly anything in common, save for one striking analogy: both were dominated by the merchants of a single nation, the Italians in one case and the Germans in the other. The grip of the Hanseatic League on the Baltic trade was even tighter than the control of the Italian cities over the Mediterranean area. Moreover, the Italian city-states were sometimes deadly rivals, whereas the Hanseatic towns were united in one powerful league.

In the Mediterranean, Italian sea-power was far from negligible and was actually used to back up economic demands or to defend existing privileges. Beyond the Straits of Gibraltar, however, the Italian republics no longer had any power, and their economic hegemony rested exclusively on superior business organization. They had to maintain themselves by peaceful means and could not, as did the Hanseatic League on several occasions, resort to boycott, blockade or privateering. Thus the Hanseatic cities, in 1358, ordered their merchants to withdraw from Bruges and not to trade with Flanders until they had obtained a satisfactory settlement of their grievances. Trade relations were again broken off between 1436 and 1438. This rupture was followed by a blockade of Holland (1438-41), which proved to be a boomerang and harmed the Wendish towns more than it did their enemies. In a clash with England from 1469 to 1474, the Hanseatic League engaged successfully in naval warfare. It is during this campaign that a Danzig privateer captured one of the Burgundian galleys which had on board Memling's *Last Judgment*, painted for Angelo Tani, the Bruges manager of the Medici bank. At any rate, the League obtained from Edward IV the restoration of its old privileges and succeeded in halting for many years the penetration of the English merchants into the Baltic. As these cases show, the consistent policy of the League, and especially of Lübeck and the Wendish towns,

was to preserve its control over the Baltic trade against any intruders. In the absence of superior business techniques, this monopoly was maintained by force if necessary.

A characteristic of the Mediterranean area was the great number of focal points from which trade radiated in all directions, but the Baltic region presented quite a different picture. Hanseatic trade extended along a single axis with its centre in Lübeck and two arms: one stretching out west to Bruges and London and the other, east to Riga and far-away Novgorod. Only one important off-shoot branched off to Bergen in Norway. This situation was not without a considerable repercussion upon business organization. It enabled the Hanseatic merchants to get along with less elaborate machinery than the Italians. In general, conditions were more primitive in northern than in southern and western Europe. Urban life was not as well developed: even the largest towns, like Cologne for example, had barely 40,000 inhabitants, whereas several Italian cities, including Genoa, Florence, and Venice, had more than 50,000. In the north, too, the value of trade was small in comparison with the south, and the principal products of the area, with the possible exception of furs, were relatively low-priced and bulky commodities. These factors explain to a large extent the great structural difference between Hanseatic and Italian trade. It is not surprising that business methods were less advanced in the Baltic region and still forced the merchant or his factors to be constantly on the road.

Large companies with many branches, such as those of the Bardi or the Medici, were entirely unknown in Hanseatic territory. The individual merchant trading on his own was still in the centre of the stage. To be sure, partnerships did exist, but they were more or less temporary associations in which two or three merchants joined forces for a specific and limited purpose. Some of these contracts were occasional partnerships formed for a single venture only, but others were of longer duration and might even continue year after year. All these contracts had the common feature of being well suited to the persistently colonial character of the Hanseatic trade.

Prior to 1300, the expansion of German commerce along the Baltic coast was an important aspect of the great movement which led the Germans to colonize the Slavic lands beyond the Elbe. In the fourteenth and fifteenth centuries, such towns as Riga, Dorpat or Stockholm were still German settlements ruled by merchant families which maintained close connections with their ancestral homeland.

