

BANCA NAZIONALE DEL LAVORO
QUARTERLY REVIEW

15



R O M E

BANCA NAZIONALE DEL LAVORO

HEAD OFFICE: ROME
VIA VITTORIO VENETO, 119

Condensed Statement of Condition, December 31, 1950

ASSETS		LIABILITIES	
(Lire)			
Cash, Balances with Banks & Money at call	81,412,406,067	Capital	1,150,000,000
Investments { Govt. & semi-Govt. Securities & Treasury Bills	35,639,832,416	Ordinary Reserve Fund	1,830,000,000
Other Securities	2,592,864,801		2,980,000,000
Contango, Advances on Securities & Loans	122,181,823,198	Deposits & Current Accounts	260,589,155,456
Bills receivable & Re-discounts	67,596,710,429	Cheques in Circulation (<i>asignati circolari</i>)	12,377,065,030
Sundry Accounts	1,820,179,661	Bills for Collection	8,713,908,404
Premises, Furnitures & Fixtures	1	Guarantees & Acceptances for A/C of Customers	38,804,201,230
Customers' Liability for Guarantees & Acceptances	38,804,201,230	Sundry Accounts	19,176,831,747
	350,048,017,803	Staff individual Retirement Accounts	5,202,392,929
Securities deposited by Third Parties	57,125,719,784	Unearned Discount & other unearned Income	1,836,743,086
Special guaranteed Accounts	11,652,562	Profit	367,719,921
Staff Assistance & Retirement Fund-Securities deposited by the Bank as Guarantee	5,401,808,310		350,048,017,803
	412,587,198,459	Depositors of Securities	57,125,719,784
		Accounts guaranteeing special Accounts	11,652,562
		Bank's Securities guaranteeing staff Assistance & Retirement Fund	5,401,808,310
			412,587,198,459

AUTONOMOUS SECTIONS FOR SPECIAL CREDITS

SECTION FOR CREDIT TO MEDIUM AND MINOR INDUSTRIES

Capital, Reserves and Government Guarantee Fund L. 2,297,100,000

SECTION FOR HOTEL AND TOURIST CREDIT

Aggregate Capital and Reserves L. 424,268,067

SECTION FOR CO-OPERATIVE CREDIT

Capital and Reserves L. 506,405,817 - Government Guarantee L. 2,000,000,000

SECTION FOR MORTGAGE CREDIT

Aggregate Capital and Reserves L. 552,454,962

SECTION FOR CINEMA CREDIT

Aggregate Capital and Reserves L. 456,800,338

SUMMARY

Prof. Armando Sapori, who already described the vicissitudes of the « Medici Bank » in the 15th century (No. 11 of our Review), in this new article « Italian Companies in England (13th-15th Centuries) », leads the reader back to an earlier date and examines a phase of special importance in the history of the Italian Mediaeval Companies: that of the work they started in England about the middle of the 13th century and which developed in three directions — the purchase and export of wool, the collection of the papal tithes, and the concession of loans to the Crown — in connection with the policies of the English Kingdom and the financial system of the Church. The most eminent among the companies — the Peruzzi, the Frescobaldi, the Bardi, the Riccardi — succeeded in acquiring a front-rank position at the court of the English Kings, and built up international financial organizations geared on a complicated and risky game of clearings between their several European branches.

With like impartiality the A. holds up to admiration the enterprise and ability of the individual Companies and at the same time underlines the intrinsic weaknesses of their daring constructions, which share, with the adverse political events, the responsibility for the famous failures that gave rise to so many emotional recriminations void of historical foundation.

As is known, the devaluations of September 1949 have revived active controversies also in the field of international trade theory. In the course of these discussions certain aspects of the problem hitherto but little considered have been focussed and a special emphasis has been placed on the exaggerations in the tendency to make complex realities fit into over-simplified theoretical tenets.

The articles « The Inappropriateness of Simple "Elasticities" Concepts in the Analysis of International Trade » and « Exchange Rates and National Income », by Prof. T. Balogh and Prof. P. P. Streeten, may be considered as fruits of this process of revision. The conclusions reached by the AA., who attempt to find a theoretical solution which differs from the prevalent line of thought, may be summed up in the following points:

I. In the field of economic theory:

(a) the use of the concept of « elasticity » in the analysis of international economic problems has been shown to disregard complications of a sufficient order of magnitude to render the procedure inappropriate. The various functions of « elasticities » have been shown to be interrelated in such a way that their calculation may involve indeterminacy as the functions are shifted and probably distorted;

(b) as these functions represent macro-economic aggregates, the state of employment in the constituent units has an important bearing on the reactions of the balance of payments to changes in the rate of foreign exchange and tends to render them irreversible and unique;

(c) the traditional analysis tends to neglect variables other than price-quantity relations, and thus gives an over-simplified view of these relationships;

(d) finite changes in the rate of exchange alter not merely the distribution of the national income but also the size of the real income. Thus not only the savings and investment schedules are changed, but with them cumulative movements are engendered quite apart from the secondary multiplier effects of the change in the balance which alone has received attention.

II. In the field of economic policy:

(e) exchange rate adjustments alone are unsuitable remedies where international maladjustments are large;

(f) they are also unfruitful if they would have to be used repeatedly and fairly frequently;

(g) it is false to argue that appreciation of a currency is always a remedy when deficits cannot be eliminated by depreciation because « elasticities » are too low;

(h) even when and where exchange rate alterations promise to be suitable remedies, they are likely to be insufficient unless accompanied by full employment (or even possibly over-full employment) policies in creditor countries, measures to counteract undesirable distributional effects or effects on internal monetary equilibrium, and possibly measures against certain oligopolistic or monopolistic reactions.

In the second half of 1950 the Italian Central Institute of Statistics published a special volume containing the results of an exhaustive investigation into the structure and recent trends of Italy's national income.

Prof. Eugenio D'Elia, in his paper « Italy's National Income » describes and comments on the recapitulative data, pointing out the essential features of Italy's national product and national income. He calls attention to the war disturbances, the post-war recovery movement, the changes that have occurred since 1938 in the percentage weight of the several component items (private activities, public sector, indirect taxes, incomes from abroad and donations), and especially to the industrial and agricultural income.

The statistical analysis is preceded by explanatory remarks as to clear up certain problems of method and definition.

In the survey « Italy's Foreign Trade in 1950: January-September » Prof. G. Pietranera analyses, with the help of detailed statistical elaborations, the principal characteristics of the currents of our international trade during the first nine months of 1950. The period under consideration is of special interest as the consequences of the devaluations of September 1949 were making themselves felt and the effects of the « liberalisation policy » in inter-European exchanges were taking shape. It coincided, moreover, with the period in which the passage from a buyer's to a seller's market seemed to be acquiring consistency, but which was again to be reversed by the Korean war.

« A Recent Contribution to Trade Cycle Theory » by prof. F. H. Hahn is a critical review of the new book « A Contribution to the Theory of Trade Cycle » by J. R. Hicks. Placing Hicks' theory in direct line of descent from Harrod's dynamics, in its economics, and from Frisch and Samuelson, in its technique, the Author calls attention first of all to the shortcomings in Harrod's dynamic model and goes on to examine the more realistic Hicksian model. Yet emphasising that Hicks' work represents a very real advance in many individual points of dynamic theory, prof. Hahn is led to conclusion that it does not quite add up to a satisfactory theory of the trade cycle, especially because of its failure to distinguish clearly between supply and demand conditions and a too mechanical use of different equations based on constant coefficients.

The Banca Nazionale del Lavoro assumes no responsibility for opinions or facts stated by authors whose contributions are published in the present Review.

All communications regarding the Review should be addressed to Banca Nazionale del Lavoro, Ufficio Studi, Roma, Via Vittorio Veneto 119.

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Stabilimento Aristide Staderini - Roma - Via Crescenzo, 3

Italian Companies in England (13th-15th Centuries) (*)

by

ARMANDO SAPORI

I. Arrival of Italian merchants in England. - II. English and papal politics and finance. - III. The Italian Companies: Riccardi, Frescobaldi, Bardi and Peruzzi during the reigns of Edward I, Edward II and Edward III. - IV. Figures relating to transactions. - V. Types of business. - VI. Security for loans to the Crown. - VII. Reaction against Italian Companies. - VIII. Failures: various aspects of the individual crises. - IX. Common causes of failures. - X. The Italians in England from the middle of the 14th to the end of the 15th century.

