

*'Dedicated to the memory of Herman Diederiks,  
who following to an accident died  
on the 11th of August 1995  
in the hospital of Grenoble'*

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# **Cities of Finance**

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## Introduction

In his *Afterthoughts on Material Life*, Fernand Braudel explained that attention needed to be given to cities and money because of their importance in the development of modernity: they are both 'at one and the same time motors and indicators; they provoke and indicate change'. Yet the role of money within cities – the development of financial institutions concerned with generating credit, raising capital, insuring people and possessions, buying and selling financial instruments – has been a relatively neglected area of research despite the recent vitality of financial history. New work on financiers and financial institutions in the past, is contributing to a much better understanding of how financial markets contribute to the evolution of a world economy. We also know much more about how these markets were organised in the past. For the most part, however, this work has not concentrated on the locations of financial activity. There are histories of individual markets (such as the Stock Exchange), or of firms (such as the merchant banks), and of financial flows (capital transfers) or monetary systems (the gold standard). But most studies have little sense of how different financial activities relate to changing urban locations and they are not orientated to bring out the significance of financial functions to developments in urban economy and society and its internal power structures.

Whilst cities have been peripheral to the concerns of financial historians, and not part of their focus, the role of financial activities has been neglected by urban historians who have tended to concentrate their work on industrial cities and market towns. The impetus in urban economic research has derived mainly from an interest in industry and trade and their effects on human agglomerations. This volume is a new departure therefore for urban and financial historians alike in being concerned primarily with the history of financial centres. What the volume offers is a set of studies which directly or indirectly relate the history of financial activities to the urban process and to the locational, areal, social and spatial interests of urban historians.

The volume derives from a colloquium on 'Cities of Finance' held in May 1991 in Amsterdam. This four day conference was initiated by a group of British and European urban historians with the aim of reviewing and discussing various approaches to the history of urban financial activities. Contributions were sought from young scholars known to be working on topics relevant to the colloquium as

well as from established academics. Many of the papers contained new research which had not been published before. The scope of the conference was wide ranging and illustrated particularly well the intensification of international contacts characteristic of European urban history in recent years.

A number of different organisations were involved in the planning: the conference was sponsored by the Royal Netherlands Academy of Sciences in association with the Maison des Sciences de l'Homme in Paris, the British Urban History Group and the Centre for Urban History, Leicester University, the British Monetary History Group, and the Department of Economic and Social History of the State University of Leiden. The Royal Netherlands Academy of Sciences made all the arrangements for the conference and agreed to publish the papers as a set of proceedings. This has taken some time to achieve as many papers were extensively revised for publication. The processing of the different types of texts has been done at Leiden University by Victor van Enthoven.

In planning the colloquium it was not thought practicable to provide a systematic descriptive coverage of all the major financial centres. It was thought important nevertheless to take a long view which embraced cities that were prime nodes within evolving networks of economic systems in the pre modern as well as the modern periods and at different scales. Thus reference is made to cities which formed part of the Mediterranean economy – Venice, Milan and Florence – to the cities of the North Sea economy – notably Amsterdam but also Antwerp – and to the city of Liverpool within a developing Atlantic economy. In the modern period, proper cognisance is taken of the evolution of London into a world and Imperial financial metropolis. But the colloquium also found room for studies of Edinburgh, Paris, and three German centres – Frankfurt, Berlin and Vienna – plus a semi colonial metropolis – Shanghai. In addition, in the original colloquium, a new phase in the development of the modern Atlantic economy was introduced with a joint paper by Robert Cull and Lance Davies on capital market integration between the US and the UK 1865 – 1913, which brought in New York, but since this paper has already been published in *Annales ESC* (Un deux, trois quatre marches? L'intégration du marché du capital, Etats-Unis et grande-Bretagne (1865 – 1913), 1992, 3, 633 – 674) it has been omitted from these proceedings. This contribution marked also the end of the period under consideration in the colloquium because of the global character of the financial world since the beginning of the 20th century.

There was no intention of presenting a teleological viewpoint on the history of the development of a world financial system in the colloquium and the papers (and cities) represented were chosen to illustrate and explore a variety of themes. The most important of these is how to account for the rise and decline of cities of finance. Running throughout the first two sections of this volume is the basic question as to why some cities, as centres of trade and finance, not only achieved local or regional importance, but gained national and international functions and power. As Philip Cottrell put it in a position paper to the colloquium: why did some cities come to be known as 'cities of finance' and what forces were responsible

for moulding the hierarchy of subsidiary satellites within the compass of the financial and trading network at any particular point of time?

At the colloquium these leading questions were taken up initially by Richard Roberts in a key note lecture to delegates which reflected on the economics of the growth and concentration of financial activities in city locations. A revised version is included in the first section of these proceedings which consists of papers concerned with studying the changing hierarchies of financial centres in Europe. Ian Blanchard for example makes reference to the importance of a range of different European centres in developing an argument about the locational shifts amongst them during the 16th and 17th centuries. He seems to suggest that the monetary explanation for the inflation of the 16th century is back again. The paper by Bernard Lepetit develops an argument about national hierarchies. He focusses on the banking system challenging the assumption that financial activities are necessarily centralised in dominant cities in a study which considers France's decentralised banking system in the 19th century. His contribution raises some interesting questions about the definition of 'cities of finance' to which the colloquium kept returning. Finally, Andrew Porter brings a further dimension into this section by questioning the extent of London's financial hegemony within the British Empire. This section then not only offers examples of the changing locations of financial centres but also shows how financial activities were undertaken in cities operating in areas of diverse scale.

The second section is a series of case studies of the origins and functioning of financial centres at various periods. In the original colloquium these studies were distributed throughout sessions concerned with the role of cities within economic systems and other sessions organised around the theme of financial organisation within cities. In the event, however, there was no clear cut difference of orientation between these sessions and it seemed better to group the papers together as case studies. What they all show is the importance of taking into account networks of relationships in explaining the rise of financial centres. Some papers illustrate the role of state or city governments in the development of financial markets, others carry further a theme introduced by Charles Munn of the inter-relationships between commercial activity, the generating of credit and the development of financial institutions. These papers illustrate how financial activities, because of their urban nature, benefit (or suffer from) the overall effects of being enmeshed in a web of economic activities. Others highlight distinctive aspects of the organisation of financial centres at different times.

Reinholt Mueller illustrates the role of wealthy foreigners in the development of Venice as a financial centre in the later Middle Ages through a system of funded and floating debts. It is based on research into the investment activity of Paolo Guinigi, Lord of Lucca since 1400 and scion of a family of wealthy merchants. Amato's paper, however, shows other kinds of dependencies by concentrating on the role within the Mediterranean economy of the merchant and financial capital of Milan before and after the crisis in the textile industry of the 1630s. This paper gives reasons for the dramatic decline of Milan into a mere regional centre. Gaasstra also points out in his paper on finance and trade in 17th century Amsterdam



that at this period the financial sector in this city was not self sustaining. It seemed that Amsterdam's financial stability was very much dependent on the operations of the Dutch East India Company. Although Richard Roberts had pointed to the relative stability of financial centres over periods of time, all these case studies point to the vulnerability of financial centres.

However, the remaining studies in this section provide further detailed examples and explanations for the success stories, both those centres which attained importance for a period only and those which have endured. They offer reasons for the emergence of new centres of finance and point to the factors that helped to consolidate a city as a financial centre and move it to self sustaining growth.

Philip Cottrell reinforces earlier arguments about inter-relationships. He insists on the importance of studying the structure of the mercantile community in the port city of Liverpool to understand the network of credit relationships that developed in this port city and which provided the foundation of its mid 19th century pre-eminence in the international league of cities of finance. Charles Munn's paper throws light on the relationships between centres of finance with particular attention given to the rivalry between the two Scottish cities of Glasgow and Edinburgh. Michel Morineau and Alain Plessis examine the organisational characteristics of Amsterdam and Paris in their hey day.

W. Forstmann is concerned to illustrate the durability of Frankfurt as a city of finance. There is a link with the paper on Venice in the emphasis which he puts on the importance of public loans to the development of the financial system but he also stresses the liberal financial operating environment for the Frankfurt merchant bankers and how the cities financial structures survived many political vicissitudes. Finally, Ronald Michie reflects on the strength of London as a financial centre. What forces created and maintained for so long a centre of such power and influence? His answer it will be found has to do with the way that the City of London 'attained a critical mass that allowed it to achieve self-sustaining growth'.

The remaining two sections broaden out from the concern with finance and the urban economy to introduce other themes. In planning the colloquium it had been thought important to have papers that looked at finance and urban society through a consideration of financial elites. In his position paper on this topic Martin Daunton, a key member of the planning team wrote as follows: 'In 1870, in his account of the City of London as the centre of the world's financial system, Bagehot remarked that it differed from its predecessors such as Venice and Genoa in its absence of "great families of merchant princes". His contrast with Genoa was particularly apt, for there the existence of the clan like system of alberghi was strong, and formed a major prop of Genoese success. The strong family connections of such groups as Huguenots and Greeks and Jews, which linked together the various financial and commercial cities at a time when flows of information were personal, had a clear functional importance'. It was important Daunton argued to provide examples of ways of analysing the family structure of financial communities, and to go on from there to consider ways of analysing financial elites, the extent of their internal cohesion and closure and the extent to which they interrelated with other elites.



In the event, the number of papers offered on this topic was less than had been anticipated although it has become a matter of considerable interest to financial historians in recent years. However some papers in other sections touch on the role of elites as, for example, the paper on Venice and there is also Cottrell's examination of the merchant community of Liverpool. The three further papers contributed to this session fulfilled some aspects of the Daunton agenda and offered different styles of analysis as well as examples of different types of elites. Paolo Malanima's study of the financial strategies of aristocratic Florentine families in the 17th century during an age of decline highlights the tensions between investment, land purchase and conspicuous consumption in aristocratic expenditure – a theme which has wider reference to other periods and countries. Karel Degryse provides an example of research which examines the patterns of family structure and inheritance in trying to account for the fortunes of the new financial elite of Antwerp during the 18th century. Dolores Augustine takes this kind of analysis further in studying the banking elites of late 19th century Berlin and Vienna. Her paper utilises sociological approaches to understanding elites, as Daunton had urged, and illustrates the value of comparative study.

The most distinctive feature of these proceedings, however, is probably the last section dealing with financial centres, which was, not surprisingly for urban historians, thought to be a key topic in the colloquium. As Herman Diederiks and Michael Wagenaar pointed out in their position paper to the colloquium, few economic activities have shown a comparable tendency for spatial clustering as the financial services. Yet however familiar today's glossy offices and business centres may seem, the process of their formation is by no means clear. Once again it was thought important to develop a perspective that takes into account the situation under the Ancien Regime when face to face contacts were of the utmost importance. In this phase, therefore, one would expect the early development of a tight cluster of financial and commercial institutions within walking distance of each other and their supporting experts. But in explaining what particular forms this took the socio cultural circumstances of individual cities have to be taken in account. This is the theme illustrated in the paper by Donatella Calabi which explains how two centres of banking emerged in Venice between the 16th and 17th centuries.

The papers on Amsterdam and London take a longitudinal view in being concerned with the transformation of financial districts over time. They take into account new demands on financial districts, the growth of special purpose buildings, and changes in the technology of data processing and telecommunication. Whilst it is not difficult to work out in general terms what the forces of change were, the pattern of developments on the ground cannot be taken for granted and were not everywhere the same. As Herman Diederiks and Michael Wagenaar show Amsterdam offers a picture that is dissimilar to the well known pattern presented as typical for American cities, whereby an expanding CBD is surrounded by a ring of urban decay. Although they show the role of the banks in the demolition and reconstruction of the central area and illustrate the conquest of central space by the office, in Amsterdam the financial elite persisted in living close to the centre rather than in suburban locations as in London. The paper by Derek Keene is also con-

cerned with the dynamics of central areas based on a detailed reconstruction of one part of the financial district of the City of London over six centuries. The paper highlights such features of modernisation as the trend to monumentality, the growth of specialised office buildings and the separation of residences from commercial buildings. But it also brings out the forces which inhibited change and preserved continuities. Finally, the paper by Marie Bergère on the Shanghai Bund was included in the colloquium since as a semi colonial metropolis it offered a valuable comparison with western style developments as well as furthering the debate about change and continuity, modernisation versus tradition, elements of both being important to shaping this financial district. In this section, the interests of urban historians in urban land use and built form are more evident overlapping with those of building historians and historical geographers.

This was a colloquium then which offered an opportunity to broaden the horizons of financial historians. At the same time many of the contributors on the economics of financial centres as Charles Munn points out in his paper attempted to look at the interstices between financial economics and urban (or regional) economics to discover that financial centre location does indeed raise a number of important and neglected questions. Although it was not possible to replicate the animated discussions which took place over the intensive but enjoyable sessions of the colloquium, it is hoped the publication of these papers will help to further stimulate new perspectives and methodologies and open up new areas of research on the history of financial centres.

Note: Leo Lucassen of the University of Leiden took over editorial responsibility for the final stages with David Reeder.

Addendum: We regret that Bernard Lepetit, a distinguished contributor to this volume, was killed in an accident in Paris in March 1996.



## The Economics of Cities of Finance

Cities of finance – usually called *financial centres* in economics texts – are urban locations specialising in the provision of financial services. From an economic perspective, financial centres are analogous to industries and measurements are made of the scale and scope of their activities and their standing relative to other centres. Like other industries, financial centres are composed of financial firms and the fortunes of these individual undertakings in aggregate determine the fortune of the whole. The firms operate in financial markets and the range of activities conducted in a financial centre depends on the particular set of financial markets present. The function of financial markets is the intermediation of financial flows, that is the matching of supplies of funds and demand for funds, and thus financial intermediation is the purpose of financial centres.<sup>1</sup>

### Financial centres – comparative studies

There are many case studies of individual financial centres. Comparative studies, examining a number of centres and formulating general or conceptual propositions thereupon, are a much smaller genre.<sup>2</sup> Such studies are of two sorts. Some use qualitative histories of a variety of financial centres as their evidence. Others are quantitative studies that investigate the nature and functioning of financial centres using statistical data, both historical and modern. Of course, many case studies of individual financial centres make no attempt to locate their subjects in a general context or to address conceptual issues.

Financial centres occupy a key place in the grand schematic model of the evolution of human economic and social organisation formulated by N.S.B. Gras, an American economic historian of the 1920s.<sup>3</sup> Using evidence from ancient times to the early twentieth century, Gras proposes that economies evolve through a series of stages, of which the most sophisticated stage is the metropolis. The ultimate stage of development of a metropolis is a financial centre. Although purporting to

<sup>1</sup> Scholey (1987), 'Essential Features of International Financial Centres', 12.

<sup>2</sup> The studies discussed in this essay are restricted to publications in the English language.

<sup>3</sup> Gras (1922), *An Introduction to Economic History*.

be a universal paradigm, Gras's model is derived from British and American historical example and based on London and New York.

The most important of the qualitative comparative historical studies, and the work that has provided the conceptual context to many writings on cities of finance, is Charles Kindleberger's *The Formation of Financial Centers: A Study in Comparative Economic History*, published in 1974. This comprises a series of historical case studies of London, Paris, Berlin, Frankfurt, Italy, Switzerland, Canada and New York, focusing mainly on the role of the banking sector. Kindleberger, an eminent economist at the Massachusetts Institute of Technology, stresses the operation of powerful economies of scale and centralisation in financial markets, resulting in the emergence of a single pre-eminent domestic financial centre in each country. The same forces, he argues, led to the development of a hierarchy of international financial centres that culminated in a single pre-eminent world centre – London prior to 1914; then New York; and since the 1960s the international euro-market.

Hong Kong, Singapore, Shanghai, Beirut, Bahrain and other international financial centres of Asia, Australasia and the Middle East, cities of finance ignored by Kindleberger, are the subject of an essay by business historian Geoffrey Jones, who also makes conceptual generalisations on the basis of his comparative historical research.<sup>4</sup> Writing almost two decades after Kindleberger, he formulates a clear typology of the hierarchy of financial centres, discussed below, and investigates the importance of reputation, communications and willingness to host foreign firms as critical factors in the success of financial centres.

The most ambitious quantitative study of cities of finance is that of economist Howard C. Reed who undertook an empirical statistical investigation encompassing 76 cities at five-year intervals over the years 1900 – 1975 (and four more in 1980) using 9 variables measuring banking and financial activity.<sup>5</sup> He employs multivariate techniques to explore the hierarchical relationships amongst financial centres and the institutional links between them. Quantitative studies of financial centres have also been conducted by Goldberg, Helsley and Levy of the Faculty of Commerce and Business Administration, University of British Columbia, using 1984 data on financial centres in 42 countries and on 31 US cities.<sup>6</sup> The models tested by Goldberg, Helsley and Levy explain an impressive amount of the variation in the size of financial sectors between countries, regions and cities. Their results suggest that the same basic economic forces promote the development of financial centres at each geographical level.

<sup>4</sup> Jones (1992), 'International Financial Centres in Asia, the Middle East and Australia'. Tokyo is omitted from Jones's essay. For a discussion of the development of Tokyo see Reed (1980), 'The Ascent of Tokyo as an International Financial Center'.

<sup>5</sup> Reed (1981), *The Preeminence of International Centers*.

<sup>6</sup> Goldberg et al (1988), 'On the Development of International Financial Centers'; Goldberg et al (1989), 'The Location of International Financial Activity: An Interregional Analysis'.

## Hierarchies and typologies

The existence of a hierarchy amongst financial centres is a concept common to the studies discussed above and many others. Attempting to define the hierarchy, writers on the subject have suggested a variety of typologies of financial centres. Three approaches have been used, which may be characterised as *functional*, *geographical* and *evolutionary*, though in practice the categories overlap.<sup>7</sup> Foremost amongst the exponents of the *functional* approach is Reed, who presents an elaborate five-tier typology of international financial centres derived from his statistical investigations: (1) *host international financial centres*; (2) *international financial centres*; (3) *supranational financial centres of the first order*; (4) *supranational financial centres of the second order*; and (5) *supranational financial centres*.<sup>8</sup> He identifies links between financial centres at all levels and usefully suggests that the concept of *network* should complement that of *hierarchy* in the analysis of financial centres.

Jones prefers 'a simpler typology' of international financial centres based on *geographical* ties: (1) *sub-regional financial centres*; (2) *regional financial centres*; and (3) *global financial centres*.<sup>9</sup> *Sub-regional financial centres* focus on bilateral trade between the centre's own economy other economies. *Regional financial centres* supply financial services to an entire region (such as Europe or Asia). *Global financial centres* furnish a broad range of financial services to the entire world.

Simpler still amongst *geographical* models is economist Harry Johnson's dichotomous division between: (1) *regional financial centres*; and (2) *international financial centres*.<sup>10</sup> Although often mentioned in writings on international financial centres, Johnson's typology, formulated for the purposes of a report on Panama's development prospects, is rather crude and has been superseded.

The Economists Advisory Group, a London-based economics consultancy, propose an *evolutionary* typology: (1) *classical centres*; and (2) *modern financial centres*.<sup>11</sup> The distinction focuses on the currency denomination of international transactions, the activities of *classical centres* being conducted in their domestic currency, for instance sterling in nineteenth century London, while *modern financial centres* are euromarket based. Gorositiaga, a Panamanian economist who writes from a neo-Marxist perspective, also favours terms embodying *evolutionary* concepts: (1) *traditional international financial centres*; and (2) *new international financial centres*.<sup>12</sup> The former term denotes the established financial metropolises of advanced capitalist countries (such as London and New York). The latter category includes all financial centres on the periphery of the capitalist system which, according to Gorositiaga, 'lack financial autonomy and are normally intermediate

<sup>7</sup> Jao's discussion of typologies is a useful starting point. Jao (1993), 'Hong Kong as an International Financial Centre', 39–43.

<sup>8</sup> Reed (1981), *The Preeminence of International Centers*, 59–60.

<sup>9</sup> Jones (1992), 'International Financial Centres in Asia, the Middle East and Australia', 405.

<sup>10</sup> Johnson (1976), 'Panama as a Regional Financial Center', 261–62.

<sup>11</sup> Economists Advisory Group (1984), *City 2000: The Future of London as an International Financial Centre*, 7–14.

<sup>12</sup> Gorositiaga (1984), *The Role of the International Financial Centres in Underdeveloped Countries*.



regional centres, geographical extensions of the traditional centres operating in different time zones’.

Dufey and Giddy’s typology is a hybrid of the *evolutionary* and *functional* approaches, classifying international financial centres into three major types according to their stage of development and the services provided: (1) *traditional centres*; (2) *financial entrepôts*; and (3) *offshore banking centres*.<sup>13</sup> *Traditional centres* serve as net creditors to the world through bank lending or the bond market – the authors have in mind London in the nineteenth century and New York after the Second World War. *Financial entrepôts* provide intermediation of international financial flows to both domestic and foreign residents, though without being net capital exporters. London’s role as a euromarket centre since the late 1950s is the basis of this category. *Offshore banking centres* undertake financial intermediation primarily for non-resident borrowers and depositors, and typically the domestic financial sector is insulated from the offshore sector by controls or restrictions.

*Offshore financial centres* have attracted considerable interest from economists who have produced a number of typologies specific to them. The most elaborate is that of World Bank economist Yoon S. Park, who categorises them as: (1) *primary centres*, whose sources and uses of funds are world-wide; (2) *booking centres*, which are locations for recording transactions but where little actual banking or financial activity is carried out; (3) *funding centres*, which play the role of inward financial intermediation, channelling offshore funds from abroad towards local uses; and (4) *collection centres*, that channel excess domestic funds to external users.<sup>14</sup> Ian McCarthy, an International Monetary Fund economist, more simply distinguishes between: (1) *paper centres*, which are identical to *booking centres* (see above); and (2) *functional centres*, where genuine financial transactions take place.<sup>15</sup> Economist Y.C. Jao, the leading authority on the development of Hong Kong as a financial centre, differentiates: (1) *segregated centres*, where the authorities make clear distinctions between the offshore and domestic financial systems, or between domestic currency-denominated and foreign currency-denominated business; and (2) *integrated centres*, where there are no artificial barriers.<sup>16</sup>

Finally, there are authors who leave it up to the reader to guess the significance of their terminology, of which an egregious example is the book by McGahey, Malloy, Kazanas, Jacobs, the staff of the Governor of New York’s Advisory Panel on Financial Services, whose plethora of usages includes: *regional financial centers*; *regional domestic financial centers*; *newer regional financial centers*; *secondary financial centers*; *traditional financial centers*; *heterogeneous financial centers*; *mature financial centers*; *new financial centers*; *international financial centers*; *major financial centers*; *world financial centers*.<sup>17</sup>

The typology suggested by Roberts, and used in the rest of this text, follows none

<sup>13</sup> Dufey and Giddy (1978), ‘Financial Centers and External Financial Markets’.

<sup>14</sup> Park (1982), ‘The Economics of Offshore Financial Centers’.

<sup>15</sup> McCarthy (1979), ‘Offshore Banking Centres: Benefits and Costs’.

<sup>16</sup> Jao (1980), ‘Hong Kong as a Regional Financial Centre’.

<sup>17</sup> McGahey etc (1990), *Financial Services, Financial Centers*.

of the above models, though sharing common elements with many of them, particularly Jones:<sup>18</sup>

1. *Domestic Financial Centres* – serving national financial requirements (or an economic region in the US) which may be at the apex of a hierarchy of provincial financial centres.
2. *Regional Financial Centres* – serving a regional clientele (a region in this context being an international entity such as Europe, not a sub-national entity such as Brittany or Westphalia).
3. *Offshore Financial Centres* – financial entrepôts which intermediate international flows that have little connection with the financial system of the country in which they are located.
4. *Global Financial Centres* – serving a world-wide clientele.

### Financial firms and financial centres

The development of financial centres is substantially determined by the behaviour of financial firms, notably their location decisions. It is not immediately obvious why the providers of financial services concentrate in a few locations, rather than being evenly spread throughout economies. To explain this phenomenon it is necessary to explore the location decisions of individual financial firms and factors influencing their success or failure in particular locations. Industrial location theory and the theory of the firm provide an analytical framework.<sup>19</sup> Like other firms, *demand* for their output is a crucial consideration as is the *supply* of factors of production. But the location of financial firms is also affected by powerful positive *external economies of scale* and *economies of agglomeration*. These exert a strong centralising force, attracting firms to major centres rather than lesser centres. Moreover, the actions of governments and regulatory systems are significant factors.

On the *demand-side*, it is useful to draw a distinction between retail and wholesale activities. For retail financial activities, such as commercial banking and investment advisory services, access to clients is of premium importance counteracting centralising pressures and bolstering the position of lesser financial centres. Wholesale financial transactions are large-scale and are conducted between a relatively restricted number of specialist financial firms. Other things being equal, they tend to gravitate to larger and more efficient financial markets. Similar retail/wholesale considerations apply to secondary and primary market activities. Since the introduction of the international telegraph in the 1860s, time zone compatibility with other financial centres has been a significant factor affecting the conduct of business by firms specialising in international transactions.

<sup>18</sup> Roberts (1994), 'Introduction', *International Financial Centres: Concepts, Development and Dynamics*.

<sup>19</sup> Davis (1990), 'International Financial Centres – an industrial analysis'; Bonetti and Cobham (1992), 'Financial Markets and the City of London', 18–20.



On the *supply-side* the principal factors are: the cost of licences or membership of markets; the availability and cost of appropriately skilled personnel; the availability of suitable office premises; and access to necessary equipment and machinery. Another consideration is the supply and cost of funds, which may be affected by reserve requirements and other regulations, taxes, such as stamp duties and withholding taxes, and the efficiency of payments and settlement systems. Regulatory impediments that distort or prevent competition, for instance the ban on the joint conduct of commercial banking and investment banking in the US and Japan, may encourage location or representation in other centres.

Once established financial firms usually have a strong commitment to financial centres since they often have substantial *sunk costs* (irrecoverable expenditures and investments). A loyal and skilled workforce, for instance, is difficult and costly to replicate in a new location. So are intangible assets, particularly a network of relationships with other trustworthy firms and a sound client-base.<sup>20</sup> Reputations take years or even decades to build-up and some aspects may be virtually irreplaceable: for instance, for more than a century-and-a-half the mere address New Court has been a shorthand for N.M. Rothschild & Co., implying stability and soundness which are highly-prized attributes in investment banking and of considerable commercial value. Naturally, the effect of substantial sunk costs is to make financial firms reluctant to relocate unless absolutely necessary.

### **Economies of scale and economies of agglomeration**

Economies of scale may be divided into *internal* economies and *external* economies. Economies of agglomeration are a related concept. *Internal economies of scale* accrue to firms when there is a positive relationship between the scale of activity and efficiency, a concept that is widely known. Internal economies are generally less important in the service sector than in manufacturing. However, financial firms may find that there are creative benefits in bringing together staff who conduct business in different markets and advantages in the centralisation of decision-making. There may also be considerable *economies of scope* deriving from the supply of related products to clients or from the simultaneous satisfaction of related demands.

*External economies of scale* are perhaps rather less familiar to non-economists. They accrue to firms when a positive relationship exists between efficiency and the size of the *industry* in which they operate. An *industry* in the current context is a financial centre. There are many reasons why a larger financial centre may provide a more advantageous operating environment than a smaller centre. The quality of financial markets, that is their liquidity and efficiency, is strongly correlated with the scale of operations. These are highly desirable features, meaning lower dealing

<sup>20</sup> The significance of contacts in New York and London is emphasised, respectively, in the studies by Robbins and Terleckji (1960), *Money Metropolis: a Locational Study of Financial Activities in the New York region*, and Dunning and Morgan (1971), *An Economic Study of the City of London*.

costs and diminished likelihood of market failure. The larger number and greater range of activities of other financial firms produces a more creative environment that may generate new business opportunities and demand from other practitioners. It may also stimulate competition, perhaps promoting efficiency and probably engendering keener pricing, which will persuade clients to place their business with firms based there.

*Economies of agglomeration* accrue to financial firms from the presence of complementary concentrations of activities in financial centres. Merchants and commodity markets, in particular, were vital sources of commercial and financial information. The ready availability of the services of lawyers, accountants and printers, and in more recent times computer specialists and public relations consultants, enhances the competitiveness of financial firms and the attraction of location in a particular centre. It was no accident that in London the newspaper industry, whose lifeblood is information, was traditionally located adjacent to the financial services district.

Above all else, the crucial factor for success for financial firms is *information*. The quantity and quality of information is vital for the competitiveness of financial firms and, other things being equal, new firms will locate in financial centres with superior information flows, while centres with inferior information flows will lose financial firms through failure due to uncompetitiveness or the migration of firms to other centres.

Superior access to up-to-date and accurate information has traditionally been the most significant specific external economy of scale for financial firms. In the early modern era information vital to financial firms was largely part-and-parcel of trade transactions and it was the towns that hosted fairs and markets, and particularly ports, that became financial centres. Amsterdam emerged as Europe's leading international financial centre in the seventeenth century because of its role as a major port and the hub of a network of regional and inter-continental trade flows. As a result it became Europe's foremost 'information exchange', an advantage that was enhanced by important innovations in the sophisticated analysis and application of information.<sup>21</sup> In the eighteenth century Amsterdam was overtaken as a port by London, but by virtue of its established role as the focal point for information flows and the high reputation and competitiveness of its financial markets and financial firms it continued to be the pre-eminent international financial centre. It was the French military occupation of 1795 that undermined Amsterdam's position and allowed London's emergence as unequivocally the leading international financial centre.

The modern era of communications technology began in the 1840s with the commercial application of the electric telegraph, one of whose earliest usages was the conveyance of financial information.<sup>22</sup> The telegraph allowed almost instant-

<sup>21</sup> Smith (1984), 'The Function of Commercial Centers in the Modernisation of European Capitalism: Amsterdam as an Information Exchange in the Seventeenth Century'.

<sup>22</sup> Hall and Preston (1988), *The Carrier Wave*, 37–54; Michie, *London and New York Stock Exchanges 1850–1914*.

neous contact effecting dramatic reductions in time-delays. For instance, the opening of telegraphic communications between the New York and New Orleans markets in 1848 cut communication time from a minimum of four days, while the trans-Atlantic cable that linked London and New York in 1866 eliminated a time-delay of three weeks.<sup>23</sup> Financial firms were also in the forefront of users of the telephone as soon as long-distance calls became technically possible from the late 1880s.<sup>24</sup> The impact of these innovations in communications technology upon financial centres remains to be properly researched, but most probably they boosted the centralisation of financial activity in major centres at the expense of lesser centres by advantaging firms in centres with superior communications over others and because customers preferred to conduct business in their larger and more liquid markets.

The logical conclusion of the dynamic of external economies of scale and economies of agglomeration is that all activity should be concentrated in a single financial centre (or perhaps a set of centres at the domestic, regional and global levels). Indeed, Kindleberger suggests that there has been a single dominant financial centre at the global level since the early nineteenth century.<sup>25</sup> In fact, the historical pattern has been less clear-cut and there are reasons why the centralising dynamic does not proceed to its logical end (some of which are mentioned by Kindleberger).<sup>26</sup> Centralisation generates dis-economies such as crowding and congestion. It can also raise costs through competitive bidding for scarce resources such as skilled personnel or prime locations. For retail financial services centralisation may even *increase* information costs because of the distance from clients, and lesser centres, whose firms are more closely in touch with clients, may enjoy a competitive advantage. In recent decades computer and electronic communications technology have bolstered lesser centres by making financial information universally available.<sup>27</sup> Amsterdam's success as a financial centre in the 1980s has been partly ascribed to attempts by international banks to compete by decentralising.<sup>28</sup> Finally, in the real world political and regulatory barriers and incentives exist that distort the free operation of economic forces.

## Politics and regulation

The actions of governments, of institutions such as central banks, and of regulatory bodies, have had highly significant effects on the development of financial

<sup>23</sup> Garbade & Silber (1978), 'Technology, Communication and the Performance of Financial Markets: 1840 - 1975', 820 - 21.

<sup>24</sup> Feuerstein, 'The Early History of the Telephone', 420.

<sup>25</sup> Kindleberger (1974), *The Formation of Financial Centers: A Study in Comparative Economic History*, 4.

<sup>26</sup> *Ibid.*, 10 - 11.

<sup>27</sup> O'Brien (1992), *Global Financial Integration: The End of Geography*, 74 - 76.

<sup>28</sup> Ter Hart & Piersma (1990), 'Direct Representation in International Financial Markets: The Case of Foreign Banks in Amsterdam'.

centres often outweighing the economic factors discussed above. Many examples can be found of political support for financial centres. For instance, London's rise as an international financial centre owed much to public policy, although this was not the explicit purpose of government action. In the seventeenth and eighteenth centuries British military action against the Dutch and other powers promoted London's growth as a port while the prodigious borrowing requirements of the state was the bedrock of the development of a sophisticated capital market.<sup>29</sup> In the nineteenth century one of the keys to London's pre-eminence as a global financial centre was Britain's balanced budgets and unwavering commitment to the gold standard, making sterling the foremost international currency. There were also positive contributions from the Bank of England, a quasi-public body pioneering the role of lender of last resort, benignly light tax imposts and the absence of cumbersome regulatory interference.

Following the outbreak of the First World War, the Federal Reserve Bank of New York actively fostered the development of New York as an international financial centre.<sup>30</sup> In the 1920s the Banque de France took similar initiatives.<sup>31</sup> The Bank of England's support for the restoration of sterling to the gold standard sooner rather than later in the early 1920s was motivated by considerations about London's competitive position as an international financial centre.<sup>32</sup> A generation later, the Bank of England played a significant role in facilitating and encouraging the development of the euromarkets in London in the 1950s and 1960s, the vital ingredient of London's re-emergence as a global financial centre.<sup>33</sup> Since the 1960s governments have promoted financial centre status as an economic development strategy. The first to do so deliberately and vigorously was Singapore following independence in 1965.<sup>34</sup> In subsequent years, Luxembourg, Jersey, Panama and Bahrain followed suit and the governments of Canada, Australia, and doubtless other states, investigated the possibility of promoting their domestic financial centres as offshore financial centres. The legislation authorising the establishment of International Banking Facilities in the US in 1981 was a political response to such initiatives intended to win back to US financial centres international banking business that had been driven offshore by earlier US government measures.

Politics and regulation have also curtailed or inhibited the operations of financial centres. Britain's departure from the gold standard in 1931 undermined London's standing as an international financial centre.<sup>35</sup> Likewise the various controls introduced by US administrations in the 1960s and early 1970s to restrict international financial flows to assist the US balance of payments diverted activity from

<sup>29</sup> Meyer (1991), 'The Formation of a Global Financial Center: London and Its Intermediaries'.

<sup>30</sup> Burk (1992), 'Money and Power: the shift from Great Britain to the United States'; Costigliola (1977), 'Anglo-American Financial Rivalry in the 1920s'.

<sup>31</sup> Myers (1936), *Paris as a Financial Centre*.

<sup>32</sup> Costigliola, 'Anglo-American Financial Rivalry in the 1920s', 926–7.

<sup>33</sup> Fry (1970), *A Banker's World*, 11–38.

<sup>34</sup> Bryant (1989), 'The Evolution of Singapore as a Financial Centre'.

<sup>35</sup> Roberts (1991), 'The City of London as a Financial Centre in the Era of the Depression, the Second World War and Post-War Official Controls'.



New York, boosting London, Switzerland and the offshore financial centres.<sup>36</sup> Tokyo's emergence as an international financial centre was long delayed by government restrictions on foreign bank participation in Japanese financial markets.<sup>37</sup> In the mid-1980s Switzerland's competitiveness as a financial centre was judged to be being diminished by its government's inflexibility over tax.<sup>38</sup> But such matters are picayune by comparison with the disastrous impact on financial centres of political turmoil and, especially, war.

### Rise and fall of financial centres

The preceding discussion has identified the foremost economic features of financial centres, or their constituent firms, as being a hierarchical structure, powerful external economies of scale, significant economies of agglomeration and large sunk costs. With these traits, it would be unlikely for the composition or ranking of the hierarchy of financial centres to exhibit rapid or frequent changes, and indeed stability is a hallmark. In principle, innovations in communications technology could have resulted in radical reordering of the hierarchy, but in fact they seem to have reinforced the existing order or their centralising and decentralising elements have cancelled each other out.

War and political turmoil have been the most common reasons for the fall of financial centres. The demise of Amsterdam following the French invasion of 1795 has already been mentioned. Other examples are Geneva in the wake of the French Revolution of 1789 because of its commitment to financing the *Ancien Regime*, Paris in 1870 due to defeat in the Franco-Prussian War, Berlin as a result of the chaos following Germany's defeat in the First World War, London in the wake of the 1931 crisis, Shanghai because of Japanese occupation in 1937, Yokohama following Japan's defeat in the Second World War, Beirut due to the outbreak of the Lebanese civil war in 1975, Panama since 1987 thanks to the antics of General Noriega, and no doubt there are other instances. Once the dynamic of external economies of scale had been put into reverse, their fortunes went into a sharp downward spiral.

The above misfortunes provided opportunities for other centres. London assumed the role hitherto held by Amsterdam in the 1790s. In the First World War when London's ability to conduct international financial business was dramatically curtailed, New York emerged as a fully-fledged rival. Switzerland's rise in the 1930s certainly benefited from international investors' disillusionment with London and sterling. The decline of Beirut was matched step-by-step by the rise of Bahrain.<sup>39</sup> Other financial centres have emerged more gradually, their assumption of the role

<sup>36</sup> Johnston (1983), *The Economics of the Euro-Market*, 12–14.

<sup>37</sup> Shinohara (1986), 'Tokyo as an International Finance Center: Financial Liberalisation and International Standardisation'.

<sup>38</sup> Christensen (1986), *Switzerland's Role as an International Financial Center*, 2.

<sup>39</sup> Gerakis and Roncesvalles (1983), 'Bahrain's offshore Banking Center'.

of regional financial centre or even global financial centre reflecting the maturity of their domestic or regional economies, notably Paris in the 1850s, Berlin in the 1870s, Hong Kong in the 1970s and Tokyo in the 1980s.