Among the occasional partnerships the most typical were the *Sendeve* and the *Wederlegginge* or *societas vera*. The former had some similarity with the *commenda*, but was not quite the same. Perhaps it came closer to being an agency contract, since it involved the purchase or the sale of a

stock of goods by a servant (*Knecht* or *Diener*), a fellow-merchant, or an innkeeper, according to the instructions of a principal who assumed all the risks of the venture. It made no difference whether the agent travelled along with the goods or whether they were shipped without being accompanied. The agent was apparently entitled to a commission or a fixed remuneration, but it does not seem that he shared in either the profit or the loss. In the fifteenth century, it happened frequently that an agent was commissioned by several principals. The *Wederlegginge* (High German *Widerlegung*), like the *Sendeve*, was a contract limited to a single venture. Usually, it involved two partners: one who supplied the funds and the other who conducted the business and usually went on a trip abroad. However, there are examples of both investing money in equal or unequal amounts. The managing partner usually dealt in his own name without revealing the name of his associate. With regard to the division of profits, there existed, apparently, no fixed rules such as there were in Genoa. The law of Lübeck, in the sixteenth century, stipulates that managing partners with no investment are to share in the profit only and not in the loss. But they are not entitled to any reward for their trouble. This rule may have been a late innovation. In southern Germany, the *Wederlegginge* was also known, but under the name of *Fürlegung*.

By far the most typical institution of the Hanseatic trade was neither the *Sendeve* nor the *Wederlegginge*, but the so-called *gegenseitige Ferngesellschaft*, or mutual agency partnership. It was usually an informal arrangement whereby a partner in one place and a partner in a different place, let us say one in Lübeck and the other in Riga, agreed to act as each other's agents and to sell reciprocal consignments at a common profit. Such an arrangement was not necessarily temporary, but could last for years on end. It was well adapted to the needs of the Hanseatic trade which, as already mentioned, moved along a single axis. Such a *Ferngesellschaft* had neither its own capital nor its own style. The agreement remained concealed to outsiders, since each partner acted in his own name. As there was no central book-keeping, each kept his records according to his own system, a practice which led to many disputes when accounts failed to agree. Neither partner had any authority over the other and distance prevented frequent consultation. There were no means of control, and the arrangement rested to a large extent, if not exclusively, on confidence and business integrity. These drawbacks were so serious that they became a frequent source of litigation, especially since the Hanseatic merchants had the bad habit of letting years go by without settling accounts. With their rudimentary methods of book-keeping, discrepancies and errors were bound to occur and lead to all sorts of difficulties. In one late instance (1507-23), involving a merchant residing in Reval and another in Lübeck, no settlement was made for sixteen years.

Representation abroad could also be secured by sending factors or by using commission agents. Reciprocal agency without profit-sharing, as in the case of the *Ferngesellschaft*, was also common. Some merchants used *Lieger* or resident factors. The most prominent of these was the *Lieger* or permanent representative of the Teutonic Order in Bruges. Those who had no satisfactory connections in other places had to go abroad themselves, since it was not customary to place orders by correspondence or to buy goods without previous inspection.

How prevalent travelling still was is revealed by the widespread use of such expressions as *Bergenfahrer*, *Flandernfahrer* or *Englandfahrer*, which designated merchants trading with Bergen, Flanders or England. Since *Fahrer* in German means 'traveller', it is clear that these merchants were so called because they were constantly journeying to these places.

Historians of the Hanse insist a great deal on the fact that, during the fourteenth and fifteenth centuries, Hanseatic trade tended to become more sedentary because of the growth of business by correspondence (*Schriřtlichkeit*), so that merchants were enabled to direct their affairs from the counting-room (*Scrivekamere*). Such a trend undoubtedly existed but it was carried much farther by the Italians.