I. — During the most flourishing period of Italian Companies in England they were mainly concerned with three businesses: the purchase and export of wool, the collection of papal tithes and the concession of loans to the Crown. As a matter of fact, however, when the first

Italians left their country in order to cross the Channel they had nothing of that sort in mind, and these activities developed only by degrees, as the result of a series of difficulties and of opportunities. The only objective of those pioneers was at that time the collection from

(*) In a previous article entitled *The Medici Bank*, published in this Quarterly (No. 8, 4th quarter 1949) I collected the bibliographical notices dealing with that business, to which I added some on the general vicissitudes of the Mediaeval Italian companies abroad. In studying the history of the companies dealt with in this present article the following works should be read: E. RE, *La Compagnia dei Riccardi in Inghilterra e il suo fallimento alla fine del secolo XIII*, in « Archivio della Società Romana di Storia Patria », Vol. XXXVII, 1914; A. SAPORI, *La Compagnia dei Frescobaldi in Inghilterra*, Firenze, 1947; W. E. RUSSELL, *The Italian Bankers in England and their Loans to Edward I and Edward II*, in the Vol. « Historical Essays by Members of the Owen College, Manchester », London, 1902; E. RUSSELL, *The Societies of the Bardi and the Peruzzi and their Dealings with Edward III, 1327-1345*, in the Vol. « Finance and Trade under Edward III », No. XXXII of the « Publications of the University of Manchester, Historical Series », Manchester, 1918; R. WESTWELL, *Italian Bankers and the English Crown*, in « Transactions of the Royal Historical Society », n. s. XVII, London, 1903; A. SAPORI, *La crisi delle Compagnie mercantili dei Bardi e dei Peruzzi*, Firenze, 1926; A. BIANCOWOOD, *Alien Merchants in England, 1350 to 1377: their Legal and Economic Position*, Cambridge (Mass.), « The Mediaeval Academy of America », 1931.

On the Italians in England, see also: G. BISCARDI, *Il Banco, Filippo Borromeo e Compagni di Londra, 1436-1439*, in « Archivio Storico Lombardo », t. IV, Vol. XIX, 1913; C. R., *Un prestito degli Scotti di Piacenza a Re Edoardo I*, in « Bollettino Storico Piacentino », IX, 1914; R. FARNLEY, *London and Foreign Merchants in the Reign of Henry VI*, in « English Historical Review », XXV, 1910; M. S. GIBSON, *Alien Merchants in England in the Fifteenth Century*, in « Transactions of the Royal Historical Society », n. s., IX, 1895; CH. JOHNSON, *An Italian Financial House in the 14th Century*, in « Transactions of St. Albans and Hertfordshire Architectural and Archaeological Society », Vol. I, part. IV,

n. s., 1901-1902, St. Albans, 1903; F. NUNZIANTI, *Gli italiani in Inghilterra durante i secoli XV e XVI*, in « Nuova Antologia », Vol. CXXV, Roma, 1906; F. PATETTA, *Coarini senesi in Inghilterra nel secolo XIII*, in « Bollettino Senese di Storia Patria », IV, 1897-1898; L. S. PRAUZZI, *Storia del commercio e dei banchieri di Firenze in tutto il mondo conosciuto dal 1200 al 1345*, Firenze, 1896; Y. RENOUARD, *Les hommes d'affaires au Moyen-Age*, Paris, 1949.

On the whole matter dealt with in this study, see: E. DÉPREZ, *Les préliminaires de la Guerre de Cent Ans, 1328-1342*, Fasc. 86, first series of the « Bibliothèque des Ecoles Françaises d'Athènes et de Rome », Paris, 1901. - E. MARTIN, *Histoire financière et économique de l'Angleterre, 1066-1902*, T. I., Paris, 1912; E. RE, *Archivi inglesi e storia italiana*, in « Archivio Storico Italiano », s. LXXI, Vol. 1-2, 1913 (No. 270 of the collection). - G. B. FAYRE, *Materials for the Study of Edward III's Credit Operations, 1327-48*, in « Bulletin of the Institute of Historical Research » (London, Longmans, Green and Co. Ltd.), Vol. XXII, No. 66 November 1949, and Vol. XXIII, No. 67, May 1950. - G. ARIAS, *Studi e documenti di storia del diritto*, Firenze, 1901. - G. ARIAS, *Le società di commercio medievali in rapporto con la Chiesa*, in « Archivio della Società Romana di Storia Patria », XXIX, 1906. - E. JORDAN, *Le Saint-Gildge et les banquiers italiens*, Communication à la Ve section du IIIe Congrès Scientifique International des Catholiques, Bruxelles, 1895. - E. JORDAN, *De mercatoribus Camerae Apostolicae saeculo XIII inventis*, Rennes, 1909. - W. E. LUNT, *Financial Relations of the Papacy with England to 1327*, Vol. I of the « Studies in Anglo-Papal Relations during the Middle Age », Cambridge (Mass.), The Mediaeval Academy of America, 1939. - R. H. SNAPE, *English Monastic Finances in the Later Middle Age*, Cambridge Studies in Mediaeval Life and Thought, Cambridge, 1926. - L. CHIAPPALÀ, *Una lettera mercantile del 1336 e la crisi del commercio italiano nella prima metà del Trecento*, in « Archivio Storico Italiano », s. VII, Vol. 1, s. LXXXII, 1924. - G. BROWOOD, *Un marché de matières premières: jaines d'Angleterre et marchands italiens vers la fin*

the English seigneurs, barons and Church dignitaries of the sums advanced by them at the time of crusades, either during the transit of the said Englishmen through Italy or in the Holy Land, where the Italians had followed them, either for business reasons or as fighting men. The documents in their possession bore baronial seals and were sometimes even guaranteed by the King, but in order to collect their monies they were compelled to face the journey, no matter what difficulties were involved. Once on the spot they found, moreover, that since money could not be exported they would have to take payment from their debtors in a form other than hard cash, of which, as a matter of fact, the debtors had but scanty supplies. But since the fields around their manors abounded in large flocks of sheep of prized breeds, the Italian creditors came to the conclusion that it would be to their advantage to take wool instead of money in payment of what was due to them, since this, when exported to Italy, could be used for the manufacture of cloth, the staple industry in those days. But here another difficulty arose: it required some considerable time to complete negotiations, to

collect the wool, to convey it to the port of shipment and to charter the necessary tonnage, while another law restricted the length of time which foreigners were allowed to stay in the country and strictly regulated all their movements. The way out of this difficulty was to get on to friendly terms with the King — who had power to grant extensions and safe-conducts, so that temporary visits became permanencies — by granting him loans which would enable him to overcome his most immediate financial difficulties. Later on what had begun as an expedient became a custom. The firstcomers attracted others, whose aims were entirely of a speculative nature and who either formed companies in England or transferred thither concerns which had already been set up on the other side of the Alps. By the middle of the 13th century the process was complete and things settled down on regular lines, including relations with the Apostolic Chamber. The trend of the activities which had originated through force of circumstances rather than free will began to be more clearly defined, as also the causes of rapidly made fortunes and even more unexpected failures.

II. — In order to gain some idea of all this it will be as well to take a glance at the policy of the British sovereigns, the financial organization of the State, and the Church's taxation system.

Beginning with the policy of the Crown, there were two main undertakings which — apart from the suppression of a few uprisings in Ireland and Wales — called for an incessant outflow of money from the badly depleted Treasury, namely the attempts to subjugate Scotland and to affirm British sovereignty in Gascony; money was in fact needed both for military campaigns and for paving the way to friendships and alliances. In order that some idea may be formed of what the companies succeeded in doing, a few facts will not be out of place here.

Edward I, called upon to act as arbitrator between John Balliol and Robert Bruce, grandsons of the King Alexander III, had imagined that in supporting the former he would gain a vassal, instead of which he found himself up against Scottish pride, the Scots

inciting Balliol to become a real sovereign. Although his attempt to achieve independence was put down by a rapid expedition which ended with his deportation in 1296, the banner of revolt was handed on to others, namely, the national hero William Wallace, who indulged in yearly campaigns until the day of his death in 1305, and Bruce who, one year later, was crowned King. When Edward I died in 1307 all the expense and sacrifice had proved to be in vain and had, moreover, deprived him of the support of every class in the country. The Archbishop of Canterbury having refused him all grants, the King had confiscated the Church treasure; the noblemen had refused to go to war on the pretext that, under the terms of the Constitution, they were not bound to leave the Kingdom unless the King (who for a number of reasons was unable to absent himself from the capital) placed himself at their head; while London had joined the malcontents and had laid claim to ancient franchises. During the reign of Edward II the drainage of English gold for the Scottish guerrilla warfare was incessant and did not come to an end even in 1328, when it was found necessary to recognise the country's independence.

