

BANCA NAZIONALE DEL LAVORO

HEAD OFFICE: ROME
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Condensed Statement of Conditions, December 31, 1949

LIABILITIES	(Lire)	ASSETS	
Capital	1,150,000,000	Cash, Balances with Banks & Money at call	74,329,432,077
Ordinary Reserve Fund	1,150,000,000	Investments	22,410,431,004
	2,300,000,000	Govt. & semi-Govt. Securities & Treasury Bills	941,591,981
Deposits & Current Accounts (Including Balance of Profit & Loss)	208,933,063,970	Other Securities	107,544,336,704
Cheques in Circulation (<i>assegni circolari</i>)	12,010,467,179	Contango, Advances on Securities & Loans	57,548,388,253
Bills for Collection	15,726,129,134	Bills receivable & Re-discounts	586,975,879
Guarantees & Acceptances for A/C of Customers	18,452,472,047	Sundry Accounts	1
Sundry Accounts	18,100,143,331	Furnitures & Fixtures	1
Staff individual Retirement Accounts	4,242,589,647	Customers' Liability for Guarantees & Acceptances	18,452,472,047
Unearned Discount & other unearned Income	1,744,043,765		281,813,627,946
Profit	304,718,873		
	281,813,627,946	Securities deposited by Third Parties	41,348,774,999
Depositors of Securities	41,348,774,900	Special guaranteed Accounts	11,652,747
Accounts guaranteeing special Accounts	11,652,747	Staff Assistance & Retirement Fund-Securities deposited by the Bank as Guarantee	4,042,815,194
Bank's Securities guaranteeing staff Assistance & Retirement Fund	4,042,815,194		327,216,870,787
	327,216,870,787		

AUTONOMOUS SECTIONS FOR SPECIAL CREDITS

SECTION FOR CREDIT TO MEDIUM AND MINOR INDUSTRIES

Capital and Government Guarantee Fund L. 2,286,044,407

SECTION FOR HOTEL AND TOURIST CREDIT

Aggregate Capital and Reserves L. 405,020,036

SECTION FOR CO-OPERATIVE CREDIT

Capital L. 500,000,000 - Government Guarantee L. 2,000,000,000

SECTION FOR MORTGAGE CREDIT

Aggregate Capital and Reserves L. 250,007,317

SECTION FOR CINEMA CREDIT

Aggregate Capital and Reserves L. 432,932,059

SUMMARY

The recently published book of R. de Roover, « *The Medici Bank* » (The New York University Press, New York, 1948), offers the starting point for a reexamination of the vicissitudes of the business activities of the Medici, with special reference to their banking concern, by Prof. Armando Saponi, Professor of Economic History at the University of Florence. The Medici Bank, already known in the early XVth century and with branches in Rome, Venice, Milan, Lyons, Bruges and London, reached its climax at the death of Cosimo the Elder (1464), declined under Lorenzo the Magnificent and fell with his son Piero (1494), thus completing its parabola within the period of a century. The A. illustrates the working of the Bank in the exchange and credit markets of that period, its internal organisation strictly build up round the family group, and avails himself of the experience acquired in the field of mediaeval economic history for interesting comparisons with the leading « Companies » of the XIIIth and IVth centuries (the Bardi and Peruzzi of Florence, the Frescobaldi and the Ricciardi of Lucca), of the XVth (the Datini of Prato) and of the XVIth (the Affaitati of Cremona), who shared in the like fate of a rapid decline.

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The declining trend of the security quotations which, with some halts and brief recoveries, has continued since May 1947 and the difficulty under these conditions of securing large subscriptions to share issues, are a much debated question in business circles in Italy. Prof. Luigi Federici deals with the matter in his article « *Causes of the Decline in the Stock Exchange in Italy* ». Availing himself of the statistical material collected under his direction by the « Institute of Studies on the Stock Exchange » of the Commercial University « L. Bocconi » of Milan, the author examines the Exchange in its two distinct aspects, that of speculative market and investment market. He emphasises a feature of the situation on which the statistical analysis throws light and which may at first seem paradoxical, i.e. that the downward trend is seen to be more marked in the case of the shares generally preferred as investments of capital than in that of the shares of a speculative description. The enquiry into the causes of this phenomenon leads the author to reexamine, on the one hand, the anti-inflation policy adopted in the summer of 1947, and on the other the implications of the large capital increases and of the heavy taxation, and the special characteristics of speculative activities on the Italian Exchanges.

The analyses of the data confirm and strengthen the opinion which attributes the present situation on Italian Exchanges directly to the disparity between the demand and supply of capital, i.e. to the scarcity of real savings.

...

The main aspects of Italian banking activity since 1947 are set forth in the Survey « *Recent Banking Developments in Italy: December 1947-September 1949* » by Prof. G. Pietranera and Dr. C. Zaccchia. The first part of the article deals with the trend of alien funds, the factors affecting the growth of deposits and current accounts and the present structure of interest rates.

In the second part, the trend of the principal assets of the banking system is studied; the relations between investments on behalf of the Government and credits to clients; the distribution of credits as among the several branches of economic activity; the effects of the system of reserve requirements introduced in September 1947. The survey closes with a reference to the discussion between the advocates of a more aggressive policy of credit expansion and the supporters of a cautious monetary policy.

...

Dr P. Sylos-Labini, who has recently had the opportunity of following a study course at Harvard University, gives, in his letter « *The Keynesians* », in controversial style, his impressions of the various and conflicting developments to which the theories of Keynes have led in the United States, and assumes a definitely critical position with regard to the « new economics ».

...

Dr. Alessandro Schiavi in his article « *People's Dwelling Houses in Italy* » calls attention again to the so serious problem arising from the extreme deficiency of housing for the under-privileged classes in our country. After stressing the need of more efficient action in this field, he illustrates the part that could be played in carrying out more extensive housing plans by the existing « Autonomous Provincial Institutes for People's Houses », and refers to their experience as organisers and administrators, which would fit them for a wise management of domestic and foreign capital.

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, 2

The Medici Bank

by

ARMANDO SAPORI

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1. — *The Medici Concern managed by the Descendants of Giovanni d'Averardo detto Bicci.*

The large number of studies dealing with the political vicissitudes of the Medici Family is offset by a lack of studies concerning the business events which paved the way first to their factual and then to their generally acclaimed domination of Florence. Perhaps it would have seemed improper in former times to deal with Maecenasism and trade, the Medici Library and bales of wool and bills of exchange in one and the same study. Later on it became impossible for Italian scholars to consult the bulk of documentary material which, having been smuggled abroad in violation of the law safeguarding artistic and cultural property, was purchased by Mr. Selfridge in London and deposited by him at Harvard University. It is true that the said material does not refer to the Lords of Florence, or namely the branch of the Medici Family known as that of Giovanni di Bicci, from which Cosimo the Elder, Piero and Lorenzo the Magnificent descended. Nevertheless, that huge mass of books, ledgers, journals, account books, letter-books and sundry documents would have helped to throw light on the remaining papers connected with the activities of Bicci's descendants by way of comparison. In any case all the most out-

standing studies concerning this branch of the Medici Family have so far been the work of foreigners: Germans, Belgians and Americans — from SIEVERING to MELTZING, GRUNZWEIG and DE ROOVER, the latter being particularly well versed in the technique of banking and accounting and exceptionally well acquainted with Italian history.