In order to illustrate this point, let us take the situation in Bruges, which lends itself admirably to comparison, since both the Italians and the Hansards, or Easterlings, had establishments there. Since the Italian companies had permanent branches, their branch managers and their factors were also permanent residents. If they were married, they lived in Bruges with wife and children. For example, Tommaso Portinari, the local manager of the Medici bank, resided in Flanders for more than half a century from the time that he came there as a young office boy (1439) until he withdrew from business in 1496. In 1470, at the age of forty-one, he brought his young wife to Bruges, where he reared his family. Certainly, Portinari visited Italy from time to time for conferences with the *maggiori* or senior partners and for vacations with relatives and friends; but while retaining a great attachment to the country of his birth, he became thoroughly assimilated into the Flemish environment. He was a member of the council of the duke of Burgundy. He certainly knew French and perhaps even a smattering of Flemish. Of course, the Medici employees and the other Italians did not stay in Bruges without ever passing through the city gates: they rode on business to Calais, made trips to the anchorages in Zeeland and visited regularly the marts of Antwerp and Bergen-op-Zoom. These short trips in the neighbourhood, however, did not alter the fact that most of the Italian merchants were permanent residents. The same was true in London: that is why the hosteling law of 1439 was a piece of reactionary legislation that was bound to end, as it did, in a complete fiasco.

The situation of the Hanseatic merchants in this respect was quite different: they were not permanent residents. The records, Flemish as well as German, show clearly that they were constantly coming and going, riding back and forth between Bruges and their home towns.

In contrast to the Italians, most Hanseatic merchants stayed at the inns or hostels and, in transacting their business, relied a great deal on their hosts, who often also acted as their brokers. Confidence in the broker-innkeeper was so great that the Hansards entrusted him with their money instead of placing it on deposit with one of the money-changers. Thus the Hanseatic League created a stir because the city of Bruges, which was bound by treaty to guarantee bank deposits, refused to make good any losses suffered by German merchants because of absconding or bankrupt innkeepers. Seldom did the Easterlings live in Bruges with wife and children but there are exceptions, such as Hildebrand Veckinchusen (†1426), who rented a large house which he occupied with his family from 1402 to 1417. As his business was not prospering, he sent his wife and children back to Lübeck where the cost of living was much lower than in Flanders. The case of Hildebrand Veckinchusen is exceptional in other respects. He tried to establish business connections with Italy as well as with the Baltic. Unfortunately, his plans went awry, probably because he had to rely too much on agents over whom he had no control. The more rudimentary forms of business organization did not permit the German merchant to delegate power without giving up control. In all likelihood, Veckinchusen failed because he miscalculated risks, engaged in speculative ventures with borrowed funds and overreached himself by undertaking too many projects at once. Even while residing in Bruges, he was constantly called abroad and forced to neglect one thing in order to take care of another. As Veckinchusen's example shows, the methods prevailing among the Hanseatic merchants not only entailed a great deal of travelling back and forth, but put strict limitations on the size of the firm.

Of the backwardness of Hanseatic techniques, the state of the book-keeping is as good an example as any. Double-entry book-keeping, an Italian invention, was not adopted by the Hanseatic merchants until the sixteenth century. Prior to 1500, their system of book-keeping left much to be desired. Payments due and owed were recorded in the way still used by small shopkeepers: there were no real accounts, but debit or credit items were simply crossed out when paid. Occasionally, some space was left blank to take care of instalment payments. Because of the prevalence of agency and *Ferngesellschaften*, it was also necessary to keep record of any amounts collected or paid for principals or partners. This was done in a haphazard manner by opening a separate account for each lot of merchandise and recording receipts from sales on the one hand and charges on the other. Between the two sets of records, that is, the mer-

chandise accounts and the personal accounts, there was little co-ordination, if any, with the result that the books gave no comprehensive view of the financial state of the business without going to the considerable trouble of taking an inventory. There were also no automatic checks which facilitated the detection of any errors or omissions. As long as the business was small, this system was more or less adequate and fulfilled its purpose, but it broke down when the structure became complicated. In the opinion of an expert, the late Gunnar Mickwitz, inefficient book-keeping, with the resulting confusion, may well have been a contributing factor to the downfall of Hildebrand Veckinchusen.