As to the question of Gascony, it had arisen in 1259, as a result of the Treaty of Paris between Louis IX and Henry III, which had led to the strange position of a King of England, sovereign in the Isles, being the French King's vassal on the continent in the fief of Guienne (all that was left of the old Duchy of Aquitaine, after a series of mutilations); the former was naturally bound to try and become complete master of his continental possessions, while the latter in turn was equally bound to try and rid the continent of a foreign vassal. The inevitable conflict which ensued was further encouraged in 1328 by the dynastic question, in that the throne of France, which had fallen vacant owing to the death, without a direct heir, of Charles IV, was coveted by Philip of Valois and the son, still a minor, of Queen Isabel the daughter of Philip the Fair and the wife of Edward II. That the conflict did not break out until 1338, when the Hundred Years' War started, was due to the fact that another matter had to be settled first, namely the question of the Country of Flanders which — actual

autonomous but since the days of Philip Augustus a French fief — was the keystone to the success of either contendent, since it was the chief outlet for British wools, which were required by an industry capable in turn of exporting its finished products, *i. e.* cloths, not only to England but to all other parts of the world. Economic interests, defended even by force of arms by the bourgeois traders of the Flemish cities, were responsible for the failure of the French efforts and this finally led to a complete political alliance with the British Crown. In 1330, when Edward III came of age, it was high time for serious decisions to be taken. While Philip of Valois, who had been crowned King by the French barons because of their natural aversion to the foreign pretender, allowed himself to be led away by ideas of crusades and by his confidence in the arbitration of the Pope, Edward, preparing the diplomatic and military encirclement of the enemy, had used up all the State's resources and had mortgaged future resources by contracting loans with a group of merchants. In order to give some idea of the economic effort made it will be sufficient to mention that in the space of a single year — that in which hostilities began — a loan of 100,000 gold Florentine florins was contracted, guaranteed by all the personal and real estates of the Crown, and another of 140,000 with the King's dearest friend, the Earl of Derby, as hostage; while the hereditary crown of Great Britain, pledged for 50,000 florins, had been handed over to the Archbishop of Treves.

In the face of such vast obligations for foreign policy alone, a far more wealthy economy needed than that of a country that was mainly agricultural and whose chief resource was sheep-breeding, as well as a properly organized financial administration. Instead of which the treasure of the first Normans having become exhausted and the taxes instituted by them for defence against the Danes (*Danegeld* and *Carucage*) ceased to be applied under John Lackland) having ended just in those very years, not much could be expected from the other feudal « aids », from dues for justice, from the revenue of the manors, belonging to the Crown, from the contributions from the towns belonging to the King, and also general

du XIIIe siècle, in « Annales d'Histoire Economique et Sociale », t. II, 1930; G. BACWOOD, *La politique de la laine en France sous les règnes de Philippe le Bel et de ses fils*, in « Revue Belge de Philologie et d'Histoire », t. XVI, 1936. — L. DEBASSAT, *L'évolution économique et sociale de l'industrie de la laine en Angleterre*, Paris, 1900. — A. DORRIS, *Studien aus der Florentiner Wirtschaftsgeschichte*: Bd. I, *Die Florentiner Wollentuchindustrie vom XIV. bis zum XVI. Jahrhundert*, Stuttgart, 1901; Bd. II, *Das Florentiner Zunftwesen vom XIV. bis zum XVI. Jahrhundert*, Stuttgart und Berlin, 1908 (of this latter book is also available the Italian edition entitled *Le Arti fiorentine*, by G. B. KLEIN, Vol. 2 of the Series « Fonti e studi sulle corporazioni artigiane del medioevo », edited by Deputazione Toscana di Storia Patria, Firenze, 1940). — G. HERRAS, *Der Kapitalismus der Florentiner Wollentuchindustrie*, in « Zeitschrift für die gesamte Staatswissenschaft », LXXII, 1916. — E. LITSON, *The History of the English Woolen and Worsted Industries*, London, 1931. — L. SCHULTE, *La lana come promotrice della floridezza economica dell'Italia nel Medioevo*, in « Atti del Congresso Internazionale delle Scienze Storiche », 1-9 aprile 1903, Roma, 1903. — R. WHITWELL, *English Monasteries and the Wool Trade in the 13th Century*, in « W.E.S. — U.W.G. », Bd. II, Heft 1 1904. — L. BRENNI, *La tessitura serica attraverso i secoli. Cenni sulle sue origini e sul suo sviluppo in Como, nelle altre città italiane, e in alcuni stati europei*, Como, 1925. — P. PIRRI, *Intorno alla storia dell'arte della seta a Firenze*, Bologna, 1927. — U. DORINI, *L'arte della seta in Toscana*, Firenze, 1928. — E. MORRA, *Per la storia dell'arte dei fustagni nel secolo XIV*, in « Archivio Storico Lombardo », a. XVII, Fasc. I, 1890. — F. DONLANDI, *Note per la storia della produzione e del commercio di una materia prima: il guado nel medioevo*, in « Studi in onore di Gino Luzzatti », Vol. I, Milano, 1950.

taxation under the form of capitation or tithes, tallages, twelfths, fifteenths, sixteenths, twentieths and so on, applicable on a different scale to the various social classes, including the clergy. The reasons for this were several: on the one hand the towns, the richest merchants and members of the bourgeoisie were in the habit of purchasing exemption by means of large lump sums which served the King as temporary cover for his most urgent needs, but in the long run that system was such as to impoverish the King's treasury; on the other hand, the three States, represented in Parliament, were more and more concerned over their right to discuss with the Sovereign all decisions relating to taxes, rates of taxation and expenditure of the funds collected.

In these circumstances the State's chief revenue was drawn from *customs* dues which — having taken the place of the ancient royal *recta prisca* dues in the two forms of «preemption» and «prisage» on goods entering and leaving the ports — represented the price paid by the merchants, who preferred a definite tax, item by item, to the uncertainties of the sovereign's arbitrary decision. The local merchants had arranged this in the Westminster Parliament of the year 1275, and the foreign merchants had obtained a similar treatment at the time of the granting of the Merchants' Charter in 1303, agreeing to an increase in the rates on each article. The taxation payable by foreigners was known as the «new customs» in order to distinguish it from that paid by nationals, which was called the «ancient customs». The latter was naturally applicable only to exports, such as wool, skins, leather and tin, while the former was applied to imports also, such as wines, dyed and undyed cloth, and so on. Under the terms of the Merchants' Charter the overseas merchants were allowed to transact certain retail business and to bring any commercial disputes with local fellow-merchants before a mixed tribunal. These customs dues naturally augmented in proportion to the increase in trade which resulted from the arrival of a greater number of foreigners. This source of revenue, however, was anything but dependable, for it might interfere with sea trade, while the political situation, as outlined above, might make it

necessary for the British to ban the entry of manufactured goods from a given country and the export of raw materials. It is obvious that in such circumstances it was not easy, even in peacetime, to find cover for State expenditure, and that the impossibility of mobilising Crown revenue rapidly and regularly made it necessary to obtain loans on future taxation yields. The war, the financing of which constituted an intolerable burden on the whole system, caused the highest credit expansion.

In addition to uncertainties regarding revenue and its collection there was also the question of the dual nature of the financial administration, centered round the «Wardrobe» and the «Exchequer», both related to the struggle over *Magna Carta*: on the one side was the Crown, desirous of violating and even suppressing the Constitution imposed on the King, but not freely granted by him; and on the other the three States which, after having reinforced the said Constitution in the Oxford Parliament of 1258, were becoming more and more insistent that it should be respected, particularly, as already mentioned, in the taxation sphere. The first Edward succeeded in obtaining independent financial means by surrounding himself with dissident barons, devoted to him, to whom he entrusted the management of the funds for «the maintenance of the Royal House», and thenceforward the «Wardrobe» occasionally took upon itself the task — but not so occasionally as to prevent the establishment of a definite line of action in the financial affairs of England — of negotiating loans and of allocating the various items of revenue for military expenses, thus creating a chancery which, in competition with that of the «Exchequer», sealed public deeds with the King's privy seal. The supremacy gained on each successive occasion by the King or by the barons, entrusted with the control of the Sovereign, led to the supremacy of the officials of the «Wardrobe» over those of the «Exchequer» or viceversa; such changes of influence naturally could not fail to have repercussions on all those who had dealings with the two administrations, or in other words on those who granted the aforesaid loans.

Turning from the finances of the King to those of the Church, it may be said that in

England, as in the whole of Christendom, the special subsidies required in order to finance crusades to the Holy Land were of outstanding importance. The collection of these duties, which were known under the generic name of «tithes» but the rates of which varied in the same way as the taxes due to the sovereign, was entrusted to the local ecclesiastical bodies, who deposited them in collecting centres, where certain envoys known as «collectors» took delivery of them and conveyed them to the *Apostolic Chamber*. Even early in the 13th century the services of Italian merchants had begun to be used for this purpose from time to time. The first experiment was made in 1218 with a group of men from Bologna, but it turned out badly, since they appropriated the money; not only was Honorius III unable to trace them but he obtained very little from the sequestration, which he caused to be carried out as a reprisal, of the London property of various fellow townsmen of the dishonest collectors. After Gregory IX had begun to use the title of *campiões domini Papae* for the Italian businessmen who were in close contact with him and other prelates, the experiment was repeated in 1229 with the Siennese merchant Angelerio Solafico, whose honesty was beyond reproach. Subsequently Urban IV made use of the Bonsignori company, likewise Siennese, saving them in 1263 from the excommunication pronounced on all the merchants of that city who had sided with the Ghibellines. Again the choice proved to be satisfactory, since before the battle of Benevento this company on behalf of the Pope advanced the sum of 20,000 «*torinesi*» to Charles of Anjou, thus not only furthering the political interests of the Church, but also its ambition to extend its banking operations to Southern Italy. After these experiments, events in England made it necessary, from 1277 onwards, to make a radical change in the methods of collecting and transmitting Holy Land tithes. A number of losses had occurred and it had been discovered that the first persons to handle the funds, namely the parish priests, *nimis simplices* persons, were prone to accept the false coins that were in wider circulation than the good ones; the «collectors», moreover, did not always provide sufficiently strong escorts to ensure immunity

during their difficult journeys from the attacks of robbers; while it was found that both the parish priests and the «collectores» were in the habit of retaining some of the money dishonestly, the former because they were poverty-stricken, burdened with debts to money-lenders and grieved to think that the tithes might be used for other purposes than the religious one of the crusades, and the latter because of the temptation involved in handling large sums of money. The departure of the barons and knights from the Kingdom in order to put down the rebellion in Wales having left the roads even more unsafe than before, as also the very cathedrals and abbeys where the money was stored, it was only to be expected that brigands would be more numerous than ever and that robberies would be a cover for thefts of another nature. Since every confidence could now be placed in the Italian companies that had made a position for themselves at the English Court by means of loans which had now become large and regular, it was decided to do systematically what had been tried in the past from time to time, namely to entrust them exclusively with the collection and transmission of the tithes. Moreover, these companies, having by then set up a network of branches in all the most important markets as far as the East, would, by means of a payment order drawn against local funds, be able to account anywhere for a «tot» collected in England, without any actual transfer of money taking place.