These pages in fact are inspired by a recent work of DE ROOVER's, which is a revised and synthetic edition of his previous studies (1).

(1) RAYMOND DE ROOVER, *The Medici Bank: Its Organisation, Management, Operation and Decline*. Vol. II, Business History Series, Graduate School of Business Administration, New York University, New York, 1948. In this connection, see also the following works of R. DE ROOVER:

Aux origines d'une technique intellectuelle: La formation et l'expansion de la comptabilité à partie double, Annales d'histoire économique et sociale, IX (1937), 171-193, 270-298 (with a large bibliography).

What is Dry Exchange? A Contribution to the study of English Mercantilism, Journal of Political Economy, LII (1944), 250-266.

Money, Banking and Credit in Medieval Bruges: Italian Merchant-Bankers, Lombards, and Money-Changers, Cambridge, Mass., The Medieval Academy of America, 1948, pp. xviii, 420.

Gresham on Foreign Exchange: an Essay on Early English Mercantilism with the Text of Sir Thomas Gresham's Memorandum for the Understanding of the Exchange, Cambridge, Mass. Harvard University Press, 1949, pp. xiv, 348.

— Documents and studies about the Medici businesses:

G.R.B. RICHARDS, *Some Medici Manuscripts*, Boston, 1929 (in appendix the inventory of the Medici documents deposited at Harvard University). F. CARABELLESE, *Bilancio di una accomandata di Casa Medici in Puglia del 1947 e le relazioni*

in England, Flanders and Italy was one of the mainstays of economy and for the needs of which the low output of the Pozzuoli, Ischia and Volterra mines was insufficient.

It was at this critical moment that a chance survey of the special structure of the rocky hills near Civitavecchia gave rise to the hope of the possibility of a new deposit being discovered there. Shortly afterwards Pope Pius II, who came of the Piccolomini family of Siense bankers, announced with considerable exultation the discovery of the Tolfa alum mines, hoping that they would provide large profits with which to finance decisive crusades against the Moslems. The crusades were a dream, but the exploitation of the mines was a reality, provided the Church was able to come to an arrangement with expert speculators who, in this case, were the Medici. In order to make this enterprise really profitable, an effective monopoly of sales all over Europe was essential as well as a careful regulation of output so that it should not exceed demand, otherwise competition or over-plentiful supplies would cause a drop in prices. In 1464, in fact, the Bruges market had registered a 25 per cent drop in price owing to the alum from the Papal mines having arrived together with alum from Barbary, Valenza, Chio and Trebisonda as well as from the mines in the hands of the Turks. It was then that the Medici came forward with a plan based on their commercial and banking organisation. Their Rome office would acquire shares in the Tolfa company, controlling the rate at which the alum was extracted and sold; their London, Bruges and Florence offices would exchange alum for wool or sell it directly to the local textile manufacturers. In June 1466 the agreement was concluded whereby, on the security of the product stored in the Civitavecchia warehouses and controlled by papal officials, the Pope was to receive a royalty of two ducats (this royalty was later reduced to one ducat) for each *cantaro* (about 150 lbs.) of alum as well as two thirds of all extra profits; in exchange the Camera Apostolica undertook to shoulder all risks. Meanwhile it forbade all Christians to purchase alum from the infidels; anyone disregarding this prohibition would be excommunicated and the cargoes seized either in ports or on the high seas would be

divided between the Medici and the Camera Apostolica. At the same time, foreign princes were requested to prevent the introduction to their territories of alum not belonging to the cartel; in order to encourage them to accept this proposal, they were offered a fixed sum for each *cantaro* introduced. Edward IV of England refused to comply with this arrangement in view of the obviously detrimental effect it would have on the national textile industry. Philip the Good was also adamant, but his successor Charles the Bold yielded as a result of the insistent solicitations of the Medici's manager in Bruges who was a great favourite of his and also because he badly needed money. However the prohibition to import Turkish alum, which he decreed in 1468, had to be suspended in 1473 for two years owing to the opposition it had aroused and, of course, this period never came to an end. In Venice an agreement was reached in 1469 with the main local dealer, Bartolomeo Giorgio, who was granted the exclusive right of selling 6,000 *cantari* of alum a year in Venetian territory, Lombardy, Romagna and Southern Germany and Austria.

It immediately became evident however that the Ischia mines were likely to afford dangerous competition, since they were the property of a Catholic prince, who, supporter as he was of the Papacy, had no intention of going against his own interests by yielding the product of his mines to his powerful ally. A cartel agreement lasting fifteen years was entered into with him, the object of which was to fix price, to restrict output and to assign markets according to a quota system. The cartel agreement became effective at once, the right being reserved to certain warehouses in Bruges and Venice however to sell their existings stocks; as compensation the King of Naples was to be granted one sixth of the profits from the sale of these stocks.

It would be a mistake to believe that everything went according to plan, although the results of the speculation were highly satisfactory. The dream of huge profits was dispelled by two facts, the one a requirement and the other a consequence of economic laws. First of all the vital needs of the industries of the countries whose leaders had favoured the

Medici cartel made it compulsory not to exceed, or at most only slightly so, the prices charged in neighbouring states where no restrictions existed with regard to imports; in fact this was fixed by law. Secondly the rise in prices obtained by compulsion was an incentive to contraband and even Turkish alum managed to slip through, despite the careful watch kept, and was accepted unscrupulously despite the ecclesiastical censures threatened. However everything came to an end in 1478 when Sixtus IV confiscated the Medici property after the Pazzi conspiracy in Florence and drew up an agreement on very much the same bases as the previous one with the Centurioni and the Doria of Genoa, merchants who had long experience in dealing with raw alum.