The future location of the European Economic Community's leading financial centre was a subject of topical interest at the time Kindleberger wrote *The Formation of Financial Centers* in 1974 and in the final paragraph he ventures a prediction – Brussels!<sup>40</sup> It was an unfortunate choice since two decades later Brussels remains a backwater as regards regional and international financial services, despite its significance as the home of European institutions. In fact, the choice is contradictory to his preceding text and to the analysis presented here. If he had paid closer attention to his own work he would probably not have come to that conclusion – the episode confirms the case for greater mindfulness of the lessons of economic theory and economic history.

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<sup>40</sup> Kindleberger (1974), *The Formation of Financial Centers: A Study in Comparative Economic History*, 71.

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## Credit and Commerce: from the Mediterranean to the Atlantic in the sixteenth century

During the later Middle Ages European capital markets had undergone a major transformation. As population numbers declined from a peak at the end of the thirteenth century, prices fell, per capita incomes increased and real savings levels were enhanced. Base interest rates, measured in terms of the price of land or rather in terms of the price of a perpetual fixed rent charge secured on land, accordingly, fell (fig. 1).<sup>1</sup> During the course of the thirteenth century base rates had fluctuated about a high-level equilibrium of about ten to fifteen per cent per annum. Then from ca. 1300 they steadily declined until almost a quarter of a millenium later in ca. 1525 they finally settled at a new low level of about four and a half per cent. As the early modern era dawned all over Europe an enriched populace were prepared to lend, on first-class security, at previously unheard of rates.

Even as rates tumbled, moreover, the market had also undergone a major structural transformation. As in the High Middle Ages money remained cheapest in England and in the lands of the Lower Rhine. Here borrowers, with prime security, who had been able to take up funds in the thirteenth century at ten per cent, were able to borrow during the later Middle Ages (ca. 1400 – 1525) at between four and five per cent. During the fifteenth century, however, this market underwent a process of extension. From ca. 1460 both South German and Upper Rhenish capital markets became integrated with those of England and the Lower Rhine and before the century was out even the volatile markets of Basle and its territories were brought within a unitary Central European structure. Nor were the denizens of this market alone in enjoying the benefits of cheap money in the fifteenth century for at this time in the North German lands, extending from Bremen to Lübeck-

<sup>1</sup> Base interest rate statistics presented in fig. 1 and discussed below have been derived from M. Neumann, *Geschichte des Wuchers in Deutschland* (Halle, 1865), pp. 266 – 273; H.J. Habakkuk, 'The Long-term Rate of Interest and the Price of Land in the Seventeenth Century', *Economic History Review*, Second Series, v, 1 (1952); J.G. van Dillen, 'Oprichting en functie der Amsterdamsche Wisselbank, in de zeventiende eeuw, 1609 – 1686', *Mensen en Achtergronden. Studies uitgegeven ter gelegenheid van de tachtigste verjaardag van de schrijver* (Groningen, 1964), p. 376; T.S. Ashton, *Economic Fluctuations in England 1700 – 1800* (Oxford, 1959), p. 187 and B.R. Mitchell and P. Deane, *Abstract of British Historical Statistics* (Cambridge, 1962), p. 455. The data utilised here represents some preliminary soundings and makes no pretension to either spatial or chronological comprehensiveness.

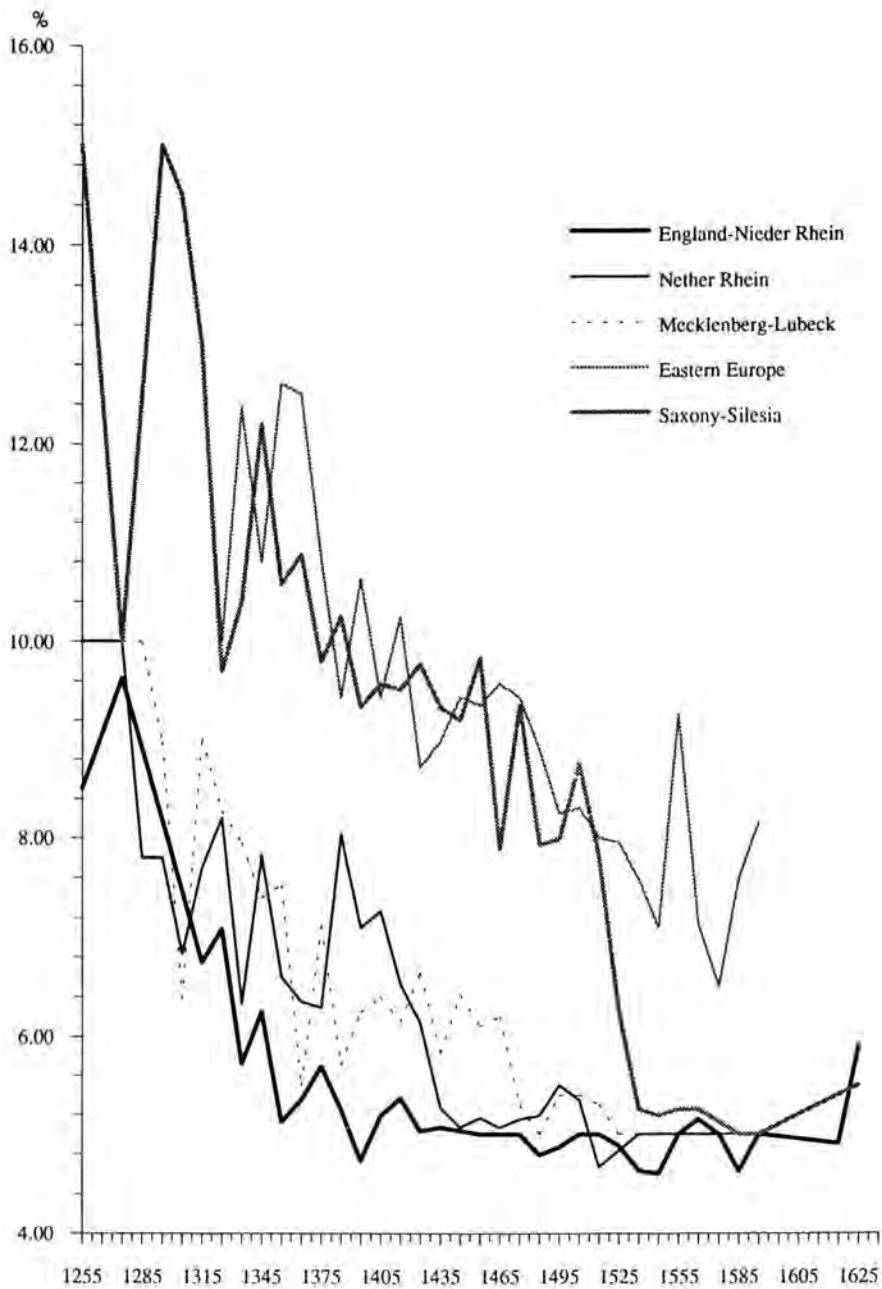


Fig. 1. European base interest rates, 1300 – 1625

Mecklenberg, interest rates also converged on those of Central Europe. Thus in northern Germany and many lands west of the Erzgebirge during the later Middle Ages not only did money become progressively cheaper but also at that time a steadily widening population of potential borrowers and lenders were drawn into a unitary market structure wherein by 1500 loans could be arranged, on the production of iron-clad security, at a standard four to five per cent rate.

During the High Middle Ages England and the lands of the Lower Rhine had thus formed an oasis of relatively cheap money in a European market where base interest rates of about fifteen per cent annually were normal. Two centuries later the market situation had been transformed. Inhabitants of England and the Lower Rhine still enjoyed the cheapest money in Europe but now these lands formed only one element in a unitary market structure encompassing much of western Europe where a single rate of four to five per cent reigned supreme.

In the years down to ca. 1520, therefore, within a unitary market structure, money was cheap and not least amongst those who availed themselves of the new situation were members of the international merchant community. During the previous century, as international trade had declined<sup>2</sup>, they had experienced an enhancement in the cost of commercial credit and had responded, in England at least, by creating a new financial system to tap alternative sources of funds. Here during these years alternative borrowers such as English agriculturalists had possessed few ways of improving production and the returns on any money invested in that sector had been small (1.5–3 per cent per annum). The interest that they could offer on mortgages for agricultural improvement, accordingly, was also low and few if any amongst an enriched population had been tempted to put out money on such instruments when they could make a totally safe return of 4–5 per cent.<sup>3</sup> In such circumstances, accordingly, merchants, able to offer returns above base rate, found few competitors bidding for money in the market place and during the years to ca. 1520 funds flowed from the agricultural to the non-agricultural sectors of the economy providing the basis for an elaborate sales-credit system which was the main source of English commercial credit.<sup>4</sup> The international merchants' financial

<sup>2</sup> R.S. Lopez and H.A. Miskimin, 'The Economic Depression of the Renaissance', *Economic History Review*, Second Series, xiv (1962), pp. 408–426 and C.M. Cipolla, 'Economic Depression of the Renaissance', *ibidem*, pp. 519–524.

<sup>3</sup> Data concerning interest rates on English mortgage bonds discussed below is derived from A.P. Travers, *The Practice of Usury in Mid-Sixteenth Century England* (Edinburgh, PhD thesis, 1976).

<sup>4</sup> See eg. H.E. Malden (ed.), *The Cely Letters*, *Camden Society*, Third Series, 1, (1900); A Hanham (ed.), *The Cely Letters 1472–1488*, *Early English Text Society*, cclxxiii, (1975) and the latter author's *The Celys and their world. An English merchant family of the fifteenth century* (Cambridge, 1985), particularly part II pages 109–254. It should be noted that the terms of credit noted by Professor E. Power ('The Wool Trade in the Fifteenth Century' in E. Power and M.M. Poston [eds], *Studies in English Trade in the Fifteenth Century* [London, 1933], pp. 56–7) are somewhat abnormally generous due to the depression in the export trade, occasioned by the financial crisis of 1486–92 in the Low Countries. On an analogous situation relating to Flemish textile producers selling their wares through Bruges see A. von Brandt, 'Waren- und Geldhandel um 1560', *Zeitschrift des Vereins für Lübeckische Geschichte*, xxxiv (1954).

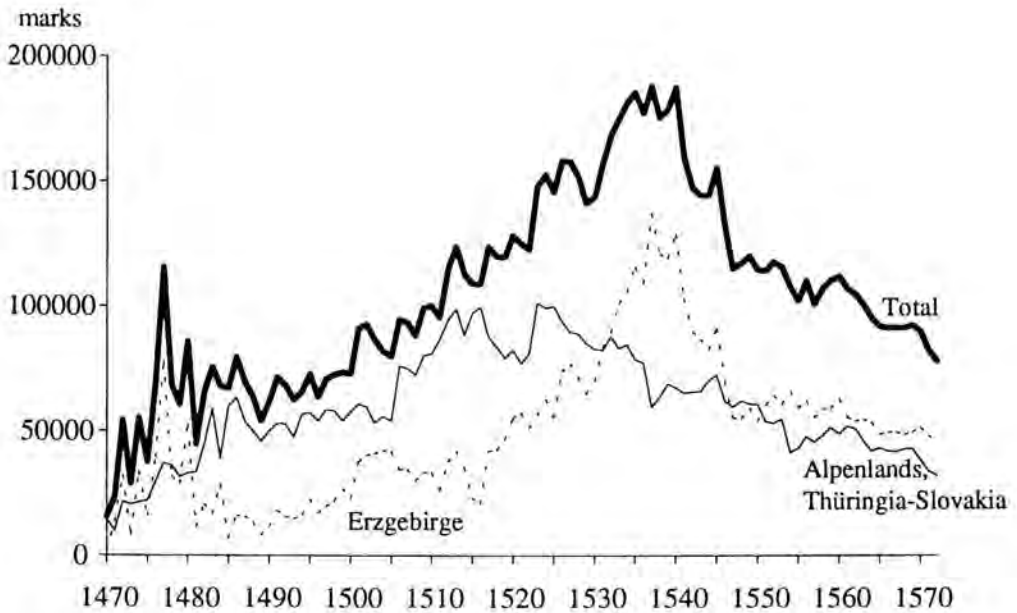


Fig. 2. Central European Silver Production, 1470 – 1570

systems had undergone a process of ‘rustification’ causing merchants and traders to make only marginal use of exchange facilities.<sup>5</sup> Bill markets in the great commercial metropoli of western Europe were, accordingly, characterised at this time by a certain thinness as low and intermittent activity occasioned marked fluctuations about a high median rate of interest. Nor did this situation fundamentally change during the subsequent half century (ca. 1525 – 1575) although, as recurrent population growth resulted in an immiseration of the population and inflationary pressures undermined the value of savings, base interest rates edged upwards and sales-credit terms shortened precipitating cash-flow problems amongst provincial merchants and causing those who had access to metropolitan capital markets to be tipped over onto the exchanges. The balance between exchange and sales-credit

<sup>5</sup> M.M. Postan, ‘Credit in Medieval Trade’, *Economic History Review*, 1, 2 (1928) reprinted in E.M. Carus-Wilson (ed.), *Essays in Economic History* (London, 1954), 1, pp. 61 – 87 contains much that is relevant to a description of the London money market during the opening decades of the sixteenth century. The picture of the London market presented in this work has been confirmed and extended through a study of contemporary Anglo-Netherlands merchant account books for the period 1486 – 1527 undertaken in the context of the project on ‘The Anglo-Netherlands Bill Market and English Export Finance’ (ESRC Projects – HR 8205 & B 0023002/1), details of which are available from the author.

systems altered in favour of the former but the basic pattern of capital outflows from the agricultural sector remained.<sup>6</sup>

That the increased calls from ca. 1520 upon the facilities of metropolitan exchange markets did not force up interest rates and precipitate crisis conditions therein, however, resulted from equally fundamental changes in exchange dealings whose origins at that time could be traced back more than half a century. From the 1460s a new market structure had been superimposed upon the old, as the great central European silver mining boom of the years 1460 – 1560 ran its course (fig. 2).<sup>7</sup>

Most spectacular in this respect were the effects on regional capital markets of successive booms in 1460 – 1486/91 and 1516/22 – 1542/7 in the important Saxon-Silesian mining complex which resulted in local interest rates falling from the high levels of eastern Europe to the much lower ones prevailing on the Central European capital market. Similar downswings in interest rates also occurred within that Central European market although initially at least the impact of successive mining booms was highly localised. The first great Saxon mining boom (1460 – 1486) thus produced extra-regional effects only on the Frankfurt-Köln money markets. Similarly the second sub-cycle, which was played out from 1476 – 1492 in the Tirol against a background of Saxon decline, resulted in a decline in interest rates only on the capital markets of the Upper Rhine region. During the first production-cycle (1460 – 1492) of the Central European mining boom successive sub-cycles thus wrought their impact solely on a local basis. During the second cycle (1492 – 1526), however, as the production elements of a new Tirolean-Thuringian-Slovak mining complex became much more highly integrated, the effects of the resultant boom were diffused much more widely on the capital markets of Central Europe and beyond.<sup>8</sup> Particularly from ca. 1505/15 – 1526 money markets throughout western Europe felt the beneficial effects of the silver boom, interest rates falling to a new all-time low. A new structure had been imposed upon West-Central European capital markets as they assumed a bipartite form, for the moment high rates on the markets of the Saxon-Silesian region contrasting with the incredibly low rates prevailing throughout a unitary system centred on the new Tirolean-Thuringian-Slovak mining complex. Nor during the third production-cycle of 1516/22 – 1542/7 was this structure disturbed although the inter-regional balance of rates therein was reversed. As the Saxon-Silesian complex once more came to the fore at this time whilst silver production in the Tirolean-Thuringian/Slovak mining complex commenced on a path of decline to 1538/42 base interest rates in the former region again fell whilst those in the latter region were enhanced.

<sup>6</sup> On these changes see Ian Blanchard, *The International Economy in 'the Age of the Discoveries', 1460 – 1560*. (In press), vol. 1., chapter 5.

<sup>7</sup> Preliminary findings from materials on European and Central- and South American mining production are presented in chapter 1, 'The Habsburgs and the Antwerp Money Market: the Exchange Crises of 1521 and 1522 – 3' by Herman van der Wee and Ian Blanchard in *Industry and Finance in Early Modern Europe*, edited by Ian Blanchard, Anthony Goodman and Jennifer Newman (Stuttgart: Vierteljahrsschrift für Sozial- und Wirtschaftsgeschichte-Beiheft, Bd. 98, 1992), pp. 27 – 56.

<sup>8</sup> H. van der Wee, *The Growth of the Antwerp Market and the European Community (Fourteenth – Sixteenth Centuries)*, 3 volumes (The Hague, 1963), 1, p. 527.



As Central European silver production thus rose to a peak from ca. 1505/15–1540, a new bipartite structure had been imposed upon West-Central European capital markets which were characterised by an alternating inter-sectoral movement of rates as first (1505/15–1525) a unitary western European market experienced the benefits of cheap money before (1527–1538/42) rates rose therein and it was the markets of the Saxon-Silesian region which benefitted from readily available and cheap funding.

During the century 1460–1560, therefore, as the Central European silver mining industry underwent a production long-cycle, western European capital markets were subjected to a process of change as a new market structure was superimposed on the old. Interest rates varied about the prevailing five per cent norm in response to production fluctuations in the mining industry. Initially (1460–1505/15) the effects of successive mining booms were felt solely on a local basis but as the production long-cycle rose to its peak (1505/15–1538/42) and the industry's constituent elements became much more highly integrated so did capital markets, assuming a bipartite form during these years within which rates moved in an alternating pattern as first (1505/15–1525) a unitary western European market experienced the benefits of cheap money before (1527–1538/42) rates rose therein and it was the markets of the Saxon-Silesian region which benefitted from readily available and cheap funding.

As a result of these changes the financial and commercial systems utilised by the international merchant community were transformed. The great mining boom from its inception had attracted investment funding from the great South German merchant-banking houses<sup>9</sup> and as the returns from these investments were realised these houses were able, with their new found wealth, to fund with increasing ease the ever growing fixed and variable capital requirements of their industrial enterprises; underwrite the burgeoning volume of their exchange dealings; finance their growing involvement in international trade and even satisfy the voracious appetite of the Habsburgs for loans. In relation to the funding of commercial activity the silver obtained from the mines, having been turned into coin at local mints<sup>10</sup>, was available for exchange operations on local money markets, either allowing merchants in distant centres to take up funds for commercial activity secure in the

<sup>9</sup> Although there is an immense literature about the history of mining, comprehensive data about investments are not as yet available, most studies being more concerned with the output than with the financing of mining operations. For a recent careful survey about the present state of research, however, see V. Vazquez de Prada, 'La conyuntura de la minería y la metalurgia europeas' (siglo XIII – XVII) in *Revista de Historia Económica*, vi (1988), pp. 257–276 whilst some scattered data is provided in J. Vlachovic, *Slovenska med v 16. a 17. storoci* (Bratislava, 1964); E. Westermann, *Das Eislechner Garkupfer und seine Bedeutung für den europäischen Kupfermarkt 1460–1560* (Köln & Wien, 1971); L. Scheuermann, *Die Fugger als Montanindustrielle in Tirol und Kärnten. Ein Beitrag zur Wirtschaftsgeschichte des 16. und 17. Jahrhunderts* (München & Leipzig: Studien zur Fuggergeschichte, vol. 8, 1929).

<sup>10</sup> See for example J. Schüttenhelm, 'Zur Münzprägung und Silberversorgung süddeutscher Münzstätten im frühen 16. Jahrhundert' in W. Kroker & E. Westermann (eds), *Montanwirtschaft Mitteleuropas vom 12. bis 17. Jahrhundert. Stand, Wege und Aufgaben der Forschung*. (Bochum: Der Anschnitt, Beiheft 2, 1984).

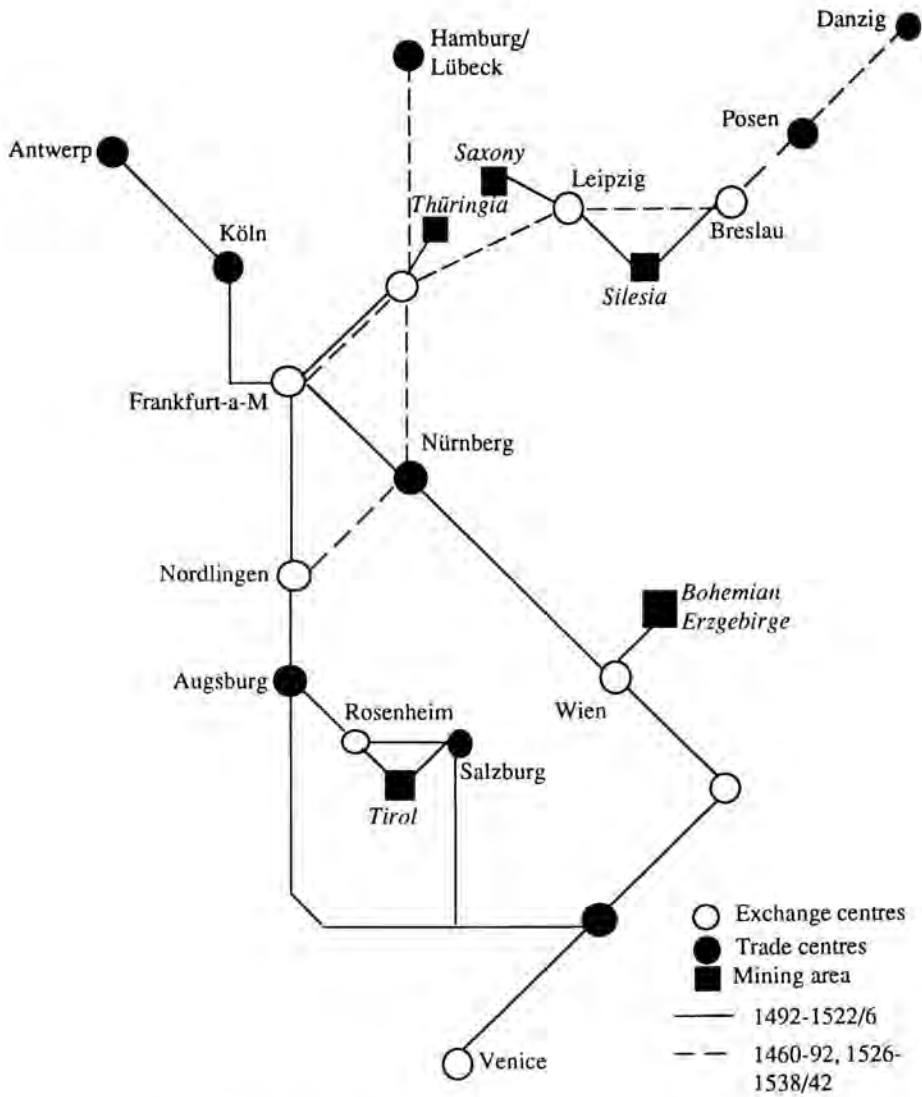


Fig. 3. Exchange Systems 1460 – 1540

knowledge that their bills on these markets would be met when they fell due, or making abundant funding available to those proffering bills there to finance their trade. In such circumstances these money markets, where commercial credit could be funded at relatively low rates of interest, drew trade towards them and effected a realignment of commercial activity in line with the alternating pattern of Central European mining activity.



During the years of the first great mining boom, 1460–1486, because of weak levels of activity in the Thuringian-Tirolean-Slovak mining complex, old and new commercial-financial systems co-existed with the West-Central European market region. At Bruges and London international trade continued to be financed on the basis of rural sales credits and merchants very occasionally resorted to exchange markets where Italian houses<sup>11</sup> could offer only high-priced commercial credit on the basis of retained trading profits. Further east, however, the situation was very different. Here, under the influence of the contemporary mining boom, a new financial-trading system was forming (fig. 3). At this time it assumed a simple tri-nodal form, linking Köln-Aachen in the north with Wien in the east and Venice in the south and providing a system within which merchants could draw on mining corporation funding through the money markets of Köln-Frankfurt (Saxony-Thuringia), Nördlinger-Rosenheim (Tirol) and Wien (Slovakia). Merchants, moreover, were not slow to take advantage of the new situation. Utilising cheap commercial credits they propagated at this time an active trade involving the exchange of north-western European textiles (predominantly Köln-Aachen cloths and South German barchants and fustians) for south-eastern European agrarian produce and Italian wares.<sup>12</sup>

Nor did this system undergo major structural changes during the second (1492–1526) production-cycle of the Tirolean-Thuringian-Slovak mining complex. In Bruges and London the old ways continued although, particularly during the years 1505/15–1526, the balance of activity within the West-Central European region began to shift from these centres towards the new Central European system. Rapidly increasing silver production, within a commercial network where financial and mining operations were becoming more integrated, brought the benefits of cheap money to the existing system of exchanges and, in the context of the 1489–92 Netherlands monetary reforms, resulted in an extension of that system to incorporate the emergent centre of Antwerp. During this period therefore Antwerp became the western terminus of a major commercial system within which a trade in Anglo-Netherlands textiles now expanded on the ruins of the old Rhenish industry<sup>13</sup> and the merchants of Köln and Frankfurt carried these wares to South Germany and the Alpenlands through Augsburg and to the lands of the Hungarian crown through Wien. Along the way, moreover, they shared passage with those merchants who traded to Italy, merchants who at Augsburg took passage via the

<sup>11</sup> Contemporary account books reveal that at Bruges in the 1470s and 1480s the major finance houses were the Frescobaldi, Caponi, Solni and Altaniti. Thirty years later at London some of the same houses (Frescobaldi and Caponi) continued to play an important role in the market but by this time they had been joined by the Lomellini, Cavalcanti, Vivaldi and Bonvisi whose Netherlands' offices were located at Antwerp.

<sup>12</sup> H. Amman, 'Deutschland und die Tuchindustrie Nordwesteuropas im Mittelalter', *Hansische Geschichtsblätter*, LXXII (1954) and the same author's 'Die Anfang der Leinenindustrie des Bodenseegebietes', *Alemannisches Jahrbuch*, 1953.

<sup>13</sup> A. Dietz, *Frankfurter Handelsgeschichte* (Frankfurt-a-M., 1910–1925), II, pp. 266–7.

Brenner and occasionally the Rescheneideck passes to Verona and Venice.<sup>14</sup> North-western European textiles thus continued to be exchanged for south-eastern European agrarian produce and Italian wares but now these textiles emanated from the Anglo-Netherlands production complex and, as in response to increasing silver production interest rates on commercial paper fell, the volume of commercial activity increased. At the western end of the great trans-continental way linking Italy with the Netherlands, therefore, during the years 1460 – 1486 and 1492 – 1526, the old commercial-financial system centred on Bruges, where merchants augmented finance raised through a sales-credit network with commercial credits provided by Italian houses on the basis of retained commercial profits, was eclipsed. In its place a new system was born centred on Antwerp. Here the agencies of the great South German houses and a new generation of Italians, able to draw on the resources of the Central European mining corporations through the money markets of Köln-Frankfurt (Saxony-Thüringia), Nördlinger-Rosenheim (Tirol-Black Forest) and Wien (Slovakia), engaged in active exchange operations which provided the basis for a major trade boom.

Within this new West-Central European system the fortunes of these merchant-financier were linked, however, to those of the mining entrepreneurs of the Tirolean-Thuringian-Slovak production complex. Each phase of increasing silver production occasioned a fall in interest rates and enhanced commercial activity. Each decline brought about a stabilization in interest rates and commercial stagnation. On these latter occasions, moreover, in the context of the alternating pattern of mining activity, the focus of commercial and financial activity was displaced elsewhere. Thus during the years 1460 – 1486/91 and 1527/8 – 1542, as the Saxon-Silesian complex came to dominate Central European mining operations, an alternative financial-commercial system, centred on Leipzig<sup>15</sup> and Breslau, came to the fore. Merchants at Nördlingen-Nürnberg, who in the period 1492 – 1526 were active in the trade via Frankfurt to Köln and Antwerp, during the years 1460 – 1486/91 and 1527/8 – 1542 increasingly drew bills on Leipzig or Breslau to finance a trade to the North or East. Along new routes they transported both domestic weaponry – metal wares and exotic luxury goods from Italy and the Levant to Lübeck-Hamburg or Posen-Danzig and returned not only with Baltic wares but also with western textiles trans-shipped through the former centres and destined for either domestic consumption or re-export South.<sup>16</sup>

<sup>14</sup> W. Brulez, 'Les routes commerciales d'Angleterre en Italie au XVI siècle', *Studi in onore di Amintore Fanfani* (Milan, 1962), IV, pp. 120 – 184; H. Pohl, 'Köln und Antwerpen um 1500', *Mitteilungen aus dem Stadtarchive von Köln: Köln, das Reich und Europa*, LX (1971), pp. 477 – 482.

<sup>15</sup> G. Fischer, *Aus Zwei Jahrhundert Leipziger Handelsgeschichte, 1470 – 1650* (Leipzig, 1929).

<sup>16</sup> On the trade at these times to the east – F. Lutge, 'Der Handel Nürnbergs nach dem Osten im 15. und 16. Jahrhunderts', *Beiträge zur Wirtschaftsgeschichte Nürnbergs*, 1 (1967); A. Simsch, *Die Handelsbeziehungen zwischen Nürnberg und Posen in europäischen Wirtschaftsverkehr des 15. und 16. Jahrhunderts* (Wiebaden, 1970) and W. Dersch, 'Hennebergisch-Polnische Beziehungen im 16. Jahrhundert', *Historische Monatsblätter die Provinz Posen*, XIX (1918) – whilst Central European commerce to Lübeck is considered in J.D. Fudge, *The German Hanse and England: Commercial and Political Interaction at the Close of the Middle Ages* (unpublished Edinburgh Ph.D. thesis, 1988), pp. 198 – 9.

During the years 1460–1540, therefore, as Central European silver output increased during the upswing of the industrial long-cycle, western European capital markets were subjected to a process of change as a new market structure was superimposed on the old. Interest rates varied about the prevailing five per cent norm in response to production fluctuations in the mining industry. Because of market imperfections, however, the timing and incidence of these changes in interest rates varied widely between finance markets which continued during the years 1460–1540 to be dominated by local specie supplies derived from an industry which was characterised by its own development pattern. Even as the industrial long-cycle ran its course there was superimposed upon it a pattern of medium-term, resource-related cycles which followed each other at about 30-year intervals and which displayed a pattern of spatial displacement of an intra-sectoral character. Within the Central European industry this assumed an alternating form. During the first (1460–1491) and third (1516/22–1542/7) production-cycles the mines of the Erzgebirge rose to a position of supremacy. During the second (1492–1522/6) they were displaced by those of the Thuringian-Hungarian and Tirolean production complex. Each displacement brought the benefits of cheap money to local finance markets. The Saxon-Silesian mining booms of 1460–1491 and 1526/7–1542 transformed conditions on the Leipzig money market whilst Antwerp, as an extension of the Rhenish-Tirolean mining and commercial system, enjoyed the benefits of cheap money predominantly during the years 1492–1522/6. In each instance merchants responded to the new situation by reorientating trade to avail themselves of the benefits of cheap money and whether western European merchants accessed the new systems via Hamburg-Lübeck (in 1460–1491 and 1526/7–1542) or Antwerp and the Brabantine fairs (in 1492–1522/6) the availability of cheap money ensured their trade expanded rapidly in the years to ca 1540. A new age had dawned as, in the provision of commercial credit, the focus of activity had shifted from the Rialto to the marts of Central Europe where abundant supplies of silver from the mines of the region provided the basis for cheap bill finance and an increase in commercial activity. The effectiveness of the new system was revealed when (in 1485–91, 1514, and 1527/8) markets were disrupted and merchants who were forced back onto older credit networks were confronted with a 2–3% increase in the cost of bill finance.<sup>17</sup> At these times trade declined. Yet such circum-

<sup>17</sup> On the place of the 1527/8 crisis in the general pattern of international financial disorders see R. Ehrenberg, *Das Zeitalter der Fugger. Geldkapital und Kreditverkehr im 16. Jahrhundert* (Jena, 1922), 1, p. 385 whilst particular aspects of the crises of 1514 and 1527/8 are considered in E. Westermann, 'Die Bedeutung des Thüringer Saigerhandels für den mitteleuropäischen Handel an der Wende vom 15. zum 16. Jahrhundert', *Jahrbuch für Geschichte Mittel- und Ostdeutschlands*, XXI (1972) and the same author's 'Das "Leipziger Monopolprojekt", als Symptom der mitteleuropäischen Wirtschaftskrise um 1527/8', *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte*, LVIII (1971). The effects of the 1525 and 1527/8 crises on markets for commercial credits have been investigated by Herman van der Wee and the present author on the basis of data collected at Edinburgh in connection with the ESRC-sponsored project (HR 8205 & B 0023002/1) *The Anglo-Netherlands Bill Market and English Export Finance* and at Leuven as part of the programme of research into Netherlands monetary systems. The results of these investigations are to be published in Ian Blanchard, *The International Economy in 'the Age of the Discoveries', 1460–1560*. (In press), vol. 1., chapters 1–3.

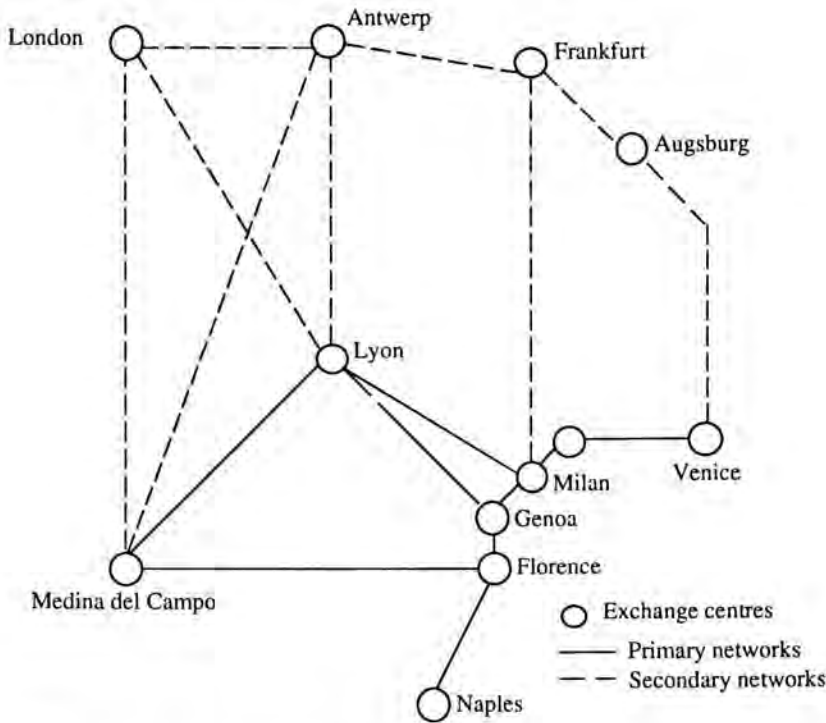


Fig. 4. Exchange Systems 1544 – 65.

stances were ephemeral in character, interrupting but not stopping the trade boom which on the basis of cheap credits continued to 1540.

From about 1540, however, this whole system began to disintegrate as the focus of international silver production completed a shift to the Americas. The Central European market was now eclipsed and began to fragment into atomistic units as there was a return to pre-1505 conditions. Thus during the fourth production-cycle (1537/42 – 1568), which marked the beginning of the downturn of the prevailing Central European production long-cycle, the impact of regional mining booms once again became highly localised. Increased Thuringian silver production resulted in falling interest rates on the money markets of the Lower Rhine region but not on those of the Upper Rhine where falling Tirolean output caused rates to rise. Rates on both markets, moreover, diverged from those of the Silesian-Saxon mining region. During this production-cycle and the next (1565/8 – 1598), which saw the Central European mining industry pass further down the secular path of decline, successive mining booms again wrought their effects on capital markets in an essentially local context. As the focus of international silver production shifted to the Americas, however, there was yet another displacement of activity and Seville and the fairs of Medina del Campo became the focus of a new financial net-



work in western Europe. Already in the 1530s the foundations of this new system were being laid as the arrival of increasing quantities of gold at the Guadalquivir effected a transformation of conditions at the fairs of Medina del Campo (fig. 4). Interest rates on both public and private loans fell, reducing the cost of exchange transactions between Spain, Italy (particularly Florence and Genoa) and France (Lyons). Nor was the impact of American specie confined to this primary network for, through the activities of the Sevillian Genoese and also to a lesser extent through the involvement of German houses like the Fugger and Welser, Antwerp was drawn into the new system and with it London and Augsburg<sup>18</sup>. Once again, therefore, the focus of commercial credit systems had shifted. Having relocated from Italy to Central Europe it now finally settled in Spain where the exchanges moved to a new tempo conditioned by news of the arrival of the Indies fleet.

From its inception, however, the new system was subject to major changes which initially altered its structure and ultimately wrought its demise. Even as the Spanish-Netherlands exchanges began to move to the new forces which were transforming activity at Medina del Campo, continuing Habsburg intervention on the Antwerp bourse crippled that city's money market and resulted in a displacement of financial activity elsewhere, bringing new life to markets like London and setting in motion forces which would bring the Piacenza Fairs to the fore in financing trans-continental trades.<sup>19</sup>

Yet the effects of the American silver boom were not confined to a geographical restructuring of European capital markets, for as increasing supplies of the precious metal were transported to Spain, local money markets were flooded, interest rates fell below the specie export point and supplies of the metal were transhipped elsewhere. In principal Spain was a closed vase into which the enormous American fortune flowed and came to a halt but the closure was not perfect...<sup>20</sup> In 1527, 1548, 1559 and again in 1562 the Cortès complained about the seemingly never ending outflow of bullion from the realm. A constant, if illicit, stream of gold flowed to Genoa and Italy, Lyons and France.<sup>21</sup> One observer noted that in the years to 1556

<sup>18</sup> For a useful introduction to the activities of the Sevillian Genoese see R. Pike, *Enterprise and Adventure: The Genoese at Seville and the Opening of the New World* (Ithaca New York, 1966) whilst R. Carande, *Carlos V y sus banqueros* (Madrid, 1949) and H. Kellenbenz, 'Die Konkurrenten der Fugger als Bankiers der spanischen Krone' *Zeitschrift für Unternehmensgeschichte*, xxiv, (1979) provide considerable information on their activities and those of the Germans on Spanish money markets. The impact of these changes on the money markets of London and Augsburg is briefly considered in the studies of 'The Habsburgs and the Antwerp Money Market: the Exchange Crises of 1521 and 1522-3' by Herman van der Wee and Ian Blanchard and 'The Effects of Empire: Changes in the European Economy after Charles V' by Reinhard Hildebrandt in *Industry and Finance in Early Modern Europe*, edited by Ian Blanchard, Anthony Goodman and Jennifer Newman (Stuttgart: Vierteljahrsschrift für Sozial- und Wirtschaftsgeschichte-Beiheft, Bd. 98, 1992), pp. 27-56, 58-76.