Insurance is another technique which, although known to the Italians prior to 1400, was not adopted by the Hanseatic merchants until the sixteenth century. The first known example is an insurance policy of 1531 relating to a shipment from Lübeck to Arnemuiden in Zeeland. It gives the names of forty-four underwriters, but the overwhelming majority are southerners with only one Flemish name and one south German house (the Welsers). Not a single north German name appears on the list. Risks were reduced by using small ships and by dividing shipments among several bottoms. Although the Hanseatic cogs were seaworthy, the inner route from Hamburg to Bruges was preferred to the outer route, especially during the bad season. This inner route went almost entirely through protected waters: it followed the coast of the North Sea behind the Frisian Islands, then entered the Zuider Zee and reached Bruges through the waterways of Holland and Zeeland.

East of the Rhine, there were no banking centres and no organized money markets. One should not exaggerate and jump to the conclusion that no use was made of credit instruments, but there were no regular dealers in commercial paper, like the Italian merchant-bankers, a situation which seriously hampered the international transfer of funds. The formalized version of the bill of exchange was unknown, but it was replaced by informal bills obligatory and mandates to pay which nearly fulfilled the same purpose. *Overkopen*, or payment by assignment, was fairly common, but settlements in commodities were also quite common. Despite the scarcity of currency, Hanseatic merchants were compelled, oftener than their Italian counterparts, to settle debts abroad by shipment of specie, the least efficient method of transferring funds. There are several instances in the account-book of Vicko van Geldersen (1367-92), a Hamburg draper, who used his servants and friends to send gold and silver coins to Bruges in order to buy Flemish cloth. In other cases, the account-book shows him buying assignments on funds placed on deposit with money-changers or innkeepers. Another illustration of the difficulties connected with the transfer of funds is afforded by the troubles of the papal treasury in Poland. In order to send funds to

Avignon, the papal delegates in Cracow used the services of travelling merchants who frequented Bruges, and invested in commodities the funds to be transferred. It normally took a year to remit money from Cracow to Bruges. From there to Avignon, the Italian merchant-bankers made the transfer by remittance in a few days. In general, Hanseatic business methods were backward as compared with those of the Italians. Prior to 1500, there was a lag of at least a century between the two. It is only in the sixteenth century that the Hanseatic merchants begin to improve their practices and to bring them up to the same level.

From an early date, the name 'hanse' was given to associations of travelling merchants frequenting a foreign country. Thus the Flemish 'hanse' of London was an association of merchants hailing from different Flemish towns and making regular trips to England. Members paid dues which were also called *hansa*. The purpose of such associations was, of course, to provide collective protection in foreign lands, to secure trade privileges, if possible, and to watch over the strict observance of those already in effect.

Originally, the German 'hanse' was an organization of the same type, which grouped together the German merchants frequenting Visby on the island of Gotland (*teutonici Gotlandiam frequentantes*). Similar associations were later founded in London, Bruges and Novgorod. In the beginning the Hanseatic League was, therefore, not a league of cities. It gradually grew out of merchant corporations and it never became a political federation, but always remained a loose alliance of German towns for the defence of common economic interests and exclusive privileges. The expression 'German hanse' itself was not used until 1358, when the delegates of the German towns assembled in Lübeck to adopt a common policy in response to alleged violation of the privileges enjoyed by the German merchants trading in Flanders. In later years, those reunions were held regularly, and the Hanseatic League was thus transformed from a merchant guild into a confederation of towns.

In the fourteenth and fifteenth centuries, the four major establishments (*Kontore*) were St Peter's Court (Peterhof) in Novgorod, the 'Bridge' (Brücke) in Bergen, the Steelyard (Stahlhof) in London and the 'German Merchant' in Bruges. There were also smaller outposts: Stockholm, Visby and Hull. The German towns in the dominions of the Teutonic Order, such as Danzig, Dorpat, Königsberg, Reval and Riga, were actually members of the League and not outside trading posts. Most north German and Westphalian towns belonged to the League, and so did Cologne. It also included Dutch towns east of the Zuider Zee, such as Deventer, Groningen, Kampen and Zwolle. Among the four major establishments, the one in Novgorod was per-