All this is gleaned from the registers of John XXII and is shown with extreme clarity in a document in the Vatican archives dated June 3rd 1277, in which are registered the considerations of certain officials and high Church dignitaries, namely the collectors «Maestro» Ardizzone of Milan, Friar John of Darlington, of the order of preachers, and the Archbishops of London and Ross, who had met for the very purpose of reaching a decision on the subject. Nothing, in fact, could be clearer than the first deposit receipt, which still exists, bearing the date of March 17th 1279, together with the seal of the company and the signature of its members. The merchants, after recognising that they had received the money in «good and legal» coinage,

undertook to reimburse it, either wholly or in part, in one currency or another, in one or various instalments, at the request of authorized persons « in London or in any other town on this or that side of the water »; they assumed full responsibility « in the event of robbery, theft, fire, shipwreck or any other accident » and as security they gave the whole of the company's property and their own, while should disputes arise they were willing to defer themselves to the ecclesiastical courts and the courts of the King of England, where the case would be tried by summary methods.

III. — The framework of the picture having been described, it is now high time to say something about the activities of the Italian companies — the most outstanding of which were Tuscan — which followed each other in an endless procession from the middle of the 13th to the middle of the 14th century. From Florence came the Bardi, Cerchi, Falconieri, Frescobaldi, Mozzi, Pazzi, Peruzzi, Portinari, Pucci & Rimbertyni, Scali, Velluti. From Lucca, the Ballardini & Riccardi, which took this title after having been called, to begin with, by the names of individual directors, the chief of whom were Luca of Lucca and Riccardo Guidiccioni. From Pistoia: Agolanti and Ammannati. From Siena: Bonsignori and Salimbeni. Amongst the companies from other regions was the old-established Scoti of Piacenza, and the more recent one of Antonio Pessagno of Genoa. Many of the companies in question had played a leading part in the fairs of the Champagne district and had then devoted themselves to the wool craft, while the strongest and most well organised were those of the Riccardi, the Frescobaldi, the Bardi and the Peruzzi, which followed each other in chronological order during the reign of the three Edwards.

The Riccardi, who arrived from the other side of the Channel about 1250, reached the height of their fortune under Edward I, from 1277 to 1300, when they failed. The Frescobaldi, who began their activity about 1277, rose to their peak after the year 1300, intensified their services to the Crown from 1307 onwards, with the advent to the throne of Edward II, and were expelled from the Kingdom in 1311. The Bardi and the Peruzzi, already in bus-

iness relations with the second Edward, were the chief financiers of Edward III until the beginning of the Hundred Years' War.

All four Companies were *campores domini Papae*. The Riccardi mentioned for the first time in 1273 as having received the tithes collected by the Dominicans in Ireland, in 1277 shared up the deposits of all English monies for the Holy Land with the Scoti, the Bertoli, the Ammannati, the Pulci and Rimbertyni, the Mozzi, the Cerchi, the Frescobaldi, and the Bonsignori. In 1279 they issued receipts for £ 11,930 and in 1280 for £ 13,229, out of a total of £ 44,066, the remainder being divided up amongst the other Companies mentioned above. The Frescobaldi, who in 1277 had received only 500 sterling marks from the papal collectors, received 30,000 of them in 1294 by order of Boniface VIII. Bardi and Peruzzi, of whose services the Church had, from time to time, made use much earlier for collective transactions with many of their colleagues, were credited to Edward II in 1317 as « omnium et singulorum quae in regno et terris tuae ditioni subiectis nostrae debentur Camerae nostrae fiducialiter receptores ». In any case the golden period of their relations with the Church was between 1332 and 1338, when tens of thousands of florins passed into their coffers.

IV. — What has already been said on the subject of English policy makes it superfluous to give any indication of the occasions and purposes for which the three Sovereigns obtained loans from the Italian Companies. It is, however, impossible to specify the amounts of these loans (as is proved by a detailed and useful essay by Mr. Fryde), partly owing to omissions in the financial entries of the Record Office and partly because of the way in which they are made; moreover, the method of contracting loans, of registering them and of keeping the books was extremely complicated.

In any case, in order to give some idea of the transactions, which have come down to history as colossal, it will be sufficient to mention some significant if not always complete data.

As regards the Riccardi, it has been established by W. E. Rhodes, on the basis of what had been published up to 1902, that loans amount-

ing to £ 56,240 had been contracted between 1285 and 1296, whereas previously, between 1273 and 1285, on the basis of intermittent information relating to the partners of the Company, which had not yet been given the name of Riccardi, the loans amounted to over £ 40,000, of which £ 17,326 were contributed by Luca di Lucca alone between 1273 and 1277, the year of his death; Luca's loans were made to Prince Edward, who had not yet become King but was the heir apparent and a Crusader. It is a certain fact, that the Riccardi, who were summoned before the « Exchequer » in 1294 to render their accounts, settled them with a balance in their favour of £ 18,024.

In so far as the Bardi and the Peruzzi are concerned, Villani speaks of credits amounting at the time of their failure to 900,000 and 600,000 gold florins respectively, « which were worth a Kingdom ». Apart from the impossibility of arriving at any definite conclusions, owing to the lack of book-keeping data — which in any case were undecipherable even to the bankruptcy receivers appointed by the Municipality of Florence — the above figures are undoubtedly exaggerated, the « recorder » being biased as he was personally involved in the failure. Villani, in fact, asserted that he had included in his calculations not only the « capital » but also the « gifts » promised by the King. These « gifts » granted to the companies or personally to the directors in respect of « the great services rendered by the beloved merchants », chiefly in order to encourage them to render even greater services, were known to have remained always on paper. They never found their way into the firm's coffers or into the private purses of the directors, as the wives and daughters of those bankers, who had hoped to adorn themselves with jewels of gold and precious stones, promised them on account of services rendered by their husbands and fathers, certainly never owned any English necklaces or trinkets. More often than not the matter was overlooked; sometimes instructions were even countermanded, as can be seen at the foot of a document of November 26th 1338, which states « cancelled because the said cheques were withdrawn and not paid ».

In comparison with the figure relating to the credits of the Bardi, as quoted by Villani,

is that calculated by the officials of the « Exchequer », amounting to £ 23,082, a figure which is certainly far too low, just as the other was too high, even without the order which the said officials had received not to take « any gift or any remuneration » into consideration. From an examination, carried out by the writer personally, of the printed volumes of the « *Calendars of close and patent rolls* », a third intermediary figure was revealed, which with the inclusion of the « gifts » to the company (not to the members thereof) amounted to £ 89,082, owing to the addition of a further sum of £ 66,000 to the £ 23,082. Converting the pounds sterling into Florentine florins, a sum of 900,000 florins is obtained on the one hand — for the Bardi alone — as indicated by Villani, and of 594,176 florins (1) on the other as shown by the documents of the Record Office. Greater accuracy is impossible, as is borne out by the British expert Mrs. Alice Beardwood who, having examined the documents after the writer, was only able to confirm the conclusions arrived at by him.

As to the Peruzzi, it seems that their credits were never ascertained by the Treasurer and the Barons of the « Exchequer ». These officers had been instructed to examine them together with those of the Bardi, but, in fact, they handed in the Bardi's statement of account only. Indirectly, from a later document dated 20th April 1347, it appears that two English merchants — Walter de Chniton and Gilbert de Wendeymberg — had taken upon themselves the task of paying the Peruzzi £ 20,000 on behalf of the King, in the place of others who had entered into the same understanding from 20th May 1344 onward. Anyhow it is certain that the Peruzzi's credit must have been about two thirds of that of their colleagues. The loans granted by the said firm over a great number of years, compared with those of the Bardi, were in the ratio of two to three a proportion which is confirmed by the figures arrived at by Villani, as quoted above.