<sup>19</sup> J.-G. da Silva, *Banque et crédit en Italie au xvii<sup>e</sup> siècle*, (Paris: Publications de la faculté des lettres et sciences humaines de Paris-Nanterre. Theses et Travaux, 8, 2 vols. 1969).

<sup>20</sup> F. Braudel, *La Méditerranée et le monde méditerranéen à l'époque de Philippe II* (Paris: second edition, 1966) 1, p. 433.

<sup>21</sup> R. Gascon, *Grand commerce et vie urbaine au xvii<sup>e</sup> siècle. Lyon et ses marchands* (Paris, 1971), 1, pp. 118-9 on the balance of trade between Spain and Lyons; H. Van der Wee, *Antwerp*, II, pp. 201-2; R. Ehrenberg, *op. cit.*, 1, p. 136.

an estimated five and a half million écu d'or had passed out of the realm, creating inflationary pressures within the European economy to which lenders were forced to respond.<sup>22</sup> A new age was dawning and henceforth a new trend was superimposed upon the existing pattern of interest rates as lenders attempted to protect their assets by enhancing rates in line with regional price increases and merchants, attempting to raise finance for his businesses, found a new competitor in the specie exporter who had to be outbid to secure the money they needed. All over Europe during the years after 1540 those with money to lend were forced to adjust to a very different market situation.<sup>23</sup> Yet in most instances they seem to have responded in much the same way and interest rates rose in line with prices and enhanced specie arbitrage margins, 'monetary' rather than 'real' factors exerting a dominant influence on their decision making – at least until 1575 when 'real' changes in the Dutch and English economies transformed capital markets in Amsterdam and London and ushered in a new age of commercial prosperity.

The century from 1460 – 1560 had thus witnessed a transformation of international financial networks. Within a market structure inherited from the later Middle Ages and under the influence of the contemporary Central European mining boom an older 'rustic' system of commercial credit, formed under the guidance of Italian merchant houses, was displaced during the years 1460 – 1540 by a new network, dominated by the South Germans, in which interest rates varied in response to production fluctuations in the mining industry. In the provision of commercial credit, the focus of activity had shifted from the Rialto to the marts of Central Europe and whether the new systems were accessed from the West via Hamburg-Lübeck (in 1460 – 1491 and 1526/7 – 1542) or Antwerp and the Brabantine fairs (in 1492 – 1522/6) the availability of cheap money therein ensured that trade expanded rapidly. Then, from about 1540 this whole system began to disintegrate as the focus of international silver production completed a shift to the Americas. The Central European market was henceforth eclipsed and began to fragment into atomistic units, but, as the focus of activity was displaced elsewhere and Seville and the fairs of Medina del Campo became the centre of a new network for the provision of commercial credit in western Europe, interest rates continued to fall and trade to expand. Under the influence of changing production patterns in the Euro-American mining industries a succession of new credit systems had been formed, the primary focus of activity relocating from Italy, to Central Europe and finally to Spain. In each instance interest rates on exchange dealings had fallen and merchants, by reorientating their trade to take advantage of each new source of credit, had experienced an increase in the volume of their commercial activity.

Before the Iberian trade boom of 1537/42 – 1568 ran its course, however, the

<sup>22</sup> E. Albers, *Relazioni degli ambasciatori veneti al Senato*, II, p. 405 as quoted F. Braudel, *op. cit.*, I, pp. 435 – 6 thereby creating a pattern of market behaviour which continued into the second half of the century: H. Lapeyre, *Simon Ruiz et les asientos de Philippe II* (Paris, 1953) and R. Ruiz-Martin, *Lettres marchandes échangées entre Florence et Medina del Campo* (Paris, 1965).

<sup>23</sup> For another analysis of this situation viewed from a somewhat different perspective see M-T. Boyer-Xambeu, G. Deleplace and L. Gillard, *Monnaie privée et pouvoir des princes. L'économie des relations monétaires à la Renaissance* (Paris, 1986).



massive inflow of Spanish-American silver began to create inflationary pressures within the European economy and to alter the international balance of specie stocks, thereby transforming the structure of international money markets. A new age was dawning and henceforth a new trend was superimposed upon the existing pattern of interest rates as lenders attempted to protect their assets by enhancing rates in line with regional price increases and increased margins on specie transfers increased the cost of commercial credit. All over Europe those with money to lend were forced to adjust to a very different market situation. Yet in most instances they seem to have responded in much the same way, 'monetary' rather than 'real' factors exerting a dominant influence on their decision making. Finance costs, including those for commercial credit, rose and from 1550 – 1575 trade declined, ushering in a crisis which marked the end of one age – and the beginning of another when Amsterdam and London reigned supreme.

## Banquiers et Formation du Marche National en France, 1820 – 1940

Qu'est-ce qu'une ville de finance ? Voici Barbezieux, en Saintonge, un modeste chef-lieu de canton peuplé de 4 000 habitants, comme il y en a plusieurs centaines en France. Ernest Labrousse, le grand historien de l'économie française, y avait passé son enfance. Il se souvenait qu'on trouvait là, peu avant la première guerre mondiale, un homme qui faisait de la banque, et qui jouait de ce fait un rôle important dans l'activité économique de la place. Une génération plus tôt, au début de la Troisième République, il n'était pas seul à exercer la fonction : un annuaire professionnel recensait quatre banquiers à Barbezieux, dont l'activité se distinguait sans doute très incomplètement du négoce.<sup>1</sup>

Cet *Annuaire spécial de la Finance* n'est, au niveau national où il se situe, qu'un inventaire a minima ; d'ailleurs, son éditeur réclame de ses premiers lecteurs qu'ils lui fassent parvenir tous les compléments nécessaires. Il fournit d'abord par ordre alphabétique, l'adresse de tous les banquiers de France, et même des anciens départements d'Alsace-Lorraine, qui viennent d'être annexés par l'Allemagne. Ces mêmes renseignements sont ensuite répartis, par villes, sous forme de répertoire ; une distinction sépare, selon la nature de leur activité financière principale agents de change, banquiers changeurs, escompteurs, receveurs de rentes.<sup>2</sup> Une analyse fine des variations régionales de ces spécialisations archaïsantes serait sans doute éclairante, mais je me bornerai à une statistique globale. Pour l'ensemble des établissements bancaires, succursales comprises, le total dépasse 3 000, soit environ 500 à Paris et dans les départements limitrophes, et le reste en province.<sup>3</sup> Sur les 35 000 communes environ que compte la France, un peu plus de 1 000 possèdent alors au moins un établissement bancaire identifiable. Ancy-le-Franc, Arnay-le-Duc, Chasseneuil, certaines de ces communes sont minuscules. Chefs-lieux administratifs et centres du commerce rural à la base, la France est déjà toute piquetée de comptoirs bancaires.

Le semis bancaire est inégal, bien entendu. Sa densité s'explique pour l'essentiel

<sup>1</sup> A. Plessis, 'Banques locales, succursales de la Banque de France et financement de l'économie sous le Second Empire', *Le capitalisme français, XIXe-XXe siècle. Blocages et dynamisme d'une croissance*, sous la direction de P. Fridenson et A. Straus, Paris, 1987.

<sup>2</sup> *Annuaire spécial de la Finance*, par Beraud et compagnie, Paris, 1874 – 1875.

<sup>3</sup> A. Plessis, 1987.

par les écarts du développement économique et de la richesse départementale. Une statistique officielle permet de calculer, par département, le rapport du nombre des actifs employés dans la banque à l'ensemble de la population active.<sup>4</sup> La carte indique une distribution spatiale déséquilibrée, dont les caractères sont sans surprise. Trois zones connaissent à la fin du XIX<sup>e</sup> siècle des activités bancaires plus intensives que la moyenne : le quart nord-est du pays depuis la Normandie jusqu'à la frontière belge et depuis la Manche jusqu'à la Lorraine ; la côté méditerranéenne depuis le Languedoc jusqu'à Nice ; enfin, les vallées des fleuves de la France méridionale : le Rhône depuis Lyon et la Garonne entre Toulouse et Bordeaux. Sur le plan fonctionnel, cette carte est composite. On y retrouve aussi bien les centres traditionnels du grand commerce que les régions d'industrialisation moderne, aussi bien les premiers pôles touristiques (voyez Nice surtout) que les régions agricoles spécialisées dans la viticulture ou dans l'élevage d'embouche.

On voit bien dans quelle direction la pente analytique entraîne. Dans la ligne des travaux du début de ce siècle de Paul Vidal de La Blache, la géographie française distinguait traditionnellement entre les régions homogènes et les régions fonctionnelles. La première, liée à la notion de paysage naturel ou humain, se trouvait caractérisée par une certaine étanchéité et, sinon par l'uniformité, du moins par la répétition habituelle de certains traits. La seconde renvoyait à la vie de relation, à la densité des flux économiques, à la hiérarchie des centres qui coordonnent ces derniers.<sup>5</sup> Dans un tel schéma, l'analyse des réseaux bancaires semble avoir sa place toute trouvée. D'une part, la constitution au XIX<sup>e</sup> siècle de ces réseaux permettrait à la France, ou à certaines régions mieux développées, de dépasser le stade des zones homogènes pour accéder à celui des ensembles fonctionnels. D'autre part, la répartition sur la carte des places bancaires et de leur hiérarchie donnerait à lire l'une des images possibles (peut-être la plus importante puisqu'elle est censée commander l'investissement) de l'organisation et du fonctionnement de l'espace économique français au moment de l'industrialisation. L'histoire de l'unification de la surface économique française s'inscrit alors dans les schémas linéaires du développement inspirés de Rostow : passage du stade 1 (collection de régions homogènes) au stade 2 (ensemble de régions fonctionnelles) puis augmentation régulière des gabarits régionaux aux dimensions de la France toute entière, ici avec la conquête du territoire par les grandes banques de dépôts, ailleurs (selon un mouvement qui appuie le précédent) avec l'accélération des transports. L'histoire de la formation du marché national devient celle d'un maillage progressif de l'espace. Genèse, croissance et maturité sont les étapes d'une marche vers une situation

<sup>4</sup> Y. Nakagawa, *La circulation monétaire dans les départements français des années 1870 à 1914*. Thèse de Doctorat de Troisième Cycle, Paris-I, 1981 non publiée.

<sup>5</sup> E. Juillard, 'La région : essai de définition' (1962), *La région. Contributions à une géographie générale des espaces régionaux*, Paris, 1974, p. 27 - 43.

d'équilibre atteinte au xxe siècle.<sup>6</sup> Les éléments de cette histoire, qui sont maintenant bien connus,<sup>7</sup> laissent pourtant apercevoir des processus plus complexes.

### Ce que suggère l'histoire des banques au xixe siècle

Entre le milieu du xviii<sup>e</sup> siècle et le milieu du xix<sup>e</sup> siècle, la banque émerge en France d'une protohistoire au cours de laquelle, pour des raisons qui tiennent à la marche des affaires, la banque et le négoce étaient peu séparés. De 1820 à 1845 environ, la croissance et la diversification de l'économie, la cherté et l'inégalité du crédit dont témoigne par exemple l'enquête sur la création de la Caisse Hypothécaire en 1819,<sup>8</sup> l'importance du 'numéraire flottant et inoccupé' pour reprendre les termes du Directeur du Comptoir d'Escompte de Nevers, amènent une première floraison des banques locales. Dans la Nièvre par exemple, un maître de forge, des faïenciers, des commerçants, un propriétaire foncier se font banquiers. On compte dans le département 6 banques en 1827 et 12 en 1831, qui prêtent peu à la métallurgie et beaucoup à l'élevage d'embouche.<sup>9</sup> Alors que les premières succursales de la Banque de France s'étaient heurtées à l'hostilité des milieux économiques locaux sous le Premier Empire, ces mêmes milieux obtiennent la création, entre 1818 et 1838 d'une dizaine de banques départementales qui pratiquent l'escompte et ont le privilège d'émettre des billets dans le ressort du département. L'hostilité de la haute banque parisienne, réunie dans le 'club' que constitue la Banque de France, aboutit à la reprise de la création des succursales départementales de la Banque de France, à l'interdiction de la création de nouvelles banques départementales et à l'absorption de celles qui existaient déjà.<sup>10</sup>

La grande crise économique du milieu du siècle entraîne la multiplication des faillites, mais l'intervention provisoire de l'Etat et la création des Comptoirs Nationaux d'Escompte épurent la situation et préparent un nouvel essor des banques locales, qui dure au moins jusqu'à la fin des années 1880. La Nièvre, par exemple, compte alors plus de 30 banquiers, dont 4 à Nevers et 6 à Clamecy. Ces établissements locaux constituent, jusqu'à la fin du siècle, les bases du semis bancaire. Certains d'entre eux changent l'échelle de leurs interventions et leurs structures spatiales. Comme par exemple les banques locales de Saint Quentin dans le nord de la France, ils se dotent d'un réseau de succursales aux dimensions d'un arrondissement.

A leur niveau élémentaire, ces établissements s'inscrivent dans un mouvement plus général. La création des grandes banques de dépôt sous le Second Empire,

<sup>6</sup> J. Labasse, *L'espace financier. Analyse géographique*, Paris, 1974.

<sup>7</sup> J. Bouvier, *Un siècle de banque française. Les contraintes de l'Etat et les incertitudes des marchés*, Paris, 1973. L. Bergeron, 'Les espaces du capital', *Histoire de la France*, sous la direction de A. Burguière et J. Revel, volume 1, *L'espace français*, Paris, 1989, p. 291 - 371.

<sup>8</sup> Les dossiers sont aux Archives Nationales, dans F12 6068.

<sup>9</sup> G. Thuillier, 'Pour une histoire bancaire régionale : en Nivernais de 1800 à 1880', *Annales ESC*, 1955, p. 494 - 512.

<sup>10</sup> B. Gille, *La banque et le crédit en France de 1815 à 1848*, Paris, 1959.

avait inauguré une autre forme du déploiement des banques sur le territoire. En particulier, le Crédit Lyonnais fondé en 1863 et la Société Générale fondée en 1864 appliquent au métier bancaire des principes nouveaux. Le premier est l'appel à l'ensemble du public épargnant : 'le principal mérite de notre clientèle est de nous apporter de l'argent', écrit le directeur du siège social du Crédit Lyonnais à son collègue de la succursale de Paris. Le second trait découle du premier : c'est la construction progressive d'un réseau bancaire grâce à la multiplication des succursales et des agences. Ainsi, le Crédit Lyonnais multiplie d'abord les bureaux dans la région rhodanienne ; puis il ouvre une série de succursales dans les grandes villes, presque toujours des chefs-lieux de départements, et dans les quartiers parisiens ; enfin, à partir de 1890, il suit l'exemple de la Société Générale et multiplie les comptoirs : il en contrôle 361 en 1914 contre 621 pour la banque rivale.<sup>11</sup>

Une telle évolution des structures vient renforcer l'idée d'une unification, dans un processus linéaire, de l'espace économique français. Dans l'immédiat dans lequel les contemporains vivaient, cette évolution n'avait pourtant rien d'obligé. J'en apporterai deux signes. Il s'agit d'une part de la politique menée par le Crédit Industriel et Commercial, la troisième des quatre grandes banques de dépôts fondée, sous le Second Empire. Celle-ci a longtemps été très différente. Le CIC a d'abord encouragé la constitution en province de banques régies par le même principe que lui, mais en ne gardant qu'une représentation très minoritaire dans leur conseil d'administration ; puis, il s'est assuré le contrôle d'un syndicat bancaire assurant aux établissements provinciaux à la fois leur indépendance et l'accès au marché profitable des valeurs nationales et internationales. Ce n'est finalement qu'entre 1913 et 1929 qu'il se constitue un réseau, d'ailleurs composite, en devenant l'actionnaire principal d'une dizaine de banques régionales en souscrivant à leurs augmentations de capital.<sup>12</sup> L'apogée des banques régionales, avec lesquelles les réseaux des banques nationales de dépôt doivent compter, qui se situe entre 1880 et 1930 constitue le second signe. Louis Bergeron a souligné combien l'expression 'banque régionale' est équivoque.<sup>13</sup> Elle désigne soit des banques qui installent un réseau d'agences et drainent une clientèle à l'échelle d'une seule région, comme le fait par exemple le Crédit du Nord, soit des banques qui utilisent préférentiellement leurs ressources dans un cadre régional en dehors de toute création de réseau, comme le font la banque Renauld à Nancy ou la banque Charpenay à Grenoble par exemple. Si les premières sont un modèle réduit des grands établissements nationaux de dépôt les secondes apparaissent comme des banques locales dont l'espace d'intervention se serait dilaté. Ajoutons pour compliquer le tableau que le

<sup>11</sup> J. Bouvier, *Le Crédit Lyonnais de 1869 à 1882. Les années de formation d'une banque de dépôts*, Paris, 1961. J. Dagneau, *Les agences régionales du Crédit Lyonnais (1870 - 1914)*, New York, 1977.

<sup>12</sup> E. Lebee, 'Le groupe des banques affiliées au Crédit industriel et commercial', *Histoire des entreprises*, mai 1961, p. 5 - 40.

<sup>13</sup> L. Bergeron, 1989.



cas de la Société Marseillaise de Crédit entre 1878 et 1913 montre que le même établissement peut répondre successivement aux deux définitions.<sup>14</sup>

Une longue citation pourra je crois servir de conclusion à ce bref historique. Elle est issue d'une analyse chaleureuse du rôle des banques locales et régionales dans le développement économique du nord de la France : 'Aujourd'hui, au terme de l'évolution que nous venons d'étudier, l'organisme bancaire de la région du Nord comporte trois catégories d'établissements. La Banque de France qui reste avant tout l'établissement de réescompte, bien qu'elle fasse de plus en plus d'escompte direct, et qui est de plus le grand encaisseur pour le compte des autres banques. Sur chaque place de la région du Nord, la succursale de la Banque de France est, de la sorte pour ainsi dire, la régulatrice du crédit. A côté d'elle se trouvent des banques régionales plus ou moins développées mais toujours fortement constituées, chacune d'elles tenant généralement la place prépondérante dans son lieu d'origine, bien qu'elles commencent à se faire concurrence entre elles. Elles sont les meilleurs soutiens de l'industrie et du commerce locaux auxquelles elles accordent d'une façon prudente mais libérale le crédit à échéance moyenne, plus ou moins indéterminée, et parfois à découvert. Ainsi n'est-il pas étonnant que les banques locales aient si bien résisté et prospéré dans la région du Nord, région de production et d'entreprise personnelles. Elles se partagent avec les succursales des établissements de crédit [les grandes banques de dépôt, la distribution de crédit à court terme au moyen de l'escompte des effets de commerce et les opérations de Bourse pour le compte des particuliers capitalistes].<sup>15</sup>

L'histoire de la constitution des réseaux bancaires des grands établissements de dépôts ne doit donc pas seulement être lue comme celle du désenclavement des économies régionales et de la mobilisation des richesses dormantes du pays. C'est aussi l'histoire d'une série de tentatives, inégalement abouties selon les régions, de conquêtes de territoires économiques préexistants. Telle lettre qu'adresse la direction du Crédit Lyonnais à un banquier de Vienne sur le Rhône en 1874 est très explicite dans sa menace à peine voilée : 'Si nous pouvons trouver avantage à nous entendre avec votre honorable maison, l'avantage est au moins réciproque. L'établissement d'une concurrence comme la nôtre aura forcément une influence sur la marche de vos affaires. Il y a dans les campagnes et parmi les petits bourgeois une clientèle à acquérir dont le développement pourra être sans influence chez vous. Mais il y a la clientèle de la ville et du commerce qui fatalement se divisera. C'est cela que nous aurions voulu éviter... La lutte sera toujours à armes courtoises, je n'en doute pas, mais enfin elle existera'.<sup>16</sup>

Au terme de cette analyse, deux idées me paraissent devoir être retenues. D'une part, il convient de réduire les clivages, longtemps soulignés (y compris par les

<sup>14</sup> M. Lescure, 'Banques régionales et croissance économique au XIX<sup>e</sup> siècle. L'exemple de la Société marseillaise de crédit', *Banque et Investissements en Méditerranée à l'époque contemporaine. Actes du Colloque de Marseille, février 1982*, Marseille, 1985, p. 103 - 129.

<sup>15</sup> J. Laloux, *Le rôle des banques locales et régionales du nord de la France dans le développement industriel et commercial*, Paris, 1924 (citation p. 91 - 92).

<sup>16</sup> Cité par J. Bouvier, 1961 (citation p. 321).



banquiers eux-mêmes pour des motifs qui tiennent à la fois à l'idéologie et aux stratégies économiques) entre le semis des banques locales et régionales et les réseaux des banques nationales de dépôt. D'autre part, il faut refuser le réductionnisme qui consiste à établir une correspondance étroite entre les structures bancaires et les structures de l'espace où leur activité se déploie. Dès que se mettent en place, sous la Troisième République, les syndicats de banques de province, les mêmes échelles sont en jeu, et la même dissymétrie oppose le territoire toujours parcellisé de la mobilisation des ressources, et l'espace toujours indifférent aux frontières locales ou internationales de leur utilisation.

Une explication fonctionnelle qui donnerait à lire l'histoire des banques comme celle d'un maillage progressif du territoire français rendrait mal compte d'une telle histoire. Elle serait, d'une part, finaliste : c'est du point de vue de l'unification finale du marché national et de l'uniformisation de la couverture bancaire que l'histoire est racontée et la longue concomitance d'établissements d'envergure très différente n'est pas prise en compte. D'autre part, elle serait tautologique : si l'équivalence de la distribution des fonctions et du fonctionnement des espaces économiques est posée au départ, l'histoire de l'espace s'épuise immédiatement dans celle de la construction des réseaux fonctionnels. L'irrésistible ascension des banques nationales résume l'unification de la surface économique. Dans sa linéarité, un tel schéma épargne toute analyse des modalités de la combinaison des différentes échelles (locale, régionale, nationale, internationale) du fonctionnement de l'économie. En particulier, si le marché national (entendu comme surface économique unifiée fonctionnant à l'unisson) n'a pas toujours été déjà là, il faut bien qu'il soit (au moins pour partie) le produit de fonctionnements économiques qui se développaient, avant sa formation, à une autre échelle.

J'ai essayé, dans un travail précédent, de suggérer qu'on trouverait peut-être dans une analyse régionalisée des indices de la conjoncture économique (l'activité financière des places de province, les créations et faillites d'entreprises, les prix) les moyens d'une description qui ne serait pas prédéterminée.<sup>17</sup> Je voudrais ici choisir une autre entrée, complémentaire et symétrique de la première. Il s'agira non pas d'enregistrer des phénomènes économiques sur indices, mais de se placer du côté des acteurs pour rechercher, dans leur manière de dire et de faire, les signes de la modification de leurs échelles de référence et d'intervention que le développement des réseaux bancaires induit. On aperçoit, j'espère, le léger déplacement que je veux opérer. Il s'agit pour moi de ne pas considérer que la mise en place du réseau bancaire est l'unification économique de l'espace national, mais de considérer que, d'une manière peut-être peu raisonnée, elle s'accompagne d'une modification (peut-être plus décisive pour la formation du marché national) d'une pensée et d'une pratique du territoire. L'entreprise n'est pas facile, d'une part parce que les banquiers ne sont pas des gens bavards, et d'autre part parce que la connaissance que j'ai de leur manières est presque toute de seconde

<sup>17</sup> B. Lepetit, 'Deux siècles de croissances régionales en France : regard sur l'historiographie', *La croissance régionale dans l'Europe méditerranéenne*, sous la direction de L. Bergeron, Paris, 1992, p. 21 - 42.

main. Il faut lire ces pages comme des prolégomènes à une analyse mieux argumentée.

### Les espaces d'exercice du métier bancaire en France

Dans la première moitié du XIX<sup>e</sup> siècle au moins, deux traits caractérisent l'espace d'activité de la banque locale.<sup>18</sup> D'une part, l'espace géographique, au sens de la distribution des lieux, est secondaire. Même lorsqu'une banque locale cesse de se constituer d'un guichet unique pour ouvrir des bureaux annexes dans des localités généralement voisines, il s'agit moins d'un effort de structuration du territoire que d'extension des réseaux de relations humaines. C'est que, d'autre part, l'espace bancaire est avant tout un espace social, caractérisé par la densité, la redondance et la complexité des liaisons : 'banquiers et élites locales, toutes nuances confondues, sont liés par une solidarité de services et de profits et par une intimité des relations personnelles caractéristiques des sociétés étroites'.<sup>19</sup> Que l'on envisage l'origine professionnelle des banquiers, la constitution du capital de la banque locale ou sa clientèle, c'est bien d'abord dans un tissu social que l'activité bancaire s'enracine.<sup>20</sup> En Nivernais, jusqu'à la fin du XIX<sup>e</sup> siècle, le crédit trouve sa place dans tout un réseau de relations coutumières, de traditions locales, de capitaux familiaux. Les banquiers de Nevers sont au bout d'une chaîne dont l'autre extrémité est occupée par tout un ensemble d'agents locaux dans les bourgs et les villages : huissiers, négociants, maîtres de poste, arpenteurs-géomètres même que le cadastre multiplia et qui connaissaient en détail la campagne.<sup>21</sup> Hiérarchies, solidarités, flux appartiennent d'abord au vocabulaire social. La brièveté des distances kilométriques rend l'espace géographique transparent.

Avec la banque nationale de dépôts, apparemment, tout change et la configuration des lieux, dont la distance est l'un des paramètres, devient une donnée importante, si bien qu'on a pu suggérer que 'l'innovation a été non la banque, mais la conception du réseau'.<sup>22</sup> Cette création s'inscrit dans un mouvement plus large. Le mot réseau apparaît dans les années vingt pour désigner le système des fortifications (1821) puis celui de la distribution des eaux urbaines (1828). Il s'agit donc d'un concept d'ingénieur, désignant des dispositifs techniques hiérarchisés destinés à réguler des flux. Il relève d'un savoir d'exécution, où le calcul et la théorie sont mis au service de la détermination de dispositifs particuliers. L'enquête reste à faire qui permettrait de dater l'apparition du terme, ou de celui de système, dans la littérature théorique ou pratique consacrée à la banque. On soulignera seulement pour le moment l'équivalence presque toujours établie à partir des années quarante entre la

<sup>18</sup> Sur ces questions, l'analyse la plus fine est celle de L. Bergeron, 1989.

<sup>19</sup> L. Bergeron, 1989, p. 328.

<sup>20</sup> J.P. Hirsch, *Les deux rêves du commerce. Entreprise et institution dans la région lilloise (1780 – 1860)*, Paris, 1991.

<sup>21</sup> G. Thuillier, 1955.

<sup>22</sup> J. Labasse, *Les capitaux et la région, étude géographique. Essai sur le commerce et la circulation des capitaux dans la région lyonnaise*, Paris, 1955 (citation p. 53).

banque et le chemin de fer, et le développement contemporain d'une idéologie de la mobilité généralisée.<sup>23</sup>

On retiendra surtout le dispositif pratique qui donne aux banques de dépôts les caractères d'un réseau. A la base se situent les démarcheurs qui sillonnent les campagnes, fréquentent les foires et les marchés ou visitent à domicile les plus riches exploitants, s'efforcent de drainer l'épargne rurale et de faire contracter aux paysans des habitudes plus régulières de recours à la banque. De ces trajets cent fois répétés naissent, dans le meilleur des cas, les bureaux périodiques dont l'ouverture coïncide le plus souvent avec la tenue du marché. Vient ensuite une pyramide à trois degrés. Au sommet se situe le 'siège', qui contrôle les 'agences' (Société Générale) ou les 'agences-mères' (Crédit Lyonnais) installées dans les villes les plus importantes ; les agences jouent à leur tour un rôle semblable au siège vis-à-vis de guichets secondaires : 'sous-agences' (Crédit Lyonnais) ou 'bureaux permanents' (Société Générale) que la direction centrale ne connaît pas directement. La centralisation du système est extrême. Quotidiennement, les agences – qui centralisent l'exécution des opérations de banque et la comptabilité des guichets secondaires – envoient au siège, qui suit au jour le jour leurs mouvements, le double de leurs pièces comptables ; à la fin de chaque mois elles transmettent l'analyse détaillée de leur bilan. La circulation du bas vers le haut de l'information se double, en sens inverse, d'une structure d'inspection. L'inspection des agences est au coeur du dispositif : la progression des dépôts, les engagements, les fiches de renseignement tenues à jour sur chaque client, la discipline du personnel sont régulièrement examinés par les inspecteurs envoyés du siège. L'un d'eux effectue pour le Crédit Lyonnais 57 visites durant le deuxième semestre 1873, soit une inspection tous les trois jours : son rapport rédigé le soir à l'hôtel, il reprend le train le lendemain pour une nouvelle agence.<sup>24</sup>

La Banque de France fournit aux banques nationales de dépôts un modèle plus ancien. Non seulement chaque succursale départementale de la Banque de France est conçue comme l'exacte réplique de l'établissement central, mais elle ne dispose d'aucune autonomie, ni d'aucun fonds qui lui soit propre : 'les comptoirs d'es-compte de la Banque de France sont sous sa direction immédiate' précise l'article premier de l'ordonnance du 25 mars 1841 après que les privilèges de la Banque aient été prorogés. L'examen régulier des pièces comptables, la multiplication des contrôles, l'envoi de livres, de formules et de règlements identiques à tous les comptoirs : tout est fait pour assurer l'uniformité des pratiques et la centralité du commandement. Tout se décide et se gère à Paris, y compris l'édification des immeubles qui constituent aujourd'hui encore, dans leur ressemblance, l'un des signaux urbains des préfetures.<sup>25</sup> La théorie sociale apporte le renfort d'une justifi-

<sup>23</sup> A. Guillerme, 'L'émergence du concept de réseau', *Réseaux territoriaux*, sous la direction de G. Dupuy, Caen, 1988, p. 33 – 50. G. Ribeill, 'Au temps de la révolution ferroviaire : l'utopique réseau', *Réseaux territoriaux*, p. 51 – 65. B. Lepetit, *Les villes dans la France moderne (1740 – 1840)*, Paris, 1988. M. Roncayolo, 'L'aménagement du territoire (xviii<sup>e</sup>-xx<sup>e</sup> siècle)', *Histoire de la France*, sous la direction de A. Burguière et J. Revel, vol. 1, *L'espace français*, Paris, 1989, p. 511 – 643.

<sup>24</sup> J. Labasse, 1955. J. Bouvier, 1961.

<sup>25</sup> A. Plessis, *La Banque de France et ses deux cents actionnaires sous le Second Empire*, Genève, 1982.

cation idéologique à une organisation qui va parfois à l'encontre – faute de capacité d'adaptation aux spécificités locales – de la rationalité économique. Dès 1839, le sous-gouverneur de la Banque, Gautier, affirmait : 'dans un système de crédit comme dans toute institution humaine, il faut l'ordre, l'harmonie des parties avec le tout et par conséquent un centre et une impulsion commune'.<sup>26</sup>

Ce qu'il s'agit de vaincre avant tout, c'est la distance, synonyme de méconnaissance et d'insécurité. Au Crédit Lyonnais, l'expérience malheureuse de la succursale de Marseille ouverte en 1865, un an après la fondation de la banque en même temps qu'à Paris, prend figure de traumatisme. Des prêts hasardeux accordés au bey de Tunis avait entraîné dès 1866 la succursale marseillaise dans la crise. Celle-ci perd toute autonomie et le mouvement de dissémination territoriale est stoppé pour plusieurs années. Ce qui est en jeu, c'est la viabilité des succursales éloignées et la possibilité de contrôler effectivement leur marche. Le rapport Quisard de 1874, qui marque d'ailleurs un changement de politique et le début de la multiplication des succursales, l'explique : 'les côtés faibles [de la dissémination bancaire] sont : 1. des agences trop éloignées pour être dans ces villes facilement naturalisées ; 2. les dangers que font courir les implantations dans des places inconnues ; 3. le manque de sécurité, avec l'éloignement, dans la direction et la surveillance des agences'. En 1872, le conseil d'administration avait pensé un moment 's'établir dans des centres riches et commerciaux comme Lille, Bordeaux, Rouen, Le Havre, sans s'inquiéter de la distance'. On préféra d'abord la constitution d'une solide base régionale.<sup>27</sup>

Le souci de vaincre l'éloignement est l'une des raisons de l'attention particulière portée par les banques au développement des chemins de fer. Bien entendu des motifs économiques jouent : les agences des grands établissements de dépôt ne s'installent largement en Charollais qu'une fois que la deserte ferroviaire de la région assure le développement du commerce du bétail, et le Crédit Lyonnais ne s'implante à Belley que lorsque le rail établit au bénéfice de la ville les liaisons régionales. Mais les chemins de fer, qui favorisent les inspections et permettent un transport plus efficace des valeurs et du numéraire, intéressent les banques pour des raisons matérielles. Quisard, dans l'enquête préalable à l'ouverture de succursales en Languedoc note le nombre des trains qui relie chaque jour Marseille à Nîmes, à Montpellier ou à Sète. Et la carte l'indique, le Crédit Lyonnais aligne ses agences de gare en gare, le long du tracé du chemin de fer Paris-Lyon-Marseille. Les flux de marchandises et de capitaux se renforcent l'un l'autre et les équipements bancaire et ferroviaire se concentrent pour assurer une polarisation accrue de l'espace. D'ailleurs, c'est le *Journal des Chemins de Fer* qui plaide, dès 1864 : 'il faut que nos banques de dépôts s'établissent par toute la France'.<sup>28</sup>

Mais l'anéantissement de la distance est évidemment un horizon inaccessible, et la connaissance immédiate des milieux locaux sur laquelle se fondait l'activité

<sup>26</sup> J.E. Gautier, *Des banques et des institutions de crédit en Amérique et en Europe*, Paris, 1839 (citation p. 90).

<sup>27</sup> J. Bouvier, 1961 (les citations du rapport Quisard p. 305)

<sup>28</sup> *Journal des chemins de fer*, 5 novembre 1864.



bancaire n'est plus possible. Le rapport d'enquête devient un intermédiaire obligé. Dès le printemps 1810, la Banque de France avait recueilli des informations relatives à l'établissement de comptoirs dans les villes de Bayonne, Gand, Orléans, Toulouse, Bruxelles, Anvers, Gênes, Montpellier, Turin, Nantes, Bordeaux, Marseille et Lille. En 1836, lorsque la multiplication des banques départementales la pousse à reprendre une politique de créations de succursales, le Conseil Général de la Banque nomme une commission chargée d'examiner le bien-fondé du choix des localisations. Elle examine et présente une série de rapports sur l'activité économique des places concernées et l'ensemble des relations géographiques et sectorielles dans lequel celle-ci s'insère.<sup>29</sup> Les banques nationales de dépôts reprennent une pratique semblable. Le Crédit Lyonnais a conservé l'essentiel des enquêtes menées de 1873 à 1876 par Quisard, son fondé de pouvoir chargé de préparer l'implantation du réseau. Elles ont été excellemment analysées par Jean Bouvier.<sup>30</sup>

L'essentiel du travail consiste à utiliser les compétences d'un réseau local d'informateurs. A Grenoble, Quisard prend contact avec 'le commerce, la magistrature, la presse locale et la bourgeoisie sans profession'. Il prend langue avec le directeur de la succursale de la Banque de France et avec Charpenay, l'un des plus importants banquiers de la place : de parti-pris, tous deux estiment que le Crédit Lyonnais ne pourra pas mobiliser à Grenoble des capitaux dormants supplémentaires. A l'inverse, le représentant local d'une compagnie d'Assurances et un riche propriétaire de Voreppe sont 'plus confiants... au sujet des dépôts'. En Languedoc, Quisard multiplie les visites aux notabilités locales : le directeur de la Banque de Montpellier, des conseillers municipaux, des propriétaires fonciers, des négociants en vin. La crise phylloxérique est au centre de toutes les conversations, mais les informations plus directement utiles font défaut : 'il m'a été impossible de me renseigner sur le montant des dépôts effectués chez nos concurrents, ni même chez la Société Générale'. La pénétration du milieu est difficile et la documentation qui fournirait les informations précises manque. En Dauphiné, Quisard doit faire fond sur les seules données concernant la Caisse d'Epargne de Voiron 'parce que nous n'avons pas d'autres documents à consulter au sujet des économies du pays'. A Chalon-sur-Saône, en 1874, il a pu se procurer un extrait des délibérations de la Chambre de Commerce datées de 1860 et destinées à appuyer auprès de la Banque de France la création d'une succursale dans le département. Le soin avec lequel l'enquêteur du Crédit Lyonnais l'exploite témoigne de la rareté de l'aubaine. Il note tout ce qui concerne les articulations du négoce local, son extension géographique, le système de relations sur lequel il s'appuie. Il souligne en particulier l'importance du commerce des cuirs et des quatre foires annuelles de Chalon 'qui font les cours régulateurs des cuirs et peaux de chevreaux pour les places de Paris et d'Annonay' : installée à Grenoble, l'un des centres nationaux de la ganterie, à Chalon et à Annonay, la banque sera la mieux placée pour apprécier la solidité du papier commercial qui s'échange entre les trois places. Voici reconstitué à une autre échelle,

<sup>29</sup> G. Ramon, *Histoire de la Banque de France d'après les sources originales*, Paris, 1929.