haps the most precarious because it was located in a totally alien environment among a sometimes hostile population. In this respect, the situation somewhat resembled that of the Italian *fondachi* in Egypt or Tunis. Like them, the St Peter's Court, established before 1200, was also surrounded by a wall, a useful precaution against any surprise attack by a riotous Russian mob. Within the walls there was a church of the Latin rite, with vaults used as warehouses, living quarters for the merchants and the customary bath-house. When the vaults were filled, the merchants piled up their goods in the church itself so that it was necessary to pass a regulation forbidding the storing of anything on the high altar. Each night the gate was closed and no Russian was allowed to remain inside.

No German merchant resided permanently in Novgorod. The Russian traders arrived with two caravans, one in summer and the other in winter, and departed together after a few weeks' stay. Between caravans, the Court was nearly empty and left to the care of the porter. In the fifteenth century, fewer and fewer merchants made the seasonal trip to Novgorod, preferring to send their factors. To facilitate business with the Russians, the Court provided an interpreter. Most exchange was on a barter basis, although the goods may have been priced. Sad experience had taught the Germans that it was dangerous to extend any credit to the Russians. The general impression is that conditions in Novgorod were rather primitive and that business was conducted according to a certain ritual from which it was not advisable to deviate in the least.

In Bergen, conditions were less strained than in Novgorod. Nevertheless, there also the German merchants lived in a special quarter called *Deutsche Brücke*, but it was not a fortified enclosure that could, if necessary, withstand a regular siege. This quarter formed a unit with its own wharf, warehouses and lodgings.

After 1388, the German colony in Bergen was ruled by aldermen assisted by a council. They had jurisdiction in civil matters, not only over the merchants but also over the German resident craftsmen. Criminal cases, however, were reserved for the Norwegian authorities. Women were not tolerated on the *Brücke*, but this rule eliminated one problem only to create another, since it encouraged gambling, drinking and rough play, and it was difficult to maintain discipline among unruly bachelors.

The trade with Bergen was almost exclusively in the hands of the Wendish towns: Lübeck, Wismar and Rostock. Stockfish was the principal article of trade, like herring at Scania. In the course of time, the *Brücke* of Bergen became more and more a training school for young apprentices who were sent there by their masters to gain practical experience. In the sixteenth century, factors formed the majority of the colony, but this trend was already in evidence earlier, as the Hanseatic

merchants gradually learned how to delegate power and how to conduct business from a distance.

For the Hanse, London, although not yet a world metropolis, was far more important than the fish market on the shore of Bergenfjord. Most probably the merchants of Cologne were the first Germans to trade with England. Their presence is already recorded in the early Middle Ages. At any rate, they formed a gild, since a privilege issued by Henry III in 1260 mentions a *gildehalle* possessed by the 'merchants of Almain'. It was not without difficulty that the merchants from Lübeck and other towns gained admittance to this already established fraternity. It even seems that, early in the fourteenth century, there existed, for a while, two separate organizations.

In London, the Hansards had their headquarters in the Steelyard, a compound bordering on the Thames and including a wharf, a mess hall, storehouses and living quarters. In it the Hansards lived an almost collegiate life under the control of their own alderman and a committee of twelve. The members of this committee were elected by the residents; one-third by each of the following sectors: (1) the Rhinelanders including the merchants of Dinant in present-day Belgium, (2) the merchants from the Westphalian, Saxon and Wendish towns, (3) the Prussians and the German Balts. As elsewhere, the German colony was subject to the jurisdiction of the aldermen in civil and commercial matters. In addition to the German aldermen, the members of the Steelyard were required to appoint an alderman of London as an assessor. His functions were to sit in, as a judge, on certain cases and to act as a go-between in any negotiations or dealings with the authorities of the city. According to tradition, the guard of Bishopsgate, giving access to London Bridge, was entrusted to the merchants of the Steelyard; it was at the same time a burden and a privilege, but the Hansards valued it enough to have their right confirmed at the Peace of Utrecht (1474).