(1) Mr. Fryde, quoted on the beginning of this study, states a rate of exchange between pound sterling and florentin florin of 6.66 (p. 122); I accept this rate of exchange. — O. MELTZING (*Das Bankhaus der Medici und seine Vorläufer*, Jena, 1906, p. 19) speaks about variations of the same rate from 5.69 to 6.5 during the period 1302-1345.

V. — The above somewhat dry information has been given in order to convey some idea of the « fabulous » transactions carried out by the Italian merchants, while what follows will serve to convey a clearer idea of their activities.

In the first place, the English sovereigns did not make use of their services in England only, but in every other place where British policy required funds. The Kings were therefore in the habit of instructing the London partners of the said Companies to ask their branches in other countries to effect a given payment with the currency expressed in the contract (such as pound sterling, Avignon or Florentine florins, « bisanti » of Rhodes, etc.) or with the equivalent in local currency. To quote an example, when Edward III sent William de Twenge to the King of Sicily in order to ask him to hand over Thomas de Gurney, one of the assassins of Edward II, he instructed the Bardi to arrange for the payment of a certain sum of money to his « trusty servant » in an order worded as follows: « Veuillez faire paier, par les meins de voz compagnones de vostre compaignie demoranz a Naples, la value de mill' marcs de sterlings ».

The Companies, however, did not restrict themselves to loans to sovereigns as such, although this was already a formidable undertaking, but often came to their personal rescue and that of members of the Royal Family; they also made loans to the highest members of the nobility and the clergy and even to city corporations.

For instance, Edward I instructed the Riccardi and the Frescobaldi to provide, to an equal extent, for the maintenance of the Queen Mother; he put his signature to two large loans granted by the Velluti and the Frescobaldi to his second son John, Duke of Brabant, whose income was apparently insufficient for his way of living; he instructed the Frescobaldi and the Ballardi of Lucca to see that his eldest son, Edward Prince of Wales — who had to journey to France in order to pay homage for the Duchy of Gascony to Philip the Fair — should be accompanied by an agent of theirs, who would supply the funds needed for representation expenses as well as for the personal needs of the young Prince. Edward II, who celebrated his ascent to the throne with great festivities,

instructed the Frescobaldi who resided in his « province » of Bordeaux, to send 1000 « dolei » of wine to London. Edward III appealed to the Bardi and the Peruzzi for the purchase of the jewels which he presented to his wife Philippa on their weddingday; he drew on them for his needs in connection with a visit to Philip VI of Valois; while in 1329, with the approval of the Council of Gloucester, he entrusted to the two Companies the whole maintenance of the Royal Household.

Leaving Court circles on one side, the following examples have been chosen haphazard. In 1299 the City of London applied to a group of seven Tuscan Companies — Buonsignori, Ammannati, Cerchi, Spini, Mozzi, Pulci and Rimbertaini — for financial aid to enable them to redeem from Edward I the municipal freedoms which, granted in 1191, had been repealed in 1285. Moreover, the King's « trusty servants » who were in the debt towards Italian merchants — knights who followed the King into battle and high government officials — were innumerable. Of the former, it is sufficient to mention the Duke of Bar-le-Duc, who had lost his lands for having supported the cause of Edward I on the dispute with Philip the Fair over the Duchy of Aquitaine. The King of England finally took over the debt, contracted by the Duke, with the Frescobaldi and instructed the said merchants to pay the Duke, in one large lump sum, the maintenance that he had been promised for his generous but unlucky services. Amongst the officials, it will be sufficient to mention the heads of the « Warderobe » and the « Exchequer », John de Droghda and John de Sandale, who presumably paid their debts by means of favours rather than in what was then called « pecunia numerata ». Amongst the crowd of minor feudal vassals are to be found the best names of every country — such as York, Hereford, Buckingham, Essex and Warwick — who gave the income from their possessions as security for the loans they contracted. Finally, turning to the clergy, the Cistercian Friar Roger mortgaged property in the County of Oxford in exchange for a loan of 1150 marks.

The small loans which the Italian merchants had probably granted to begin with had caused them to be included indiscriminately in the

class of « caorsini » (money-lenders of Cahors) and « lombards », synonymous with usurers. But the large Companies left usury to the Jews, before they were driven out *en masse* in 1299, and afterwards to the local usurers. It was not worth while, for a case involving a matter of a few pounds, to appeal to the courts, which were anything but impartial, and it was imprudent to arouse the anger of the populace, who already attributed the poverty of the country to the profits of the Companies.

VI. — Other even more revealing side-lights can be gained from a description of the security and of the favours requested and obtained in exchange for advances. The guarantees naturally consisted in the allocation of the yield from the taxes of the Kingdom, and especially from the Customs; it is therefore equally natural that these allocations gradually increased, reaching their peak during times when the country was most deeply engaged in wars.

After the Riccardi had been granted the yield from the Customs in many ports, the Frescobaldi, during the crucial phase of the campaign in Scotland, aimed at obtaining the monopoly in all ports, and would have succeeded in their aim if they had not found themselves up against rights which had already been acquired by other Gascon lenders. However, — and this is symptomatic — even if some limits had to be accepted, this does not do away with the fact that at the beginning an order had been issued to the receivers in all ports to hand over all monies to the Florentine Company; in Ireland, this Company succeeded in obtaining possession of one of the two keys of the coffer where the Customs seal was kept and later, in the early years of Edward II reign, it obtained the right of appointing its officials as « controllers and receivers of the collectors », with the salary appertaining to the post, while it did not have to answer to the too vigilant « Exchequer » but only to the more easygoing « Warderobe ». Shortly afterwards, in 1309, it was exonerated, from paying the difference between the new and the ancient customs and, with retroactive effect from 1303, the same difference was reimbursed to the Company.

A situation identical to that of the Frescobaldi arose in 1329 in favor of the Bardi and the

Peruzzi during the preparation for the war in France, but whereas in 1309 the King had acted on his own initiative, the contract, drawn up by the Sovereign, was this time ratified from year to year by the Councillors and Parliament. Finally, the two Florentine firms, which in a not-inconsiderable number of dioceses had been allotted the clergy's tithes and many « aids » and « tallages », as well as the yield from the fifteenth, sixteenth, eighteenth, twentieth and so on, was given the collecting office of the Cornish and Devonshire mint from 1332 onwards.

In 1299, moreover, the Frescobaldi obtained the « custody of and contract for » the Devonshire silver mines, and the taxcollecting office of the counties of Ponthieu and Montreuil, situated in France between the Artois and the Duchy of Normandy, which were under English control. In 1300 they received « the custody and the government at pleasure » — or, in other words; for as long as they wanted — of the « Exchange » in a number of counties, and in 1301 those of London and Canterbury; duties which, in addition to the changing of money, entailed coining also, with the relative percentage rights of money-changers and coiners; while in 1307 they were given the tax-collecting office of the Duchy of Aquitaine and of the Agenois. But that is not all; the managers of the Companies, paying the nominal annual charge of a penny in recognition of the King's property, were allowed the exploitation of the manors, with all feudal rights, including that of administering justice and with the exception only of the rights of inheritance, and they enjoyed the prebends of churches on which there were royal rights. Partners and « factors » were able, if they so wished, to occupy all public posts, from those of provost, alderman, excheator, coroner, sheriff to that of mayor, and at the same time had the right to refuse them, when offered, and to leave them, if accepted, when they did not find them to their advantage; they were also exempted from the payment of tallages, aids, wakes and other feudal rights due to the King, as well as of the taxes established, by royal concession, by the towns. Finally, sentences for contraventions pronounced against them by the courts were often re-considered by the King, who granted a pardon. The examples

of pardon which are on record, even in the case of repetition of an offence and in relation to contraband trade of gold coinage and the importation of false coins, show that Sovereign's indulgence was not restricted to minor offences. Sometimes, moreover, the offenders not only went scot free but were given the posts of their accusers and judges, as happened in the case of the Frescobaldi who, proved by the head of the «Wardrobe» to be guilty of smuggling were, only four days after they had confessed, given the task of purchasing the counterfeit «polaris» and «crocks», in Ireland, and of collecting them for re-smelting at the Dublin Exchange, of which, it will be remembered, they were the directors.

Once the Italian merchants had established themselves in the life of the country, the income of which was entirely in their hands, it was not surprising that Edward III should entrust the fate of the two first campaigns in France, from 1338 to 1340, to the Bardi and the Peruzzi. These, after contributing to the expenses connected with the preparatory alliances, were instructed to pay out the salaries of the King's officials in England and to provide for the army on the continent, selling vegetable mountians of wool in Flanders, i. e. 25,000 bags, granted to the King by Parliament, 10,000 belonging to them and whatever others they had been able to collect from the monasteries with which they were on excellent business terms.

VII. — And now that we have spoken of the privileges, let us note the reactions to which they gave rise. Antagonism between the Italian merchants and the local Merchant Guilds had arisen almost where they entered the kingdom. It is true that at first those Guilds had hoped to benefit from the foreigners, to whom they would have sold the raw materials, purchasing from them wholesale the imported manufactured goods. But as soon as the King began to make exceptions to the strict guild regulations and controls in favour of the foreigners, they realised that these outsiders would, in the long run, deprive them of their monopoly on the home market, and would deal direct with the English producers and consumers.