<sup>30</sup> J. Bouvier, 1961, p. 306 - 324. Toutes les citations des rapports Quisard sont issues de ce travail. Pour des notations complémentaires, de même sens : J. Labasse, 1955, p. 29 - 33.

interrégionale et non plus locale, l'idéal de connaissance directe qui constitue la garantie d'un profit au moindre risque.

Généralisant une exigence ancienne, les banquiers apprennent à penser, dans un cadre français, par unités régionales fonctionnelles. Le mouvement du négoce et la pratique commerciale donnent à voir l'organisation d'une région économique et son inscription dans des espaces plus vastes dont certains, parce qu'ils se déploient à l'échelle internationale, sont pour la banque l'occasion d'obtenir du bon papier commercial sur l'étranger. Liaison fonctionnelle que celle qui unifie, par le négoce des grains que le directeur de l'agence locale du Crédit Lyonnais est chargé en 1877 d'étudier par le menu, les villages et les bourgs des Dombes et de la Bresse à la ville de Bourg. Liaison fonctionnelle encore que celle qui unit toutes les localités des vallées de la Dheune et de la Bourbince parcourues par le Canal du Centre, à Chalon : au Creusot par exemple 'sur les 20 millions de produits, 7 millions représentent les salaires et sont tirés, mois par mois, en majeure partie de Chalon, en espèces, pour y rentrer quelques jours après par les mille canaux de la consommation dans les maisons de commerce de la ville, fournisseurs exclusifs du Creusot'. On objectera qu'il n'y a là, sur le plan théorique, aucune avancée par rapport à l'économie politique du XVIII<sup>e</sup> siècle : les banquiers ne sont pas hommes de théorie. Leur savoir est pratique. A l'échelle de la France, par pièces et par morceaux, ils élaborent le premier exemple systématique de géographie économique appliquée.

Mais l'espace le plus local reste pensé sur un autre mode : c'est de pratiques sociales dont il s'agit ici, et non plus de relations économiques. La volonté d'enracinement des banques nationales de dépôts dans un espace social localisé reste la règle. Tout est bon pour y parvenir. L'entente avec les notaires à qui l'on offre des avantages pour qu'ils dirigent vers l'agence locale leurs clients est de règle dans les régions rurales : détenteurs de l'autorité morale et des fonds familiaux, bons connaisseurs des fortunes et des pratiques de placement, les notaires apparaissent là comme des intermédiaires presque obligés. La captation de clientèle, dont témoignent toutes les opérations de rachat de banques locales ou de prises de participation majoritaire en constitue une autre forme. Quand ces stratégies d'investissement par l'intérieur du tissu social ne sont pas possibles, des enquêtes d'anthropologie sociale indiquent les terrains les plus propices. Parce que le paysan bressan est 'peu accessible, arriéré, lent à se décider, très méfiant en matière d'argent', on lui préfère le jurassien 'travailleur et sobre' et qui, surtout, aime 'placer ses économies'.<sup>31</sup> La même connaissance des milieux dicte le contenu des campagnes publicitaires. A Genève, le premier service proposé par la succursale de Crédit Lyonnais est celui des 'serres de titres entièrement blindées et disposées en vue d'un mouvement considérable'. A Grenoble, Quisard avait conseillé 'de ne pas agir bruyamment comme à Saint-Etienne... Dans nos affiches, placer en premier lieu les opérations de banque proprement dites ; ne faire apparaître que comme accessoires et secondaires les avantages faits aux dépôts de fonds'. Le même souci d'insertion

<sup>31</sup> Archives du Crédit Lyonnais, rapport d'inspection Friedrich, mars 1875, cité par J. Labasse, 1955 (citation p. 32).



guide, au moment de la création des succursales, la politique des cadres. A Saint-Etienne, 'le directeur doit être choisi ici, c'est une question de principe'; à Grenoble, 'il est absolument indispensable de prendre un directeur du pays et surtout un homme de banque. Sinon, l'opinion comprendrait qu'on n'en veut qu'à son argent et qu'on se moque du papier de commerce'. A Montpellier, un nommé Doucet, originaire d'Aix-en-Provence, est retenu pour être placé à la tête de l'agence du Crédit Lyonnais : 'c'est un jeune homme du meilleur monde qui trouvera un accès facile dans la société aristocratique de Montpellier'.

L'historien ne peut pas tenir les rapports d'inspection que les fondés de pouvoir des banques rédigent à l'occasion des créations d'agences comme une simple source pour une étude détaillée des activités économiques, des pratiques locales des affaires ou de la conjoncture du moment. Ils témoignent aussi d'une réflexion qui élabore et donne à voir (aux acteurs économiques du XIX<sup>e</sup> siècle autant qu'aux historiens d'aujourd'hui) des espaces particuliers que des réseaux de relations structurent et définissent sans qu'un cadre écologique ou administratif vienne par avance en dessiner les frontières. Ils reconnaissent et renforcent implicitement les stratégies économiques qui se développent à leur échelle. L'étude sérielle, dans la durée, des rapports des inspecteurs de la Banque de France ou des grands établissements nationaux de dépôts permettrait de reconstituer plus finement les catégories de la pensée spatiale qui y sont à l'oeuvre et les modalités de leur application au territoire français. Parce qu'elles accompagnaient et nourrissaient des pratiques, elles sont une contribution à la transformation de l'espace économique français.

### **1840 – 1940 : deux images de l'espace économique français**

Une objection peut porter sur un point : c'est parce qu'ils obéissent à une sorte de contrainte technique (la nécessité de tenir ensemble, pour une gestion correcte, l'insertion dans le tissu social local et un fonctionnement d'ensemble d'établissements dispersés sur le territoire) que les dirigeants et les cadres des banques nationales de dépôts pensent différemment le territoire. L'origine du changement d'échelle et de mode d'analyse et de pratique du territoire qu'ils opèrent serait purement mécanique et donc parfaitement circonscrite à l'organisation des succursales. Une contre-épreuve, destinée à repérer une éventuelle diffusion plus large, devrait nous amener à considérer des banquiers qui échappent à ces contraintes de gestion : les responsables des banques régionales.

Les documents existent pour une telle analyse. Les banquiers locaux multiplient pendant plus d'un siècle, de 1820 à 1940, les plaidoyers pro-domo.<sup>32</sup> Quels sont les établissements les plus à même de gagner la confiance du public et de mobiliser les capitaux ? Quels sont les plus capables d'animer le commerce, de soutenir l'industrie, et d'assurer la croissance nationale ? Les mêmes questions se retrouvent au fil

<sup>32</sup> Y. Leclercq, *Le réseau impossible. La résistance au système des grandes compagnies ferroviaires et la politique économique en France, 1820 – 1852*, Genève, 1987, fournit les éléments du corpus pour tout le début de la période.

des conférences, des articles de presse, des plaquettes ou des livres qu'ils rédigent ou inspirent et les réponses sont sans nuance. Contre les établissements parisiens, suspectés de trahison des intérêts locaux voire franchement d'anti-patriotisme français, la banque locale et régionale tente de gagner à sa cause l'opinion des notables qui forment aussi le gros de la clientèle. On dispose là encore d'un corpus qui mériterait une exploitation systématique, mais je me contenterai ici de prendre appui sur deux points de repère, séparés d'un siècle. En 1838, le vicomte d'Esterno publie un petit livre intitulé *Des banques départementales en France*. Pendant plusieurs années, il a travaillé pour obtenir la création, à Dijon, d'une banque départementale. Constituant des dossiers, assiégeant les ministères, rédigeant des articles dans la presse locale, il s'est heurté à la résistance de la Banque de France, qui a toujours refusé l'autorisation nécessaire à la création. Dans ce premier temps de la floraison des banques locales, la conjoncture favorable n'a pas suffi : d'une certaine manière, la publication de son livre est la reconnaissance de sa défaite. Un siècle plus tard, en 1939, Georges Charpenay publie un ouvrage assez semblable dans sa construction, plus proche du dossier que du livre : *Les banques régionalistes. Leurs origines, leurs oeuvres, les causes et les responsabilités de leur disparition*. L'adjectif 'régionaliste' signale un militantisme. Charpenay est l'un des principaux banquiers de Grenoble, au cœur d'une région qui est un des hauts-lieux de l'activité de la banque régionale. Il a soutenu, en accordant des crédits à long terme et en plaçant dans le public actions et obligations, le développement de l'industrie hydro-électrique des Alpes. En 1917, il avait publié le texte d'une conférence prononcée à la chambre de commerce de Grenoble : 'Du rôle industriel des banques en France avant et après la guerre'. En 1939, son livre révèle un homme brisé : la banque Charpenay a fait faillite, emportée comme beaucoup d'autres par la grande crise économique qui marque le début de la transformation radicale du paysage bancaire français.<sup>33</sup>

En plus évidemment de la valorisation du rôle des banques locales, un même thème se retrouve à un siècle de distance : la nature sociale de l'espace bancaire. Parce que la confiance réciproque est à la base de l'activité de prêt, la proximité et l'interconnaissance assurent l'optimisation de la fonction bancaire. D'Esterno et Charpenay le disent chacun à leur manière. Le localisme du premier est violemment coloré d'anti-cosmopolitisme : 'les banquiers européens ne sont pas toujours appréciés dans les villes de second ordre ; je pourrais citer tel petit prêteur auquel, dans sa bourgade, M. de Rothschild ne ferait pas concurrence. Chaque localité possède ses hommes de renom ; peu importe que leur célébrité finisse aux limites de leur commune, c'est leur concours qui détermine la confiance ou l'éloignement du commerce' (p. 37). Le second détaille les modalités du contrôle social propre aux sociétés étroites, où chacun peut 'aisément constater et contrôler *de visu et auditu*'.

<sup>33</sup> D'Esterno, *Des banques départementales en France*, Paris, 1838 (cote BN : V 37 954). G. Charpenay, *Du rôle industriel des banques en France avant et après la guerre. Conférence faite à la Chambre de Commerce de Grenoble*, Grenoble, 1917 (8. V Pièce 19 248). G. Charpenay, *Les banques régionalistes. Leurs origines, leurs oeuvres, les causes et les responsabilités de leur disparition*, Paris, 1939 (8. V 54 296).

(p. 52) la marche des entreprises et les qualités humaines de leurs responsables : 'Seul un banquier local était idoine à apprécier, sinon le standing de l'affaire elle-même – ce qui était à la portée de tout homme intelligent et averti – du moins celui du chef de cette affaire ; parce que, né lui-même dans le pays, où ses ancêtres et ses prédécesseurs avaient vécu avant lui, allié et lié avec de nombreuses familles de la région, le Banquier régionaliste pouvait, à défaut de sa connaissance personnelle du demandeur, aisément se procurer, chez ses proches ou dans ses relations, des renseignements certains' (1939, p. 47). D'un bout à l'autre du siècle, l'intimité sociale redouble la proximité spatiale et l'activité économique s'appuie sur le type de commerce social développé dans les sociétés de pairs ; pour plagier un titre connu de la sociologie urbaine, banquiers et industriels sont tous, à l'échelle de la région, des *economie villagers*. La modification des catégories spatiales, qui nous importe principalement ici, n'en est que plus nette d'un siècle à l'autre.

Dès les années 1830, la disjonction des espaces administratifs et économiques est opérée : 'c'est une erreur assez bizarre et néanmoins assez répandue que de vouloir faire cadrer les divisions commerciales avec les divisions administratives' écrit d'Esterno (p. 39). S'il faut les distinguer, explique-t-il, c'est parce que l'administration relève d'une logique d'équipements (la préfecture, le tribunal de commerce...) quand l'économie, et particulièrement la banque, relève d'une logique de flux : 'l'unité en matière de banque... c'est le cercle où s'opèrent les ventes et les achats qui constituent le commerce du pays' (p. 40). Mais on ne doit pas se méprendre : pays, ici, doit s'entendre au sens traditionnel, comme un équivalent de l'allemand *umland*. Bien entendu, la dimension même du projet induit le soulignement des relations de proximité : la banque qu'on envisage de créer à Dijon n'a pour ambition que de couvrir une partie de la Bourgogne et de la Franche-Comté, depuis Langres jusqu'à Besançon et Chalon. Mais la raison est plus fondamentale : tous les schémas spatiaux mis en oeuvre par d'Esterno appartiennent au répertoire des configurations anciennes. Deux principes les organisent : la binarité et l'homologie. L'opposition entre Paris et la province relève du premier principe. Contre la Banque de France, d'Esterno mène une attaque verbale d'une violence extrême, qui est entièrement fondée sur cette dichotomie : 'les gens simples et peu instruits imaginent qu'il existe réellement une banque de France. Les autres savent que nous possédons seulement une banque de Paris' (p. 26). D'un côté, parce que le commerce des provinces vient se faire régler dans la capitale, la pratique du rées-compte draine vers la haute banque parisienne, et à son profit, les papiers provinciaux. D'autre part, en sens inverse, la Banque de France dont les billets ne circulent que dépréciés dans les provinces, et qui vient à peine d'étendre au département de la Seine l'autorisation aux commerçants d'ouvrir des comptes courants ne joue pas son rôle à l'égard du 'pays' qui devrait être le sien : 'il lui a fallu trente-quatre ans pour occuper en entier le plus petit département de France. Si elle n'accélère pas sa marche, il s'écoulera vingt-huit siècles avant qu'elle ait pénétré dans les 85 restants' (p. 27 – 28).

Cette polarisation se retrouve à toutes les échelles : ce que Paris est à la France, Dijon l'est à son espace proche. L'idée sous-tend l'un des raisonnements du candidat banquier bourguignon. Pour être viable, la Banque de Dijon aurait souhaité

créer des comptoirs dans les villes voisines : c'est ce projet qui a suscité l'opposition de la Banque de France. D'Esterno plaide. Le système envisagé oblige à employer l'intermédiaire de banquiers des petites villes voisines, qui ne rembourseraient l'argent provenant des billets de commerce qu'après l'avoir eux-mêmes reçu ; depuis le moment où ils l'auraient touché jusqu'à ce qu'ils le versent, 'leur solvabilité serait la seule garantie qu'ils puissent offrir' (p. 72). Mais, parce que les banques de province peuvent prendre du papier sur Paris et qu'il n'existe pas de relation entre elles et la Banque de France, elles doivent charger des recouvrements sur Paris les banquiers de cette ville. Pour un moment, au cours du circuit financier, 'leur solvabilité est la seule garantie qu'ils puissent offrir. Ils se trouvent donc dans une position parfaitement analogue à celle que voulait créer la Banque de Dijon, avec cette différence que les retours de Beaune à Dijon s'opèrent en moins de temps que ceux de Marseille à Paris' (p. 73).

On voit bien les conséquences d'une telle homologie. D'une part il n'est pas possible, si l'on considère l'économie nationale comme un ensemble, de penser l'articulation des parties au tout. La question de la contribution du local au global ne se pose pas : elle se résout d'emblée par un changement d'échelle. Dans le meilleur des cas, la France est conçue comme la juxtaposition de cellules élémentaires unissant une série de capitales locales avec leurs arrière-pays respectifs. La banque départementale est à cette échelle, comme le sont les compagnies ferroviaires fermières que certains intérêts économiques locaux proposent, contre les compagnies nationales contrôlées par la grande banque parisienne, pour exploiter un réseau ferré qui aurait été auparavant édifié par l'Etat.<sup>34</sup> D'autre part, dans cet espace où la centralité est réduite à son organisation la plus simple, les centres sont potentiellement partout : 'Consultez les villes de l'Est de la France, elles seront toutes d'avis qu'il faut leur donner une banque collective ; mais demandez leur où sera le centre de cette banque, là commencera la discussion. Il n'y aura pas à trente lieues à la ronde un chef-lieu de sous-préfecture qui ne se croie prédestiné par la providence à servir de Centre à la Banque' (p. 162). Bornés à une hiérarchie élémentaire, les réseaux de relation structurent imparfaitement un espace dont l'opinion est capable de jouer de l'indifférenciation relative.

Au contraire, l'espace que donne à voir un siècle plus tard le banquier Charpenay est à la fois unifié et hiérarchisé. Il est unifié en ce sens que chacun des acteurs sociaux a la possibilité d'intervenir à quelque échelle que ce soit. Les banques 'régionalistes' soutiennent le développement des entreprises industrielles locales, prennent une part 'non moins considérable' aux valeurs françaises du Crédit Foncier, des chemins de fer et des industries 'sérieuses', et si elles n'accèdent pas au marché international, ce n'est pas faute des capacités d'intervention nécessaires mais par hostilité aux 'manganèses du Tchouk' (une escroquerie qui fit des victimes à Grenoble) comme aux emprunts russes. Les 'Grandes Banques et établissements de crédit' occupent une position symétrique. 'Préoccupés d'écouler dans le pays des titres exotiques' (1917, p. 6), ils préférèrent placer à l'étranger l'argent fran-

<sup>34</sup> Y. Leclercq, 1987.



çais : au début du xxe siècle, 'lorsque la France employait chez elle 27% de ses disponibilités et en prêtait 73% à l'étranger, l'Allemagne au contraire affectait à ses besoins nationaux 85% de ses disponibilités et en prêtait seulement 15% à l'étranger' (1917, p. 8). Mais les mêmes établissements investissent, tardivement il est vrai, dans l'industrie du Dauphiné et de la Savoie. Le *Journal des Chemins de Fer* soulignait déjà en 1864, involontairement, le lien entre l'unification des produits financiers offerts sur le marché et le décloisonnement et l'intégration de l'espace géographique : 'Les petits rentiers des départements, les paysans dans nos campagnes... ont élargi leurs horizons et n'hésitent pas à prendre de la rente et des obligations'.<sup>35</sup>

Entre les banques de dimensions diverses, le partage ne s'opère pas selon un principe géographique. Il relève d'abord d'une attitude (choisie ou imposée, on n'en discutera pas) vis-à-vis du risque et des formes de garantie offerte par l'emprunteur. Ainsi s'explique la position des banques nationales de dépôt vis-à-vis des entreprises hydro-électriques alpines : 'il a fallu que le succès vint, que leur vitalité et leur prospérité s'affirmassent, qu'il n'y ait plus, pour les banquiers, d'efforts personnels à faire, ni de risques à courir... pour vaincre l'abstention systématique de ces puissants établissements financiers' (1917, p. 6). De la même façon, les 'grands établissements bancaires ne manifestaient aucun intérêt dès lors que ceux-ci [les industriels et les commerçants] étaient incapables d'appuyer leurs sollicitations d'une garantie matérielle et substantielle' (1939, p. 14). Entre les établissements bancaires, le partage est d'abord fonction de la taille des entreprises : aux banques régionales les firmes petites, moyennes ou qui débutent et qui offrent pour cette raison les garanties les moins solides. Partage économiquement inégal, si bien qu'un discours idéologique vient lester de valeurs morales la part des banques régionales : elles seules sont susceptibles de réconcilier l'intérêt privé et le devoir social (1939, p. 39) ; à elles le sens civique et la conscience pure qui auraient dû faire un 'devoir de reconnaissance' à la Banque de France et à l'Etat d'intervenir pour les sauver des effets de la crise de 1929.

Trois traits caractérisent la hiérarchisation de cet espace économique unifié. Le premier est évidemment le soulignement de la frontière nationale. La principale limite économique, qui organise l'opposition entre 'eux' et 'nous' c'est-à-dire aussi bien les banques de dépôts et les banques 'régionalistes' qu'entre les étrangers et les français – ou entre la conduite morale des uns et les stratégies économiques irresponsables des autres, c'est la frontière de l'Etat. Que les capitaux allemands s'investissent dans la sidérurgie normande ou que les capitaux français s'expatrient, c'est tout un : la dénonciation identique de ces pratiques inversées trouve sa source dans ce nationalisme économique qui entend superposer l'Etat, le marché financier et l'espace de l'industrialisation. Plaidoyer, bien entendu, mais un argument est énoncé parce qu'il paraît recevable. Le second caractère en découle : si la France est constituée en unité économique pertinente, le développement régional constitue une contribution à la croissance nationale. Voici deux propositions avancées à quelques pages d'intervalle par Charpenay : 'les initiatives et le programme des

<sup>35</sup> *Journal des chemins de fer*, 12 novembre 1864.

Banques régionalistes étaient basées sur ce principe : placer avant tout l'argent français dans des entreprises françaises, pour des besoins français' (1939, p. 20) ; pendant quarante ans, leur programme est demeuré immuable : collaborer, autant que leurs disponibilités le rendait possible, à l'expansion et à la prospérité industrielle et commerciale de leur région' (1939, p. 39). La forme d'articulation du régional au national empêche la contradiction entre elles : le tout est la somme de ses parties.

Mais chacune des parties à son tour se divise, ou plutôt se structure, et c'est le dernier caractère que je voudrais noter. La structuration de l'espace régional est assuré par un double réseau : celui des villes, qui sont les points forts du territoire, depuis les 'grandes villes de la région' jusqu'aux 'chefs-lieux de canton' d'une part ; celui des banques d'autre part, dont l'ordre, depuis les banques régionales au sommet jusqu'au 'très honorables et excellentes maisons' qui opèrent au niveau le plus local, redouble celui des villes.<sup>36</sup> Ainsi se trouvent réconciliées dans une identité parfaite hiérarchie économique, hiérarchie urbaine, hiérarchie fonctionnelle : le schéma n'est banal que parce qu'il correspond à ce que nous avons en tête, et qui sans doute est en train de se défaire. Ce sont bien les mêmes propos que tient Jean Labasse un peu plus tard, dans son beau livre de géographie économique, publié en 1955 et qu'on ne peut lire aujourd'hui sans un sentiment mêlé de proximité et d'étrangeté.

La conception du marché national ne préside pas entre 1820 et 1940, à la fondation des milliers de comptoirs bancaires mais seulement aux utopies saint-simoniennes. Sa construction n'appartient pas comme telle aux projets des banquiers. Ceux-ci ont pour préoccupation de mobiliser au mieux les capitaux dormants, de maximiser leurs profits, d'optimiser la marche de leurs succursales. Ils n'ont pas de théories spatiales, ni les visées de long terme que suppose la formation du marché national. Ils ont des problèmes à résoudre. Les solutions à ces problèmes incluent des modifications des rapports à l'espace, des changements d'échelles, des conceptions différentes des formes de structuration des territoires. Ces modifications sont peu réfléchies et peu articulées parce que l'essentiel était ailleurs, du côté de la gestion de l'entreprise et du calcul de bénéfices (c'est la raison pour laquelle elles se développent en formulations élémentaires et ténues). Elles n'en édifient pas moins un cadre nouveau, dont l'évidence n'a pas à être interrogée puisque sa construction n'appartient pas au projet des acteurs, pour la mise en oeuvre de l'action économique et pour la pensée du développement. L'historien n'est pas obligé de les reprendre à son compte, mais il doit faire l'hypothèse, tant il s'agit d'un savoir pratique, qu'elles ont un pouvoir créateur.

<sup>36</sup> G. Charpenay, 1917, p. 12-13.





## London and the British Empire: c. 1815 – 1914

In 1863 a London merchant writing to his partner in Calcutta observed that 'stocks of every article are large, larger than usual, and it is evident that this country is more than ever the entrepot for the world'.<sup>1</sup> With British commerce went above all finance from London. As Francois Crouzet has put it, not only was it the case in the 1860s that 'since the Napoleonic Wars, London had been the financial centre of the world, the mart where international transactions were financed and settled and where foreigners could lend or borrow money freely'. The continuing expansion of British and world trade, British participation in international banking and overseas investment, and the development of Britain's colonial empire subsequently ensured that 'this activity expanded enormously and took on a new dimension in the second half of the nineteenth century, and especially after 1880'.<sup>2</sup> Such comments by contemporary participants and later historians either suggest or have been interpreted to mean that the years 1815 – 1914 represent a period of more or less unbroken dominance for London. The age of the Pax Britannica, 'Britain's imperial century', was also London's century as a city of finance, hub of the United Kingdom, and principal motor of a global economy.

Some recent work has attempted to redefine this picture.<sup>3</sup> It suggests that the predominance of London and south-eastern England within the UK's national economy, and the primary role of metropolitan London's financial interests rather than provincial Britain's industrial requirements, shaped the pattern of Britain's economic and territorial expansion overseas. This revision has been seriously challenged in its turn, as misrepresenting London's place in the economic and social structure of British capitalism, and underestimating important international and peripheral factors which not only restricted the City of London's power to de-

<sup>1</sup> C.B. Skinner to C.H. Brown 18 June 1863, *Jardine Skinner Papers*, Cambridge.

<sup>2</sup> F. Crouzet, *The Victorian Economy* (1982), 334–5.

<sup>3</sup> Especially P.J. Cain and A.G. Hopkins, 'The Political Economy of British Expansion Overseas, 1750–1914', *Economic History Review*, xxxiii, 4 (1980), 463–90; *ibid.*, 'Gentlemanly Capitalism and British Expansion Overseas. 1. The Old Colonial System; 1688–1850', and 'II. New Imperialism, 1850–1945', *EcHR*, xxix, 4 (1986), 501–25, and xl, 1 (1987), 1–26; *ibid.*, *British Imperialism*, 2 vols. (London, 1993).

termine the shape of British expansion, but independently contributed a powerful dynamism of their own.<sup>4</sup>

In examining some of the financial and commercial relationships between London and the nineteenth-century empire, this paper attempts to explore further areas relevant to this general debate. The existence of a world-wide British 'informal empire', product of an 'imperialism of free trade' occasionally reinforced with official intervention, is still much debated and has been frequently qualified. Here, therefore, the hypothesis of metropolitan dominance is considered in the light of evidence from the 'formal' colonial empire, large areas of which are given scant consideration in Cain and Hopkins' two recent volumes. The paper suggests that in British territories overseas, although assertions as to London's commanding position, at once world-wide and imperial, may perhaps be appropriate at certain times, they are too readily extended to cover the whole century. The general point has been made elsewhere, for example by Neil Charlesworth, that 'British-centred accounts of the international economy may create a false impression of an ordered, schematised and historically stable system. Yet the international pattern of multi-lateral payments, in which India features so prominently, operated in so organised a way only briefly in the two or three decades before 1914'.<sup>5</sup>

In reality, the ingredients of an imperial financial network were only slowly assembled and given practical effect during the nineteenth century. The piece-meal nature of this process both delayed the establishment of metropolitan regulation and control, and left room at all times for significant assertions of individual and regional independence. In the end London's unchallenged role at the heart of even an imperial financial system was both less assured and more short-lived than is often implied by the hyperbole of British global dominance.<sup>6</sup>

## I

The formal empire which emerged from the eighteenth-century French and Napoleonic Wars was a truncated, moth-eaten affair. A sprawling assemblage of territories, it was also a strategic nightmare, protected as much by the absence of

<sup>4</sup> M.J. Daunton, "'Gentlemanly Capitalism' and British Industry 1820–1914', *Past and Present* 122 (1989), 119–58; Andrew Porter, "'Gentlemanly Capitalism' and Empire: the British experience since 1750?', *Journal of Imperial and Commonwealth History*, 18, 3 (1990), 265–95; P.J. Marshall, 'An Empire of Investors', *Times Literary Supplement*, 20 August 1993; S. Chapman, *Merchant Enterprise in Britain: From the Industrial Revolution to World War I* (Cambridge, 1992).

<sup>5</sup> N. Charlesworth, *British Rule and the Indian Economy 1800–1914* (1982), 51.

<sup>6</sup> For the concepts of 'informal empire' and the 'imperialism of free trade', see John Gallagher and Ronald Robinson, 'The Imperialism of Free Trade', *Economic History Review* VI,1 (1953), 1–15; and for the subsequent debate, Wm. Roger Louis (ed.), *Imperialism. The Robinson and Gallagher Controversy* (New York, 1976). The most recent contributions include Martin Lynn, 'The Imperialism of Free Trade and the Case of West Africa, c. 1830–1870', *Journal of Imperial and Commonwealth History* xv, 1 (1986), 22–40; and Colin Newbury, 'The semantics of international influence; informal empires reconsidered', in: Michael Twaddle (ed.), *Imperialism, the State and the Third World* (London, 1992), 23–66.

threats as by rationally deployed force, and lacking any political or economic unity. Before and after 1815, the initial acquisition of formal empire rarely took place in areas of substantial economic activity. In the nineteenth century, a continuous process of patchy, sporadic expansion added immensely to Britain's imperial possessions, but did little to enhance the functional rationale of the whole. Until the late eighteenth century, within the framework of the Atlantic trading system, the overlap between spheres of British political control and economic interest was substantial. By 1815, however, the mismatch had become considerable. The failure of plans for imperial reorganization before 1914 arose largely from reluctance to recognize a central feature of Britain's circumstances, namely the persistent disjunction between formal empire and her vital overseas economic interests.

This marked separation was evident to many contemporaries even at the start of our period. Not only was continental Europe Britain's main trading partner as she had been by a large margin for a very long time. The United States after independence also remained of great importance, accounting even in 1814–16 for 5.5% of Britain's imports and 15.3% of exports.<sup>7</sup> After 1815, despite the economic development and renewed territorial growth of formal empire, the divide continued to exist if not to widen. In a most influential article the point was made as follows. 'Between 1812 and 1914 over twenty million persons emigrated from the British Isles, and nearly 70% of them went outside the Empire. Between 1815 and 1880, it is estimated, £ 1,187 million in credit had accumulated abroad, but no more than one sixth was placed in the formal empire. Even by 1913, something less than half of the £ 3,975 million of foreign investment lay inside the Empire. Similarly, in no year of the century did the Empire buy much more than one-third of Britain's exports'.<sup>8</sup>

Imports from imperial sources remained throughout at c.25% of the total, or 20% if re-exports are deducted. Britain's participation in the commercial opportunities presented by the gradual opening up of new areas of the globe to an expanding world economy, took place on a far greater scale than that represented by her involvement in the enterprise of her own formal empire.

This is not to say that patterns of empire trade remained unchanged. Imports from the West Indian colonies declined sharply from their early nineteenth century levels, whereas foodstuffs and other commodities from the white-settlement colonies (for example, dairy produce, wheat and wool from Australia and New Zealand, Canadian timber, or gold from South Africa) were very significant by 1900. The proportion of cottons and textiles among British exports declined steadily in favour of items such as coal, metal goods and other consumer products. The relative importance of different export markets also altered, as, for example, South

<sup>7</sup> Ralph Davis, *The Industrial Revolution and British Overseas Trade* (Leicester, 1979), Tables at 97, 116–7.

<sup>8</sup> Gallagher and Robinson, 'Imperialism of Free Trade', reprinted in A.G.L. Shaw, *Great Britain and the Colonies 1815–1865* (1970), quotation at p. 148. See also P. Bairoch, 'European trade policy, 1815–1914', *The Cambridge Economic History of Europe* v111, (eds.) P. Mathias and M. Postan, (Cambridge, 1989), ch. 1, 83–4 and *passim*.

Africa burgeoned after 1890 and India moved up to become by 1913 the single most important purchaser of British manufacturers.<sup>9</sup>

Recognition of these different phenomena – territorial expansion throughout the period, the fundamental incoherence of colonial empire, the relatively limited amount of intra-imperial trade and investment, and the special importance of a few particular imperial trading partners – is essential to a proper grasp of London's emergence as 'a node of commerce, credit and capital' for the empire. They are characteristics which point to inevitable elements both of colonial dependence on London, but also to their independence of (or even irrelevance to) the capital and its services. Let me first take some of the close connections.

Colonial dependence was derived partly from the accident of timing, in the sense that London as the national capital, seat of central government, and the greatest city in the country, was the site of a great many colonial interests well before the nineteenth century. Notwithstanding the regional interest of provincial merchants and ports like Bristol, Liverpool and Glasgow in the West Indian, American and Canadian trades, London's pull as a market and source of venture capital had always been strong, especially allied as it was to political influence and patronage. The Hudson's Bay Company and the East India Company, for example, were essentially City institutions, and the Port of London monopolised the East India trade. Markedly independent as the Scottish interests in Canada and India later became, their routes into the chartered companies and overseas, like that of investors in the East India Company from the Netherlands in the eighteenth century, initially ran via the streets of the City and Westminster.<sup>10</sup>

In so far as these perspectives, customs and expertise survived the upheavals of 1776–1815, so London's familiarity with the finance and economics of imperial connections was already commonplace early in the nineteenth century. There was little new for Londoners to learn, for instance, about a wide range of traditional financial and commercial functions which linked colonies to the metropole – the chartering and equipping of ships, insurance, the assembly of cargo and distribution of imports, the acceptance and discounting of bills of exchange or the handling of other remittances, and the export of bullion and specie. For many people in Britain concerned to take advantage of the new colonial possibilities emerging during the nineteenth century, as well as expatriates with similar preoccupations, this historical legacy made London a natural place to start. Thus the joint-stock New Zealand Company was established in 1838 by Londoners, notwithstanding the considerable New South Wales interest in the territory.<sup>11</sup>

London's role did not necessarily entail the eclipse of Britain's provincial centres

<sup>9</sup> Seymour Drescher, *Econocide: British Slavery in the Age of Abolition* (Pittsburgh, 1977); D.C.M. Platt, 'The National Economy and British Imperial Expansion before 1914', *JICH*, 11 (1973); B.R. Tomlinson, 'India and the British Empire, 1880–1935', *Indian Economic and Social History Review* 12,4 (1975), 337–79; D.A. Farnie, *The English Cotton Industry and the World Market 1815–1896* (Oxford, 1979), 96–108; Andrew Porter, *Victorian Shipping, Business and Imperial Policy* (Woodbridge, 1986).

<sup>10</sup> C.H. Philips, *The East India Company 1784–1834* (Manchester, 1940, repr. 1961)

<sup>11</sup> W.H. Oliver (ed.), *The Oxford History of New Zealand* (1981) 59–61.



with their dominant interest in particular colonial trades. Many of these not only persisted but in the nineteenth century were extended in new directions. Liverpool's involvement with the West African palm oil trade increasingly drew on British colonial sources. The opening of the Suez Canal and the growth of steam shipping enabled Glasgow to develop a substantial trade with west and south Africa, Egypt after 1882, and India. Manchester in the 1890s could be regarded as 'almost an Anglo-Indian city'. London, however, continued both to retain its old commercial footings and to find a place for development of the new on an unparalleled scale. In the process, not only were many of the very direct links between commerce and finance slowly broken, but other financial networks were constructed, linking London with colonial territories old and new.<sup>12</sup>

In broad terms the change has been described by S.B. Saul. A disconnected series of localised trade and settlement patterns established in the eighteenth or very early nineteenth century was replaced after 1870 by a much more complex, global system of exchange. This new system reflected the marked expansion of European and American manufacturing capacity, and the greatly expanded world demand for primary products, but was nevertheless centred on Britain. 'Largely because of her free-trade policy, [she] was a major importer of manufactured goods, but, on the other hand, she was also the most important exporter to the majority of the extra-European primary producers. In addition, she was the greatest creditor nation, and enjoyed a very large income from so-called 'invisible' payments. In this way the circle was closed. By exports to primary producers, through shipping, banking and other services and interest receipts, Britain paid indirectly for her own excess of imports from industrial countries, and enabled these countries to finance their imports of primary products'.<sup>13</sup> That many of the primary producers, notably India, were British colonial possessions gave the empire a significant place in the new structure. With the altered pattern of world trade went a simplified mechanism of multi-lateral settlements, in which movements of bullion and bills of exchange were substantially replaced by 'fluctuations in the size of sterling balances held by foreign banks in London'.<sup>14</sup>

<sup>12</sup> Martin Lynn, 'Change and continuity in the British Palm Oil Trade with West Africa, 1830–55', *Journal of African History* 22 (1981), 331–48; *ibid.*, 'From Sail to Steam: the impact of the steamship services on the British Palm Oil Trade with West Africa, 1850–1890', *JAH* 30 (1989), 227–45; Barrie M. Ratcliffe, 'Commerce and Empire: Manchester Merchants and West Africa, 1873–1895', *JCH* vii, 3 (1979), 293–320; W. Thompson, 'Glasgow and Africa: Connections and Attitudes, 1870–1900', (unpub. Ph.D thesis, Univ. of Strathclyde, 1970); J. Forbes Munro, 'Scottish Overseas Enterprise and the Lure of London: The Mackinnon Shipping Group, 1847–1893', *Scottish Economic and Social History* 8 (1988), 73–87; Farnie, 5.

<sup>13</sup> S.B. Saul, *Studies in Overseas Trade 1870–1914* (Liverpool, 1960), 45.

<sup>14</sup> *Ibid.*, 43.

## II

Among the agents of this transformation, it is worth considering the introduction or reshaping of currency systems, in which the role of both the imperial and colonial governments was necessarily of some importance. The establishment of colonial governments required the development of financial links with London in order to manage the everyday conduct of administration. Civil officials and military garrisons needed to be paid, and colonial government required endless stores and supplies, many of them not found locally; local revenue collection, the payment of indigenous employees and, on occasion, the conduct of war similarly necessitated the supply and maintenance of a stable, convertible currency.

At its most extreme, the difficulties inherent in such a situation can be seen in New South Wales where, for more than two decades after its foundation in 1788, the government commissariat's store receipts and bills of exchange drawn on the Treasury in London were indispensable to local economic life.<sup>15</sup> Of course, in many colonies developed in the 19th century, currency and capital were first supplied by private British migrants, traders and other entrepreneurs. Nevertheless, even where officialdom took advantage of established networks, many of which (as in the case of West Africa) were closely tied to cities other than London, a degree of orientation towards the metropolis inevitably followed.