Like the Italians, the Germans were envied by the merchants of the city, and the friction grew worse during the late fourteenth and fifteenth centuries as the English tried to penetrate into the Baltic and to wrest control of this trade from the Hanseatic League. One justified source of complaint was that the Hansards, by virtue of antiquated privileges, paid lower customs duties than either the Englishmen themselves or other aliens. However great the pressure put on the English government to repeal the privileges of the Hanse, they were not definitely lost until the reign of Elizabeth I, after a temporary suspension from 1468 to 1474 during the war between England and the Wendish and Prussian towns.

In contrast to the conditions existing in Novgorod, Bergen and London, the Hanseatic merchants in Bruges were not confined to certain quarters but lived in town. The Hansa House, a magnificent structure

with a lofty tower and lovely gothic windows, which was not erected until 1470 upon property donated by the town, was not a residence hall, but a club which also contained cellars for the storage of goods, and offices for the aldermen. When later the Hansa House in Antwerp was built to accommodate guests, it proved difficult to rent all the chambers, as most of the merchants preferred to stay in town instead of being put up in barracks.

In Bruges, the Hanseatic merchants felt more at home than in any other foreign country. For one thing, they did not need an interpreter in order to converse with the natives. In the Middle Ages, Low German was much closer to Flemish than it is today owing to the influence of High German, which has become the literary language and is taught in the schools. In Bruges, also, there was not the same antagonism as in London. Merchant strangers were welcomed by the municipal government and the townspeople. Since the Flemish carrying trade had died long ago, they knew very well that they depended upon the foreigners to bring prosperity, and upon the Hanse especially for imports of Prussian and Polish grain. It is true that there were some incidents and occasional outbursts, but there was nothing like the chronic hostility which poisoned the atmosphere of London.

The Hanseatic colony in Bruges was administered by a board of six aldermen or elders, two for each of the three sectors, the Rhenish, the Westphalian-Wendish and the Prussian-Baltic. After 1472 the number of aldermen was reduced from six to three with an advisory committee of twelve. The task of the aldermen was threefold: (1) to watch over the preservation of the all-important trade privileges, (2) to enforce the staple rules and (3) to judge any suits brought by one Hanseatic merchant against another. In Bruges, as in other cities, these cases were outside the jurisdiction of the local courts. The staple included wool, wax, furs, copper, grain and a few other products which, according to treaty, could not be brought to the Swyn in Hanseatic ships without being unloaded and offered for sale in Bruges. Besides *stapelgud*, or staple goods, there were other goods called *ventegud* to which the staple regulations did not apply. Such goods were allowed to pass in transit without any interference. These staple agreements gave Bruges a considerable advantage over neighbouring rival towns, in particular, Antwerp. Of course, the staple rules did not apply to goods shipped directly to England or Scotland without touching the Swyn.

As previously mentioned, the Hanseatic merchants in Bruges transacted most of their business through the innkeepers who also acted as brokers. According to the historian Rudolf Häpke, the Flemish 'hosteler' was the most important personage whom a merchant was likely to encounter on a trip to Bruges. Not only did the 'hosteler' provide lodging,

but he rented his cellar to store the merchant's goods and was usually privy to all contracts. If necessary, he stood surety for his guests or collected their outstanding claims after they had left town. His integrity was of the greatest importance in taking advantage of the best obtainable price. The Italians, of course, also used the services of the brokers, but probably not to the same extent as the German merchants. In Bruges, the broker-innkeepers belonged to the upper strata of society immediately below the *poorterij* or the rich rentiers who did not belong to any craft.

The only region which escaped either Italian or Hanseatic control was southern Germany. International trade in this area was geared mainly to Venice and Milan, although, after 1420, the fairs of Geneva emerged as an important connection with other parts of Europe.