Perhaps the Craft Guilds, always at odds with those of the Merchants, may have con-

tinued to show some partiality for the foreigners, but although the artisans were gradually coming to the fore, as a matter of fact, the merchants administered the towns, and defended their interests energetically against the King.

The grant of the *Carta mercatoria* widened the rift and the rupture became complete when the Sovereign exempted the Italians, now his chief bankers, from the payment of the difference between the new customs and the former ones. This meant that neither the local merchants, nor those of any other nationality, had any chance of competing with the Florentine group.

Moreover, as though to add injury to insult, the English merchants, as administrators of the towns found themselves compelled to apply to their Italian rivals for the loans needed by the town communities. This was the case in London, when that City wanted to redeem its liberties from the intolerable exactions of the King. These facts explain the attitude of the whole population, down to the lowest ranks, who in 1326 gave the assault to the warehouses of the Bardi and the Peruzzi, which they wrecked and burnt down, and they would have vented their rage on the owners too, had not the Sovereign hastened to protect his partners by taking them under his own roof.

The general irritation gave rise to many episodes, which involved the foremost personalities in English economic life, financial groups of importance, the Church itself. Thus for instance, when in 1329 Edward III entrusted the Florentines with the task of financing the expenses of the Royal Household, this lucrative work was taken from the Pole family, also merchants and bankers, and so influential at Court that the head of their business William of Hull, was granted a patent of nobility and appointed «Chief Baron of the Exchequer». At first the Poles were unable to react, but we have evidence of their feelings and the following incident allows us to guess at the underhand struggle they were engaged in for years. In 1340, when the Italians who had then already fallen into disfavor, endeavoured to withdraw a balance still due them on the customs' receipts, the Poles, who had to cash a «charter» of 100,000 pounds sterling for advances made between 1338 and

1339, hired bravos to assault them and even went so far as to attack the Sergeants at Arms whom the King had given as an escort to the Italians. And here is another instance. When Edward II granted the monopoly of the revenue from the customs' to his chief purveyors of the funds for his war with Scotland, a group of Gascon creditors who formed almost a «trust» to whom the Sovereign owed money, entered a vigorous protest and insisted on the recognition, at least in part, of their rights, using a clear if not explicitly formulated threat. Had they, citizens on French soil in the area then in dispute between the two Sovereigns, passed over as a measure of reprisal, to the side of the English King's adversary, the already precarious balance of power as between the two sides would have been broken.

Yet more powerful than the Pole family or than the merchants of Gascony was the Archbishop of Canterbury, and this assured him a more rapid victory in the struggle to which the assignment of the London Exchange to the Frescobaldi gave rise. So not more than a year after August 1307, this high prelate was again authorised to make use of the three *curios*, the dies with which three officials in his service had, with the permission of Henry III, stamped coins, and he also obtained permission to claim from the Florentine Company damages for the loss he had suffered in the meantime. I have said that the Archbishop was powerful, and I may add that he had the support of Monasteries, Abbeys and of the prelates of high and low degree, who, as we know, had to pay over to the Italian merchants the tithes due to the Crown and to the Papal See.

So far I have dealt with injury done to material economic interests. But the representatives of the Italian Companies were disliked for other reasons also. To those of us who have in mind the notions of the modern political State born of the French Revolution, it may seem exaggerated to speak at that date of national dignity. It cannot be denied, however that already in the 13th and 14th centuries a national feeling was arising in the great States then being formed, and it was this feeling which gathered the subjects round their King in whom they recognised a moderator in the struggle between classes, and the exponent and

guide of the country in matters of foreign policy. This cannot be denied when we remember how the people in France and England sided unanimously with the Crown against the papal claim to interfere in State policy, when in France with the Bulls *Clericos laicos*, *Ausculta fili*, and *Unam Sanctam* he threatened the Sovereign, and when in both France and England he wished to prevent, in the superior interests of the Crusade, the outbreak of a war that both sides deemed necessary. In both Parliaments, the clergy themselves rose against Boniface VIII, who erroneously thought he could still use to a Philip and an Edward, Kings elected by their peoples, the language that a Gregory VII had used to Henry IV, appointed Emperor by the Pontiff. If Henry had to go to Canossa, Pope Caetani paid for his error by the blow received at Anagni.

Now, if we can note undoubted signs of national feeling in their relations with the highest religious authority in a profoundly religious age, how could it be supposed that keen mortification would not be felt, leading to acts of rebellion, against a group of foreign capitalists who were growing rich (at least so it was thought) at the expense of the country of which they were guests and where they behaved as masters, bending even the King to accept their wishes, forcing him to make exceptions to one law by placing them on a footing of equality with his native subjects, and even granting them privileged positions?

Undoubtedly the coinage of money is the expression of sovereignty, and for this reason the Kings of the great States claimed it for themselves, while elsewhere it was sought for by princes and cities as the symbol of their autonomy and as a source of profit. Under these circumstances, it was impossible that indignation should not be felt with strangers who were appointed to the «Exchange» of a disputed country like Scotland, and even of London, the very capital of the Kingdom, and granted the mines from which the scanty supplies of coinable metal were obtained. How not rebel when Englishmen were required to yield obedience to Florentine merchants acting as State officials, as the feudal lords of castles, as the heads of counties? Such a state of affairs could not but have an echo in the parliaments

and the Lords Ordainers — from the moment when they were appointed to supervise the constitutional behaviour of the Crown — could not fail to find in all this matter to strengthen them in their action and to encourage them to assert themselves as the champions of the dignity of the nation.

VIII. — In my effort to portray, step by step, a many-sided situation I have now reached the point when I must deal with the crises that befell the Italian Companies. I shall point to the aspects that conferred on each of these crises a physiognomy of its own; and finally I shall try to show the causes common to them all.

The bankruptcy of the Riccardi, connected with events in both France and England, was above all the consequence of their relations with the Apostolic Chamber and the requirements of the policy then followed by the Church. The Riccardi, by making him a payment, had parried the blow dealt them by Philip the Fair, who in 1291 had had all the Lombard merchants arrested and had confiscated their property. Indeed, it would seem that in that same year they had complied with the order given by Nicholas IV to pay King Edward (who was making preparations for the Crusade planned for 1293) 35,570 of the 100,000 sterling marks collected from the companies of « the merchants who held moneys of the Holy Land ». But they were unable to withstand the staggering blows delivered a little later on, and almost simultaneously, by the King of France, the King of England, and the Pope in the turbulent three years 1294-96, during which one part of Europe saw the first steps for the war for the possession of Gascony, and the other one was troubled by the disputes over Sicily after the rising of the Vespers. In 1294, Philip IV, on hearing of a credit opened or to be opened by the Riccardi in favor of Edward I, imprisoned their agents in France and closed their warehouses. This example was followed immediately by Edward, who had already confiscated the wool belonging to the Italian merchants and who was now sure that he could not obtain from the Riccardi the help for which he was negotiating or which he had hoped to obtain. His action was due solely to his disappointment, for, as we have seen, in August

1294, when the Riccardi accounted to the « Exchequer » it was found that they, instead of being in debt, held considerable credits. In 1295, Boniface VIII who had promised James of Aragon — as Villani tells us — « a great treasure » in return for his mediation between the Aragonese and the Anjouins, compelled the Riccardi to pay 40,000 of the 300,000 florins demanded of all the depositaries of the tithes. The Riccardi were in financial difficulties and they obtained a delay, but it was of short duration, for the next year, when a popular rising subverted the policies of Pope Cactani, he actually claimed of them a bill (*carta*) of 80,000 florins to be paid in bimonthly instalments of 20,000 florins each. And this time he would not listen to reason. The « great priest, who is of such a nature that it is impossible to speak to him unless one agrees with him » — as we read in a letter written by these same merchants — imprisoned the agents of the Company residing in Rome, sequestered their properties and closed down their shops. The final ruin of the Company occurred in the middle of 1300, and the proceedings connected with the bankruptcy dragged on during the whole of the first ten years of the 14th century. Meantime, Edward I had begun since 1297 collecting the little that the « *cessantes et fugitivi* » had left behind them in the Kingdom. The last crumbs, if any remained, were claimed in 1307 by Clement V who wrote to London « to sequester the properties of the Riccardi existing in England and collect any credits due them ».

The Frescobaldi, whose misfortunes arose from a lot of circumstances, were however affected more especially by the struggles that arose about the English constitutional charter. During the last days of the King's life they had noted preliminary symptoms of the coming storm, when they submitted in 1307 to Edward I, who had taken them on in the place of the Riccardi, a claim for damages amounting to over £ 30,000, arising: from losses suffered through the diversion of capital from their business in order to make loans to the King; from the sudden withdrawal of moneys by panic-stricken depositors, alarmed by the loan they had guaranteed and which had been issued in Flanders and in Florence to finance Edward's

military campaigns; from interest payments made to other merchants to whom they had applied for money to lend Sovereign; from business transactions in Ireland where prices were high and risks great, and so forth and so on.