In any case history records this bold attempt at creating a legal and lasting monopoly on a large scale with the assistance of the most authoritative secular and ecclesiastic powers. This enterprise of the Medici surpassed all previous attempts, even those which were perhaps more daring and genial like that of Zaccaria, but which were unable to outlast the first change in market conditions since there was less capital available and the merchants could only count on their own enterprise. Thus the Medici's alum cartel surpassed all previous ventures and paved the way to sixteenth century enterprises such as the mining cartels of the Fuggers as well as to the joint stock companies and the first real monopolistic organisations of colonial trade which flourished in the seventeenth century. Further, it showed how the economic factor (speculation motive and resistance of the interests of national industry) prevailed over the idealistic factor (the crusade planned against the infidels). It also gave proof of the lack of scruples shown by the Church which did not hesitate to form a monopoly, despite the fact that it was condemned as usury by the Church's own doctrine. An attempt was made to justify this step on the basis of the recognised authority of the State which was at liberty to levy duties, tolls and direct and indirect taxes on business transactions. This was a very feeble pretext which may have complied with the literal juridical texts, but were certainly in contrast with the spirit in which Saint Antonino, Bishop of Flo-

rence, Saint Bernardino of Siena and Tommaso de Vio, the Cardinal Cajetani, condemned monopoly as a violation of commutative justice and of the just price decreed in the *Summa* of St. Thomas.

3. — Banking Activity: (a) Credit and Banking Institutions in the Fifteenth Century; (b) Bills of Exchange.

The third aspect of the Medici's many-sided activity refers to the banking sector, to which Italian business men, even before the end of the fourteenth century had begun to give more weight in relation to commercial transactions. The xenophobia in Asia, which had followed the end of the Mongol dynasty and the advent of the Ming dynasty, had closed the road to the East that had been frequented by Europeans after Marco Polo. Then the difficulties of travel in Asia had been extended into Persia, and the Sultans of Egypt, masters of the ports of access to the East Indies, also placed obstacles in the path of European travelers. Finally, the advance of the Turks had hastened the severance from a large region, whose importance for Italian commerce can be realized by thinking of the numerous Genoese and Venetian settlements on the shores of the Black Sea. This series of events, which restricted trade with the East and caused the concentration of commercial activity in the western world, came at a time when the vast capitals, largely of commercial origin in the past, found a double employment on our continent. On the one hand, they were employed in the traditional industries and in others like mining and metallurgical business, all of these favored by technical progress, and the latter also by the increasing military requirements. On the other hand, the capital was employed in loans to princes — an old practice, it is true — but greatly increased by the needs of a political activity of much wider range and responsibility.

(a) In Florence, at the time of the Medici, from Cosimo to Lorenzo, there were a number of different credit institutions: *banchi di pegno*, *banchi a minuto*, *banchi in mercato* and *banchi grossi*.

The *banchi di pegno*, far from fulfilling the many functions of a bank, specialised in weekly

loans secured by pledges of personal property for consumer requirements. Since this form of activity had very much in common with the classical form of usury condemned by the Church, special operating licences were required which, about the middle of the fifteenth century, were only granted to Jews, who asked for an interest of about 25 per cent — a rate which DE ROOVER does not consider high in view of the fact that in the U.S.A. the legal rate for pawnbrokers and small loan companies in a number of states is as high as 36 per cent. It should be mentioned however that prior to this, namely from the thirteenth century on, as a result of the contrast between the severity of the canonist doctrine and the pressing demand for interest-bearing loans, also a number of Catholics operated in this sector, accepting the risk of being brought before the ecclesiastical court of justice. Meanwhile a sort of compromise had been reached, however, paving the way to the fixing of a legal rate of interest: provided certain formalities were observed, persons lending money were allowed to accept compensations not exceeding a rate considered to be fair by public opinion, namely 15 per cent; also the State, in fact, when it incurred what would now be known as national debt and were then known as *prestanze* (loans), granted the lenders a rate of interest fluctuating between 5 and 15 per cent according to the conditions of the money market.

The *banchi al minuto* or retail banks, judging from the account books of Francesco di Giuliano de' Medici for there is little other information available, seem to have dealt mainly in precious stones and gold; loans were only granted exceptionally and were always secured by jewelry; only time deposits, and not deposits payable on demand, were accepted and they were transferable as the depositor wished; the latter received from 9 to 10 per cent interest. The information quoted above and supplied by DE ROOVER is interesting, but awaits further confirmation from other sources.

The *banchi in mercato* were real deposit and transfer banks and the statutes of the *Arte del Cambio* laid down the modalities of their activity which dated back to well ascertained years. The owners of these banks, who were known by the name of *cambiatori* or *tavolieri*,

placed their tables covered with a cloth in central locations (in Florence particularly in the vicinity of the old and new markets), paid out to their customers the sums which they requested by word of mouth; the transaction were then written in their ledgers or journals which constituted legal proof; these entries, according to testimony from the thirteenth century, were usually made by the money-changers and only quite exceptionally by the borrowers.

The *banchi grossi* or «big banks» are mentioned by Benedetto Dei in his chronicles of 1469, in which he remarks with pride that there were at that time over thirty of these banks in Florence, headed by the most important of all, that of the Medici of the Giovanni di Bicci branch. These were real merchant bankers who combined trade and manufacturing with dealings in exchange. LA SORSA, who published the first statute of the money-changers, was of opinion that these merchant bankers were not members of the corporation known as the *Arte del Cambio*, but only of the wool guilds and of the *Calimala*; perhaps because banking transactions had been added to their original trading and manufacturing activities at a later date. NICOLA OTTORI already testified to the fact that a number of these merchant bankers were members of the *Arte del Cambio* as I was able to confirm, quoting as examples the names of the Bardi, the Peruzzi and the Acciaiuoli which have been found in several matriculation books. DE ROOVER gives us further proof of this, stating that the owners of the above-mentioned banks, with the exception of the pawnbrokers, were required to be members of the *Arte del Cambio*, in whose records we find all the Medici from Giovanni di Bicci down to Lorenzo the Magnificent. The fact that the pawnbrokers were not allowed to be members is only natural since usury was condemned; they were manifest usurers and consequently the guild could not accept them as members.

(b) And now we come to the matter of bills of exchange. Nowadays when bankers discount bills of exchange, a certain percentage is immediately deducted from the face value and this represents the profit on the transaction. The certainty of this profit specified by *pactum firmum* (I think I may use the expression

adopted by a college of theologians of the fourteenth century called upon to decide whether or not the dealings of a deceased merchant came under the heading of usury) would have been condemned by the Church, which only considered a gain on money exchange dealings to be lawful if it was uncertain, i.e. resulted from some risk. In the fifteenth century the fluctuations of the exchange rates on which the negotiation of bills of exchange was based constituted such a risk. The banker of the *banco grosso* in fact, far from discounting bills according to our present technique, when purchasing or selling them received or handed over an instrument payable at a future date in a different place and in a different kind of currency. It is true that sight drafts existed also but, owing to the slowness of communications, they too were in effect time bills. In any case they were rarely used. Most Medieval bills were payable «*a usanza*», which meant a period of three months between Italy and London, of two months between Italy and Bruges and of one month between Bruges and London or Paris. Consequently both an exchange and a credit transaction were involved. Three things could happen in the case of exchange deals: the banker could gain, lose or break even according to the exchange rate, which latter the banker tried to anticipate, but could not be sure of. Obviously since interest could not be charged on the loan, profit could only be expected in the exchange transaction and as the rate of exchange depended on demand and supply in the money market, these deals were based on the banker's ability to foresee these conditions. The information exchanged between the various branch offices and received from travellers was naturally most valuable with regard to these forecasts and there is good reason to believe that bankers took great care to choose competent and industrious collaborators, since ill informed or negligent persons could have caused heavy losses.