One of the main characteristics of the south German trade is the existence of some very large companies, such as the Great Company of Ravensburg (*Grosse Ravensburger Gesellschaft*), which lasted for 150 years (1380-1530) and is said to have equalled in size the major Italian companies. These large business units were exceptions, however, and it is doubtful whether their organization excelled that of the Italians. One of the difficulties is that no articles of association for any of these south German companies have survived. In any case, the Great Company of Ravensburg had, in 1497, thirty-eight partners. Of course, they did not all have an equal voice in the management. Most probably the real power was vested in a small committee of three, one of whom was the treasurer and chief accountant. General financial statements were not drawn up every year, but at irregular intervals. Sometimes three, four or more years were allowed to elapse before the books were closed and profits were determined. Certainly, double-entry book-keeping was not in use, since it was still unknown to the Fuggers in the sixteenth century. Accounts were more systematically kept, however, than was customary in northern Germany. The Great Company of Ravensburg was not any more specialized than the Italian or Hanseatic firms. As everywhere in the Middle Ages, diversification was the rule. Personnel was a major problem, and the correspondence suggests that the behaviour of factors and apprentices gave plenty of worry to the leaders of the Ravensburg company.

This general picture finds confirmation in the recently published account-book (1383-1407) of Matthäus and Wilhelm Runtinger, a Ravensburg partnership. Its connections extended from Venice, Austria and Bohemia in the east to Frankfurt-on-Main and the Low Countries in the west. The partnership's activities were, as usual, very diversified. From a technical point of view, its book-keeping is on a relatively high level, but does not meet the canons of double entry.

In order to maintain their control of the overseas trade, the Venetians

subjected the south German merchants who visited Venice to strict supervision. They could not stay where they wished, but were forced to take a room at the *Fondaco dei Tedeschi*, a special hostelry maintained by the Venetian Republic and managed by a superintendent accountable to the Senate. The visitors were allowed to import only the products of their own region—and not any English or Flemish cloth, for example—and to purchase spices and luxuries brought by the Venetians from overseas. To prevent any evasion of the regulations, all business had to be transacted through sworn brokers and interpreters. This draconian system was not without compensation for the Germans, since no Venetian was allowed to compete with them in their own territory. In other words the trade between Venice and south Germany was entirely in German hands, and any infringement of this monopoly was severely punished.

On the organization of English trade, a number of studies, among others those of E. M. Carus-Wilson, M. M. Postan, Eileen Power, L. F. Salzman and George Unwin, are available and easily accessible in any college or university library of the English-speaking world. Since it is impossible to do full justice to the subject in a few paragraphs, the ensuing remarks are merely intended to emphasize for purposes of comparison certain peculiar aspects of the English trade.

Since no account-books have survived for this period, with the exception of the memorandum book of Gilbert Maghfeld, one must rely for information concerning the internal organization of the English firm on the Cely and Stonor business correspondence and on casual references in official documents and court records. There were some substantial English merchants doing a large volume of business, but they operated with only a few factors and apprentices.

Partnerships were fairly common, but there existed no firms with a network of branches even remotely comparable to the great Florentine companies. English merchants frequently 'committed' goods to servants, factors or other merchants to be sold either on a commission basis or according to a profit-sharing scheme. It also happened that investors 'entrusted' money to someone 'to merchandise therewith' and to give them 'a parte of the encrece'. Such a contract, of course, resembled the Italian *deposito a discrezione* and the difference between it and a loan was sometimes hard to draw. English merchants concluded occasional partnerships in which they bought 'certain merchandize' in common. These arrangements, consequently, applied to a single venture, but they were frequently renewed: no sooner was one liquidated than the same partners embarked on another. In England, there also existed partnerships of a more permanent nature in which the partners operated together 'on joint stock'. The Cely brothers after their father's death formed such a partnership. As elsewhere in Europe, vessels were often owned by several share-

holders, but chartered to one master who assumed command and responsibility for actual operation.