This development was shaped significantly by imperial government intervention and regulation. The absence of any standardised currency system in the colonies was no more satisfactory than the confusion affecting Britain at home since 1797 when cash payments were suspended. The return to the domestic gold standard in 1816/17 was thus followed by attempts in the 1820s to extend it to the colonies. After abortive imperial efforts to introduce distinct local standards, three methods were adopted. Recognizing both the political need to beware of alienating troops unduly and the local economic significance of colonial garrisons, an Order-in-Council in 1825 introduced the principle of government accounting and payment in sterling. This confirmed as Treasury policy promotion of the widest possible use of sterling throughout the empire.<sup>16</sup> Sterling equivalents were laid down for certain major currencies circulating in British possessions such as Spanish dollars, and in some cases small-value coins, designed to be acceptable locally while also fitting into Britain's domestic arrangements, were issued from London.<sup>17</sup>

Yet the success of these early moves varied greatly. In Britain itself by 1850 there circulated a gold coinage and, under the Bank Charter Act of 1844, freely convertible Bank of England notes. These were backed by the Bank's gold reserves, and provided a basis for the operation of either a gold or a gold-exchange standard

<sup>15</sup> S.J. Butlin, *Foundations of the Australian Monetary System 1788 – 1851* (Melbourne, 1953; repr. Sydney, 1968).

<sup>16</sup> The standard work is R.A. Chalmers, *A History of Currency in the British Colonies* (1893); for the Order-in-Council, 23 March 1825, see pp. 23 – 31. See also [James Pennington], *The Currency of the British Colonies* (1848; repr. New York, 1967).

<sup>17</sup> For an excellent survey, W.H. Chaloner, 'Currency problems of the British empire, 1814 – 1914', in Barrie M. Ratchliffe (ed), *Great Britain and Her World, 1750 – 1914* (Manchester, 1975), ch.8.

throughout the empire. London's public service payments in the colonies, especially for military wages, were gradually systematised under the Treasury Chest Acts of 1833 and 1877: by 1900 imperial government funds were deposited in some seventeen fixed locations throughout the empire.<sup>18</sup> Such steps contributed to orderly progress, for example, in Cape Colony, where standardization of the currency was achieved rapidly after 1825, despite popular discontent with the deflation involved. However, in other places local resistance or the restricted nature of trade and banking facilities long delayed any progress. Imperial control over the Royal Mint made possible the refusal of specie to colonial governments and banks until they 'had guaranteed the security of the coin issue through deposits of bullion and gilt-edged securities' in London; nevertheless, official demands for uniformity were virtually abandoned in the British West Indies in 1838 and in West Africa from 1843. Although Jamaica and the Bahamas adopted the sterling system in 1838, Trinidad and British Honduras still remained outside even in 1914.<sup>19</sup> In West Africa, where British territory expanded rapidly late in the century, the process of assimilation was not resumed until the establishment of the Bank of British West Africa (1894) and the West African Currency Board (1912).

Powerful obstacles thus existed to the establishment of London's sterling supremacy. These were also evident in the existence of competing monetary and commercial systems. In North America Canada's trading links with the United States to some extent worked successfully against London's influence. Between 1858 and 1871 Canadian governments' growing independence in commercial policy, the process of British North American political federation, and United States economic recovery after the Civil War, all contributed to the alignment of dollars and cents on both sides of the 49th parallel. This reflected the fact that, despite the importance of Anglo-Canadian trade and investment to both partners, 'Canadian economic development as a whole, especially during the half century or more to 1914, was closely geared to the pattern of growth of the United States'.<sup>20</sup> In consequence the 'Canadian monetary system before 1914 was in effect a gold- (or US dollar-) exchange standard operated, in the absence of a central bank, by the chartered banks themselves', and 'the great bulk of the outside reserves of the Canadian banking system was held at all times in the United States'.<sup>21</sup> Canadians preferred dollar reserves to sterling balances, because of the higher interest rates often obtainable in New York and the minimal loss if conversion into gold was necessary.

Government in India at first also pulled in contrary directions despite the long-standing London connection. Local conditions and the expense of any alternative dictated the East India Company's choice in 1806 of a silver standard, and by 1835

<sup>18</sup> Richard M. Kesner, *Economic Control and Colonial Development: Crown Colony Financial Management in the Age of Joseph Chamberlain* (Westport, Conn., 1981), 167, 263 n.69.

<sup>19</sup> Kesner, 146; Chaloner, 196–99.

<sup>20</sup> Saul, 169, and Ch. VII 'British Trade with the Empire 1; Canada'; see also A.G. Ford, 'International Financial Policy and the Gold Standard, 1870–1914', in: *Cambridge Economic History of Europe* VIII, ch.3, 241–5.

<sup>21</sup> A.I. Bloomfield, *Short-Term Capital Movements under the Pre-1914 Gold Standard* (Princeton, 1963), 62–3, 65.

silver was established everywhere as legal tender. Gold was demonetized in 1853. Following the end of Company control, currency and note issue from 1861 onwards became the Government of India's monopoly. The official drive towards standardization with its goal of a strong currency was encouraged by the government's revenue needs, the necessity for sustaining its credit as a borrower, and the obligation to cover its sterling payments – the 'Home Charges' – in London.<sup>22</sup> To meet the latter it became the practice for the Government of India to sell the equivalent Council Bills in London for gold to those who wanted rupee credits available in India.<sup>23</sup>

The equilibrium of this system was destroyed, first, by the fall in the gold price of silver and rapid rupee inflation after 1870. After considerable cost, difficulty and debate, the Government of India was permitted in 1893 to close its mints for the free coinage of silver, and to stabilize the rupee in 1898 at 15 to the pound sterling. Having thus adopted a gold-exchange standard, it also began to build up a substantial reserve with the Bank of England against the possibility of further change to a gold standard, and to accumulate ordinary funds in London by the sale of Council Bills far in excess of its immediate gold requirements. There seems little doubt that this pattern of monetary policy was adopted in Calcutta as a direct result of India's colonial status, and that it was consciously sustained by the imperial government for the direct benefit of British industry and commerce and as a contribution to the City's financial stability. It was nevertheless a shortlived adjustment; by the 1920s, political and economic conditions in India were such that local control of India's financial and commercial policies was being strongly reasserted.

Colonies adjacent to the powerful Indian economy were also affected by these developments. In 1876 Mauritius finally abandoned its vain attempts to sustain a gold standard, and adopted the Indian rupee. In the early 1900s, Singapore followed India's example in the opposite direction, and moved towards a gold-exchange standard with reserves kept in London. In a similar fashion, New Zealand, anxious to avoid the drain of its resources into Australia, developed its direct links with London as a counterweight.<sup>24</sup>

The search for a stable colonial currency and an imperial standard thus met varying degrees of success. London's influence was patchy and only part of the story. In different colonial circumstances relative indifference to the metropole could persist throughout this period, while elsewhere local initiatives created a variety of closer ties to London.

<sup>22</sup> The Home Charges covered costs of government supplies, pensions, Indian army and other administrative expenses.

<sup>23</sup> This paragraph is derived from Marcello de Cecco, *Money and Empire: The International Gold Standard, 1890–1914* (Oxford, 1974), ch.4; Dietmar Rothermund, 'The Monetary Policy of British Imperialism', *Indian Economic and Social History Review* 7,1 (1970), 91–108; John Adams and Robert Craig West, 'Money, Prices, and Economic Development in India, 1861–1895', *Journal of Economic History* 39,4 (1979), 55–68.

<sup>24</sup> W.E. van Nelson, 'The Gold Standard in Mauritius and the Straits Settlements between 1850 and 1914', *JCH* XVI, 1 (1987), 48–76; *Oxford History of New Zealand*, 67–72.



### III

In pursuit of its sterling policy the British Treasury also relied on a parallel expansion overseas of private banking.<sup>25</sup> Gold would be circulated via the setting-up either of colonial branches by banks based in London or, more slowly, of locally-promoted colonial banks. Setting its face hard against both currency operations involving sterling and note issue by Crown Colony governments (by 1854 only the government of Mauritius retained its own note issue), the Treasury from 1833/34 laid down regulations under which banks might obtain Royal Charters or colonial government acts of incorporation governing their operation.<sup>26</sup> When its faith in these arrangements was eventually shaken by the difficulties caused in Ceylon when the Oriental Bank collapsed in 1844, the imperial government again began to encourage colonial government note issues on condition they were backed, as in the case of the banks, by carefully-regulated reserves. Where banks had been very slow to develop, as in the West African colonies, this was a welcome relaxation of imperial restraints. However, Treasury control remained a powerful reality in all Crown Colonies. With respect to the private sector, official controls were further extended in the mid-1890s: formal procedures were introduced for reviewing banks' reserves, in response to the spread of limited-liability, joint-stock banking.<sup>27</sup>

However, both 'imperial' banks (of metropolitan origin) and 'anglo-colonial' banks (local enterprises which soon established important London branches) were often slow to develop. The growth of foreign exchange banks in India followed the commercial crisis of the 1840s and the need for new institutions to assist the renewed commercial expansion of the 1850s and 1860s.<sup>28</sup> By 1858 there were only five in Australia, two in Canada, and none in southern Africa.<sup>29</sup> There were several reasons for this. Especially in areas of white settlement, entrepreneurs were often hostile to banks coming from outside, sensing danger in their being strongly influenced by the decisions of remote capitalists in London or elsewhere. Local banks, more responsive to colonial conditions, less guarded perhaps in their attitudes towards credit and acceptable securities, and developing flexible relationships with increasingly representative or popular colonial governments, were widely preferred and multiplied rapidly on the back of locally-generated capital.<sup>30</sup> Equally signifi-

<sup>25</sup> Secondary sources include A.S.J. Baster, *The Imperial Banks* (1929); E.H.D. Arndt, *Banking and Currency Development in South Africa (1652 - 1927)* (Cape Town, 1928); and S.J. Butlin.

<sup>26</sup> For the regulations of 1846, revising those of 1840, see Pennington, 242 - 7; Kesner, 147 - 8; Nelson, 49; Butlin, 259 - 60; G.R. Hawke, *The Making of New Zealand: An Economic History* (Cambridge, 1985), 60 - 1. The three Presidency Banks in India: for example, (Bengal established in 1809, Bombay 1840, Madras 1843), were all prohibited from foreign exchange banking after 1839; A. Bagchi, 'Anglo-Indian Banking in British India: From the Paper Pound to the Gold Standard', in A.N. Porter and R.F. Holland (eds.), *Money, Finance and Empire 1790 - 1960* (1985), 96.

<sup>27</sup> Kesner, 149, 154.

<sup>28</sup> Oriental Bank (1845); Chartered Bank of India Australia and China (1853), Chartered Mercantile Bank of India London and China (1857), Hong Kong and Shanghai Banking Corporation (1864).

<sup>29</sup> H.J. Habbakkuk, 'Free Trade and Commercial Expansion, 1853 - 1870' in: *Cambridge History of the British Empire* II (Cambridge, 1940; repr. 1968), ch.xxi, 781 - 3, 785.

<sup>30</sup> Butlin, 258; Hawke, 60 - 65; *Oxford History of New Zealand*, 67 - 72.



cant, however, was the level of colonial involvement with overseas trade. Australia's early lead owed much to the growth of wool exports after c.1830 and to the gold discoveries of the early 1850s. The history of the banks' slower growth in South Africa similarly reflects the later development there of export staples in the form of mohair, wool and, after 1868, diamonds. Finally, as further restraints on the spread of imperial joint-stock banking before 1870, there existed both the conservatism and inertia of many merchants in financing their businesses, together with the very limited borrowing undertaken by colonial governments.

This was a banking structure which reflected both the limits of colonial enterprise and the associated restrictions on London's influence over, or role in, colonial financial networks before 1860. However, it was a system steadily undermined thereafter. The integration of metropolitan and peripheral banking proceeded as the winnowing of colonial banks in successive slumps and the amalgamations or takeovers by the overseas banks left the latter in an ever stronger position. In South Africa, for example, the London and South African Bank and the Standard Bank of British South Africa were founded in 1860 and 1862. In Cape Colony they both spread rapidly, the former having 17 branches by 1865. Despite slumps in 1865–68 and 1872–74, there were still 19 separate Cape banks with 57 branches in 1876. However, colonial banks frequently neglected to take advantage of limited liability legislation, and were decimated by further slumps in 1877–79, 1881, 1885–86, and 1890. By 1891 the Standard Bank, having absorbed the London and South African in 1877, dominated the colony alongside just three others, two of them imperial and only one colonial. By 1900 these same three overseas banks catered overwhelmingly for the whole of southern and central Africa.<sup>31</sup> Developments in Australia and New Zealand followed similar paths, with the result that the colonies evolved neither central banks nor officially-held reserves of foreign exchange.

Underlying the change were alterations in the conditions which originally had favoured the colonial banks. Outright failures, fears as to their soundness, and periodically an inability to supply necessary cash or credit, slowly undermined colonials' confidence in purely local financial institutions. The expansion of colonial trade not only left smaller banks unable to find the capital and expertise to match it, but contributed to the growing separation of commercial and financial dealings as the need for multi-lateral payments as well as bi-lateral remittances multiplied.

The historian of the Standard Bank has described the new practices which came to South Africa in the 1880s. 'Improved communications had led to sales of goods for cash which had previously been sold on six months credit, and direct importation was becoming more general, to the detriment of the middleman and the inland bill. Consequently overdrafts were taking the place of discounting. Similarly, produce sent down from the interior to the coast was now frequently sold for cash and paid for by sight draft or telegraphic transfer, instead of by way of bills drawn

<sup>31</sup> Arndt, ch.5; J.A. Henry, *The First Hundred Years of the Standard Bank* (1963). The three were the Standard Bank, the African Banking Corporation (established 1890–1), and the Bank of Africa (1879).

at 60 to 120 days. The result was a dearth of trade bills, a shorter currency for those that were drawn and a further shift in advances from discounts to overdrafts.<sup>32</sup>

As this quotation shows, advances in technology (notably the telegraph and regular steam shipping) and commercial requirements were likely to have marked consequences for short-term financial management; these too could affect London's financial links with the colonies. The efforts of imperial and colonial governments to secure monetization of colonial economies and stable exchanges, like the development of foreign exchange banking facilities, always had as their inescapable counterpoint the evolving operations of private overseas commerce. In these operations, throughout the period 1815–1914, London played a very significant role as a provider of mercantile credit, transfers and exchange, and served far more than the City interest. Merchants in Liverpool or Glasgow, either following the habits of their trade, or using local banks who in turn relied on London agents, or looking to the greater stability, reputation and lower rates of many London banks, constantly turned to the metropole for the settling of accounts.<sup>33</sup>

At least until the 1880s merchants in London and provincial UK centres together with their opposite numbers in colonial ports continued to act for each other as corresponding agents. Some larger colonial firms established resident agents or partners in London. All dealt with the supply, financing and shipping of often highly miscellaneous selections of imports and exports. From the 1880s onwards, however, improved shipping services and the expansion of colonial business encouraged increased specialization among commercial firms, and easier contact between producers or manufacturers and their overseas suppliers or customers. The growing practice of direct importation, especially by larger purchasers, tended to exclude mercantile intermediaries.<sup>34</sup> In these circumstances it would appear that the role of joint-stock banks as the handlers of trading accounts everywhere grew rapidly after 1890. The consequences of this for London's financial networks are still unclear.

At a different level in the market-place, a parallel transformation can be seen in the role of London's 'merchant banks' as institutions oiling Britain's commercial wheels. They comprised an extraordinarily cosmopolitan collection of private partnerships, which had extensive international contacts and combined commercial finance with specialised commodity trading. Their numbers grew rapidly after 1815 and again after 1850, often by the influx of new firms from abroad, in order to cope with the great expansion of international and imperial commerce. For most of them, the merchanting side of their activities gradually declined, giving way to a more exclusively financial role as issuing or acceptance houses, providers of loans and investment advice. Their colonial interests exhibit no clear pattern. Some aspects of colonial enterprise were clearly regarded as too speculative for what were often rather conservative firms. N.M.Rothschild and Sons, for example, did not

<sup>32</sup> Henry, 109.

<sup>33</sup> S.D. Chapman, *The Rise of Merchant Banking* (1984), 8–9, 137 and passim.

<sup>34</sup> For South African material, Porter, 'Britain, the Cape Colony, and Natal', 570–1, and *Victorian Shipping*.

develop extra-European interests until the 1880s, and then only in very select South African mining ventures and related activities.<sup>35</sup>

A longer, more continuous line of descent can be found in the 'agency houses' which developed rapidly especially after 1800 to manage a large slice of East India Company business and private trade with India and South-East Asia. Based both in London and Calcutta, they suffered heavily in the commercial crises of 1829–33 and 1847. However, many survived and, although they thereafter largely avoided banking, became firmly rooted in virtually every form of Asian enterprise and investment. Chapman has charted their development in many cases from locally-based merchant houses to the status of 'investment groups', responsible for a great variety of joint-stock subsidiaries essentially independent of London and its capital market. While they mobilised a substantial proportion of the UK's and London's Asian trade, many operated solely within an Asian setting and depended largely on non-metropolitan sources of capital. They drew funds from Australia, Japan, China and India as well as investing their own profits, especially after 1875 as London became less willing to provide for Indian investment.<sup>36</sup>

#### IV

Finally, the growing demand especially from British settlers overseas for the development of colonial resources brought more frequent recourse to London as the most likely source of additional capital, either in the volume required or at relatively favourable rates. This was a phased process, dependent on fluctuations in the UK domestic and international investment markets, the emergence of reliable prospects for development in individual colonies, the initiative of colonial governments or entrepreneurs, and the wish to avoid self-defeating inter-colonial competition for funds in London. It also altered relationships between the imperial and colonial governments, banks of all kinds and the stock market.

Between 1815 and 1870 London's organised stock market devoted much of its attention to government loans. Colonial borrowing in the City was also essentially that of governments, and this remained overwhelmingly so throughout the period to 1914. In 1870, for example, 68% or £21.8 million of British investment in Aus-

<sup>35</sup> Chapman, *Merchant Banking*, 22–3; *ibid.*, 'Rhodes and the City of London; Another view of Imperialism', *Historical Journal* 28,3 (1985), 647–666; R.V. Turrell and J.-J. Van Helten, 'The Rothschilds, the Exploration Company and Mining Finance', *Business History* XXVIII, 2 (1986), 181–205; R.V. Turrell, 'Finance, the Governor of the Imperial Engine: Hobson and the case of Rothschild and Rhodes', *Journal of South African Studies* 13,3 (1987), 417–32; Colin Newbury, *The Diamond Ring: Business, Politics, and Precious Stones in South Africa, 1867–1947* (Oxford, 1989); Porter, *Victorian Shipping*, 146, 148, 150–1.

<sup>36</sup> S.D. Chapman, 'British-based Investment Groups before 1914', *EcHR* XXXVIII, 2 (1985), 230–51; *ibid.*, 'Investment groups in India and South Africa', *EcHR* XI, 2 (1987), 275–80; Chapman, *Merchant Banking*, esp. 140–44; Chapman, *Merchant Enterprise*; Philips, *East India Company*; Amales Tripathi, *Trade and Finance in the Bengal Presidency 1793–1833* (Calcutta, revised ed., 1979); R.P.T. Davenport-Hines and Geoffrey Jones (eds.), *British Business in Asia since 1860* (Cambridge, 1989); Munro, 'Scottish Overseas Enterprise'.

tralia was in the stock of colonial governments; by 1914 this had multiplied almost ten-fold to £ 216.5 million, or 72.2%.<sup>37</sup> Individual colonies were particularly active in the market at different times: Australia in the early 1850s and 1880s, New Zealand in the 1870s, South Africa in the 1890s, and Canada in the 1860s and again after 1903. By far the greater part of these rapidly increasing sums were devoted to providing the infrastructure for economic development, especially to railway building. In 1888, for instance, of the Cape Colony's outstanding public debt totalling £ 22.3 million, only £ 1 million had been raised locally and railways accounted for some £ 14 million.<sup>38</sup>

In raising loans, colonial governments were at first required to rely on the Crown Agents for the Colonies to handle their official transactions in London. All Crown Colonies continued to be restricted in this way. However, afraid lest it be held responsible for mounting colonial liabilities, the imperial government after 1880 refused to allow the spendthrift self-governing colonies to use the Agents' services.<sup>39</sup> This move was welcomed by colonists often glad to escape the Crown Agents' cosy network involving selected brokers and merchant banks like Baring. The self-governing colonies appointed their own agents-general in London, and passed their issuing business there to banks of their choice.

A preference gradually emerged for the imperial or anglo-colonial overseas banks. Australia's colonial banks were slowly abandoned by their governments, leaving only South Australia by 1914 using a local bank; similarly, the Cape government accepted its Agent-General's advice against relying even on the Standard Bank. Favoured choices were the Bank of England and the London and Westminster Bank, but there developed no narrow City-centred monopoly, even if issues continued to be made in London. Scottish banks were sometimes used, and in 1891 Canada left Baring and Glyn Mills for the Bank of Montreal.<sup>40</sup> Periodically colonial governments chafed under what they felt were the restrictive practices of London bankers, but attempts to move elsewhere seem to have been both rare and unsuccessful.<sup>41</sup> The key to such choices lay above all in colonial estimates of the prestige of the issuing bank and hence the security of the investment in the opinion of the investing public.

The financial position of Crown Colony governments was generally much weaker than that of self-governing colonies. Where prospects seemed limited and colonial officials constantly struggled to balance the books, the imperial government rarely felt able to do more than trust to private initiatives and the 'natural'

<sup>37</sup> A.R. Hall, *The London Capital Market and Australia 1870–1914* (Canberra, 1963), 90, 205–6.

<sup>38</sup> Andrew Porter, 'Britain, the Cape Colony, and Natal. 1870–1914: Capital, Shipping, and the Imperial Connection', *EcHR* xxxiv,4 (1981), 557.

<sup>39</sup> Kesner, 'The Builders of Empire; The Role of the Crown Agents in Imperial Development, 1880–1914', *JICH* v, 3 (1977), 310–30; Porter, 'Britain, the Cape Colony, and Natal', 558–61.

<sup>40</sup> At the Bank of England: New South Wales (1884–1905), Queensland (1885); at the London and Westminster: Victoria (1886), Western Australia (1890), NSW (1905), South Australia (c. 1885), Cape Colony (1883). Hall, 73–4, 103–5; *Cambridge History of the British Empire* vi, 375; Porter, 'Britain, the Cape Colony, and Natal', 564.

<sup>41</sup> *Ibid.*, 562 n.37, for New Zealand and Queensland in 1884, and 565 n.69, for the Cape in 1891; Hall, 105, for Australian states in the early 1900s; in 1890–1, Canada seems to have approached Paris.



growth of external trade. However, steps both direct and indirect were taken by Joseph Chamberlain between 1895 and 1903 to improve their chances on the London capital market.<sup>42</sup>

Just as colonial governments of all kinds came more frequently to London and its Stock Exchange in the late-nineteenth century, so did private entrepreneurs wishing to promote joint-stock companies with colonial interests. However, their use of London's facilities was by no means synonymous with either London's initiative or London's control. Payment of colonial pipers did not necessarily produce performances of the City's tunes.

It is important to remember that much of the capital for local colonial ventures was raised in the colonies themselves.<sup>43</sup> This is no less true in the late-nineteenth century than in the 1820s. In the case of New Zealand, Hawke has stressed how 'capital formation after 1870 was mostly effected by local savings'; he interprets the function of 'overseas borrowing ... as a kind of transmission mechanism', simply making possible the periodic concentration of accumulation and development rather than its general diffusion. 'British capitalists did not control New Zealand resources and activities; rather, their cooperation and finance were needed if resources were to be developed and activities to proceed in the ways the colonists wanted'.<sup>44</sup>

Australian land-mortgage companies in the late 1870s/early '80s were largely floated locally. Moreover, 'it was unusual for the best Australian mines to be offered in London. Most ... could only be bought in the first instance by purchases on the Australian Stock Exchanges – a process which was facilitated in the early nineties by the movement to London of a small group of Australian brokers'.<sup>45</sup> Even in Britain, fund-raising was not confined to London and the south-east. Along with other companies, colonial banks and building societies operating in the UK advertised and attracted deposits from many areas, not least Scotland. Colonial growth and development in its turn made further local savings possible. In the early 1890s and again after the South African War, Australian governments turned away from London to local issues, with the result that the proportion of their public debt floated at home rose from 17.4 to 30.6% between 1904 and 1913.<sup>46</sup> The ability of local colonial interests to decide the timing, to set the terms, and to reap the benefit of metropolitan investment was paralleled by the expansion of locally-generated savings and investment.

Recent work has also tended to circumscribe the role of London in the nineteenth-century movement of capital abroad. Whereas much of the capital provided between 1850 and 1880 may have been British in origin, it is now suggested that substantial proportions of the stock issued and quoted on the London Stock Ex-

<sup>42</sup> Kesner, *Economic Control*, ch.3 for the Colonial Loans Act (1899) and the Colonial Stock Act (1900), and *passim*.

<sup>43</sup> Donald Denoon, *Settler Capitalism. The Dynamics of Dependent Development in the Southern Hemisphere* (Oxford, 1983).

<sup>44</sup> Hawke, 71, 7–8.

<sup>45</sup> Hall, 109–110, 113.

<sup>46</sup> *Ibid.*, 116–19, 137.



change especially between 1875 and 1914 was bought by foreigners. Platt has argued strongly that British purchases abroad did not necessarily compensate for this, and that securities originally bought by British residents were also frequently sold to foreigners. London thus often acted much less as the provider of capital than as a channel for the investment funds of others, just as its financial and commercial institutions encouraged the holding in the metropole of sterling balances by many different governments, firms and individuals.<sup>47</sup>

Just as estimates of the total British capital invested overseas are being lowered, so the extent of London's initiative and direction in enterprise overseas, not least within the empire, has been questioned. Not only work on 'investment groups' referred to above, but the rediscovery of the 'free-standing company' – ventures floated, often by expatriates, with capital raised in the United Kingdom, for operations conducted entirely overseas – and current research into particular sectors such as international mining, accentuate the role in business promotion and management of Britain's own provinces and the imperial periphery.<sup>48</sup>

## V

In characterizing the financial web which bound London to Britain's empire it is above all necessary to emphasize the way in which London's machinery facilitated colonial developments by bringing together skills, knowledge, resources and many diverse needs, including those which were financial. This appears to constitute a very different kind of relationship from that contended for by some historians in which the City of London and the south-east of England are themselves represented as the chief providers and source of initiative, generating imperial enterprise just as they guided the pattern of imperial expansion. It is one which not only points to the heterogeneity of the City itself, but finds a place for the autonomy and independence from London of other regions within the UK, of colonial territories themselves, and of other European states which after 1870 also had plenty of funds to invest overseas.

Chronologically the 'dominance' of London as the empire's financial centre was also limited. Because the rhythms of currency reform, banking, the evolution of business structures and capital provision were far from uniform, generalisations are exceptionally difficult. However, it can be argued that London reached its apogee between 1860 and 1890, when colonial borrowing and returns on colonial investments attained historically high levels, when colonial banks were failing in sig-

<sup>47</sup> D.C.M. Platt, 'British Portfolio Investment Overseas before 1870: Some Doubts', *EcHR* xxxiii, 1 (1980), 1–16; and *British Investment Overseas on the Eve of the First World War*; for London 'as a funnel through which other people's money was poured, rather than as a stirrup-pump spraying domestically-generated savings over the rest of the world', see B.R. Tomlinson, 'The Contraction of England: National Decline and Loss of Empire', *JCH* xi,1 (1982), 58–72, at 63–4.

<sup>48</sup> Mira Wilkins, 'The free-standing company, 1870–1914: an important type of British foreign direct investment', *EcHR* xli, 2 (1988), 259–82; Charles Harvey and Jon Press, 'The City and International Mining, 1870–1914', *Business History* 32,3 (1990), 98–119.

nificant numbers, while commodity trades and mercantile finance were still very strongly tied, and currency reform had reached a plateau. Thereafter, London's financial position became less secure, and was then permanently damaged by the 1914–18 war. The growth of American and European competition, colonial economic growth, the increasing specialization and diversification of business and commerce, and the multiplying sources of capital for colonial investment, all offset the centrality of London in imperial finance which is often associated with the gold standard and capital exports from the United Kingdom.



## Foreign Investment in Venetian Government Bonds and the Case of Paolo Guinigi, Lord of Lucca, early 15th century

Venice in the late Middle Ages was a 'city of finance' par excellence in five areas: 1) the system of local deposit and giro or transfer banks at the Rialto that handled locally debits and credits deriving also from international trade, a system capable of expanding the money supply, especially via lending by overdraft and by monetization of government debts; 2) the bullion market, perhaps the largest in Europe before the arrival of American treasure; 3) maritime insurance underwriting (a tiny street at the Rialto, 'Calle della sicurtà,' indicates the location of operations); 4) the money market for short-term (one- to six-month) loans based on the trade in bills of exchange, a Europe-wide market monopolized, in Venice as elsewhere, by Florentine operators but in which Venice was a corner-stone; 5) the financial market in which the system of forced loans produced long-term government obligations or bonds that were negotiable.<sup>1</sup> In all five sectors values were quoted daily at Rialto, Venice's Wall Street on what today would be the 'Big Board'.

In the context of this paper I will limit myself primarily to the last area. I will describe briefly the nature and history of the Venetian systems of funded and floating debts, with the aim of underscoring the inter-regional importance of both debts and of indicating how foreigners entered the Venetian market in search of a safe investment and of a steady income.

Whereas in northern and north-western Europe city governments avoided recourse to direct taxation by selling life and perpetual annuities to more or less voluntary investors, often foreigners, the major Italian city-republics resorted early to forced loans, levied on the local population.<sup>2</sup> Loans were levied on the basis of some estimate of ability to pay and gave the right to a return, generally and at least initially of 5 percent per annum. Government obligations were entries in the led-

<sup>1</sup> For the distinction between money markets and financial markets, see Raymond de Roover, 'Le marché monétaire au Moyen Age et au début des temps modernes. Problèmes et méthodes,' *Revue historique*, 244, 1970, 5.

<sup>2</sup> See E.B. and M.M. Fryde, 'Public Credit, with Special Reference to North-Western Europe,' in *The Cambridge Economic History of Europe*, 111, Cambridge, 1963, esp. part 8, 'The Towns of Northern Europe.' For Italy, see the recent overview by Anthony Molho, 'Tre città-stato e i loro debiti pubblici. Quesiti e ipotesi sulla storia di Firenze, Genova e Venezia,' in *Italia 1350 - 1450: tra crisi, trasformazione, sviluppo*, Tredicesimo convegno di studi, 1991, Centro italiano di studi di storia e d'arte, Pistoia, 1993, 185 - 215.

gers maintained by the loan administration and they were negotiable on the books; the situation in thirteenth-century Lombard cities and in Vicenza where notarized government obligations were negotiated in the form of small pieces of parchment, was exceptional.<sup>3</sup>

In Venice the practice of asking wealthy citizens for loans had changed by 1207 to a system of forced loans based on an *estimo*, a list of assessed valuations of the patrimonies of citizens, organized according to their parish and quarter (*sestiere*) of principal residence. By the mid-thirteenth century there was an office of the public debt (*Camera imprestitorum*) and in 1262 the debt was consolidated and a fund was created to service it. The state repaid issues when it could but the debt can already be considered a perpetual debt to the extent (a) that the state never pledged itself to repaying it in full; (b) that repayments were irregular while new levies were continual; and (c) that persons or trust funds interested in maintaining a portfolio of bonds could do so simply by reinvesting in bonds offered on the open market the amount received from the state as amortization payments. Amortization at par became ever more rare until it was halted altogether in 1363; in 1375 the state inaugurated the policy of reducing principal when it could by intervening on the open market and retiring bonds at their current market value.<sup>4</sup>

Citizens adapted to the system early and developed faith in it. If the wealthy doge Reniero Zeno (d. 1268) in his testament ordered that his portfolio of 6500 lire in bonds be sold and the proceeds used to buy real estate whose rents would, in turn, support his trusts, by the end of the century testators were ordering that their portfolios remain intact and that personal property was to be sold in order to purchase further bonds. The interest returns, then, could support even perpetual pious and charitable trusts. In the mid-fourteenth century, finally, trusts based on rents from real estate were strictly curtailed, partly in favor of the mobility of real property against the 'dead hand' of the Church, partly in support of the bond market, the only viable alternative left for funding a perpetual trust.<sup>5</sup>

Before turning to the open market, a word about another financial institution that flanked the funded debt from the late thirteenth to the late fourteenth century, namely, the office of the annona (*Camera del frumento*). Since it took time to collect forced loans once levied, the state found it useful to have a substantial floating debt

<sup>3</sup> Jacob Wackernagel, *Städtische Schuldscheine als Zahlungsmittel im XIII Jahrhundert*, Beiheft 2 to *Vierteljahresschrift für Sozial- und Wirtschaftsgeschichte*, Stuttgart, 1924 (based on the statutes of Como, Milan and Novara); on Vicenza, where over five hundred actual obligations are extant, see Natascia Carlotto, *La città custodita. Politica e finanza a Vicenza dalla caduta di Ezzelino al vicariato imperiale (1259–1312)*, Milan, 1993.

<sup>4</sup> The classic study is Gino Luzzatto, *I prestiti della Repubblica di Venezia (secoli XIII–XV)*, Padova, 1929; the historical introduction to the document collection was also published as a separate book, with nearly identical pagination: *Il debito pubblico della Repubblica di Venezia, dagli ultimi decenni del XIII secolo alla fine del XV*, Milan, 1963. Essential clarifications in his 'Il debito pubblico nel sistema finanziario veneziano dei secoli XIII–XV,' reprinted in his *Studi di storia economica veneziana*, Padua, 1954, 211–24.

<sup>5</sup> Luzzatto, *I prestiti*, lxi–ii; Reinhold C. Mueller, *The Procuratori di San Marco and the Venetian Credit Market: A Study of the Development of Credit and Banking in the Trecento*, New York, 1977 (Baltimore, 1969), 114–149.



available for urgent needs and the Grain Office, accustomed to dealing in large credits, was selected to administer that floating debt. By the early fourteenth century, the Office functioned rather like a Swiss bank today: on the one hand, it accepted deposits on which it paid interest; on the other hand, it lent money, primarily to the state but occasionally also to entrepreneurs in critical sectors of the urban economy.<sup>6</sup> Pressure to develop the *annona* ever more into a kind of state bank came from foreigners, especially foreign lords, persons interested in having a safe place to keep their hoards of liquid wealth, even at low rates of interest. In 1345 the Office had liabilities of a quarter-million ducats with private parties. A decade later it took in 80,000 ducats from the lord of Verona, Cangrande II della Scala, concerned about his own security and that of his wealth. (He left further 110,000 ducats in another Venetian administration – that of the Procurators of San Marco – as an interest-free deposit.) If the amount of this nest egg was out of the ordinary, making deposits had become common, even though foreigners had first to appeal to Venetian authorities for permission. While the Grain Office had to offer market rates of interest around 1300 (8–10–12 percent), demand for what we may call its ‘certificates of deposit’ was such that by mid-century it could offer less: 5 percent on dowries, 4 percent on other deposits by citizens, 3 percent on deposits by foreigners; advance notice of six months was required for withdrawal of one’s money. Despite the low interest the opportunity was deemed valid by foreigners from the whole of northern Italy and Dalmatia. The fact that the interest schedule of the Grain Office remained fixed was one of the causes of its decline towards the end of the fourteenth century. It was then no longer in a position to compete, not even vis-a-vis foreign investors, with the rates of yield available on the local bond market.

The market for government obligations was completely free for Venetian citizens; they had only to work through officially licensed brokers and register purchases and sales on the books of the Loan Office; foreigners, on the other hand, could invest on the open market only with a special license or *gratia*, as was the case with deposits in the Grain Office. Some foreigners even applied for Venetian citizenship precisely in order to be able to invest more freely in bonds. While Venetians began trading in bonds as soon as the fund was consolidated, foreigners seem not to have been interested in investing, as long as yield rates were little more attractive than the interest offered by the Grain Office, but also as long as the state retained the right to amortize principal on specific issues of obligations. In fact, requests by foreigners for such *gratie* turn up in considerable numbers only after Venice officially gave up that option in 1363 and after the decline of market quotations brought an increase in yield. From the 1360s till 1442 there are dozens of applications for permission to invest specific amounts of money, some expressed in the nominal value of bonds, some in their market value. They came from individuals in an area that ranged from Piedmont to Dalmatia, from southern Germany to Rimini, from Portugal to Cyprus. In 1442 the requirement of the *gratia* was lifted

<sup>6</sup> See my ‘La Camera del frumento: un ‘banco pubblico’ veneziano e i gruzzoli dei signori di Terraferma,’ in *Istituzioni, società e potere nella marca trevigiana e veronese (secoli XIII-XIV) – Sulle tracce di G. B. Verci*, Rome, 1988, 321–60.