The above refers to normal exchange deals. «Dry» («*secco*») exchange was quite a different matter; this was the name which cloaked straight loans which would have met with the condemnation of the Church, which latter gave further proof of its unrelenting attitude in

a decretal promulgated by Pius V in 1571. It is presumably for this reason that few traces of such deals are to be found in the papers that have come down to us (2).

4. — *The Organization of the Medici Banking Group: (a) the Legal Status of the «Compagnie» controlled by the Medici; (b) Junior and Major Partners: «governatori» or Managers; (c) the Personnel: the «direttore» of the Florence Bank (General Manager) and the Assistant Managers.*

(a) Then there is the legal aspect of the enterprise which had branches as mentioned above and acted through the network of its branch managers and travellers. The central bank and the branch offices were separate legal entities, the right to impart general and particular instructions regarding transaction and administrative control being as a whole reserved to the central bank, very much in the same way — taking an example from modern times — as happens in holding companies. This is explained by the fact that the members of the Medici family which founded the first bank in Florence were partners of said bank and of all the branch companies gradually deriving therefrom, having the majority of the capital or «*corpo di compagnia*» of every subsidiary. For instance the contract of March 23rd. 1456 concerning the Bruges partnership shows that the capital of £ 3,000 groat was subscribed as follows: £ 1,900 by the Medici, £ 600 by Giorgio Pigli and £ 500 by Agnolo Tani.

(b) This structure differs considerably from that of the big companies up to the middle of the fourteenth century, when the «*compagnia*» was a legal entity comprising all the subsidiaries. Then the «partners» of the family group which had founded the concern could (though it was not their right and did not always

(2) Here is an example of «dry» exchange: the Medici of Venice lent a sum of money to a borrower who had no bill of exchange to sell. He was to issue a bill on the Medici of Bruges payable there two months from date. «When the two months came to an end, the Bruges bank without having received any payment, would draw another bill on the same borrower and for the same value in favour of the Medici of Venice.

In this manner the borrower had the use of the money for four months without paying interest. The profit or loss of the lender was determined by the exchange rates.

occur) hold more shares in its capital than the outside « partners ». However despite the fact that they might possess more than half the « shares », their position was not unlike that of all the other partners, whereas in the Medici enterprises the responsibilities and rights of the two groups were very different.

In the fourteenth century for instance — and this was in keeping with the « *bonus usus mercatorum* » established in the thirteenth century — all partners could aspire to the central management. If in actual fact the only managers of the central enterprise that we know of were members of the families after whom the enterprises were named, this does not mean that there was any clause in the partnership agreements to this effect. Moreover the central manager was assisted in his task by the « partners » around him at the head office. These partners met to engage and dismiss personnel, to grant powers of attorney to the « *fattori* » who were thus entitled to obligate the company in full by their actions, to request — when they were in the majority (« the majority of the partners who were in Florence », we read in the contracts of the Bardi and the Peruzzi) — the drawing up of a « statement of account » or balance-sheet either before or after the date established by the articles of association. It is true that an attempt has been made to establish two groups of « partners » — resident and non resident — on the basis of the powers with which the partners *in loco* were vested, but there is no ground for this supposition since there was a constant exchange of partners between Florence and the branch offices for management or control functions. The only reason therefore for these special regulations which should not be considered privileges was (quite apart from it being a physical impossibility for those who were absent to take part in the management) that since all the data from the various branch offices flowed to Florence, only those partners who were on the spot could at any time have a complete picture of the concern and consequently decide what steps had best be taken.

In open contrast with all this, the Medici were by rights the supreme policy-makers of their enterprise, for which they laid down the

general lines of action and, as far as possible, also the details; they alone chose their personnel; they alone granted powers of attorney; they alone could call for an earlier « settlement of accounts » or even decide to wind up the banks. Moreover the « mark » of the company was their exclusive property as were also most of the buildings in which the branch offices were situated, which paid rent to them as tenants.

Another difference — and I could mention many more — concerns the management of the branches. Formerly, the management was usually entrusted to « *fattori* » — nowadays we should call them managers — chosen among the most able members of the staff and more seldom, as I have already mentioned, to « partners » who received a salary as remuneration for their work. The Medici subsidiaries instead were only managed by partners whose remuneration, besides the repayment of their expenses when they travelled for the firm, consisted of an increase in the percentage of the dividend due to them on the basis of the capital paid into the company. Tommaso Portinari, for instance, who was managing partner in Bruges and owned only £ 400 groat out of the total capital of £ 3,000 groat, was entitled to 25 per cent of the profits.

The prominent position of the Medici, which I have been stressing, is further corroborated by the fact that different terms were used: outside partners were styled « *juniores* » and if they were appointed branch managers added the title of « *governatori* »; the Medici were called « *maggiori* ».

(c) For the personnel the hierarchical order customary in previous centuries was adopted: *scrivani* or scribes, *chiavai* or guardians of the keys and « *garzoni* » or office boys. But the figure of the chief accountant acquired added consequence being entrusted with other important tasks. Formerly he had attended to the firm's accountancy, directing and controlling the book-keeping, collecting the figures for the balance-sheet which was finally drawn up by the manager and the « partners » who assisted him. Now as the « *direttore del Banco di Firenze* » (manager of the Florence bank), he acted as business adviser to the head of the firm and the other « *maggiori* » and was in

fact their right-hand man who, besides administering the head Bank, supervised all the subsidiaries Banks in general and all the enterprises either directly or indirectly controlled by the Medici. After having consulted his master, he prepared the instructions for the branch managers and « travelling agents », examined their reports, called them to Florence to discuss matters with them personally and audited their balance sheets. He in turn had two collaborators whom DE ROOVER, with only approximate accuracy, calls « *sottodirettori* » (assistant managers). I say with only approximate accuracy because this term is not to be found in the firm's books and also because, far from being entrusted with responsibility for all the affairs dealt with by their chief, these men could only obligate the Florence Bank and make out bills of exchange. Several of these managers and assistant-managers have their own right to fame, quite apart from having been administrators of the Medici: Francesco Sassetti, for instance, immortalised by Ghirlandajo in the church of Santa Trinita and Francesco di Jacopo Neri who was killed in 1478 during the fray which followed the murder of Giuliano de' Medici in the Church of Santa Maria del Fiore.