In contrast to Italy, where the civilians developed a body of doctrine designed to differentiate between the partnership and other forms of contract, clear legal and terminological distinctions failed to emerge in England, probably because of the pragmatic character of English law. In most cases, the only remedies available at common law were the action of debt and the action of account, by which a creditor could sue a debtor for not rendering account of the money or the goods entrusted to the latter's care. With reference to mutual partnerships, the English law did, however, recognize at an early date that merchants trading together were jointly and severally liable for common debts.

In the fifteenth century, the English may have known about marine insurance, but they found no need to insure on short cross-Channel trips. Double-entry book-keeping was probably introduced prior to 1543, the date of Hugh Oldcastle's text-book, the first on the art of book-keeping after the Italian manner; but it is doubtful whether the English had made any effort before 1500 to master this art, although it was assiduously practised in the counting-houses of Lombard Street. Around 1450, the English merchants were beginning to make extensive use of the bill of exchange, whether in the form of a draft or a promise to pay; but they still preferred bonds or obligations and more informal bills of debt which, beyond the seas, circulated from hand to hand without formality. In England itself, the position of the bearer was still uncertain at common law, although the mercantile courts were more willing to provide a remedy. The Italian merchant-bankers adapted themselves to English practice, and the ledger of the firm Filippo Borromeo & Co. in London (1436-9) shows that they made advances on bills obligatory payable to a certain person 'or the bearer thereof', which was contrary to Italian usage.

The English trade owes its originality less to the retarded adoption of Italian business procedures than to a set of unique institutions, which protected it very effectively against the inroads of foreign competition. This was especially true of the export trade, which was to a large extent controlled by native merchants, whereas the Italians seem to have retained their hold on the importation of spices, merceries and other products. Their control was, however, by no means absolute, and the London mercers and grocers frequented Bruges in order to replenish their stocks. Nevertheless, by and large, the export and the import trades were in different hands. This situation still prevailed in the sixteenth century, with the result that, in the money market, the English merchants were usually takers or sellers of bills in Lombard Street, but deliverers or buyers of bills in the Low Countries, where, after collecting the proceeds of

their exports, they had funds to transmit to London. The Cely papers (1475-88) give evidence to the same effect: they are full of complaints about the harm done to the Staplers, or wool exporters, by the rise of the English noble. This was quite natural; since they had money coming to them on the continent, the rising exchange was disadvantageous to them because they received less in English currency for the same amount of Flemish money.

Besides the divorce of import and export trade, an important characteristic of English commerce during the fourteenth and fifteenth centuries was that it was confined to the Channel and the Bay of Biscay. Consequently, only short distances were involved. Although one of the two trading companies called itself the Merchant Adventurers, the adventure, if any, was not very great. Moreover, the current of trade followed well-known channels, so that an experienced merchant did not run undue risks.

Another distinctive feature of English trade was that it was strictly regulated by the trading companies. Although each member traded on his own, he had to comply with the regulations which tended to lessen considerably the degree of competition by price-fixing, quotas and allotment of shipping space. In the fifteenth century, the trading companies were two: the Fellowship of the Staple and the Merchant Adventurers. They specialized respectively in the exportation of wool and of cloth, the two principal articles of export. As the exports of wool were steadily falling and those of manufactured cloths steadily rising, the Merchant Adventurers were inevitably gaining ground to the detriment of the Company of the Staple.

To complete the sketch, it should be added that, for fiscal and political reasons, the trading companies received the strong support of the English government. Home staples for wool tended to cut out the English from the carrying trade, but staples abroad had the opposite effect of eliminating the foreigner and of placing the carrying trade under the exclusive control of the Staple Company.

Although the means were different, the English government in its economic policy pursued more or less the same objective as the Italian republics or the Hanseatic League. In the Middle Ages, the aim was always to gain control of the carrying trade and to secure and retain a privileged position. According to circumstances, this aim was achieved by superior business organization, by force or by a combination of both.