Table 1. Foreigners licensed to invest in Venetian bonds 1340 (ca.) to 1451.

year	name	provenance/ residence	amount		source
			par	real	
pre 1339	Azzo Visconti	Milan	-		G9:33
pre 1340	Manfredo IV	Saluzzo		115,000	chronicle
1364	Azzone d'Este	Ferrara	-		G16:7
1365	Caterina, wife of noble Giovanni di	Venosto(?)		2,000	G16:36
1367-73	Ludovico Gonzaga	Mantua	151,000		bibliog.
1371 ca.	Francesco Casali	Cortona		20,000	bibliog.
1370	Nicolò q Simone Bonasi	Pola	-		G16:113
1370	Goncelario & Antonio q Giacomo a Toaleis (?)	Mantua	-		G16:116
1373-83	Bianca di Savoia	Milan	40,000		G17:7,151v
1373-87	Manfredo v di Saluzzo	Milan		32,000	G17:pas.
1374	Bonaventura de Rustigello, physicus	Pola		1,000	G17:37
1374-76	Pietro Capello, Milan	bish. Cremona		4,000	G17:41
1375	Traversina, widow of Nicolò de Cortelariis	Padua		385	G17:43
1375	Pietro Siroba	Famagosta		1,000	G17:44v
1375	q Dragogna de Balbas	Cherso		1,500	G17:47v
1375	Felixina de Trivisana (passed xl. only)	Venice		150	G17:56v
1375	Caterina, widow of Marcolo de Testa	-		500	G17:57
1376	Francesco de Torengo	Rimini		1,000	G17:69
1376	Anna, wife of Franceschino Cavalli	Verona		4,000	G17:76v
1377	Sofia, widow of Lorenzo Mafei of Verona, cit.	Venice		800	G17:80v
1377	Zaccaria, widow of Ant. Mafei of Verona, cit.	-		1,000	G17:82v
1377	Guidone canon S. Marco	Venice		600	G17:82v
1377	Teodoro Durachin & wf	Arcadia		5,000	G17:89
1378	Nicoletta widow of Aristotile scriptor	Venice		1,000	G17:91v
1382	Lanzarotto	Treviso		3,000	G17:143
1383	Pileo da Prata, card.	Ravenna		12,000	G17:164v
1385	Lucia q Andrea d'Anzolo di Trieste	Venezia		300	G17:193
1385	Caterina, widow of Ant. Bevilacqua, cit.	Verona		1,000	G17:196v
1385	Rambaldo di Collalto, comes Tarvisinus	Treviso		1,000	G17:201v
1386	Caterina Visconti, wf of Giangaleazzo	Milan		100,000	G17:202
1387	Carlo Malatesta (dowry from Franc. Gonzaga)	Rimini		20,000	G17:224
1387	q Antonio da Galerate of Milan	Venice		50	G17:227
1392	Rainerio d. Scolaribus, bailus regni Cipri	Cyprus		5,000	G18:25v
1392	Tom., Giov., Galeazzo, heirs of Manfredo v	Saluzzo	10,000		G18:27
pre 1399	Luchino Nov. Visconti	Firenze	20,000		PSM U305

year	name	provenance/ residence	amount		source
			par	real	
1402	Giacomo Giuberti,merc.	Bologna		4 - 5,000	G19:31
1403	Tommaso & other heirs of Manfredo v	Saluzzo	20,000		G19:39v
1404	Bonaventura? Aliprandi	Mantua		2,000	G19:45v
1404	Nascimbene q Zambono	Padua	10,000		G19:45v
1409	Ulrich Samer	Salzburg	12,000		G20:37
1410	Giovanni da Francia	Capodistria		2,000	G20:41v
1410	John I, King of	Portugal			PRV 211
1411	Paolo Guinigi	Lucca		40,000	MC:210v
1412	Agostino Fornari	Vicenza		4,000	G20:58
1423	Abondio di Leonardo de Cogriariis	Como		2,000	PRV229
1423	Johannes Daga	Nuremberg	10,000		G21:68v
1428	Bianca, widow of Raf. Raimondi, dr. utriusque			2,000	G22:96v
1429	Giovanni Secretico magister fisicus	Cyprus		2,000	G22:126v
1430	Alessandro Borromei	Milan/Venice		8,000	G22:133v
1431	q Margherita q Franc.	Arbe		1,200	G23:9
1431	Stefano da Francia chaplain of S. Secondo	Venezia	400		G23:10v
1431	[Hugo de Lusignan] Cardinal of	Cyprus	2,000		G23:12v
1432	Pietrobono Pomponazzi	Mantua	10,000		G23:29
1432	estate of q Domenico di Tommaso, former resid.	Florence/vE	2,000		G23:29
1432	Friary of S. Francesco	Forli	2,000		G23:56v
1435	Knights Hospitallers of S. John of Jerusalem	Rhodes	200,000		G23:116v
1436	Convent of S. Chiara	Mantua		600	G23:120
1436	Lorenzo Attendoli,capn	Codignola		6,000	G23:130v
1436	Stefano Pignolo, miles	Cyprus		6 - 8,000	G23:131
1436	Tommaso Bibi, D.Med., advisor to king of	Cyprus		6,000	G23:132v
1436	Alvise da Tana 'de partibus pedemontium'	[Cyprus?]		6,000	G23:139
1437	Franciscan friary	Rimini		900	G23:150
1437	Johannes Maurino	Augsburg	10,000		G24:13
1437	Stefano Pignolo, advisor to king of	Cyprus		6 - 8,000	G24:18
1438	Lisiolo Capoana, Venetian viceconsul	Manfredonia	2,000		G24:36
1438	Numo de Gusman, son of Grand Master	Castile	25,000		G24:36
1438	Ludovico de Gusman, Gr. Master, Ord. Calatrava	Castile	100,000		G24:44v
1438	Zupano de Bona, merch.	Ragusa		2,000	G24:44v
1438	Stefano Magno & bros.	Ragusa		1,000	G24:46v
1439	Giovanni di Mil.Soldani majordomo of Eug. IV	[Florence]	10,000		G24:48v
1439	Wenceslaus, son of count Zachan	Corbavia	10,000		G24:51
1439	inhab. of Castel S. Lorenzo in Campo	Marche d'Ancona	1,700 ca.		G24:60

Table 1. Foreigners licensed to invest in Venetian bonds 1340 (ca.) to 1451 (continued).

year	name	provenance/ residence	amount		source
			par	real	
1439	Dominican friary	Rimini		—	G24:63
1440	don Nicola Manenti, prior S.M.Misericordia	Pera?	1,500		G25:8v
1440	Giacomo de Petrocco	Montesanto		1,000	G25:9v
1440	Bartolomeo Brancacci	[Florence?]		10,000	G25:10
1440	Enrico q Gabr. Bunci	Asti		4,000	G25:16
1440	Nicola da Todi & bros	Todi/Padova		1,000	G25:18
1441	Petrus Silber	Freiburg	8,000		G25:30v
1441	Pietro Magnano, mag.r	Codignola	1,000		G25:30v
1451	messer Pietro da	Nosceto	ad libitum		PRV 268

Note: q = quondam, deceased or son of the deceased

cit = citizen (naturalized)

G = ASV, Grazie; PRV = Luzzatto, *I prestiti*; PSM = ASV, Procuratori di San Marco

in favor of a tax on transfers, which is the reason that we lose sight at this point of individual purchasers. (See Table I.)<sup>7</sup>

Like many wealthy Venetian testators, some foreigners had in mind specific charitable trusts when they bought bonds; for example, Bianca of Savoy, wife of Galeazzo II Visconti of Milan, who endowed the convent of Poor Clares in Pavia with some 40,000 florins in bonds; or the cardinal of Ravenna, who founded a college for students at the University of Bologna and endowed it with 12,000 ducats in bonds. Such testators and benefactors who established a perpetual trust required a perpetual income and the Venetian bond market offered just such an opportunity.

Of course the attraction of bonds, in medieval Venice as in any age or place, depended largely upon yield (inflation was probably not considered enough of a problem to force investors to consider real rates of interest). Venice offered its citizens, from whom it exacted loans, 5 percent annual interest on par value. And it paid that much consistently from 1262 till 1379. In the same period, market values remained relatively close to par (see Appendix, Graph 1), so that the yield accruing to investors on the open market was only marginally higher than 5 percent.

During the war of Chioggia against Genoa, however, Venice interrupted interest payments and market prices of bonds plummeted to 18 in the late winter of 1381. Despite the serious economic crisis and the extraordinarily high imposition of forced loans, there were still people around with liquid capital who could and did buy bonds on the market – in the same way they bought real estate, from defaulting debtors on forced loans. Of course, for the government to pay 5 percent on par for bonds purchased at 18 would have meant paying a yield rate of 28 percent, which was unacceptable. So before it recommenced paying interest, Venice reduced the rates to 4 percent on forced contributions and 3 percent on purchases made on the open market by persons who were not inscribed on the roles of contributors. That included foreigners. Market prices rose rapidly, although they never returned to previous levels. Sometimes a tax (*impositio*) was levied on portfolios that was ‘collected’ by reducing further the rate of interest due on specific coupons. Still, demand was by no means stifled.

As can be imagined, citizens and foreigners alike were interested in the quotations of Venetian bonds on the Big Board. Since war meant renewed issues of forced loans, the rates mirrored hopes and fears. For example, a correspondent of Francesco Datini reported from Venice in 1402 that a breakdown in peace negotiations had caused bonds to drop from 61 to 55 but that a resumption had brought

<sup>7</sup> This list, based almost exclusively on licenses, constitutes only the tip of an iceberg, for many persons, both middling and powerful, turn up in very scattered references as being bondholders in Venice without their appearing to have received a *gratia*. To give just two examples: in 1425 the Senate, acting as creditor of count Guido Antonio of Urbino, deliberated that if the count did not pay the balance due within a given time, it would be ‘withheld from the interest maturing on bonds owned by him and by citizens of Urbino’ (Archivio di Stato di Venezia [hereafter ASV], Senato misti, reg. 55, fol. 136); and in 1439, after the marquis of Mantua and Alvise dal verme of Verona had opted to fight against Venice, the Senate ordered the sequester of their huge portfolios and as well as those ‘of many citizens of Mantua’ (*ibid.*, reg. 60, *passim*).



them back to 60, 'which is a good signal for peace.'<sup>8</sup> Similarly, commercial letters from the summer of 1418, during Venice's trade war with king Sigismund, describe the oscillations of the market: hopes for peace in late July had caused prices to rise to 58–59 until a negative report, sent ahead by the Venetian ambassador, caused them to drop to 52; a few days later the price was reported as 50; in early August a letter from the pope brought renewed hope that caused a jump from 52 to 56; then when news reached Venice of Pandolfo Malatesta's alliance with Milan, already in Sigismund's camp, there was a renewed drop to 53. On a later occasion, in 1438, the ambassador of the marquis of Mantua who, like several Mantuan citizens, held a large portfolio of Venetian bonds, reported that bonds had fallen to 31 as a result of war with Ravenna – 'which is a bad sign and everyone is dismayed', he wrote (but only just before the marquis joined an alliance against Venice and saw his portfolio sequestered). When the Bond Office was in arrears in 1428 on interest payments, the news caused the market to plummet from 58 to 32. That was only a temporary drop, but one so memorable that it was recorded in chronicles.<sup>9</sup> Serious foreign investors, like the Gonzaga of Mantua and Paolo Guinigi of Lucca, had their correspondents in Venice keep them constantly apprised of the market situation.<sup>10</sup>

What was the effect of demand, especially foreign demand, on the bond market? Officials of the Bond Office, called upon to give advice regarding applications for *gratie*, evaluated the effect differently on different occasions. Already in 1375 one of the three officials voted against a request made by the testamentary executors of a foreigner to endow a small fund of 1500 ducats in bonds to pay two priests for saying masses for his soul. In his minority opinion, the official averred that 'two-thirds' of all bonds were already in the hands of foreigners, monasteries, confraternities and trusts and as such 'conditioned' and withdrawn from the market; approving the application would only lead to further heavy demand from the same sectors. The reason, he said, lay with yield: in the past, such applicants had been satisfied with the 3 or 4 percent interest offered by the Grain Office but now wanted the 6 percent that bonds then yielded. (In fact, at the then current market price of 80, the yield was 6.25 percent.) If it was absolutely necessary to approve such applications, he concluded, prospective investors should have to pay par value, so as to limit yield to 5 percent, and the differential between the market price and nominal value could contribute to a fund for amortizing the public debt. His objection

<sup>8</sup> Archivio Datini, Prato, b. 714, Bindo Piaciti to Florence and to Francesco (15 July 1402): 'Per le novità di Bologna i danari del monte di chostoro che valevano 60 in 61 tornorono a 55; ora da parecchi di in qua sono tornati a 60, ch'è buon sengnio di pacie.' Again on 31 December 1403 he wrote, 'sono milghiorati i danari del monte 4 in 5 per cento, e il pevere basato; sichè ambedue sono buon sengni di pace.' In general, however, the Datini correspondents in Venice, who report weekly rates of foreign exchange, do not concern themselves with the bond market.

<sup>9</sup> ASV, Miscellanea Gregolin, b. 13, copialettere Bembo, fols. 2v–4 (July–August 1418); Archivio di Stato, Mantua, Archivio Gonzaga, b. 1431, letter of 21 April 1438; Biblioteca Marciana, Venice, it. cl. VII, cod. 794 (8503), fol. 345 (16 October 1428).

<sup>10</sup> Luzzatto utilized with great profit the letters of Ludovico Gonzaga's agent, Bertolino de' Codelupi; *I prestiti*, chap. III. Marzio A. Romano, 'Il credito nella formazione dello stato gonzaghese (fine XIV sec.)', *Studi storici L. Simeoni*, 33, 1983, 191–99, describes a large book of accounts (a copy, prepared by a notary for Codelupi) containing the purchases of bonds made 1366–72.

and suggestion were not heeded and the bid was approved. Clearly he was not being moralistic, as some observers were about yield earned on the secondary bond market, but he seems to have felt it unjust that citizens, who were forced purchasers, received only 5 percent and sold at a loss, while outsiders could take advantage of the situation and earn more.<sup>11</sup>

If the growing rigidity of the market was one concern, the need to stimulate demand was another. Two years later the officials voted in favor of approving the request of a non-Venetian widow to invest 1000 ducats in bonds, with the argument that any increase in demand favored potential sellers by increasing the market value and thus reducing their loss: ‘...dicta gratia est facienda, quia non est in damnum comunis set utile specialium personarum, quia quanto sunt plures emptores imprestitorum, tanto imprestita plus valent’ – a clear expression of the interplay of supply and demand, in the context of foreign investment.<sup>12</sup>

Venetian financial institutions, in short, were well-known as investment opportunities for foreigners of the most diverse regional and social origins. Men and women of middling wealth as well as those of great wealth and power knew where to apply to keep their savings secure and earn a return. The French nobleman Philippe de Mézières, councillor of the king of Cyprus and frequent visitor to Venice, of which he had been made a citizen, was clearly thinking of the Grain Office and the open market in government bonds, as well as of the strongboxes of the Procuratia of San Marco, when he wrote, in 1388, that there were ‘few lords and tyrants in Italy who had not chosen to keep some of their wealth in Venice.’ He went so far as to depict Venice as a kind of generous and selfless treasurer for its neighbours, whose trust in Venice had never been violated in eight centuries of history.<sup>13</sup>

### The case of Paolo Guinigi, lord of Lucca (1400–1430)

In 1411 Paolo Guinigi, lord of Lucca since 1400 but scion of a family of wealthy merchants, applied for permission to invest from 25,000 to 50,000 ducats ‘*de tesauo suo*’ in Venetian government bonds or in the Grain Office. Instead of following the usual *gratia* procedure, Guinigi, who had been made honorary noble citizen

<sup>11</sup> ASV, Grazie, reg. 17, fol. 47v (1375).

<sup>12</sup> Ibid., fol. 91v (20 September 1377).

<sup>13</sup> Venice could play this role, he wrote, because of its good laws and its secure location: ‘Nul ne pourroit estimer les grans sommes de tresors que cest cité a eu en garde et en commande de plusieurs emperours, roys et seigneurs naturelx, et tyrans et grosses communes du pays depuis viii<sup>c</sup> ans en ca.... Ilz ne fu oncques trouvés que des dessusdiz tresors riens en ayt estre perdu, faisant cest courtoisie a leurs voisins, que de garder leurs tresors... sans nombre sans nul gueredon prandre. C’est une des plus nobles et franchises cités qui soit en tout le monde, et merueilleusement assisé, c’est assavoir enmy la mer, loing de la terre ferme environ une lieue. Et pour ce qu’elle est en fort lieu et pour son bon gouvernement.... il est pou de seigneurs et tyrans en Italie qui n’y tienne aucun tresor.’ Philippe de Mézières, *Le songe du vieil pelerin*, G. W. Coopland, ed., 2 vols., Cambridge, 1969, 1, 254.

Table 2. Funds transferred from Lucca to Venice via remittances from Florence and Pisa, 1412–1414.

date	amount (ducats)	remitter	payor
<i>1412</i>			
11/07	2,000	Baldassare Guinigi e Andrea d'Antonio e co.	Giovanello di Giovanni e co.
10/08	750	id.	Nicolò Galganetti e co.
01/09	1,260	id.	id.
02/09	1,500	Averardo de' Medici e co.	Giovanni de' Medici e co.
03/09	194	Nicolò Sandei	Filippo de' Ricci e co.
05/09	500	Baldassare Guinigi (etc.)	Nicolò Galganetti e co.
06/09	1,000	Andrea de' Bardi e co., from Pisa	Alessandro Borromei e co.
id.	500	Averardo de' Medici e co.	Taddeo di Zanobi Gaddi e Lorenzo di Francesco
id.	200	id.	Andrea Lamberteschi e co.
id.	300	id.	Jacopo di Latino
14/12	1,500	Baldassare Guinigi (etc.)	Luigi Davanzati e co.
15/12	1,000	id.	Nicolò Galganetti e co.
17/12	1,000	id.	Guasparo della Vaiana
<i>1413</i>			
04/01	1,000	Averardo de' Medici e co.	Andrea Lamberteschi e co.
id.	500	id.	Giovanello di Giovanni
id.	500	id.	Giovanni de' Medici e co.
08/01	375.5	Baldassare Guinigi (etc.)	Guasparo della Vaiana
11/01	600	id.	Nicolò Galganetti e co.
13/01	500	id.	id.
20/01	600	id.	Nicolò Guidiccioni
id.	600	id.	Luigi Davanzati e co.
18/02	1,500	id.	Giovanni de' Medici e co.
id.	800	id.	Alessandro Borromei e co.
07/04	500	id.	Guasparo della Vaiana
14/04	3250	id.	Filippo de' Ricci e co.
20/06	500	id.	id.
03/07	1,200	id.	Guasparo della Vaiana
08/07	1,000	id.	Filippo de' Ricci e co.
14/07	2,000	id.	Giovanni de' Medici e co.
26/07	467.5	id.	Nicolò Galganetti e co.
13/08	1,500	id.	id.
05/09	1,000	id.	id.
04/10	1,000	id.	id.
06/11	1,500	id.	id.

date	amount (du- cats)	remitter	payor
<i>1414</i>			
01/02	1,000	id.	Guasparo della Vaiana
01/03	1,000	id.	id.
11/03	500	id.	id.
id.	1,000	id.	Giovanni Tegliacci e co.
15/03	1,000	id.	Filippo de'Ricci e co.
20/03	1,500	id.	Giovanni de'Medici e co.
id.	500	id.	Nicolò Galganetti e co.
07/03	1,500	id.	Giovanni de'Medici e co.
Total:	37,597		

*Note:* the dates given by N. Guidiccioni are generally maturity dates

*Source:* Archivio di Stato, Lucca, Capitoli, 34, 580 - 81 (from Venice); corroboration in Governo di P. Guinigi, 35, 545 - 50 (Baldassare Guinigi).

of Venice in 1408<sup>14</sup>, had the request made in his name by his friend Marino Caravello, an influential Venetian nobleman and Procurator of San Marco. Caravello held a kind of humanistic harangue before the Great Council: 'considering the turbulent nature of signories and the instability and mutability of things, of states and of conditions; and seeing that those who rule must know how to preserve their status against others in ways that one day are judged tolerable, another day intolerable....', in short, it was the desire of the supplicant to constitute in Venice '*unum capitale firmissimum*' as a guarantee for himself and his legitimate heirs. There follows then a series of conditions upon which the supplicant insisted: the nest-egg was to be secure from interdict or sequester on the basis of any claim whatsoever, be it individual or institutional, and be payable only to Guinigi himself or his heirs, anywhere or in whatever status they might find themselves. The fact that, just two years earlier, Guinigi had been the object of a coup attempt is a sufficient explanation for the concern expressed. (For the text, see Appendix, document.)

The vote in favor of the application was nearly unanimous and in the following year began the operation of transferral of money from Lucca to Venice. The mode of investment chosen (presumably by the applicant) was not deposits in the Grain Office but the purchase of government obligations on the open market. The correspondence between the chancellor of Lucca, Domenico Totti, and the agents in Venice, the company of Nicolò Guidiccioni and brothers – Lucchese who had become naturalized Venetian citizens in 1394 – has survived and constitutes the documentary basis that makes it possible to reconstruct the case.<sup>15</sup>

Over a period of two years, between July 1412 and August 1414, Guinigi had about 40,500 ducats transferred to Venice. Of that amount, about 37,600 ducats arrived by bill of exchange, while the balance seems to have been supplied in specie.<sup>16</sup> As regards the bills of exchange, the money had to be routed in a peculiar manner. Since Lucca had ceased to be an important 'banking place' (the exchange rates on Lucca current in Venice were last quoted in the Datini correspondence in

<sup>14</sup> The privilege is recorded in ASV, Senato, Privilegi, reg. 1, fol. 160v bis; the original diploma, uncovered in Lucca, is published (in transcription and as an illustration) in *Giovanni Sercambi e il suo tempo. Catalogo della mostra*, Lucca, 1991, scheda 73.

<sup>15</sup> The reports and the accounts (only those sent from Venice are extant) are in Archivio di Stato, Lucca, Capitoli, n. 34, fols. 571–92 (two booklets of accounts of purchases, expenses, remittances, 1412–14); Governo di Paolo Guinigi, n. 35, fols. 405–48, 463–68, 477, 483, 489 (letters from the Guidiccioni) and 545–553 (extracts of accounts sent from Venice, 1414); Anziani al tempo della libertà, n. 649 (a small parchment account book prepared by the scribes of the Loan Office, 1424–25, plus material from attempts made in 1550 and 1581 to recoup the assets). Some of this material was used by Salvatore Bongi, *Di Paolo Guinigi e delle sue ricchezze*, Lucca, 1871, 56–60. For background to Guinigi's rise to power, see Christine Meek, *Lucca, 1369–1400. Politics and Society in an Early Renaissance City-State*, Oxford, 1978; some useful background also in Sante Polica, 'An Attempted 'Reconversion' of Wealth in xvth Century Lucca: the Lands of Michele di Giovanni Guinigi,' *Journal of European Economic History*, 9, 1980, esp. pp. 657–61. Finally, on the Lucchese in Venice, see Luca Molà, *La comunità dei Lucchesi a venezia. Immigrazione e industria della seta nel tardo Medioevo*, Venice, 1994.

<sup>16</sup> For example, on 31 July 1413 Nicolò Arnolfini turned over nearly 1000 ducats and on 27 February 1414 Domenico Totti left 200 florins at the end of his visit to Venice.



1406),<sup>17</sup> gold florins, some in sacks of different colored seals (*suggelli*), were consigned to the company of Baldassare Guinigi e Andrea d'Antonio in Lucca. The company sent the specie to Florence, where it was assayed and evaluated; some of the value was remitted by bill to Venice directly from Florence, while some florins were carted to Pisa and remitted from there. On the receiving end, that is, as beneficiary of the remittances, was the Guidiccioni company, which had the value of the bills credited to their current accounts at the giro banks of the Rialto. (See Table 2)

With the credits in their hands, the Guidiccioni – Nicolò and, after his death, his brother Aliprando – began intervening on the bond market, through official bond brokers. We have the complete accounting of their purchases and Nicolò's letters, mostly from the year 1414, describe the conditions of the bond market and show that he was a clever operator. Any bidding for purchase would tend to force up prices, so he carefully avoided buying small lots and waited till large lots were available and prices, hopefully, were falling. For example, on 10 March he wrote 'This evening I heard that prices were bound to fall. Since my last letter they have held between  $45\frac{1}{2}$  and  $46\frac{1}{4}$ . Now I will see to the matter, as is my duty.' Then he gave a rundown of the receipts via bills of exchange, before stepping out of his counting house. Upon returning, he concluded the letter stating that he had found only small lots available, so that he had made no purchases in order not to halt the downward trend. On 7 July he reported having just purchased a block of 1000 ducats in bonds; 'no more were available,' he wrote, 'but now supply should increase as merchants liquidate their portfolios in order to buy merchandise to load onto the departing galleys.' In fact, he was writing during the period in which the usual three 'Romania' galleys were preparing for departure to the Black Sea.

### The purchases

If we look at Graph 2 (Appendix), we can see how the Guidiccioni company actually intervened on the venetian marketplace. They began in August, 1412, with prices low: between  $40\frac{1}{2}$  and 41. Prices remained stable till February 1413, but even after they began to rise the company continued to buy. Nicolò interrupted his purchases in February 1414 after a drop from 48 to 43, on the assumption that the trend would continue. It did not, and he was forced to move decisively even as the market rose between June and August so that his client would appear as owner of the bonds in time to qualify for the semi-annual interest payments falling due on 1 September.

Yield rates, that is, the return on investments, are shown on the same Graph 2, on a curve that is, naturally, the mirror image of the curve showing market prices: the higher the purchase price, the lower the return and vice-versa. Venice was then paying regularly 3 percent on par on bonds that had been traded to foreigners on

<sup>17</sup> See also Raymond de Roover, *The Rise and Decline of the Medici Bank, 1397 – 1494*, Cambridge, Mass., 1963, 237.

the open market, so that when the price rose to 50, the yield to the buyer declined to 6 percent.

The Guidiccioni bought a total of 83 lots on 53 different dates over those two years, for a total of 40,551 ducats in cash; the nominal value came to 89,528 ducats, at an average cost of 45. Of the 80 different sellers, only 18 were non-nobles. If that dominance of noble sellers was anywhere near normal, it would explain why the (noble) government was interested in stimulating the market and increasing demand: higher prices meant a lower loss for (noble) tax-payers who wished, or were obliged, to sell the claims they had been forced to buy at par. (Table 3 in the Appendix presents the tally of the sellers and the lots acquired, as reported by Nicolò Guidiccioni in 1414.)

### The transactions costs of the operation

Bonds acquired on the open market were supposed to be paid for in cash. As we have seen, however, most of the money was supplied via bills of exchange and was credited to current accounts at Rialto banks. Withdrawing cash meant in practice

Table 4. Transactions costs and rates charged 1412–1414.

(a) Transactions Costs Incurred				
	£	s	d	p
1. commissions: bond brokers ( <i>provvigione di messetti</i> )	2	17	8	9
2. brokerage tax ( <i>messetteria del comune</i> )	4	18	5	24
3. agio on purchase of specie ( <i>per l'agio di ducati comprati</i> )	46	2	9	3
4. commissions: cash brokers ( <i>provvigione ai sensali</i> )	–	11	9	14
5. miscellaneous	5	7	10	20
total in £ di grossi	59	18	7	6
Expenses incurred against total purchases of 40,550 ducats: 1.5%				
(b) Rates Charged				
1. bond brokers: 1 grosso a oro per 100 ducats in par value (0.04167%)				
2. brokerage tax: 13 gr., 3 pic. per 1000 ducats in par value (0.05455%)				
3. cost of specie (agio over bank money): from 1 – 1/4 to 2 – 1/2 % on 21,430 ducats: average of 1.552%				
4. cash brokers: £ 1 di pic. per 1000 du. (at the time: 0.02%)				
5. miscellaneous includes: fees for transfer of lots to Guinigi accounts, <i>usanza</i> of 10 ducats paid to the accountants at Loan Office, the <i>quaderno</i> with extracts of Guinigi holdings, etc.				

buying specie, for there was an agio or premium on metallic money over bank money.<sup>18</sup> Guinigi's agent had to act circumspectly also in buying specie, for the agio fluctuated. For example, on 24 March 1414 he wrote: 'I have begun buying cash and so far I have bought 1000 ducats at 1 percent; if I find more available at that price, I will continue buying for the whole of my balance, so as not to keep too much money on my bank account and have it ready at hand.' The agio on cash fluctuated between 1 and 2½ percent, according to Guidiccioni's record, which accounts for the purchase of 24,518 gold ducats.

Other expenses were commissions for the bond brokers and for the cash brokers, a brokerage tax (*messetteria*) paid to the state and miscellaneous fees paid to the accountants at the Loan Office – including 10 ducats for the compilation of a booklet with extracts of all Guinigi's assets in bonds. Missing, strangely enough, is any reference to a commission earned by the Guidiccioni company as agents of the whole affair.

Total costs amounted to about 600 ducats, or 1½ percent of the investment. (See the breakdown in Table 4.)

## Earnings

Returns on the investments are accounted for only in the early years; only occasional letters are extant after purchases ended in 1414. Guidiccioni reported having collected interest as follows:

- 1413: 1140 ducats
- 1414: 2358 ducats
- 1415: 2688 ducats
- 1416: 1343 ducats

The figure for 1416 covered only the first semester (*paga di marzo*); it was collected for Aliprando Guidiccioni by the Rialto bankers Piero venier and Andrea Priuli and credited to his account, in the name of the lord of Lucca.<sup>19</sup>

The principal on which interest was paid grew slightly over time, in part through the addition to principal of occasional forced loans, only nominally reimbursable, levied on holders of bonds, in part, perhaps, by the use of interest to buy further bonds on the open market. 12,042 ducats in bonds, par value, were credited to the account on 18 April 1425, when the Loan Office prepared another, summary, accounting that shows Guinigi's holdings at par to have risen from 89,528 ducats in 1414 to 112,594 ducats. A chronicler recorded in March 1427 that Guinigi's portfolio held 114,000 ducats in bonds.

Just what was done with the considerable annual income of some 2500 ducats is unclear, but there are some indications. Many gems were purchased: 16 rubies and

<sup>18</sup> See my 'The Role of Bank Money in Venice, 1300 – 1500,' *Studi veneziani*, n.s., 3, 1979, 84 – 94.

<sup>19</sup> Powers of attorney (of 1421, 1424, 1426) for collecting interest owed to Guinigi are found in ASV, Cancelleria Inferiore, b. 96, fasc. 5 (kindly brought to my attention by Luca Molà).

a balas ruby cost 2200 ducats, as reported in February 1416; a saffire and pearls cost 400 ducats (report of January 1417); an 8-carat ruby was purchased cheap ('buono marchatto') for 500 ducats (report of August 1418). Also sugar (in 1415) and furs (in 1420). Two books of unspecified nature were purchased in 1414 from the venetian humanists Zaccaria and Francesco Barbaro (the former is also recorded as a seller of bonds to Guinigi), for 70 ducats, surely important additions to Guinigi's excellent library.<sup>20</sup> A thorough-bred horse and a watchdog were sent in 1420. The dog seems to have been a gift of the Guidiccioni to their client; it was a bulldog named 'Pillucca', that the *patrono* of a galley had brought to Venice from Spain; it was supposed to be good for hunting boars and was guaranteed to be 'the most amiable dog you have ever seen – it is a perfect watchdog and does not dirty the floor,' wrote Aliprando. Some income may have been remitted to Lucca, but the purchase in Venice of items of conspicuous consumption (or conspicuous hoarding) seems to have predominated.

## Conclusion

This documented case reflects the role of Venice as 'city of finance' – a city that did not build barriers to the movement of capital – in almost all the ways mentioned at the outset: here it appeared as a market for government obligations but also as a banking place (for the remittances via bill of exchange), as a center for deposit banking (crediting of the remittances) and as a bullion market (supply and demand for specie). Once again, Venice seems to have functioned for foreigners as the Switzerland of its time, first for interest-bearing deposits at the grain magistracy, then for government bonds, engendered as forced loans, but available as negotiable, yield-bringing obligations.

Until about 1430, Venice paid interest on bonds quite regularly but thereafter, under the pressure of a series of wars leading up to the peace of Lodi (1454), the government began going into arrears on interest payments; both market values (see Graph 1) and yields began a relentless decline. In 1454 Venice suspended the system of forced loans altogether but bonds continued to be traded, even at the end of the century, when interest payments were 25 years behind and the market value at about 5 percent. At the same time, to buy at 20, even if the government paid only an average of 1 percent on par, meant a yield of 5 percent on the investment, which obviously was still attractive. Many simply held on to their portfolios in old bonds (Monte vecchio), for generations. In the meantime, a new fund was opened (the Monte Nuovo, 1482) that had wide popular support as an investment opportunity.<sup>21</sup>

What happened to the Guinigi investment? The lord of Lucca decided in March

<sup>20</sup> See the vast inventory of gems and of Guinigi's library, published by Bongi, *Di Paolo Guinigi e delle sue ricchezze*.

<sup>21</sup> Many of these questions will be examined in my *Money and Banking in Medieval and Renaissance Venice*, vol. II: *The Money Market*, in preparation.

1427 to side with Milan in a war against arch-rival Florence, who was allied with Venice, and sent his son Ladislao as a mercenary captain with 600 cavalry to fight with the Visconti duke.<sup>22</sup> Venice responded by recinding his citizenship and by sequestering his bond holdings, despite the guarantee given in 1411 not to do so for any reason. The decision would have upset the market and was ordered to be kept *'secretissima'*.<sup>23</sup> In 1430 Guinigi was chased from Lucca in a revolt. Neither he (he died in 1432) nor his heirs, nor the commune of Lucca was ever able to regain ownership of the portfolio, even though they tried to do so for one and one half centuries! First, Guinigi's other son Agostino tried in 1444 to have his – inherited – venetian citizenship confirmed but the Senate ruled, after heated debates and three ballots, that his application was not even to be taken into consideration by the State's Attorneys.<sup>24</sup> Contemporaneously, the commune of Lucca, which had sequestered all Guinigi properties, having heard that Agostino was trying to regain possession of the portfolio, appealed to Venice and claimed ownership – without success. A century later, in 1550, a venetian nobleman promised to make good the claim, for a cut of 50 percent, but that attempt failed as well. Once again, in 1581 no less a personage than vettor Capello, brother of the grandduchess Bianca, tried to convince a Guinigi heir that he knew a way of getting his hands on the nestegg – for a fee of 25,000 scudi – but that supposed opportunity also vanished in thin air.<sup>25</sup> In short, Venice had been a secure place to invest – if only for faithful friends of the Republic of Finance.

## Appendix

DOCUMENT: Privilegium factum Magnifico domino Luce de imprestitis suis, etc.

Archivio di Stato, Venice, Commemoriali, reg. 10, fol. 111v

1411, 8 November

Nos Michael Steno, dei gratia dux venetiarum, etc., optantes votis vestri Magnifici et potentis domini domini Pauli de Guinigiis Luce, etc., dilecti et honorabilis amici et nobilis civis nostri venetiarum, annuere et complacere deliberavimus cum nostris consiliis minori, de XL, et maiori, ac concedimus, approbamus atque promit-

<sup>22</sup> See Giuliano Lucarelli, *I Visconti di Milano e Lucca*, Lucca, 1984, 130.

<sup>23</sup> Luzzatto, ed., *I prestiti*, doc. 230 (6 September 1427, from Senato, Secreta); the deliberation passed 48 to 18, with 14 abstentions. In March the chronicler Antonio Morosini reported the arrival of an ambassador from Lucca who was clearly concerned about Venice's possible reactions to Guinigi's hostile act, especially as regarded the portfolio of 114,000 ducats in bonds; the ambassador lodged with Aliprando Guidiccioni. The passage (very confused) is in Biblioteca Marciana, Venice, It. cl. VII, cod. 2049 (8332/2), p. 758.

<sup>24</sup> ASV, Avogaria di comun, reg. 3649, fol. 76v-77 (11 September, 1 October 1444, 6 February 1445); kindly brought to by attention by Stefano Piasentini.

<sup>25</sup> These attempts are discussed, on the basis of extant letters, by Bongi, *Di Paolo Guinigi e delle sue ricchezze*, 158–61. The mirage of recuperating the assets in the sixteenth century must have been connected with the state's program of repaying its debt funds.