5. — Financing the Concern.

With regard to the financial resources of the Medici Bank, as was usually the case in the past, the capital forming the company's stock was insignificant as compared with the firm's business turnover. Suffice it to mention that the branch office in Bruges, whose capital — as I have already mentioned — was £ 3,000 groat, loaned over £ 6,000 groat to Charles the Bold, while the firm had many other engagements on hand at the same time as well as considerable sums temporarily immobilised in bills of exchange. As in the thirteenth and fourteenth centuries the main operating funds were supplied in the form of deposits, either by the partners themselves, by the personnel or by outsiders. The only difference was that deposits were more plentiful in the Medici banks and (if I have rightly understood DE ROOVER's text) the practice exclusively followed was that of time deposits (with six months or a year notice). Further, whereas

the interest paid on such deposits had varied formerly according to whether the depositors were partners or outsiders, DE ROOVER speaks also of a remuneration that varied according to the profits received; this being the case, these were obviously not real deposits, but more in the nature of shares. Lastly, just like in previous centuries, the Medici Bank, being « *campso domini Pape* », availed itself for its operations of the papal revenues which were turned over to it by the papal collectors and were retained for longer or shorter periods without any obligation to pay interest to the Church since the latter condemned such a practice. These sources, however, must not be considered to have been permanent operating funds or constant sources of profits. Since one of the functions of the « *campso* » was that of granting overdrafts to the Camera Apostolica in anticipation of the revenues to be paid in by the papal collectors, it could happen at any moment not only that the papal funds held by the firm were completely depleted, but also that money had to be advanced to the Church out of the Bank's own money. Moreover, even when these funds were available, it would have been too great a risk for the company to use them over too long a period, since one could never be sure when their rightful owner would ask for their partial or total payment or order sums to be transmitted to other persons by means of a bill of exchange. In fact, to give an example, in 1473 the Medici were creditors of the Camera Apostolica to the extent of 62,918 florins *di Camera* for sums advanced for fighting the Hussites of Bohemia and for subsidies to Matthias Corvinus to help him hold out against the Turks.

6. — Accounting: (a) *Nostro and Vostro Accounts*; (b) *Recording Speculative Transactions in Foreign Currencies*; (c) *the Final Balance*.

(a) The extensive use of bills of exchange made by the Medici Bank calls for mention to be made of the recording of these transactions in the firm's books. This is of indisputable interest since a technique came into being at that time which may be said to be still in use: in fact *mio* (my) and *tuo* (your) or *suo* (his)

accounts, otherwise known as *nostro* (for our account) and *vostro* (for your account) or *loro* (for their account) were opened, which were kept just as they are nowadays. In our modern banking and accountancy technique they have the following meaning: « my account » is an account opened at the initiative of the banker who keeps the records and directs the transactions recorded therein and refers to transactions abroad and in foreign currency (namely in the currency of the foreign country); « your account » is an account opened by request of a correspondent abroad and refers to transactions to be made not in the currency of the foreign country, but in that of the banker who has been requested to open the account. The former type of accounts are often kept in local and foreign currencies for the provisional comparison of currency values to be corrected before closing on the basis of actual exchange rates, while the latter type has only one column since the local currency does not require adjustment for exchange differences.

Since bills of exchange could be drawn or remitted reciprocally by the Florence Bank and the subsidiaries, acting either as « principal » or as « agent », we find that each business kept a *nostro* and a *vostro* account open to the others; the *nostro* account usually had two columns, one in local currency and the other in foreign currency, while the *vostro* account only had one and frequently included charges for commission, brokerage, taxes and so forth. In the books of the Bruges branch the two accounts of the Venetian branch were headed as follows: « *Chosimo de' Medici e compagni di Vinegia per nostro chonto* » (Cosimo de' Medici and partners for our account) and « *Chosimo de' Medici e compagni di Vinegia per loro chonto* » (Cosimo de' Medici and partners for their account).

Since the purchase of a foreign bill involved an extension of credit as well as the acquisition of a claim on balance abroad, the Medici — in order to make the most advantageous use of said balances — had a second bill of exchange remitted to them to bring home the money invested in the first bill. This type of transaction was known as *cambium et recambium*, just because it involved two bills instead of one. Here is a practical example of a trans-

action started on July 15th, 1441. On said date the Medici of Venice bought a bill on Bruges at the rate of 54½ groats per Venetian ducat. Two months later the bill matured and 54½ groats per ducat having been received in Bruges, the Flemish branch, acting as agent for the Venice branch, immediately used this sum to purchase a bill on Venice, also payable at the end of two months, at the rate of 51½ groats per ducat. The Medici of Venice thus made a profit of 3 groats on each ducat over a period of four months, namely the difference between 54½ and 51½ groats.

Always referring to bills of exchange, it should be mentioned that an autograph signature of the drawer was not sufficient to vouch for their validity, they had to be written entirely in the hand of the maker... The fact that the « handwriting » and not the « signature » was honoured is proved by the existence of special ledgers containing sample handwritings of correspondents « *per chui mano aremo a dare chompimento* » (whose handwriting we shall honour).

(b) Another characteristic feature deserving mention from the point of view of accountancy is connected with the practice of selling on commission which was far more frequent than in the past centuries, as purchasers became reluctant to place orders in foreign countries and wanted to see the goods they bought themselves. Probably this had something to do with the richer assortment of commodities on the market, some of which — such as the artistic objects — could not be what we should now call standardised, as did the staple products of the fourteenth century which had different but constant characteristics according to the cities in which they were manufactured: *me* from Como, *scarlatte* from Ipro, etc. Nor must we forget that there had been a decline of the fairs that had flourished in the thirteenth and fourteenth centuries and that permanent local markets had come into being, so that each city had several shops in which all the articles formerly supplied by the fairs were to be found. As the economic development of the countries on the other side of the Alps progressed, they gradually reached the level attained long before by Italy, where fairs had never been of great importance owing to the precocious growth of

the cities and not merely because its geographical position was less favourable, say, than that of Champagne. In any case the fact remains that a Medici bank sent or received goods to be sold on commission, without running any risk and receiving the benefit of a commission. Sometimes this service was requested by outsiders and carried out for them by the firm and sometimes they undertook joint ventures with other merchants. In all the above cases it was customary to open separate accounts for each « deal »; these accounts were charged with all outlays, costs and expenses and credited with the proceeds from sales. The difference that remained represented either a profit or a loss and was transferred to a « Profit and Loss on Merchandise Account ». A propos of the specification « merchandise » it should be mentioned that profits and losses on exchange transactions were recorded separately under this heading. This system of separate accounts, known as « *contabilità di speculazione* » (speculation accounting), eliminated the necessity of inventory valuation, of which in fact DE ROOVER finds no trace in the Medici's books. He therefore draws the conclusion that the diffusion of this type of accountancy explains the fact that Luca Paciolo does not make any mention of inventory valuation in his writings.