The accounts of the Company had to be audited, and I cannot say whether owing to defective administration or to secret instructions given to the two commissions appointed as auditors, the work had yet been finished in 1310. Meantime, the royal debt had been swollen by other loans, and official documents speak of « future disbursements in favor of the King ». It was now (when Edward, rather than recognise his indebtedness, had made the enormous concessions to the Frescobaldi above referred to) that an unexpected political event occurred, the revolt of the Barons, who determined to take once more in hand the government of the State, and above all to control the finances. And as it was necessary for this purpose to cut the King off from his contacts with the Italian merchants, the Lords Ordainers thought the most effective way to do so would be to deprive them of all interference in the handling of public funds and to arrange that all State revenues should be brought under the sole management of the « Exchequer » which would provide also for the expenses of the Royal Household. All these measures contained in the Fourth Ordinance, amounted to a death sentence for the Florentine Company. The execution of this sentence is contained in the Fifth Ordinance which provides for the distraint of their property and for the arrest, until such time as a full account should be rendered, of all the foreigners who, since the death of Edward I, had received assignments of customs' revenues or of other Royal dues. On this occasion it was not the merchants who claimed their due before a Court formed of Royal favorites; it was the Barons who sued the merchants before severe and certainly not impartial judges. Edward did what he could for his bankers. He first saved them from actual arrest by a simulated one. On the pretext of keeping them under his own eye and of facilitating the making up of the accounts he had them and their belongings sent to the Tower. Then when, on January 15,

1311, he got temporarily the upper hand of his rivals, he confirmed all the privileges until then enjoyed by the Frescobaldi in an Ordinance issued with unprecedented solemnity. The challenge to the Barons was too daring not to be taken up. But, before they could succeed in enforcing their Ordinances in full, the agents of the Companies, their managers and factors had realised the situation and acted accordingly. That is to say they left clandestinely, taking with them, or forwarding through others, all their movable values, the « dear things » of which we read in one of their records. The Lords Ordainers, though humiliated at having let their booty escape them, were under the mistaken impression that they had up-rooted the noxious plant of the « foreins » and no less mistaken the rejoicing of the Londoners of all classes who believed that the long struggle against the proud Italian usurers who were eating them out of house and home was at an end.

The fact is that the times were not yet ripe; both sides, the Crown and the Italian Companies, had yet to make a further experience which was to pivot round the names of two other Florentine Companies, the last of the great Italian companies in England.

The failure of the two colossi, the Bardi and the Peruzzi, whom Villani calls the « columns of Christendom », differs again from that of the Riccardi and the Frescobaldi. This time the tragedy had for background the greatest political and military event of the century, one laden with consequences that far exceeded that of the fate of two mercantile and banking companies.

The Bardi and the Peruzzi, too, who had been playing for high stakes ever since the early years of Edward III reign, felt at a given moment the approach of a catastrophe, and were thinking if not of retiring, at least of reducing their business, and of playing their commercial rather than their banking cards. During 1334 and 1335 they lay low, and in the documents of the Record Office their names are only entered for small financial transactions with the King. Perhaps they had been retrospectively alarmed by the figures for the cost of the war in Scotland, closed at the end of 1233 by Edward's victory at Hallisdown Hill. Perhaps when in 1332 Florence joined the Lombard

League, they thought the war in Italy would have required, as it did, very large sums and that it would be imprudent to risk all for all abroad. But even before the middle of 1336 they had reopened their strong-boxes and placed their resources for unlimited amounts at the disposal of the King.

Forthcoming events were casting their shadow before them. The importance of the stakes could not but prove an irresistible attraction to men who, though familiar with prudent calculations, yet preferred daring to caution. The resolute conduct of a Sovereign who, though he did not hesitate to strike as *obstructors* those of his Ministers who showed lack of zeal, showed complete trust in his «Florentine friends», could not but lead to the close union of wills and enthusiasms between the warrior and the merchant. Both sides were convinced of victory, which meant power for one and wealth for the other. And even when the Bardi and the Peruzzi proved unequal to the task, Edward, sure of their loyalty, did not hesitate to blame the inertia of the country and the traitorous behavior of the Archbishop of Canterbury himself, for his failure. The fate of the Company was determined during the first campaign and brought to a conclusion by the second. In 1340 the two giants fell. But they were not the laughingstock of a swindler, as all historians have asserted, repeating the accusation brought against the King by Giovanni Villani. Their companion in misfortune was a King who had witnessed the failure of his political dream accompanied by the actual insolvency of his Kingdom. The vicissitudes of the Bardi and the Peruzzi after the disaster also differ from those of the Riccardi and the Frescobaldi. This time no Ordinance of the Lords Ordainers provided for their imprisonment; there was no clandestine flight. This time there was no demand that the merchants be prosecuted, for it was known that they had been defeated along with the King in an undertaking that had been pursued with like zeal and like misfortune by both. Certainly the country was not bled white to repay them their losses; and it is easy to understand that when the time came for the final accounting every effort was made to reduce the King's indebtedness to a minimum. But

the fact remains that when Edward on August 4, 1339, took them under his protection and solemnly promised to «set them up again», pledging the Crown in his own name and in that of his successor, he obtained the consent of the prelates and nobles of the privy council, who placed their signatures by the side of his to the solemn engagement.

The Peruzzi however were discouraged, and seem to have left the Kingdom at last. Not so the Bardi, who reorganised the Company, and while scraping together the credits due them from private persons, continued for nearly fifty years to do business on a limited scale with the Kings, the now decrepit Edward, and Richard the II. But anyhow they had adopted prudent methods strikingly in contrast with their former enthusiasms; thus they obtained for each advance they made a «charter» for a higher sum, together with a pledge on valuables, no longer trusting to the promise of interest payments and gifts. We thus reach 1391, when a member of the Company, who arrived from Florence with a power of attorney, delivered to the Master of the «Exchequer» the bill of exchange given by Edward for the amount at which his officers had fixed the debt, and in the name of the Company he declared that it had been discharged. By so doing released the signers of the document of August 4, 1339, from all responsibility incurred before God by the oath with which they had gone security for the honour of their King.

IX. — We must now gather up the threads of our narrative of events and situations. By what means our Companies carried on their business in England? First of all we must dismiss as a myth the sacks of gold which are supposed to have been transferred from the strong-boxes of the bankers of Lucca and Florence to the tills of the English State. We must renounce the pageantry of convoys of mules with saddle-bags full of florins, travelling from Florence to the Channel and there delivering to the ships their precious load. To these fables we must prefer the chronicles of the period, freed of course from their exaggerations, such as, for instance, those of Matthew Paris who speaks of men arriving with a quill pen behind their ear, and a quire of paper in their

hands, «to shear the wool from the backs of the native sheep». The simile, I repeat, is overdrawn, but anyhow the writer drew a handsome portrait of our merchants who built up their fortunes by their superior business skill and their qualities of tenacity and acumen. While those historians who depicted them as at one and the same time rash adventurers seeking wealth, and the credulous friends of a King of whose bad faith they fell victims, fail to remember that in business generosity amounts to insipidity.

The truth is that those business men had started with some capital of their own, if only that of the credits they went to collect; and late on they could avail themselves of the yield from imports into England, of the rents of the manors they held in fee, of the salaries they received as officials, the prebends of churches, etc. But all this was but little compared to the figures I have mentioned and to the undertakings spoken of. They did their business above all by manipulating the money belonging to others: the deposits of the tithes for the Holy Land, the customs' revenues, and those from the English taxes in general.

The opportunities for profit were immense. Firstly, the receiving of sums in one currency which could be returned in the equivalent amount of another, gave the opportunity for earning a profit on the exchange, and it was not without good reason that disputes arose on this matter. «There are also many discussions — we read in a letter from the *Bonsignori* when rendering account to the Cardinals and the Supervisor on tithes — between us and them about the exchange of currencies». But above all, the possibility of using the moneys of the Apostolic Chamber from the day on which they were deposited till that on which they had to be paid over, meant the possibility of making advances to the King and of purchasing stocks of wool in competition with others who could not dispose of such resources. At the same time, as they could count on the large sums accruing to them from the customs' they were able to meet the requests of the Pope, should the papal funds, at the date of demand, be otherwise employed. Moreover, it may be supposed that it was in the interest of the Church itself that the deposits should not lie idle at a

time when money was scarce and therefore very dear. If we bear in mind that a clause in the deposit contract provided for compensation for «*omnia damna, expensas et interesse*» should the payment not be made at maturity (or on demand in case of not time deposits) and that the bankers almost always delayed the payment we may suppose that the Apostolic Chamber allowed its «*campsores*» to operate on their own account with the money of the tithes, and found a way of sharing in the interest earned on the money without openly breaking the rules on usury it had itself prescribed.