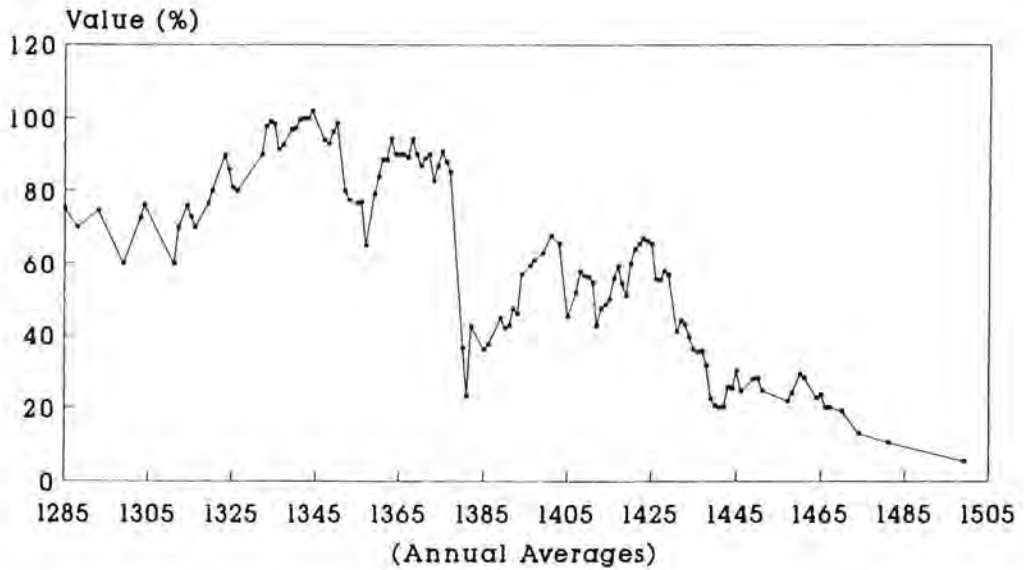
timus Magnificentie vestre predicte secundum quod infra diffuse et particulariter continetur, videlicet: \*

Cum Magnificus dominus Paulus de Guinigiis Luce et cetera, nobilis civis Venetiarum, per plurima et evidentia signa et effectus operum ostenderit intrinsecam dilectionem et caritatem quam habet nostro dominio et perseverans in hac sua bona dispositione cum plenissima confidentia cupiat ubi est cor suum ponere de thesauro suo multis causis et respectibus, et per medium nobilis viri ser Marini Karavello, Procuratoris ecclesie Sancti Marci, fecerit nostro dominio exponi quod intendit ponere per se et suos heredes ad cameram nostram imprestitorum, vel ad frumentum, usque ad quantitatem ducatorum viginti quinque millium usque ad quinquaginta millia vel ad aliam maiorem sumam prout ipsi Magnifico domino Paulo libuerit in una vel pluribus vicibus, de bonis denariis. Sed consideratis instabilitate et mutatione rerum et statuum et condicionum huius mundi et diversis casibus et voluntatibus que quotidie occurrunt, ac etiam habito respectu quod illos qui dominantur in hoc mundo oportet sepe facere pro conservatione sui status versus alios, de rebus que licet sint tolerabiles uno tempore, alio tempore videntur oppositum, et multi capitato tempore exercent et prosequuntur ius suum interdum iuste, interdum iniuste, ipse volens habere pro se et suis heredibus unum capitale firmissimum in hac civitate, supplicat quod possit suprascriptum pecuniam ponere, aut ad imprestita, aut ad cameram frumenti et ipsam condicionare omnibus illis modis et formis, qui et que ipsi dominio videbuntur. Et specialiter quod pro aliquo debito, offensa, iniuria, vel damno, que vel quod diceretur vel allegaretur per eum vel eius heredes facta vel illata, seu factum vel illatum aliqui persone, comuni, collegio, vel universitati vel pro aliqua sententia, determinatione, interdicto, sequestro, vel alio quocumque actu iudiciario, civili vel criminali, contra eum seu eius heredes, data vel facta seu datum vel factum, ad petitionem cuiuscumque persone, comunis, collegii, vel universitatis, vel aliquo alio mandato, prece, rescripto, requisitione vel ordine, aut parte, vel lege, vel provisione nostri domini, vel alicuius alterius domini, domini, comunis vel persone, vel aliqua ex predictis causis vel aliqua alia re vel causa factis vel occursis, vel que fierent vel occurrerent in futurum, non possit dicta pecunia, nec prode ipsius, moveri, donari, vendi, transactari, interdici, sequestrari, dari in solutum, legari nec alienari nec de ipsa, nec de prode ipsius alique disponi vel fieri, nisi secundum voluntatem ordinem et mandatum dicti domini Pauli de Guinigiis et eius heredum in quocumque statu se tunc reperiat vel reperiant, reservato tamen omni iure et actione civium originalium venetiarum et etiam aliorum subditorum comunis venetiarum originalium nostrorum locorum contra dictam pecuniam et prode in quantum per iudicium civitatis venetiarum cognosceretur ipsos vel aliquem eorum esse nunc vel in futurum veros proprios et principales creditores dicit domini Luce vel suorum heredum pro credito per ipsos cives originales vel eorum legitimos procuratores contracto cum dicto domino Lucano vel suis legitimis procuratoribus et non ex iure cesso vel aliter acquisito vel quod habere deberent ab ipso domino vel suis heredibus pro ipsius domini vel suorum heredum proprio vel [Commemoriali: et] speciali negotio tantum, aliquam satisfactionem vel emendam, aliqua ratione vel causa, civili vel criminali, pro eorum principali negotio et non pro iure cesso vel aliter acquisito. Et conside-

ratis omnibus que considerata sunt super hoc facto, bonum et conveniens sit complacere hinc magnifico domino, nostro optimo fideli et experto amico, Vadit pars, quod complacetur et approbetur et promittatur et concedatur sicut petit. Et si consilium vel capitulare est contra, sit revocatum quantum in hoc.\*

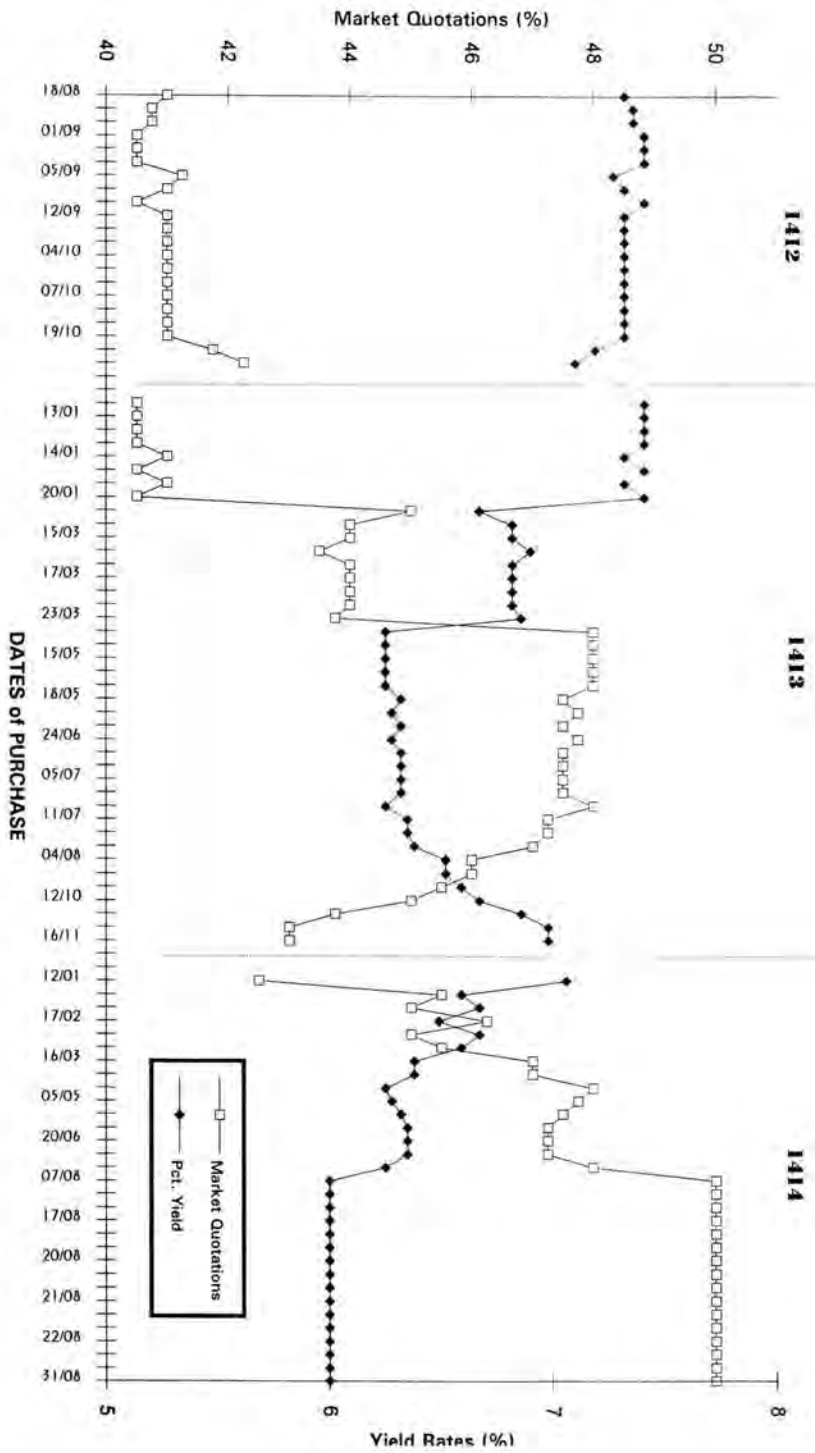
In eius rei testimonium et evidentiam pleniorum presens privilegium fieri iussimus et bulla nostra plumbea pendente muniri.

Datum in nostro ducali palatio. Anno dominice incarnationis millesimo quadringentesimo undecimo, mensis novembris, die octavo, indictione quinta.



Graph 1. Market Values of Bonds in Venice, 1285 - 1500

\* The text between the two asterisks is the same as that in *ASV, MC, Leona, f. 210v*, of the same date.



Graph 2. The Venetian Bond Market, 1412 – 1414

Table 3. The Venetian Bond Market, 1412 – 1414 and the Guinigi Purchases.

year	data	market quotation (%)	yield (%)	value of purchase			
				par (ducats)	market (ducats)	seller	
<b>1412</b>	18/08	41.00	7.32	1,000.00	410.00	Giovanni Contarini	
	22/08	40.75	7.36	690.00	281.00	Andrea Venier	
	22/08	40.75	7.36	1,000.00	407.50	Bulgaro Vettori	
	01/09	40.50	7.41	500.00	202.50	Nicolo' Dolfin	
	02/09	40.50	7.41	500.00	202.50	Francesco Correr	
	03/09	40.50	7.41	780.00	315.90	Marco Erizo	
	05/09	41.25	7.27	1,000.00	412.50	Scipione Bon	
	07/09	41.00	7.32	1,100.00	451.00	Franco Cocco	
	07/09	40.50	7.41	1,000.00	405.00	Francesco Barbarigo	
	12/09	41.00	7.32	1,000.00	410.00	Piero Arimondo	
	15/09	41.00	7.32	1,000.00	410.00	Giovanni Garzoni	
	19/09	41.00	7.32	900.00	369.00	Leonardo Dona'	
	04/10	41.00	7.32	1,000.00	410.00	Bartolomeo Valaresso	
	06/10	41.00	7.32	1,000.00	410.00	Piero Contarini	
	07/10	41.00	7.32	2,650.00	1,086.50	maestro Benedetto di Guglielmo, sarto	
	07/10	41.00	7.32	1,000.00	410.00	Nicolo' Correr	
	07/10	41.00	7.32	1,000.00	410.00	Tommaso Michiel	
	16/10	41.00	7.32	100.00	410.00	madonna Beruccia Moro	
	19/10	41.00	7.32	500.00	205.00	Antonio da Mula	
	20/10	41.75	7.19	1,000.00	417.50	Bertuccio da Fano	
	04/11	42.25	7.10	1,400.00	591.50	Gerolamo e Agostino Garzoni	
	<b>1413</b>	03/01	40.50	7.41	1,000.00	405.00	Domenico Dolfin
		13/01	40.50	7.41	1,000.00	405.50	Ruberto Contarini
14/01		40.50	7.41	1,000.00	405.00	Troilo e Gerolamo Malipiero	
14/01		40.50	7.41	1,000.00	405.00	Zaccaria Barbaro	
14/01		41.00	7.32	300.00	123.00	Bernardo da Molin	
18/01		40.50	7.41	300.00	123.00	commis. Nicolo' Morosini	
18/01		41.00	7.32	1,500.00	615.00	Bernardo Giustinian	
20/01		40.50	7.41	1,000.00	450.00	Domenico Malipiero e fratelli	
28/02		45.00	6.67	974.54	438.51	Marco Trevisano	
15/03		44.00	6.82	1,000.00	440.00	Andrea Morosini	
15/03		44.00	6.82	1,513.75	665.51	madonna Antonia Gradenigo	
16/03		43.50	6.90	500.00	217.50	Micheletto da Buora	
16/03		44.00	6.82	1,000.00	440.00	Andrea Gabriel	
17/03		44.00	6.82	1,000.00	440.00	Francesco Corner	
17/03		44.00	6.82	1,000.00	440.00	Fantino Zeno	
23/03		44.00	6.82	500.00	220.00	Bernardo Pasqualigo	
23/03		43.75	6.86	1,000.00	437.50	Domenico Malipiero e fratelli	
15/05		48.00	6.25	1,220.00	585.52	commis. Marco Dandolo	
15/05		48.00	6.25	1,500.00	720.00	Guglielmo Condulmer	
15/05		48.00	6.25	1,000.00	480.00	Guaspari Leccacorvo	
18/05		48.00	6.25	2,000.00	960.00	Andrea Gabriel	
18/05		48.00	6.25	780.00	374.40	Michele Morosini	
18/05		47.50	6.32	1,000.00	475.00	Nicolo' Guidiccioni	
18/05		47.75	6.28	1,740.00	830.85	Nicolo' Guidiccioni	
23/06		47.50	6.32	1,500.00	712.50	Antonio Ravagnino	
24/06		47.75	6.28	574.11	274.25	Jacomello Bianco, masser dei Consoli	
28/06		47.50	6.32	500.00	237.50	Vettor Duodo	
05/07	47.50	6.32	1,000.00	475.00	Fantin da Pesaro e fratelli		
05/07	47.50	6.32	1,000.00	475.00	Almoro' Venier e compagni		

Table 3. The Venetian Bond Market, 1412 – 1414 and the Guinigi Purchases.

year	data	market quotation (%)	yield (%)	value of purchase		
				par (ducats)	market (ducats)	seller
	06/07	47.50	6.32	1,000.00	475.00	donna Bianco e Domenico Malipiero
	11/07	48.00	6.25	2,000.00	960.00	Zanin Zorzi per Ginevra Emo
	11/07	47.25	6.35	1,200.00	567.00	Bartolomeo Barbarigo
	11/07	47.25	6.35	860.00	406.00	Zanin Zorzi per Ginevra Emo
	29/07	47.00	6.38	1,000.00	470.00	commis. Giustiniano Giustinian
	04/08	46.00	6.52	1,000.00	460.00	Michele Morosini
	04/08	46.00	6.52	1,000.00	460.00	pre Bartolomeo, primicerio di S. Marco
	05/08	45.50	6.59	3,000.00	1,365.00	Antonio Venier
	12/10	45.00	6.67	2,000.00	900.00	Nicolo' Zorzi e fratelli
	25/10	43.75	6.86	850.00	371.56	Bernardo Bembo
	30/10	43.00	6.98	1,500.00	645.00	Gianin della Torre
	16/11	43.00	6.98	1,500.00	645.00	Gerolamo Morosini
<b>1414</b>	12/01	42.50	7.06	1,000.00	425.00	Giovanni Nani
	26/01	45.50	6.59	1,000.00	455.00	Gianin Zeno
	08/02	45.00	6.67	1,300.00	585.00	Smerio Querini
	17/02	46.25	6.49			
	06/03	45.00	6.67			
	10/03	45.50	6.59			
	16/03	47.00	6.38			} No Purchases Concluded.
	24/03	47.00	6.38			
	11/04	48.00	6.25			
	05/05	47.75	6.28			
	31/05	47.50	6.32			
	09/06	47.25	6.35			
	20/06	47.25	6.35	1,681.50	794.50	Ettore Bembo
	22/06	47.25	6.35	500.00	236.00	Bernardo Bragadin
	03/07	48.00	6.25	1,000.00	480.00	Marco Barbo
	07/08	50.00	6.00			
	08/08	50.00	6.00			
	14/08	50.00	6.00	4,000.00	2,000.00	Piero Arbosani
	17/08	50.00	6.00	1,000.00	500.00	Lunardo Bocco
	17/08	50.00	6.00	300.21	150.17	Nicolò Dolfin per moglie Maria
	20/08	50.00	6.00	1,000.00	500.00	Daniele Soranzo
	20/08	50.00	6.00	364.29	182.15	Jacomo delli Spelai
	21/08	50.00	6.00	2,000.00	1,000.00	Antonio Micheli
	21/08	50.00	6.00	2,000.00	1,000.00	Piero Giustinian
	21/08	50.00	6.00	408.14	204.07	Tommaso Morosini
	22/08	50.00	6.00	1,052.33	526.16	Alberto Franco per Maria sue figlia
	22/08	50.00	6.00	600.00	300.00	Giovanni Lughino
	22/08	50.00	6.00	1,500.00	750.00	Leonardo Dona'
	22/08	50.00	6.00	800.00	400.00	Bertuccio Morosini
	22/08	50.00	6.00	1,000.00	500.00	Francesco Arbosani
	31/08	50.00	6.00	589.50	294.54	Antonio Migliorati
<b>Totals</b>				<b>89,528.37</b>	<b>40,535.59</b>	
<b>Averages</b>		<b>45.17</b>	<b>6.68</b>			



## Milan and the Mediterranean Economy: 16th – 17th centuries

The theme of this study is the metamorphosis which a Mediterranean city of finance, Milan, underwent and simultaneously promoted in response to the severe crisis which hit all of Europe in the 1620s. The Milan case and the Mediterranean perspective in general show the negative side of this change. Seen from the south, the 17th century crisis is on first examination to be regarded in terms of mere decadence. It is true, however, that the strategies of the losing side give by contrast the idea of the new scenario of European economic competition reflecting as in a mirror the 'new age' breaking in from outside, from the north. The novelty consisted in the new nature of commerce and of a fundamental departure in economic thought<sup>1</sup> with respect to which the new peripheral zones reorganized the continuity and change.

With regard to Milan and its economy, in the years roughly between 1580 and 1620 the resources offered by the traditional organization of economic life were being exhausted, and in the meantime, new financial and acquisition strategies were gaining ground and new economic operators were being more clearly defined. What therefore was Milan's initial position in this transformation? To what extent was it involved in international commercial traffic and how did this involvement in commerce make it a city of finance? I will try to answer these questions by outlining a model of the Milanese economy. The description of the normal functioning of the 'Milan method of production' necessarily requires analysis to define limits to this functioning, on which basis it will be possible to evaluate the capacity of the system to react and adapt to the new situation – to be precise, the crisis.

From the middle of the 16th century to 1619 exports from Milan remained, with some variations, at a high level. After that the recession knew no stopping point. If it is true that the predisposing causes of the recession were many, it is also true that the beginning of the crisis is attributable to one, fundamental 'fact': the loss of commercial outlets due to competition from the mercantile powers of the north. At its zenith, the commercial supremacy of Milan was exercised over a wide range of high quality products, and in particular the old draperies and brocades. Such products were sold in Germany and eastern Europe – in Hungary and Poland in

<sup>1</sup> B. Supple, *Commercial Crisis and Change in England, 1600 – 1642*, Cambridge, 1964, p. 147.

particular<sup>2</sup> – but above all in France, where the Crown and Court demanded the best and most expensive fabrics. The shape and extent of the commercial network depended, it might be said, on the duration and stability of ‘taste’, in the sense that demand for luxury products was a function of quality rather than price. Here was a primary identifying factor: the Milanese merchants clothed and armed the princes and nobility with fabrics and weapons which were above all else ‘beautiful’. The predominance of quality in demand was echoed by careful maintenance of technical supremacy. Production was organized entirely on a craft basis: a base of a myriad highly skilled small producers, almost all living within the city, supported corporations which controlled the quality of the product and distributed the orders (thus eliminating all competition between the producers) and above these again, in the predominating position, were the merchants (resident in Milan, but able to control their business by a dense network of agents). The business was regulated by monetary instruments – letters of exchange – which were referred to a centralized payment clearing house in Lyons. The very structure of this payment system made the merchant the main (and in some senses the only) monetary operator within the productive system. As a debtor to raw material suppliers and creditor to outlet markets, the merchant balanced the two flows in which he was concerned and extracted a surplus which could then be invested in the following cycle. In actual fact, such a balance – basically positive between 1560 and 1620 – was not immediately, or above all not necessarily, reinvested in production. Rather, it circulated in the international circuits of credit and, above all, public finance. Not only this: the system of payment itself, i.e. letter of exchange, tended to concentrate flows on a clearing centre, whose functions were exercised (at least up to 1580) by Lyons.

Therefore, from the merchant’s point of view, finance, credit and commerce were strictly bound to a single strategy of using currency as a commodity. In this sense, the linking of commercial circuits at Lyons served as a base for purely monetary negotiations and at the same time was the origin of exchanged surplus. On the basis of their ‘real’ traffic, merchants and merchant-bankers operating at Lyons created monetary and credit exchanges to accrue to themselves additional profits: on the other hand, these monetary negotiations were the only way by which the real exchanges could occur.<sup>3</sup> Besides the monetary channels, the commercial surplus had another outlet, even though it was external to the commercial circuits: land purchase (in Italy the onset of this phenomenon can be traced back to the early years of the 15th century). What emerges, from within our model, is that the surplus was not immediately productive capital but a monetary capital which could be directed towards different and alternative uses. Due to the very structure of mercantile intermediation, the profit resulting from the book difference between sales and purchases (or in financial terms, between debt and credit) once earned showed no functional link to production i.e. did not need to be reinvested to any particular extent. Above all, a cycle of debt and credit could be followed by another with ex-

<sup>2</sup> J.G. da Silva, *Banque et crédit en Italie au XVII<sup>e</sup> siècle*, Paris, 1969, p. 242.

<sup>3</sup> cf A. De Maddalena, *Con mercanti e banchieri fra Cinquecento e Seicento*, in *Credito e sviluppo economico in Italia, dal Medioevo all’età contemporanea*, Verona, 1988, pp. 160 – 161.

actly the same characteristics. This structural aspect of investment has another result: pricing regimes are not influenced by investment decisions. In other words, the structure of production costs is not a variable on which the merchant can act directly, by way of decisions of a technical or production nature. It is starting from these considerations that we have to consider the currency cost on the level of exports from Milan.<sup>4</sup> From the end of the 16th century (1591) to 1619, Milan experienced severe depreciation, of an overall cumulative nature, of the domestic small currency, and as result of this, of the unit of account. Taking into account the low bargaining power of the labour force, the divergence between monetary wage and 'real' wage – its domestic purchasing power – could be maintained for long enough to guarantee excess profits. On the other hand, the tendency of exchange rates to rise, favouring exports and guaranteeing mercantile profits, tends, although not necessarily so, to generate increased production activity and therefore increased demand for hard currency as a means of exchange and as a consequence of the monetary rate (this means that the value of the hard currency measured in lire of account increases). This cumulative depreciation of the lira could be interrupted theoretically by the replacement, on the part of foreign buyers, of export goods by domestic market goods, generating a rebalancing in exchanges; but such replacement is not allowed for in the normal operation of the model. The international demand for Milanese products was linked to what could be described as the incontrovertible manifestation of taste, rather than taking into consideration substitution possibilities. In this way the depreciation of the lira accompanied and favoured, though without being a 'cause', the expansion of the Milanese economy; it never became a political economic instrument with which variations in the economic situation could be controlled. Because of this, both monetary measures (by decree, edict and monetary tariff) and income adjustments came about only when the pressure could not be supported any longer.

Having outlined the normal operating characteristics of the Milanese commercial-financial system, we now look at the reactions of the Milanese economy to that event, anything but 'normal', of the crisis of 1619. Only from that year did the effects of the competition from northern merchants which had existed for some time against Italian textile products in the Mediterranean, become manifest. The crisis of 1619 marked the triumph of the new draperies. The results are well known. There were 70 firms in Milan in 1620 making old draperies, with an annual production of 15,000 pieces; in 1640 there remained only 15, which altogether produced 3,000 pieces.<sup>5</sup> With regard to the traditional structure of the relationship of production and commerce which has been described for the case of Milan, the new way opened by the northern competitors, in particular for the new draperies, in the long run stood the traditional relationships and methods of production on their

<sup>4</sup> On the question of monetary devaluation in the early Modern era see H. van der Wee, *Monetary, Credit and Banking System*, in Rich-Wilson (Ed.), *The Cambridge Economic History of Europe*, vol v, for northern Europe; and C.M. Cipolla, *Mouvements monétaires dans l'Etat de Milan (1580 - 1700)*, Paris, 1952, for Mediterranean Europe.

<sup>5</sup> Cf. C.M. Cipolla, *op. cit.*, p. 33.

heads. In the commercial strategy operated by these producers, the basic calculation was made on prices, through the control and the planning of costs. The initial success of the new draperies was due to the low labour cost rather than imitation and falsification by imported techniques or, in their turn, imitated; but it was consolidated by commercial policies, based on prices and considerations of the potential demand, and no longer on the quality of the product and the traditional tastes of the consumers.<sup>6</sup> In other terms, commercial policy was based on the control of variations in the value of production, which regulated, at least tendentially, the relative distribution of capital. This new nature of commerce<sup>7</sup> was based on a 'lower cost of labour ... state support of exports ... product variation to reduce the quality related costs of manufacture'.<sup>8</sup> In this method of production which was emerging, the State and the Credit became 'factors of production', working inside the commercial production nexus with the explicit aim of expanding the field of monetary transactions: the appearance of new retailing in Mediterranean Europe<sup>9</sup> too gave a push to the expansion of the market and the production towards strata of lower-income consumers. It is therefore easy to understand, on the basis of our model, how the 'new way' taken by the northern entrepreneurs was in principle impractical for Milan, and for all the Mediterranean economy in the end, in as far as this was based on urban manufacture, i.e. the separation of production from commerce. The irreversibility of the Milanese crisis, beyond the fact that it initially seemed to be derived from the current business cycle is explained by the inability to translate the northern commercial-production model into the Mediterranean environment. After 1619, the alternative for Milan was decline pure and simple or the adoption of a peripheral position in the reorganized world commercial network.

Towards the end of the 17th century, the economic status of the State of Milan was that of an agrarian economy, technically advanced with a high degree of commercialization of the agricultural produce.<sup>10</sup> We are not here concerned with the explanation of the entire phenomenon, just with concentrating on some strategic aspects of the process. At Lyons merchants and merchant-bankers financed the crown and gambled on the level of exchange, anticipating in their calculation the changes in monetary tariffs decided by the French sovereign. All in all, it was an extremely risky game and no one at Lyons could or wanted to specialize in this kind of operation, least of all the Lombard operators, who remained in a subordinate position with respect to the Tuscan bank. There remained one other way, by far the best way of consolidating wealth: land. The land-purchasing strategy of the

<sup>6</sup> This phenomenon was not confined to Milan, but applied to the entire European industry in fine fabrics.

<sup>7</sup> 'Whereas in the sixteenth century, partly under the stimulus of a sellers market, unanimity has reigned as to the necessity of maintaining the price of English cloth, of 'selling dear', now a new feeling arose, that textiles should be sold as cheaply as possible'. B. Supple, *op. cit.*, p. 147.

<sup>8</sup> R. Rapp, 'The Unmaking of the Mediterranean Trade Hegemony: International Trade Rivalry and the Commercial Revolution', in *The Journal of Economic History*, vol. xxxv, 1975, p. 521.

<sup>9</sup> *Ibid.*, p. 521.

<sup>10</sup> Cf. D. Sella, *Crisis and Continuity. The Economy of Spanish Lombardy in the Seventeenth Century*, Cambridge Mass., 1979, p. 154 It.ed.



merchant class continued uninterrupted through all the late Middle Ages and into the Modern era. At the end of the 1500s, to this 'classic' alternative of the merchant class was added that opened up within the horizons of the Bisenzone Fair,<sup>11</sup> transferred to Piacenza in 1579. In their Piacenza period (which was also its most splendid period) these exchange fairs offered an exclusively monetary landmark in the strategy of using monetary capital. While Milan saw ever more concrete threats to its commercial interests, the purely financial attraction of Bisenzone opened up new economic possibilities. The presence of Bisenzone is closely linked to the opening and consolidation of new monetary channels which not only facilitated the movement of money but were in themselves sources of earnings. While from many points of view the Bisenzone Fairs were still traditional monetary institutions,<sup>12</sup> the real innovation of the Genoese fair was in being a 'perennial source of credit', a centre of attraction for financial capital, whatever its origin. In this exclusively monetary 'place', the constant risk of depreciation of the local currency could be faced by the guarantee of sure monetary interest; through the contraction of the depreciating local currency, measured in terms of an ideal (and thus stable) unit of account – the scudo di marco – the feraldi (bankers admitted to trading in exchanges) measured the value of a currency purely in terms of monetary factors, without reference to economic or political factors.<sup>13</sup>

While the fair was solidly in the hands of the Genoese, the Lombard and Milanese businessmen remained in the second row, outclassed. However, by means of the more important intermediary networks, the Milanese were able to ensure some 'speculative revenue' above all due to the *ricorsa* contract, with or without repetition. The speculative possibilities offered by this kind of channel are best illustrated by the operating method of the *Compagnie Lucini*.<sup>14</sup> The Lucini bought and sold local currency against the scudo di marco, guaranteeing their own capital and that of their clients against the devaluation of the local currency of account which could technically be defined interest. Comparative analysis of the prices of the scudo di marco and the *Doppia di Spagna* (Spanish Doubloon), clearly show how the fair exchange mitigated, from the point of view of the creditor's interest, the effects of the generalized monetary devaluation.<sup>15</sup> In this form, the practice of the *ricorsa* contract was continued, in Italy, for all of the 17th century, and remained in competition with the more traditional forms of credit.<sup>16</sup> What is important to note is that the channel constituted by the *ricorsa* existed in parallel with the commercial circuits, while these still retained a good level of activity. Not only was the financial

<sup>11</sup> This Fair originated in 1535 when Genovese bankers had to abandon Lyons on account of their links with the Hapsburgs. The first sessions were held in Besançon, hence the name Bisenzone Fair.  
<sup>12</sup> For the difference between the payments of Lyons and the fair of Bisenzone see J.G. da Silva, *op. cit.*

<sup>13</sup> J.G. da Silva, *op. cit.* p. 398.

<sup>14</sup> Cf. A. De Maddalena, *Operatori lombardi sulle fiere di cambi di Piacenza. I Lucini (1579 – 1619) in Dalla città al borgo. Avvio di una metamorfosi economica e sociale nella Lombardia spagnola*, Milano, 1982.

<sup>15</sup> Cf. A. De Maddalena, *op. cit.*, p. 113.

<sup>16</sup> Cf. J.G. da Silva, *op. cit.*, p. 211.



operation carried out in parallel with the real traffic, but, by attracting capital with the promise of cumulative earnings and the buffering of the depressive effects of monetary erosion, it crowded out the possible productive use of the monetary capital, cutting off its remaining links with the world of production. Thus for example the fair profits of the Lucini – but many other examples could be given – were reinvested partly in the financial circuit and partly in land.

For Milan, the crisis of the 17th century was at the same time the theatre for decline and the moment for decision and for consolidation. In the context of the general decentralization of the Mediterranean economy, the reaction of Milan to the economic climate of the first decades of the century did not go against the trend of European evolution (it actually backed it) in its efforts to consolidate a subordinate position. The effects of the diversion manoeuvre carried out within the Milanese economy became visible only after the turn of the half century, after two decades in which war and pestilence had raged. The desire to switch the capital tied up in production to rent-oriented diversification, must be related to more general dynamics, in which environment they can be evaluated.

### a. The role of the state

A Spanish possession since 1559, Milan played a key role in the political, military and financial strategies of the Hapsburgs.<sup>17</sup> Despite the fact that the Milanese patricians still carried considerable weight, it was the requirements of the Hapsburg power politics which dictated the play in the period under consideration: taxes, sales of public revenues, deficit spending, transfer of funds strongly influenced the economic trends and the orientation of capital, commercial or otherwise. The public revenues attracted considerable monetary availability, as did the transfer of funds.<sup>18</sup> The influence of the public debt and the transfers can be gauged by the size of the issues from the Mint. Before 1620, when a close relationship could be expected between the amount coined and international trade, the Milan Mint worked in reality for the Spanish Crown.<sup>19</sup> Even though the relation between this phenomenon and deficit spending should not be overestimated, deficit spending was confronted by an economy suffering from severe unemployment, for reasons independent of the state of war, and it could therefore mobilize factors which would have remained inactive, using them for the war effort.<sup>20</sup> Furthermore, the increased weight of the public finances led to the movement of private capital looking for safer remuneration. The Banco di S. Ambrogio, from its foundation raked up private finance to invest in government loans, while its solvency – and the desirability of its 'luoghi' (public debt shares) – was guaranteed by the income on the duty paid by the city of Milan. In 1660, in an economy by then substantially agrarian, the

<sup>17</sup> Cf D. Sella, *op. cit.*, pp 81 – 87.

<sup>18</sup> Cf. J.G. da Silva, *op. cit.*, p. 178.

<sup>19</sup> Cf. C.M. Cipolla, *op. cit.*, p. 38.

<sup>20</sup> Cf. D. Sella, *op. cit.*, p. 119.

reform of the Banco permitted the maintenance of a financial channel, fed by the state debt, through which private capital could guarantee an income which, though not high, was certainly secure. There appear to have been three results of the state spending on the mobility of monetary capital, which need not be manifest together:

1. At first public spending and its financing attract capital disengaging it from possible, though not necessarily probable, productive use. In this case the principal role was played externally by the money fairs, and internally by Banco di S. Ambrogio.
2. The attraction of capital has had, since the end of the 16th century to circa 1607, a crowding out effect which strikes a 'full-employment economy': the rise in prices until 1605 can be explained in this way. The consequent overloading of the structure of production costs, with a reduction in flexibility, probably left a crack in the system of production which the subsequent improvement in the economic climate did not remedy in any substantial way.
3. From these observations, and on the basis of general considerations, it can be asserted that deficit spending, from circa 1610, did not have a crowding out effect, but rather reduced the social costs of a transition already in progress, activating channels distributing earnings in the form of financial capital with guaranteed interest (financial earnings).

In general, the action of the state in the financial field seemed to be directed towards the safeguarding, more or less conscious, of the creditor positions. The sum of these actions tended to depress the domestic value of the hard currency: another element of rigidity in the already rigid position of the exporting merchants.

## **b. Land**

The 'diversion effect' of commercial capital induced by the state spending is met by the age-old tendency to buy land and to consolidate real property, reinforcing it, and rationalizing it through the financial channels linked to the exchange fairs.

The problem of consolidating monetary capital property in the 17th century had two possible solutions: land and finance. These paths increasingly tended to join.<sup>21</sup> The last decades of the 16th and the first decades of the 17th centuries saw a sharp upswing in agricultural prices and as a result of monetary earnings, whereas the purchasing strategy of the large property owners was directed towards setting up compact and well situated properties, where, in the past, the mercantile class had operated more widely.

The high-price, high-earnings regime lasted to the 1630s; the demographic crisis caused by the plague and the state of war continued into the 1660s, generating a state of crisis and contraction of earnings, but also sparking off a selective process which tended to oust the purely 'speculative' purchases and to consolidate, at the

<sup>21</sup> Cf. A. De Maddalena, *op. cit.*, p. 291.

end of the period, a sort of production-oriented distribution of land. With the passing of the 1670s, a new phase of increasing agricultural earnings rediscovered company and contract structures unchanged if not improved, which allowed a rapid relaunch of production. From the 1660s, in the Lyons marketplace a 'trade flourished which sent rice, raw and finished silk and various other goods in one direction, and linen cloth, woollen garments, knick-knacks and Lyons silk cloth in the opposite direction.'<sup>22</sup> As can be seen, Milan had maintained its links with the central economy, but with position and strength inverted.

### **c. The loss of influence of traditional industry and the role of the city**

The transition from a manufacturing based urban economy to a substantially agricultural one was, in the case of Milan, neither rapid nor destructive; the industrial structure was not dismantled with the same disinvestment speed in all industries. Activities in which labour cost was a major factor declined, the luxury goods industry, which selected another specialization, endured better. While scaling itself down in absolute terms, the relative permanence of urban manufacturing softened and modulated the process of resource transfer. In this new horizon, Milan, like other northern Italian cities, less and less a centre of production and city of finance, reorganized and became a centre of consumption, or the focus of spending in an ever more structured and cross-linked national market, where flows of public and private spending linked to the new dominant activity – agricultural earnings in primis – come together.

While mercantilistic models, which regulated the size and direction of the European economic dynamic, were followed in the economies of the national states of north and central Europe, the regionalization of the Lombardy economy renders it a sort of medium level physiocracy, which is sufficiently connected to international flows to avoid absolute depression but also sufficiently far from the economic centre of Europe to see itself ousted from primary economic competition. In the 17th century it is the nation states, in their efforts to set up cohesive national markets, which are the combatants in a new struggle which takes the form of a struggle for power and political hegemony; a struggle founded on economic competition between nations and no longer between merchants and mercantile nations (*nationi de' mercanti*).

At the end of the century, with the close of the golden era of the fairs and their further marginalization, new financial institutions – the national bank and the stock exchange – take shape on the horizons of the economic world. The Bisenzone fairs, the terminal point of a technical and economic evolution hinging on the Mediterranean and its merchants, function exclusively as flywheels of peripheral transmission of financial impulses which have a completely different origin, both institutionally and geographically.

<sup>22</sup> Cf. D. Sella, *op. cit.*, p. 154.

## The Amsterdam Capital Market and the Dutch East India Company

It is well known that the emergence of Amsterdam as a financial centre in the early modern world was a consequence of the dominant place that it had gained in world trade. It was only in the course of the 17th century that the financial services provided by its institutions as the *Wisselbank* (Exchange Bank) and by private banking-houses became an important independent sector that was developed further in the 18th century when trade and shipping stagnated or even declined. While the city lost its role as the principal entrepôt for commodities from all over the world, Amsterdam became the clearinghouse for European trade and the pre-eminent capital market, where foreign governments could find a source to finance their debts.

One of the institutions, that contributed greatly to the ascendancy of Amsterdam, was the United East India Company (*Verenigde Oostindische Compagnie* or VOC), founded in 1602. The VOC became a joint-stock corporation, working with a fixed and permanent share-capital of 6,4 million guilders. It thus provided a possibility for long-term investments as well as for speculation. The phenomenal growth of the VOC made it the largest commercial and financial enterprise of the world until it was surpassed by its English competitor in the course of the 18th century. The importance of financial innovations introduced by the VOC has been stressed by Larry Neal, who analyzed the stockmarkets of Amsterdam and London and compared the developments in the share prices of the Dutch and English East Indian Companies.<sup>1</sup>

It is difficult, if not impossible to describe and analyse in quantitative and qualitative terms the influence of the VOC on the capital market of Amsterdam. But the evidence about the close personal and institutional links between the Company and the city, as well as the amount of investments in the VOC can give some idea of the impact of the Company for Amsterdam as a financial centre.

<sup>1</sup> Larry Neal, *The Rise of Financial Capitalism. International Capital Markets in the Age of Reason* (Cambridge 1990), especially chapter 6: 'How the East was won'.

## The Amsterdam Chamber of the VOC

The interest of Amsterdam in Asian trade was strong from the beginning of Dutch shipping to Asia in 1595. The first Dutch fleet that succeeded in reaching Asia was equipped by a number of Amsterdam merchants. From the total number of 65 ships sent to Asia in the period from 1595 up to 1602, 38 were from Amsterdam. As early as 1600, the Amsterdam based East India Companies had formed an 'United Amsterdam Company' and the Burgomasters had granted this company a municipal monopoly for the trade to Asia.

When, in 1602, the VOC was founded, the Amsterdam Chamber as the successor of the United Amsterdam Company got a share of one half in the activities of the new Company: thus half of the number of ships of the VOC were built and fitted out in Amsterdam, half of all the commodities received from Asia were sold there. The Zeeland Chamber (based in Middelburg) got a share of one fourth, the smaller Chambers in Delft, Rotterdam, Hoorn and Enkhuizen each one sixteenth only. This internal division of the activities between the Chambers had been entered into the charter on the instigation of the Zeeland. The Zeelanders had been concerned that, if the capital subscription was taken as measurement for the division of labour, Amsterdam should be allotted more than half of it and thus should become the all-mighty power within the VOC.