(c) I will close this paragraph by proving not an innovation, but the continuation of an old system. I have already stated that the Medici banks drew up their balance sheets every year, or even before if the « *maggiori* » wished them to do so. This balance sheet or settlement continued in their book-keeping to mean something more than the end of one financial year and the beginning of another; it put an end to one « partnership » and marked the beginning of a new one, which might have a different capital — more or less than before — and consist of different partners; whereas prior to the « settlement » no changes were allowed to be made in the articles of association. It should be added that this end was only formal since the fact that the name of the firm remained unchanged maintained the unity of the main « partnership » which I should like to write with a capital « P », while using a small « p » for the others. As far as accounts

were concerned, the books of the « old partnership » (those of the branches sealed and sent to Florence) were closed and the new records in the name of the « new company » were opened with the credit and debit balances. Thus the « new » partnership undertook to carry out the transactions which had not yet been completed and, as it made or received payments, recorded them in a special account bearing the name of the old partnership. The names of the members of the old partnership appeared in the new books even if they were no longer members of the new partnership and they were still entitled to the profits or responsible for the losses resulting from the account for the « old » partnership.

7. — *The Causes of the Decline: (a) Loans to Sovereigns; (b) Managerial Shortcomings and Errors; (c) Reduction of Invested Capital; (d) The Monetary Problem.*

(a) Daring but well calculated ventures such as the alum monopoly, the type of interior organisation which I have described and the prestige of the firm's name, which was that of a family well-known at home and abroad for its political position would have led one to expect solid and lasting prosperity for the Medici concern. What we see instead is a parabola which reached its apex around about the year 1466, declined under Lorenzo the Magnificent and came to an end when Piero di Lorenzo was expelled from Florence.

The highest point was reached in the lifetime of Cosimo the Elder, who inherited from his father in 1429 a patrimony of 180,000 florins, which he increased by 1440 to 235,000, and by 1460 to 400,000 florins. And we may believe, even though definite data do not exist, that before his death he had greatly increased his huge wealth, in view of the information that his lesser partners, for example, Francesco Sasseti, had doubled his estate in a few years: from 26,720 florins in 1462 to 52,000 florins in 1466.

The cracks which appeared and extended in the magnificent structure of the Medici concern were caused by the granting of excessive loans to sovereigns which, ever since the end of the thirteenth century, had been undermin-

ing the foundations of other big companies (the Ricciardi of Lucca, for instance, and later the Frescobaldi, the Bardi and the Peruzzi of Florence who lent large sums to the King of England). Later on, during the sixteenth century, other companies were also to be sorely tried (the Affaitati of Cremona, for instance, and the Fugger who financed Charles V and Philip II). Should not the constant repetition of such instances have been a warning to avoid such systems? The truth of the matter is that even if one is warned of a danger, one is not always able to avoid it, for, just as the princes needed extensive credit from big foreign and particularly Italian enterprises to achieve their political aims, the big merchants could not carry out their economic policy without the good-will of the aforesaid princes, from whom it was possible during the thirteenth, fourteenth and fifteenth centuries to obtain, among other things, permission to reside in their territories, export licences and facilitations for the importing of materials while, from the sixteenth century on, business enterprises could hope through them to participate in the exploitation of the rich new territories that had been discovered. Moreover we must not forget the particular position occupied by the big merchants of the Middle Ages in the politics of their times, in which they played a prominent part for several centuries, though to a varying extent and with different modalities. It was for this reason that they considered, though in different ways, their affairs as a reflection of the State's political trend and were convinced that the well-being of the State was closely connected with the success of their enterprises. Of course this attitude cannot be confined to any one period of history for it is common to all ages, since the governing class never forgets its privileged position and does its best to consolidate and make the most of its privileges. We can only speak of a greater or lesser consciousness of fundamental or general interests, that is to say of a greater or lesser sense of responsibility towards the country and, one might add, of a greater or lesser intelligence, since selfish cunning concentrates on immediate personal advantages whereas real shrewdness is far-seeing and aims at less spectacular, but solid and more lasting targets. Obviously the Bardi

and the Peruzzi, who were at the same time the managers of their respective merchant companies and priors and magistrates in the Republic of Florence, never made a distinction between their personality as merchants or as State officials when a decision had to be made. In the same way Cosimo, Piero, and even more so Lorenzo de' Medici, when preparing their business enterprises, never acted independently from the influence they exercised in the Government. The former drew up a treaty or prepared the ground for a declaration of war, bearing in mind the advantage of having a more reliable market for their bales of cloth as well as a more reliable source of raw materials for their manufactures; thus, if they acted honestly and intelligently, they were able to benefit both themselves and their city. Availing himself of his authority, Lorenzo the Magnificent actually laid hands on the Monte delle Doti, a public fund for providing for poor girls when they married, transferring its capital to his bank when it was on the verge of bankruptcy (3).

I very much hope that the mention of the close connection between politics and economy or — to put it quite frankly — business in the Middle Ages or early Renaissance may encourage some scholar to go more deeply into this matter, since the results would certainly justify the effort. I should like to add, while on this subject, that there is also an exception to this rule which should not be forgotten: I refer to Francesco di Marco Datini, a big merchant of Prato who, in building up a colossal enterprise of a very different type from that of the Bardi and only in part like that of the Medici in the late fourteenth and early fifteenth century, deliberately kept business and politics apart, showing such attachment for his own interests that he refused to accept any

(3) At this point I should like to mention a fact of this nature connected with the already mentioned Medici-Vatican alum cartel. In the recent work, *L'impresa di Lorenzo de' Medici contro Volterra* (Florence, 1948), E. Fiumi attributes the cruel sacking of Volterra to the interest taken by Lorenzo in the alum mines situated in that locality; but the critics rebelled against the crudity of this statement with arguments that are partly valid. Perhaps it will be found expedient to devote further attention to this problem, inserting it into what might be called the alum policy of the Medici Bank; probably the conclusion reached would be less categorical than Fiumi's, yet not so far from his thesis as his critics would have us believe.

political appointments. The insertion of this figure and of this attitude among the figures and attitudes of the protagonists of capitalism in the Middle Ages will lead to a better understanding of men and events in the subsequent centuries up to our days. Mention should also be made, for the same purpose, of the *Trattato della Famiglia* (« Family Treatise ») by Leon Battista Alberti (4), who is held to be the first writer to truly describe — and certainly the first to explain and defend — the great bourgeoisie.