As we have said, the opportunities for profit were immense. But so were the risks. To assure success the deposits should have been made for long periods, and the customs' duties should have been collected at regular intervals. If the agents of Rome made a large, immediate and unexpected withdrawal, or if there were some delay in collecting the customs' duties, difficulties would arise. Moreover, should a large withdrawal by the Pope coincide with an application for a loan by the King, the strong-boxes would be emptied and a yet more anxious situation would arise. And if the Pope should ask not only for what was due to him but also for an advance guaranteed on the future receipts of the Church, a real disaster might ensue.

To face these possibilities, the first thing the merchants did was to maneuver as long as possible the funds they held in the several market centres where they had opened for this purpose and continued to open branch offices. Thus, for instance, if the branch in London happened to be short of cash, they would ask the branches in Paris, Bruges, Florence, etc., as the case might be, either to make the payment in their behalf, or to remit the necessary money to them. Then, in case one of the Companies should be unable, even after availing itself of its resources thus disseminated, to meet exceptional demands, it would apply to others for a loan on which it would, of course, pay interest, turning first to other companies of the same city, and then to those of other cities. Sometime it might meet with a refusal, due more especially to the economic rivalry between two Republics, as, for instance, between Siena and Florence. But generally the companies

fear to lengthen unduly this already lengthy article.

In closing this paragraph in which I have endeavoured to show features common to all the Italian Companies, I am led to the following conclusions:

1) The Companies were engaged in buying and exporting wool, a business of such importance that it induced them to remain in England at the cost of facing dangers which experience showed were deadly. In judging of its importance we must remember Florence, whose mercantile Companies, occupied, and by no mere chance, a foremost place in England. The economic fortunes of Florence had been based until the middle of the 13th century on the guild of *Calimala*, which purchased unfinished cloths at the fairs in Champagne to bring back and sell there finished products; their business turnover was such that they had at their command capital in amounts which enabled them to influence also the financial situation on that international market.

When, in the middle of the 13th century, the fairs were no longer held, the Wool Guild became the pivot of Florentine economic activities. Sombart may laugh if he likes at the figures that Villani gives for the output of fabrics in Florence, and claim that the fleeces imported from England would not have sufficed to make even one third of those mentioned by the Chronicler. Let us remember however the 10,000 sacks « owned » by the Bardi and the Peruzzi, that they pledged themselves to sell in Flanders to victual Edward III's army, and we shall know for certain that not only did the Companies cover amply the needs of the workshops of their own town, but that they dealt in wool on other markets, both Italian and foreign.

By assuring the regular supply of wool to Florence, and by increasing its quantity they were supporting and extending the output of an essential staple. Had the supply been uncertain, reduced, or still worse cut short, it would have given rise to serious social disturbances, due to the unemployment of a very large body of workers of whom the unskilled were particularly turbulent (we need only remember the *Ciampi*), and the skilled could not change over to other activities. On the other hand, the native

wool was not only of poor quality but was scanty, for the soil of Italy was cultivated to produce oil and wine, and above all cereals, which even so were not sufficient for the strict domestic needs. Moreover, political situations and the high cost of transports made it difficult to obtain wool from such other markets as those of Africa and Spain. And even had it been possible, the question of quality, essential in the case of goods made for export, would still have remained unsatisfied, for the English fleeces gave wool superior in length of staple and softness to the merino wools themselves.

2) In carrying on the business in which they were engaged, which was both commercial and industrial, the Companies were induced to undertake banking activities, and circumstances kept on enlarging their work in this direction and making it ever more risky.

3) When the Companies were once involved in these financial transactions they had to meet their needs by recourse to clearings as between one branch and another, *i. e.* between one country and another. These were so devised as to work well under normal conditions, but became extremely fragile when conditions were disturbed.

4) The situation of those Companies, now chiefly engaged in banking, was no longer liquid enough to meet needs arising from unforeseen events. When compared to the vast extent of their business, based on deposits and in any case on credit, the capital belonging to the Companies was negligible, and the private means of the members, who were jointly and unlimitedly liable, amounted to little. These private means consisted almost entirely in buildings and land, and could not be rapidly realised; moreover they depreciated in value when brought in bulk on the market.

X. — The middle of the 14th century witnessed the end of the ascendancy of the Italian Companies in England. Lastly, the dramatic grandeur of the epilogue seems suddenly to submerge all in endless silence. But, as a matter of fact, the Italian merchants did not withdraw entirely from England (as is clearly shown by the settlement of the old credit held on Edward III as arranged in a composition between King Richard and the reorganised

Company of the Bardi). There was only a marked reduction in the volume of business, consequent on the changed situation both on this and that side of the Channel.

The domestic industry of England (which had been started on the path which was to lead to its great economic development thanks to the intervention of the Italians), was now constantly reducing its wool exports, while the growth of national capital enabled it to provide more and more by its own means for meeting its own problems. At the same time, the status of foreigners, whose help became less and less necessary, was gradually changing, and becoming once more normal; that is to say that the foreigner was gradually losing the preeminence he had enjoyed and occupying a position of inferiority to the native inhabitants.

Turning to Italy, we need only call attention to the situation arising in Florence. Just then she had got the better of all her rivals, and was moving towards the involution of her republican regime, forsaking those liberties which, amidst internal strike and struggle, had been the premise and the leaven of her daring initiatives. The governing class no longer had the strength to carry the weight of a policy that, directed as it was towards expansion, could only have completed its cycle by the establishment of a regional State. If until then the leaders of the oligarchy had made large advances on the loans that all the citizens were called on to subscribe, but which all could not pay down, now the reverses they had suffered made it impossible for them to repeat such burdensome operations. It was not possible to collect contributions from the middle class whose concerns had been involved in the bankruptcy of the big companies, and meantime the discontent of the small people — the *minuti* — was steadily growing and foreshadowed the approaching risings of 1378, which aimed not so much at claiming economic rights but rather at altering the constitutional structure of the republic and the bases of all its internal and external policies.

Under these circumstances, nothing was left but an appeal to foreign Lords. An attempt was made with Walter of Brienne, thus repeating the experiment made with Charles of Calabria on another occasion when the Republic

was in difficulties. But in vain the oligarchs included in the price at which they were willing to sell the freedom of the Republic a personal pledge of the Angevin ruler to exonerate for three years the embarrassed companies from making any payments, and to spare them all annoyances from creditors. Almost at the same time, in fact, the Prince more solicitous of his own interests than of those of his supporters offset the privilege granted them of suspending the payment of their debts to others, by suspending the collection of their credits from the Comune. This meant that the Companies were not to receive the repayment of those advances they had made, as mentioned above, for the wars of Lombardy and Lucca, amounting to over 450,000 gold florins.

The fact that the official announcement of the bankruptcy of the Peruzzi was only made after the rule of the Duke of Athens came to an end, is certainly not without significance. It should also be noted that as soon as the tyrant had been driven out, the Bardi attempted, along with the small group of capitalists loyal to them, to seize power over the city. And still more symptomatic is the fact that during the struggle that started in September 1343 and ended with the destruction of twenty-two houses belonging to the Bardi, the signal for the attack on those « mansions » was given to the « *popolani* » by the Medici.

As I have said, few Italians are met with in England in the second half of the XIVth century, and they were engaged only in small business transactions. They were a sort of connecting link between the giants of the first half of the century and the Medici, who took root in the Kingdom about the middle of the 15th century. The Medici too were spread all over Europe with their vast and grandiose organisation of which I have sketched an outline in another article published in this Review, though they were far from attaining in England the position that had been held by the Riccardi, the Frescobaldi, the Bardi and the Peruzzi, both as merchants and bankers. It has been supposed that the smaller volume of trade, accompanied by the reduced scale of the credits granted to the Crown, depended on the fact that wool manufacturing in Florence and throughout Italy had lost much of its importance with the

rise of the fustian and silk manufacturing. As a matter of fact, the course of events followed other lines. It was not depression in the wool manufacturing that led to a decline in the demand for English fleeces; it was the impossibility of securing the former supplies of that commodity that reacted to the injury of the wool trade. But in any case, the reduction was not so much one of quantity as of quality. As silk cloths gradually replaced woollen ones with the richer customers on international markets, the Wool Guild began to make other goods than those formerly produced, goods for which there was a demand among people belonging to classes other than those of the prelates and the princes. The demand for these new cloths was indeed so keen that it left a margin available for fustians also. So only a few of the former woollen looms were assigned to the old types of cloth, their number being restricted to that for which the high quality raw material could still be imported. The other looms were used for weaving the new kinds of cloths, and were gradually moved from the city to the

country as they did not call for highly skilled workers and labor in the country cost less. Indeed, it was just in those years, when the Medici were importing from England the small quantity of wool available for « aristocratic » products, that within the walls of Florence the workshops were being dismantled and their equipment transferred to Prato.

But the time came when the Medici too, who had copied the business organisation of the former Companies, including the clearings between their branches operating in several countries, could no longer avoid the inevitable losses when circumstances no less fatal than the former ones again arose. The struggle between Edward IV, Louis XI and Charles the Bold was for them as decisive as that between Philip VI and Edward III had been for the Bardi and the Peruzzi. When, in 1478, the Medici closed their branch in London, another page in the history of the ups and downs of the Italian merchants in London came to an end, and this time the word « *finis* » was written at the bottom of the page.