Returning to the Medici, the best proof we have that they were aware of the danger of granting credit to sovereigns is to be found in the partnership contracts for the Bruges branch. The articles of the 1455 partnership agreement forbade the Flanders « *governatore* » to sell foreign exchange on credit to spiritual or temporal princes, to lords or ecclesiastics in general or to State officials: this meant that credit was only to be granted to merchants and even then only after their credit standing and reputation had been carefully looked into. In 1471 permission was granted to lend up to £ 6,000 groat to Charles the Bold. In 1473 no limits were fixed. In fact, the debts incurred by the Duke of Burgundy, at the time of his death in 1477, were ascertained to total £ 9,500 groat. In order to guarantee repayment, Maximilian of Austria who borrowed £ 3,600 groat soon after, gave as security the famous crown jewel known as the *fleur de lys* and granted his creditors the proceeds from the *tonlieu* or customs. The settlement eventually negotiated was only made when the Medici banking group had already gone to pieces.

(b) I have already said that loans to sovereigns were the Horse of Troy introduced into the fortress of the splendid Medici enterprise. But they were not the only cause of the Medici's ruin, just as the credits granted to Edward II by the Bardi and the Peruzzi were not the only cause of the famous collapse of their companies in the middle of the fourteenth century. I have attempted elsewhere to describe the circumstances which contributed to the fall of these companies which Villani called the

(4) L.B. ALBERTI, *I primi tre libri della famiglia*, edited by F.C. Pellegrini and R.S. Spongano, Florence, 1946.

« pillars of Christianity » and which accelerated the historical transition from the Republican government of Florence to the Signoria which eventually surpassed the boundaries of the city and included the whole region. Some of these circumstances help to explain the downfall of the Medici banking concern, including some connected with organisation, though naturally the characteristic features were not exactly the same. In the case of the former companies business reached such dimensions that it could no longer be controlled from the main office which grew weak and disunited as more and more outside partners came into the family concern: hence, interior conflicts which resulted in a slackening of discipline and fraudulent behaviour on the part of the personnel in the branch offices. In the case of the Medici the « *maggiori* » relaxed their control of their business enterprises as they became more and more involved in politics. What a difference there was in fact between the behaviour of old Cosimo and that of Lorenzo the Magnificent. And what a lot of trouble was caused by this change in behaviour! There is no doubt that under the iron rule of Cosimo, who bent his partners and personnel to his will, the latter's lack of initiative was detrimental since very often rapid decisions would have needed to be taken in opposition not only with precise orders, but even with the general lines of action imparted to the « *governatore* » when he left Florence to manage a subsidiary. And there was no telephone or telegraph for asking permission or for transmitting advice or orders. However hard the merchant bankers tried to overcome distances as quickly and safely as possible, they could not exceed the resistance of men and horses, even if posts and changes were more frequent and better organised than they had been in the past.

When Lorenzo, showing little interest in business affairs, left matters almost completely in the hands of the « local managers », it soon became apparent that there was a complete lack of general vision, of a single strong will holding the reins of the various transactions. It was then that personal ambitions came to the fore, causing serious damage to the undertaking; the personnel in the branch offices actually revolted in certain cases (even against Antonio

di Bernardo de' Medici, for instance, who was a relation of Piero and a junior partner and who had to be called back from Bruges after a struggle that lasted for years); rash decisions were taken which had nothing in common with what I spoke of as the daring but well calculated ventures of the main office, and fraud and deceit became far from unusual. When Cosimo was still alive, Agnolo Tani had already imprudently engaged the company in an unfortunate deal with a firm of Lombard lenders, whose bankruptcy came very near to compromising the future of the Bruges branch. In 1484, as a result of Lionetto de' Rossi's repeated acts of dishonesty, the Lyons branch was on the verge of collapse. Meanwhile Tommaso Portinari had bound the fate of the Flanders branch too closely to the political fortunes of Charles the Bold, whose friendship caused him great pride and permitted him to yield considerable influence (5).

Nor was it to be expected, as political, literary and artistic interests and a standard of living typical of the courts of the Renaissance absorbed the Medici more and more, that the figure of the « general manager » could succeed in overcoming the damage caused by the lack of interest shown by the « maggiori ». If, under Cosimo the Elder, Francesco Inghirami diligently put himself into his work, intelligently seconding his brilliant yet cautious master, the same cannot be said of Francesco Sasseti, adviser to Piero and Lorenzo de' Medici who gave him the significant title « our minister » to show the extent of the confidence he placed in him. Sasseti, who had shown a certain zeal under Piero, allowed himself to be carried away, like Lorenzo the Magnificent, by a passion for literature and the collecting of works of art and manuscripts; also he was fond of the company of humanists. All these occupations which were certainly more amusing than

(5) The following may be cited as instances of the satisfactions that fell to him: he was one of the witnesses to the ratification of the alliance between France and Burgundy which was signed in his house; he was present at the meeting which took place at Trèves between Charles and Emperor Frederic III, waiting eagerly to spread precious oriental carpets from the Medici warehouses before the feet of « his Prince » who had cherished the illusion that he was about to be crowned king; he acted as Ambassador of Charles the Bold to the Duke of Milan.

reading dry business reports and balance sheets help to explain the disorderly management of the last years, the rash actions of local managers and the swindling.

(c) But the removal of the Medici from the actual management of the enterprise was not only due to the facts set forth above. Since political interests and the patronage of art and literature called for a growing expenditure the Medici, who in earlier years had enlarged the fund known as *fuori del corpo della compagnia* (above and beyond capital) of their enterprise by re-investing such part of the profits as was due to them after each « settlement », no longer followed this practice in later years. What is worse, they went on drawing out money until they had exhausted their original deposits and actually had to ask for advances. Thus in 1494, after Piero di Lorenzo had been driven out of Florence, his liabilities to the Bank exceeded his assets including his stock capital by over 11,000 gold florins and a further debt of over 7,500 gold florins was charged to the personal account of Cardinal Giovanni de' Medici, later to become Pope Leo X.

Here too what a difference between the thriving business into which the Medici had poured their personal funds like rich, life-giving blood and the enterprise they ruined by applying both to the main and branch offices for credit.

(d) Lastly DE ROOVER draws attention to the fact that the Medici Bank operated in an unfavourable period; in the fifteenth century, the value of the gold florin (on the basis of which prices were calculated in international trade) rose at an ever increasing rate owing to the debasement of the silver currency and to a change in the market ratio between gold and silver (6). On the one hand the constant fall of prices in gold coin reduced the profits on business and the rise in the value of gold caused a serious situation due to losses on payments due from France, England and Flanders, whose silver currency had depreciated in terms of gold. On the other hand the burden of their liabilities with depositors grew heavier and heavier as the purchasing power of gold increas-

(6) C. CIPOLLA, *Studi di Storia della Moneta*, I, I movimenti dei cambi in Italia dal secolo XIII al XV, Pavia, 1948.

ed, since both the repayment of capital and the payment of interest had to be in gold. And yet the Medici had to turn more and more to rather harmful deposits as the bulk of their really sound resources — those « above and beyond their stock capital » — not only no longer increased as in the past when business thrived and large dividends were re-invested, but dwindled as a result of the withdrawals already mentioned. Certainly a reduction in the rate of interest offered to their depositors would at least have brought some relief, but obviously the Medici feared the adverse effect of such a step on their credit. When the impossibility of paying any interest at all suddenly revealed the desperateness of the situation to the public, ruin followed almost immediately.

Like the big companies of the fourteenth century, the Medici too succumbed to the effects of an excessive recourse to credit. When earnings were no longer sufficient — whatever may have been the cause which was certainly not the same in both cases — to cover interest charges, the intrinsic weakness of the whole financial structure became apparent and it collapsed.

8. — *The Liquidation of the Branches and the Final Collapse.*

All that now remains to be done is to establish the exact moment of various collapses which led up to the final crash. The Bruges branch was liquidated in 1478 and taken over by the former manager Tommaso Portinari who paid Lorenzo 16,600 florins. This settlement left Portinari practically without working capital; he eventually ruined himself in a vain attempt to claim the credits and pay the debts which he had taken over with the bank.

If he did not go into bankruptcy and if he was able to leave the Bruges affairs to his nephews, when he returned to Florence, Portinari owed this largely to the favor of the princes whom he served rather with diplomatic missions than with money. Maximilian sent him as ambassador to the Duke of Milan in 1487, and Philip the Fair sent him in 1496 to the King of England to whom he had been sent six years previous by his former *maggiore*, Lorenzo the Magnificent, in order to conclude

a commercial treaty which would have made Florence the staple for English wool in the Mediterranean zone.

Matters developed along very much the same lines in London. Just as Flanders had been necessary as a basis from which the materials and tapestries the Flemish specialised in could be imported and to which typical Florentine fabrics and essential raw materials such as alum could be exported, the English market was of outstanding importance for the purchase of wool. There too it was necessary to submit to the demands of the sovereign under conditions which had become increasingly unfavourable since the times of the Bardi and Peruzzi companies. In fact the industrial development of England, while it caused native merchants to be more and more hostile to foreign merchants importing finished articles, also reduced the supplies of fleeces available for export since there was increasing local demand for them. It is sufficient to mention that whereas England's yearly exports of raw wool totalled 30,000 sacks about 1350, under the reign of Edward III, they had dropped to barely 5,000 sacks in 1500 although sheep were being bred more extensively. On the other hand, exports of manufactures which only reached 5,000-6,000 bales in 1355 had risen to over 60,000 bales by 1500 for the *merchant adventurers* alone (7). Under the circumstances it was obviously out of the question to refuse the demands of a sovereign who only granted export licences in return for loans. If these loans had been necessary for Edward III to finance his wars against Scotland and start the Hundred Years' War, they were equally indispensable for Edward IV engaged in the War of the Roses, the dynastic struggle against the Lancasters. For his first victory in 1461 he had already incurred debts with the Medici and as early as 1464, at the time of Cosimo's death, the London branch was having serious difficulties from which it seemed to recover in 1467 when, as the result of a general statement of accounts being drawn up between the Medici and the English treasury, the king undertook to repay all that he had borrowed.

(7) Cfr. G. LUZZATTO, *Storia Economica - L'Età Moderna*, 2nd. ed., Padova, 1938, p. 252.

Unfortunately, however, Edward had hardly started to pay off his debts when, in 1470, he was driven out of England; nor was he in a position, when he reascended the throne the following year, to resume the payments he had undertaken to make. Meanwhile as a consequence of the political vicissitudes, many of the rebels who owed money to the Medici had been killed and their property seized. The London branch was liquidated in 1478 at the same time as the Bruges branch. Losses totalling 51,593 florins were written off.

There is no doubt that 1478 was a crucial year for the Medici, not only because of the above-mentioned collapses of merchant and banking enterprises, but also politically, for it was the year of the Pazzi conspiracy from which Lorenzo escaped by a miracle, while his brother Giuliano was slain. It became necessary to re-examine the whole situation and Lorenzo the Magnificent had to turn for support to his most powerful friends among the foreign potentates. He decided to apply for help to Louis XI of France who called him *mon cousin*, generously waving aside the fact of his plebeian birth since Lorenzo could be helpful to him in economic matters. But this time it was Louis who had the upper hand and he availed himself of this opportunity to obtain from Lorenzo what he had been asking for a long time, though receiving only partial satisfaction. Until now the Medici, who had interests in three foreign countries — Flanders, France and England —, had favoured simultaneously princes who were hostile to one another: on the one side Edward IV and his brother-in-law Charles the Bold and, on the other, Louis XI. Now the moment had come when a definite decision had to be taken; the same circumstances repeated themselves as in the case of the Bardi and the Peruzzi a hundred years earlier. They too, being uncertain whether victory would fall to Edward III or to Philip VI of Valois, had sided with both, but when the King of France

discovered their agreement with his English rival, he seized their property and imprisoned the personnel of their branch offices so that they were obliged to limit themselves to one side only with the result that, like those who place their money on a horse that loses, they had to bear the consequences. It is true that, in the case of the Medici, fortune was to smile on Louis XI, but nevertheless the conditions he laid down were very hard. Very likely the branches in London and Bruges would have had to be wound up in any case, but certainly the decision to liquidate them was influenced to no small degree by the new trend of Lorenzo's policy.

Since the Venice branch, no one knows why, had disappeared before 1470, the only branches that remained after the Pazzi conspiracy were that of Lyons abroad and those of Rome, Florence and Milan in Italy, which must have had fairly solid foundations since they were drawn on to a considerable extent in 1477-78. In 1494, when Piero di Lorenzo was driven out of Florence and all the Medici property was sequestered, what remained of the undertakings of the Medici of the branch of Giovanni di Bicci was wound up: these miserable remains consisted merely of deficits, particularly in Rome where said deficit amounted to 11,243 florins.

Thus even the Medici Bank was not able to escape the fate of all the companies that followed upon one another from the thirteenth century onward, all of which rose rapidly to power and then precipitated in very much the same way. Each company that filled the place of another that had failed had larger markets and did bigger business. Both to the public and to the partners themselves it seemed stronger and better fitted to challenge all difficulties. But those *«compagnie»* dared beyond their potentialities. And for each in turn the moment came when they were revealed for what they really were: colossuses with feet of clay.