The political compromise behind the charter of 1602 resulted in a number of regulations that made the organization of the new Company very complex. According to the charter, the total number of directors or *bewindhebbers* would be sixty, i.e. twenty in the Chamber Amsterdam, twelve in Zeeland and seven in each of the smaller Chambers. The central management was laid into the hands of a 'Meeting of the Gentlemen Seventeen', made up of the directors of the six Chambers. Amsterdam had eight delegates in this board, Zeeland four, the smaller chambers each one. The seventeenth member was appointed alternately by Zeeland and the smaller Chambers. These rules should, of course, prevent the Chamber of Amsterdam from overruling the other chambers. But this was difficult to achieve in practice. The smaller Chambers followed the lead of Amsterdam and, apart from some clashes, for instance about the dividend-policy, Zeeland too resigned itself to the superiority of Amsterdam.<sup>2</sup>

As the VOC stands out as the great success of a corporate company in the early-modern period, one could easily conclude that the prosperity and the commercial growth of the Dutch Republic has to be ascribed to this Company. Some Dutch historians have argued, however, that the contribution of the trade of the VOC has been overestimated and that the real base for phenomenal growth in Dutch commerce has rather to be ascribed to European trade. Recent publications have taken a somewhat different view. In his *Primacy of Dutch Trade*, Jonathan Israel argues that in the 17th century the Asian trade already made a vital contribution to the

<sup>2</sup> See for the organization of the VOC: F.S. Gaastra, *De geschiedenis van de VOC* (Zutphen 1991). A short survey in J.R. Bruijn, F.S. Gaastra, I. Schöffers, *Dutch-Asiatic Shipping in the 17th and 18th Centuries* (3 vols., The Hague, 1979–1987), Vol. I, 1–21.



Table 1. Estimation of the value of total Dutch foreign trade and VOC-trade, 1636 (in guilders).

	total value without VOC and WIC	VOC (invoice value of imports)	VOC (sales value of imports)
import	30,500,000	1,900,000	4,500,000
import + export	61,000,000	3,400,000	6,000,000

entrepôt-function of Amsterdam.<sup>3</sup> The growth of the Company's trade in a period of economic stagnation or decline after 1700 gave the VOC, according to J. de Vries and A. van der Woude, a central role in the Dutch economy.<sup>4</sup> An impression of the share of the Company in the total trade of the Dutch Republic can be given on the base of the figures in Tables 1 and 2.

These figures represent only the direct share of the Company's trade in total Dutch commerce. A great part of the commodities imported from Asia were exported to other European countries and are thus comprised under the 'European trade'.<sup>5</sup>

But it was not only because of the volume of trade that the Company gained a 'central place' in the Dutch economy. The role of the VOC can also be measured in other terms. The Company was the biggest employer in the Republic, sending thousands of seafarers, soldiers and servants on its ships to Asia. In the cities with a chamber the Company employed an enormous workforce on the dockyards, in the warehouses and the offices. In Amsterdam, some 1000 to 1300 men worked on the wharves and in the *Oostindisch magazijn*, built between 1660 and 1670 on the new outlay of the city, Oostenburg. Its headquarters were in the East India House in the Hooghstraat, in walking distance from the Townhall, Exchange Bank and bourse. This was the place where the directors as well as the Gentlemen Seventeen held their meetings and where circa fifty higher officials, as the bookkeepers, cashiers and clerks, worked in their offices.<sup>6</sup>

### The personal links between the VOC and the financial institutions in Amsterdam

The close relationship between the VOC and the financial institutions as well as private banking houses in Amsterdam is reflected in the composition of the board of directors of the Chamber Amsterdam.

<sup>3</sup> J. Israel, *Dutch Primacy in World Trade, 1585 - 1740* (Oxford 1989).

<sup>4</sup> J. de Vries, A. van der Woude, *Nederland 1500 - 1815. De eerste ronde van de moderne economische groei* (Amsterdam 1995) 538.

<sup>5</sup> See for a discussion of the role of the VOC in Dutch economy F.S. Gaastra, 'The Dutch East India Company in National and International perspective', paper for the Vth French-British Maritime Historical Congress (1994), in press.

<sup>6</sup> J.H.G. Gawronski, *De Hollandia en de Amsterdam: twee schepen en een bedrijf. Organisatie en materiële cultuur van de VOC in Amsterdam* (Amsterdam 1994) 30 - 33. See for the buildings and the personnel of the VOC also: J.B. Kist (ed.) *Van VOC tot Werkspoor. Het Amsterdams industrieterrein Oostenburg* (Utrecht 1986).

Table 2. Estimation of the value of total Dutch foreign trade and VOC-trade, c. 1780 (in guilders).

Trade with Europe	200,000,000
VOC trade	35,000,000
Atlantic Trade	28,000,000
Total	263,000,000

The charter prescribed that, when a vacancy arose, the States of the Province (in the case of Amsterdam the States of Holland) were to appoint a new director from a list of three names, made up by the sitting directors. But even before the charter was published, the city of Amsterdam had raised objections against this rule. The result was that the States of Holland transferred the right of appointment to the burgomasters of the Chamber cities concerned. In 1622, the shareholders were given some influence on the nomination. In case of a vacancy, shareholders had to elect as many 'principal shareholders' (shareholders who had at least invested a sum *f* 3000 in the Company and were thus entitled for election to a directorship) as there were sitting *bewindhebbers*. The elected shareholders and *bewindhebbers* jointly made up a nomination of three names, from which the burgomasters choose the candidate. As result, the election procedure became more complicated, but the shareholder's influence did not increase very much. The shareholders of the Chamber Amsterdam didn't even try to challenge the power of the burgomasters and sitting directors, and normally there were only a few principal shareholders in the election committee. Only after 1748, when the Stadholder was appointed to the function of *opperbewindhebber*, it was for him to choose the candidate from the nomination.<sup>7</sup>

The directorships were not tied to a fixed term and were in principle for life. In 1622, however, a term of office of three years was prescribed and a timetable was devised for periodic retirements. Again, this rule did not prove effective and before long this regulation was lost sight of. The directors defended the violation of the 1622 rule by remarking that the frequent changes other than periodic retirements would endanger the continuity of management.

Considering the power of burgomasters in the appointment, it is no surprise that we find many *regenten*, members of the city council and burgomasters, under the *bewindhebbers*. There were always five or six burgomasters or old-burgomasters among the twenty *bewindhebbers* and they formed, although informally, the leading group in the director's board. They had the right of preference when the delegation to the meetings of the Gentleman Seventeen was chosen and this meeting was normally presided by one of them. The *Wisselbank* was also a municipal institution under the direction of the burgomasters and this situation was as such a guarantee for a close relationship between the Company and the bank. The *Wis-*

<sup>7</sup> Gaastra, *Geschiedenis van de voc.*, 31–34. In 1645, both the cities of Haarlem and Leiden succeeded in getting one director's seat in the Chamber Amsterdam, thus leaving only 18 places for Amsterdam.

*selbank* was controlled by three 'Commissioners' from the municipal government. Many *bewindhebbers* were at the same time commissioners of the bank. From the seventy directors who served the Chamber of Amsterdam in the period 1602 – 1650, eight were commissioners of the bank during their term of office.<sup>8</sup> In 1682, a committee of four burgomasters was installed to draw up new rules for the bank; three of its members, Joan Munter, Joannes Hudde and Jan de Vries were also *bewindhebber*.<sup>9</sup>

But there was even a more direct relationship. The most important officials in the *Wisselbank* were the cashier and the bookkeeper. The directors Hillebrand Schelling (director from 1615 to 1633), Hendrik Reynst (1636 – 1648) and Pieter Has-selaer (1641 – 1646) had been cashier before their appointment in the *voc*. At least four times in the 18th century, a bookkeeper of the bank was appointed in a *bewindhebber's* seat. Andries Hees, bookkeeper since 1703, was director of the *voc* from 1714 to 1720. Willem Backer, bookkeeper from 1722 to 1745, got a director's seat in 1745. Backer died in 1756 and was succeeded by Dirk Alewijn, who had served the bank as *opperboekhouder* since 1737. And in 1764 Pieter Trip was chosen as director; he had been bookkeeper between 1743 and 1764.<sup>10</sup>

It may well have been a deliberate policy of the *voc* to attract these officials in order to get access to the know-how of the bank. After all, the bank played a crucial rôle for the Company: it gave the Company short term credit and provided the *voc* with silver and gold for export to Asia. Moreover, most of the payments between the Company and the merchants went via the bank. But at the same time, this situation was the result of the fact that the leading *regenten* oligarchy controlled the most important financial and commercial institutions in Amsterdam. All the persons mentioned above belonged to the important patrician families in Amsterdam, and many other members of these families were at one time or another directors of the Company.

Finally we find great merchants and bankers among the *bewindhebbers*. The initiators of the trade to Asia belonged to the wealthiest and most prominent merchants of Amsterdam. Later in the 17th century the burgomasters were aware of the need to have always a number of experienced merchants in the board. In 1668, they even took measures to prevent too many members of the municipal government from being appointed, which they thought to be detrimental to the Company. In the 18th century we find such well-known bankers in the Chamber Amsterdam as Daniel Jan Bouwens, Adriaan Salomon van der Hoop, Joan Scherenbergh, Jean Frederik d'Orville, Balthasar Scott and Gualterius Craeyvanger. Jan Clifford,

<sup>8</sup> Noor Oosterhof, 'De politieke en economische structuur van de verenigde Oostindische Compagnie', in F. Wieringa, *De voc in Amsterdam* (Amsterdam 1982) 181 – 184.

<sup>9</sup> F.S. Gaastra, *Bewind en Beleid bij de voc. De financiële en commerciële politiek van de bewindhebbers, 1672 – 1702* (Zutphen 1989) 255 – 263.

<sup>10</sup> See for the names of *bewindhebbers* of the *voc*: P.A. Leupe, 'Eerste sprokkeling uit de papieren van eenen bewindhebber der Oost-Indische Compagnie', in *Kroniek van het Historisch Genootschap* 28 (1872), 15 – 48; and the sources mentioned in Gaastra, *Bewind en Beleid*, p. 255. The details about the career of these persons, see J.E. Elias, *De vroedschap van Amsterdam 1578 – 1795*, 2 vols. (Haarlem 1903 – 1905; reprint 1963).

partner and, since 1768, the head of the famous house of Clifford & Sons, who became *bewindhebber* in 1769. Shortly after his death in 1772, his house failed and brought a financial crisis that had earlier hit the Edinburgh and London banks to Amsterdam.<sup>11</sup>

Most influential of all was, however, Thomas Hope. Thomas was the leading member of the famous house of Hope & Co., in which his younger brother Adrian, his son John and his nephew Henry Hope participated. They became the leading merchants and bankers in Amsterdam after the failure of Clifford & Son in 1773. Thomas Hope, a man with an 'immense energy and drive'<sup>12</sup>, was deeply involved in the VOC. He had been active in the board of the 'principal shareholders' since 1752, proposing a new organizational structure for the Company's China trade, that was indeed introduced in 1756. In the same year, Thomas entered the board of the directors of the Chamber Amsterdam, and in 1766 he became the *representant* of the Stadholder Willem v, who had become *opperbewindhebber* of the VOC. He was in this rôle, of course, bound by the directives of the Stadholder and the political advisors of Willem v. Although he could claim the presidency in the meetings of the Gentlemen Seventeen and in the Chamber Amsterdam, he did not do so, carefully evading unnecessary irritation from his colleagues. Staying in the background, it was much easier for him to have it his or his master's way.<sup>13</sup> Thomas Hope resigned in 1770 for reasons of health and was succeeded by his son John.

It has often been argued, that the number of experienced merchants among the directors was declining in the 18th century. There can be no doubt, that the burgo-masters had a great influence in the VOC and that the local ruling elite was strongly represented on the board. But this did not exclude merchants and bankers from a director's seat. On the base of the background of the directors it will be difficult to conclude that the quality of the board diminished after 1700. Perhaps we can conclude that there was a shift from commercial to financial *expertise* among the directors.

### The VOC and the capital market

The most obvious possibility for investment in the VOC was, of course, to take a part in its share capital. The total share capital of the VOC amounted to f 6,440,200. As the Zeelanders had foreseen, more than half of that capital had been placed in the Chamber Amsterdam: f 3,686,430. The rest of the capital was not equally divided among the Chambers. The capital subscribed in Rotterdam, f 174,562, was far below the share that this Chamber had in the activities of the Company on the base of the charter. The same was the case with the capital of the Chamber of Zeeland. There was, however, no difference in the dividends paid by the Chambers.

<sup>11</sup> In 1775 his brother, Pieter Clifford, became *bewindhebber*.

<sup>12</sup> M.G. Buist, *At Spes Non Fracta. Hope & Co., 1770 - 1815* (Amsterdam 1963), 14.

<sup>13</sup> R. Aeg. Timmerman, 'Met opregtheid en candeur. Thomas Hope en de Verenigde Oostindische Compagnie, 1752 - 1770', unpubl. thesis, Leiden 1991.



The Gentlemen Seventeen decided each year on the amount of dividend to be paid to the shareholders. Differences between the official share of each Chamber in the Company's activities and the real payments or receipts by each of the Chambers were internally corrected at the end of each year.

Although the capital may have been considerable at the beginning of the 17th century, it was rather small compared to the enormous increase of the VOC in the 18th century. Most of the trade was in shares of the Chamber Amsterdam. This was partly the consequence of the fact that every transaction had to be registered by the bookkeepers of the Company, and for the most of the merchants it was, of course, easier to have this registration done in Amsterdam than in one of the other Chambers. A second reason was simply that the share capital of the other chambers was too small for a considerable trade on the stockmarket. The average number of transactions in shares of the Chamber Rotterdam, for instance, was only four per year.<sup>14</sup>

The original subscription list of the Chamber Amsterdam carried 1143 names. Among them there were 84 shareholders, who had subscribed for *f* 10,000 or more. One could subscribe in any amount wanted. It is generally supposed that the smaller shareholders soon sold their shares, because dividend payments were during the first years low and irregular. The number of shareholders declined during the first ten years to 840.<sup>15</sup> The process of concentration went on during the 18th century: in 1725, the Chamber Amsterdam counted 426 shareholders.<sup>16</sup> Some of them had only very small portions in the Company. Willem and Cornelis van Rijnveld, for instance, participated for only *f* 25, the protestant Church of Enkhuizen for *f* 26. But if some of the shares had a nominal value well below the 500 guilders, most of the investments were in lots of *f* 3000 or more. The list of 1725 does not give any foreign names, but a substantial number of shareholders belonged to the Sephardi (Spanish and Portuguese speaking) Jews. Thirteen shareholders had invested *f* 45,000 or more. As prices on the stockmarket ran as high as 650 per cent during this year, the investment of, for instance, Andries Pels, with nominal value of *f* 60,000, had a market value of no less than *f* 2,925,000!<sup>17</sup>

As Larry Neal has shown, the stockmarket was sufficiently efficient to grasp the real value of shares of the VOC relative to other investments; the market evaluation was not based on an irrational behaviour of investors.<sup>18</sup> In short term fluctuations, rumours, information or misinformation and perhaps sometimes panic may have played a rôle – and may have made victims. Asian trade was extremely vulnerable

<sup>14</sup> Leo Kliennannink, 'Het kapitaal van de Kamer Rotterdam', in Peter Grimm (ed.) *Heeren in zaken. De Kamer Rotterdam van de Verenigde Oostindische Compagnie* (Zutphen 1994) 70 – 72.

<sup>15</sup> J.G. van Dillen, *Het oudste aandeelhoudersregister van de Kamer Amsterdam der Oost-Indische Compagnie* (Den Haag 1958) 14 – 15, 55.

<sup>16</sup> Algemeen Rijks Archief (ARA), The Hague, VOC-archief 7164, *Journal van de boekhouder van Amsterdam*, f. 21 – 214, List of shareholders (at the first of May, 1725) to receive the 20 percent dividend in bankmoney of *f* 737,286 over the capital of *f* 3,686,430, according the resolution of the Gentlemen Seventeen, 2 March 1725.

<sup>17</sup> Prices of shares are given by J.G. van Dillen, 'Effectenkoersen aan de Amsterdamsche beurs', in *Economisch-Historisch Jaarboek* 17 (1931) 1 – 46.

<sup>18</sup> L. Neal, *The Rise of Financial Capitalism*, Ch. 6, 'How the East was won'.



Table 3. The large investors in the Chamber Amsterdam, 1725.

f 96,000	David de Neufville
- 84,541	Jeronimo de Haze de Giorgio
- 83,400	Jacomina Bas, widow of Cornelis Verpoorten
- 75,000	Andries Pels
- 66,000	David Mendes de Silva
- 60,000	Jacob Bruynstein
- 60,000	Franciscus Lopez Suasso
- 57,000	Jan Lucas Pels
- 54,000	Bernard de Moor
- 51,000	Isaac Franco Mendes
- 48,000	Jan Witheyn
- 45,000	Marie Nieuwgaard, widow of Albertus Schuijt
- 45,000	Jacob Perera

in times of war: the long lines of communication and shipping could be interrupted, valuable cargo could be lost to the enemy, sales in Europe could stagnate.

Thus, in 1672, when the Dutch Republic was attacked by the French and the English and their German allies, the stockmarket crashed and VOC-share prices fell from a peak of 572 per cent (reached after the sales of rich returns in 1671) to 250 per cent! A new crisis broke out in 1688, when the Glorious Revolution took place and yet another war with France started. Speculation fever and expectations of a richly laden returnfleet had driven up share prices in the spring of 1688 to 580 per cent. During the summer, there was fear about the safe passage of the returnfleet, but prices stayed on the level of 568 per cent. News about the safe arrival in August brought the course back at the 580 mark, the highest price of the 17th century. But before the end of that month the market collapsed, and within three weeks the course was 216 percentage points lower! One of the victims then was the director Coenraad van Beuningen. Being blind to international tension, and convinced of the fact that prices could rise still much higher, he had invested a large amount of money in the VOC. It was rumoured that he had lost more than half a million guilders in 1688. The enormous loss of money may have contributed to his mental collapse; in November 1688 he was committed for insanity.<sup>19</sup>

But apart from these abnormal incidents, investors looked to the messages about the returnfleet, the value of the returncargo, and of course the results of the auctions, that determined the dividend to a high degree. The returnfleet normally arrived between the middle of August and the end of September in Patria. The most important auction took place in the autumn, in October or November. That was after the auctions of the EIC in London; the prices made there gave directors of the VOC as well as the investors a good idea of the European market for Asian products at that time of the year. A second auction took place in the spring, when spices and pepper were sold. The newspapers contained the information about the re-

<sup>19</sup> J.I. Israel, 'The Amsterdam Stock Exchange and the English Revolution of 1688', in *Tijdschrift voor Geschiedenis* 103 (1990), 412–440; Gaastra, *Bewind en beleid bij de VOC*, 95–98, 200–202.

turnfleets and the auctions. Already in July, directors looked out for information about the returnfleet – the fisherman who could bring the first message about the fleet, that he might have sighted on the Northsea or in the Channel, were rewarded a nice sum of 50 guilders. Some years were disastrous. In May 1737, for instance, seven ships of the returnfleet from Batavia went down in a gale at the Cape of Good Hope. When this news was brought to Amsterdam in early September, share prices fell from 620 to 580.<sup>20</sup>

The general trend in share prices reflects the growth of the Company in the 17th century and its slow decay in the second half of the 18th century. High dividends between 1714 and 1720 (each year 40 per cent) resulted in high prices; in the ‘bubble’ of 1720 a peak of 1240 per cent was reached! Prices were low during the Seven Years’ War (1756–1763) and again in the financial crisis of 1773, although the VOC was not hit as badly as its English competitor by that crisis. De Vries and Van der Woude argue, that shareholders tended to see their investments as safe bonds.<sup>21</sup> The dividend payment, which was up to 1781 regular and never lower than 12½ per cent, resulted in a return on their investment of 2.9 per cent per year (considering the marketvalue of the shares). That was hardly more than the interest on state bonds. Apparently many shareholders, the so-called ‘princes’, regarded their shares as part of their family wealth, and looked primarily to the annual yield from the dividends.<sup>22</sup> Several big shareholders of 1725 belonged to that type of investor. This may be true for Jeronimo de Haze, who had been a burgomaster and since 1708 *bewindhebber*, and died in 1725 at the age of 74, leaving a fortune of f 3,3 million guilders, as well as for Jacomina Bas, in 1725 aged 74 and since 1698 widow of Johannes Verpoorten.

We do have analyses for the stockmarket and behaviour of the share prices, but we don’t know much about the volume of the trade. In 1777, a normal year for the stockmarket, the bookkeepers of the Company registered 150 transfers of shares, 24 of these originating from inheritance. The total sum transferred in these transactions amounted to f 831,636, or 22,5 per cent of the total stock! If the market value (VOC-shares were noted at an average of 373 percent during this year) is taken, these transfers exceeded three million guilders. Again, Sephardi Jews were prominent among the traders, as Aron van Isaac Capadose and Abraham van David Mendes da Costa.<sup>23</sup>

There were, however, more possibilities for investing in the VOC. The Company financed its trade partly via loans. The Company issued bonds, at first for a short term of six months, later for a year and, since 1666, for three years. During the period 1672–1700, the Company solved its financial problems by attracting more

<sup>20</sup> Bruijn, Gaastra, Schöffner, *Dutch-Asiatic Trade*, Vol. 1, 91; Vol III, 336–339.

<sup>21</sup> De Vries and Van der Woude, *Nederland 1500–1815*, 537.

<sup>22</sup> Israel, ‘The Amsterdam Stock Exchange’, 419. The name ‘prince’ is to be found in the book of Penso de la vega, *Confusión de Confusiones* (1688), which contains a description of the Amsterdam stockmarket.

<sup>23</sup> ARA, VOC 7098, 7099, 7100, 7101, 7102, *Geregistreeerde overdrachten van actiën van de VOC, Kamer Amsterdam, 1773–1781*. See for Sephardi Jews and the Stockmarket, Israel, ‘The Amsterdam Stock Exchange’, 416–420.

Table 4. Transactions of shares of the Chamber Amsterdam, 1777.

	number	nominal value	market value
inheritance	24	165,886	618,754
trade	126	665,750	2,483,247
total	150	831,636	3,102,001

money on bonds. Dividend was sometimes also paid in bonds, and these bonds were now redeemable only at the will of the Company. In the prosperous first two decades of the 18th century, the Company succeeded in reducing its debts to a level of circa 7.6 million guilders (for the VOC as a whole) and this level was retained during these years up to 1780. The interest was during the 17th century  $6\frac{1}{2}$  per cent but could rise in times of crisis. Interest was as low as 3 to  $2\frac{1}{5}$  per cent in the 18th century.<sup>24</sup> We do not know who the holders of these bonds were, but going through the accountbooks of the Chamber Amsterdam, one met the same names that are also to be found in the list of shareholders: the well-known Amsterdam merchants and bankers, the *bewindhebbers* and the Sephardi Jews.

Besides the bonds, the Company took short term loans called 'anticipation money'. This was capital provided by the merchants in advance on the auctions; those who had given money in advance got priority at the auctions and, if the merchants actually bought products at the auctions, they got a higher interest too.<sup>25</sup> But anticipation money was not only provided by merchants. Other investors too, took the opportunity to invest their money in these loans. For a long period the directors of Amsterdam had the habit of giving themselves the first opportunity to place money in the Company in this way. The debts in anticipation money were rather low until 1735, seldom and then only for very short periods exceeding the two million guilders, but thereafter it rose to a peak of 22 million guilders in 1765. Interest was then as low as  $2\frac{1}{5}$  or even 2 per cent, very often the advance was not drawn out by the investors and the anticipation money thus changed into long term loans. The receipts or advance notes received by the investors from the Chambers for giving the money could be traded on the bourse.

A capitalist could thus invest his money in the Company in shares, bonds or advance notes. The share capital of the Chamber Amsterdam had a nominal value of slightly over f 3.4 million, but a much higher market value. Roughly half of the f 7.4 million in bondloans in the 18th century and more than half of the advance-notes were chargeable to the Chamber Amsterdam and, as in the case of the shares, it was predominately these bonds and notes that were traded at the bourse.

<sup>24</sup> C. de Heer, *Bijdrage tot de financiële geschiedenis der Oost-Indische Compagnie* (Den Haag 1929) 19–47; J.P. de Korte, *De jaarlijkse financiële verantwoording in de Verenigde Oostindische Compagnie* (Leiden 1984) table 4.

<sup>25</sup> De Heer, *Bijdrage tot de financiële geschiedenis*, 32–33.

## The *Wisselbank* and the VOC

The Bank of Exchange became the most important medium for the financial transactions of the VOC in Amsterdam. Merchants buying at the auctions paid the Company via their bank-accounts, the Company paid the merchants for the commodities bought for the building and outfitting of the ships and export to Asia. The main items in the export to Asia were precious metals, silver as well as gold, coins as well as bars, and the bank could provide the Company with most of the precious metals it needed.

Although dealing in precious metals by the *Wisselbank* was originally forbidden, this prohibition was largely ignored. It is known, for instance, that the bank bought in 1628 gold from the West Indian Company and sold it later to the VOC. The attitude of the authorities changed later in the 17th century, because they realised they could exert more control over transactions via the bank than over transactions between private merchants. Attempts were made to compel the VOC to purchase all its precious metal from the bank. In 1668, the directors of the Chamber Amsterdam had already tried to convince the other Chambers that the VOC should buy its specie exclusively from this institution. It seemed that the bank did not succeed in excluding others in the deliveries to the Company.<sup>26</sup>

However, since 1683 a new system was introduced that gave the *Wisselbank* a central place in the specie trade and that provided new opportunities for private merchants as well as for the VOC. It became possible to set specie – Dutch and foreign coin, later also bullion – in the bank 'at pawn'. The term 'pawn' (in Dutch 'belenen') is, however, somewhat misleading, because the situation was more one in which one sold specie to the bank with the right of buying it back. Merchants could deposit their gold and silver coins in the bank and their accounts were credited with this sum. They had thus their capital immediately to their disposal in the form of the bank-money and could pay from their account for their commercial dealings. They received a six month receipt after depositing specie in the bank, and this receipt could be extended for periods of six months. If this was not done, the specie fell to the bank. The bank charged a low 'interest' for this period of  $\frac{1}{4}$  per cent for silver and  $\frac{1}{2}$  per cent for gold. The receipt gave the right to take the original specie out of the bank, paying the bank of course, its equivalent in bankmoney. The prices of the receipts were low – in fact the difference between value of the current money and the bankmoney, circa 3 to 5 per cent of the nominal sum.<sup>27</sup>

It is possible that there is a connection between the introduction of this system and the fact that VOC was obliged to enlarge its consignments of precious metal to Asia because of problems that it encountered in Japan, as suggested by De Vries

<sup>26</sup> F.S. Gaastra, 'The exports of precious metal from Europe to Asia by the Dutch East India Company, 1602–1795' in J.F. Richards (ed.), *Precious Metals in the Later Medieval and Early Modern Worlds* (Durham 1983) 448–449.

<sup>27</sup> A description of the system in: H.J.M. van der Laar, *Opperbankier en Wetenschapsman Willem Cornelis Mees, 1813–1884* (Den Haag 1978), 45–82.



and Vander Woude.<sup>28</sup> Japan had been a major source of silver and gold for the Asian VOC, but obstacles in this trade because of measurements of the Japanese government decreased the export of gold considerably. This connection is not to be found in the proposal for the new system of specie trade, but it is a fact that the *bewindhebbers* in 1682 became conscious of the consequences of problems in the trade with Japan. Joan Hudde, director of the Chamber Amsterdam and the most influential burgomaster in these years, wrote a small note for his colleagues, explaining that the VOC would be obliged to ship more silver and gold from Europe to replace the Japanese supplies.<sup>29</sup>

The Chamber Amsterdam was, as can be expected, one of the great buyers of the receipts. The other chambers employed agents in Amsterdam, who bought the necessary receipts for their precious metals. It can be concluded from data for the period 1720 – 1740, that the VOC got nearly all its Spanish reals of eight for export to Asia from the bank. The silver bars for the Chamber Amsterdam were provided by the assay-master of the bank, Johannes Grill. Most of these bars had the same fineness of the Bengal rupee. Also ducats were bought from the bank, newly minted ducats however, came from the provincial mints. The bank was not only a major source of silver for the Dutch Company. The well-known Amsterdam banker and merchant Andries Pels – the same who had invested so much in the VOC in 1725 – provided the English East India Company during the decade 1720 – 1730 with half of the silver it needed, worth c. 25 million guilders.<sup>30</sup>

Finally, the bank too provided the VOC with short term credit. The bank was not meant to provide any credit to the public, but the burgomasters had allowed the bank to make an exception for the VOC as well as for the city of Amsterdam. The close relationship between the Company's directors and the bank is to be seen in 1681 and 1682. Before 1682, the bank needed permission of the burgomasters for every time that credit was given to the VOC. It was again the director Joan Hudde who proposed in 1681 in the board of the Chamber Amsterdam that it would be cheaper to turn to the bank for anticipation money for an interest of 4 per cent, instead of giving the 'gentlemen around the table' the opportunity to provide this money which by then was normally done at an interest rate of 5 per cent. Hudde, as said above, was at the same time the leading burgomaster and in 1682 it was decided by the burgomasters that the bank was free to provide the Company with advance money up to f 1,7 million. Since 1698 this amount was enlarged to f 3 million.<sup>31</sup>

Large money transactions of the VOC could influence the bank in yet another way. Bankmoney was traded at an *agio* or premium against the current money because of the solid backing in precious metal. This premium was usually 4 to 5 per

<sup>28</sup> De Vries, Van der Woude, *Nederland 1500 – 1815*, 507.

<sup>29</sup> ARA, Collectie Hudde, inv. no. 5. See for the proposal: J.G. van Dillen, 'Een boek van Phoonsen over de Amsterdamse Wisselbank', in *Economisch-Historisch Jaarboek VII* (1921) 16 – 17.

<sup>30</sup> Arent Pol, 'Tot gerieff van India. Geldexport door de VOC en de muntproductie in Nederlands, 1720 – 1740', in *Jaarboek voor Munt-en Penningkunde* 72 (1985).

<sup>31</sup> Gaastra, *Bewind en beleid*, 95; De Heer, *Bijdrage tot de financiële geschiedenis*, 34 – 36.



cent in the 18th century. Each year after the arrival of the returnfleet, the Company had to pay a great amount of money on bills of exchange, that the VOC had accepted in Batavia, Ceylon, Bengal or the Cape. Company-servants and others used these bills to transfer their wealth acquired in the East to Europe. In the 18th century, these payments could be two to three million guilders each year. The directors considered that the 'disbursal of so much ready money' from the Company's account at the bank at one moment put too much pressure on the premium for bankmoney. They decided, in 1760, to pay two-thirds after the autumn sale and one-third after the spring sale.<sup>32</sup>

### After 1680: decay and collapse

Considering the enormous investments by Dutch capitalists in foreign funds, amounting to a sum of 350 million guilders in 1780 and even to 500 or 650 million in 1790, the investments in the VOC were limited.<sup>33</sup> But the influence of the VOC can not only be measured in terms of investment in its shares, bonds and advance-notes. The Company had got a crucial place in the Dutch trade in the 18th century and had, as has been shown above, close connections with the financial elite and the *Wisselbank*. Its downfall had a great impact on the position Amsterdam as a financial centre in Europe.

The reasons for the fact that the growing size of the Company had not strengthened its financial position and had not resulted in higher profits need not be discussed here. But at the eve of the Fourth Anglo-Dutch War, this financial position was weak. The debts of the VOC were lower than around 1770 but still considerable. After the declaration of the war in December 1780, the Company found itself almost immediately in troubles, not being able to pay for advancenotes. The amount of anticipation money was f 18 million, of which f 5,1 million was from the bank. In February 1782, the Company applied for a letter of license from the States of Holland. This moratorium was granted – it meant that the VOC had lost its solvency and could only attract new money under guarantee of the state and on much more unfavourable conditions as ever before. The situation soon grew worse, because in 1782 and 1783, the returnfleets could not reach Europe and the Company could only sell a limited amount of Asian products from stock.

The burgomasters tried to minimize the damage for the *Wisselbank*. The city of Amsterdam took over the debt of f 5,1 million guilders from the bank and this debt was, together with the rest of the anticipation money, converted in bonds with 3 per cent interest – the interest payment being guaranteed by the States of Holland.<sup>34</sup> But the damage was already done. The Company sank away in its debts,

<sup>32</sup> Gaastra, 'The exports of precious metal', 462.

<sup>33</sup> J.C. Riley, *International Finance and the Amsterdam Capital Market, 1740 – 1815* (Cambridge 1980) 242.

<sup>34</sup> De Korte, *De jaarlijkse financiële verantwoording*, 79–95, gives a detailed survey of the financial disaster for the VOC for the period 1780–1796.

that had risen well over the hundred million guilders when the VOC was taken over by the State in March 1796. Although the Company had still paid dividends after 1780 (only to those shareholders that had participated in certain bondsloans), shares lost their value and became worthless after 1796.

In the meantime, the public lost its faith in the *Wisselbank*. In 1789 the premium on bankmoney had disappeared and had turned into a *disagio*: the rate of bankmoney fell beyond the rate of current money. As a consequence there was a run on the bank, that had to be closed for some time, and later never regained its place in the financial world again.

There were, of course, many factors that caused the erosion, after 1780, of Amsterdam as a financial centre in Europe. But as much as the VOC had contributed to the formation and growth of Amsterdam in this respect, it contributed to its decay after 1780.

## L'émergence d'un Centre Financier: Amsterdam

### Introduction

Il n'existe pas en français de traduction littérale de *financial city*. Au lieu de cité financière, on emploie les termes de centre ou de marché financier. Différence minime puisque l'objet désigné reste le même. Pas tout à fait insignifiante cependant. En évitant de parler de ville, on se retient d'étendre à toute une agglomération la qualité de financière.<sup>1</sup> La ville où se trouve domicilié le 'centre' ou le 'marché' débordé celui-ci, comprend des activités et des quartiers qui lui sont complètement étrangers et l'on ne peut prétendre qu'il ait étendu sa chape, son influence ou son reflet du nord au sud et de l'est à l'ouest. Mais le mot de 'centre' couvre aussi une ambiguïté, selon qu'on l'applique à un noeud d'affaires ou à un espace 'dans' la ville tout en s'en distinguant. Le programme du colloque invite à s'intéresser à l'un et l'autre aspect, voire à les humaniser ou les transcender en découvrant, reconnaissant et identifiant les hommes qui animent ce centre, toutes acceptions précédentes réunies.<sup>2</sup>

### Comment circonscrire un centre financier ?

Si nous nous tenons au premier sens, nous aurons encore à le préciser et à recenser les caractères et les fonctions qui s'y rattachent. De nos jours, en effet, nous en avons une notion relativement précise, fondée sur l'existence de centres mondialement reconnus: Tokyo, New-York, Londres, Paris, Frankfurt, Zürich... Ils sont parfois désignés par un raccourci: Kabuto-cho, Wall Street, Bourse... qui représente, tout à la fois, un symbole et un des secteurs les plus spectaculaire de leurs activités, raccourci doublé d'indices-baromètres: Nikkei, Dow Jones, Footsie, etc.

<sup>1</sup> Le terme de centre a été retenu par le Dr Charles W. Munn dans sa communication à ce Colloque sur Edinbourg. Cf. aussi James C. Riley : *International Government Finance and the Amsterdam Capital Market, 1740 - 1815*. (Cambridge University Press, 1980).

<sup>2</sup> L'urbanisme des centres financiers a été le thème de deux communications à ce colloque (nous ne citons que celles que nous avons reçues au moment où nous écrivons, sans préjudice de celles qui auraient été délivrées ensuite) : Derek Keene (City of London) et Michael Wagenaar (le Centre d'Amsterdam).

Là convergent, se négocient et se cotent l'énorme majorité des titres émis dans l'aire nationale: des rentes et obligations de l'Etat aux actions et parts des sociétés privées la portion introduite dans la Bourse des valeurs étrangères qui, à nouveau, peuvent se diviser en emprunts d'Etat et actions de société. Là que s'effectuent les opérations plus spéciales d'achats et de ventes à terme, d'offre public d'achat (OPA), l'annonce des cours obtenus et des événements à venir: rémunération des coupons, augmentations de capital, modifications survenues dans la composition des activités d'une société, etc. Là que retentissent les nouvelles sur la santé d'une entreprise et sur l'orientation conjoncturelle globale de l'économie du pays, sans oublier les décisions d'abaissement ou d'élévation du taux de l'intérêt par la Banque centrale, plus ou moins influencées par les avis et considérations du gouvernement. Là, enfin, que, de plus en plus, se propagent les mouvements venus de l'étranger, des autres Bourses, avec une promptitude qui touche à l'instantanéité avec les moyens modernes de transmission: téléphone, fax, etc.

Chaque Bourse possède son propre schéma d'organisation, soit au niveau des procédures d'opération: au-marché à la corbeille, passage par les intermédiaires (agents de change, brokers, jobbers...), admission ou non du public ; soit au niveau de la direction et du contrôle: à Paris, la Chambre Syndicale des Agents de Change, la Commission des Opérations de Bourse (inspirée de la *Securities and Exchange Commission* du *New York Stock Exchange*). Malgré les ventes et les achats criés, le brouhaha des séances, elles ont une structure et leur activité une armature, qui n'empêchent pas, au demeurant, des mouvements aléatoires et des erreurs d'orientation de l'ensemble. De par leur volume de transactions, de par leur entree international, les Bourses que nous avons citées se comportent en centres des centres financiers, d'une part ; en aimants de concentration pour les capitaux disponibles à l'intérieur d'un Etat et même au-delà d'autre part. Il existe, certes, à côté d'eux des Bourses implantées dans d'autres villes du pays, non sans envergure parfois (Chicago, Los Angeles...) mais les pourcentages de drainage des titres démontrent la supériorité, sinon l'hégémonie de la principale. Ces Bourses régionales jouent un rôle de centre financier secondaire (nonobstant leur poids dans l'absolu): certaines se maintiennent bien, grâce à une richesse ambiante ou à des spécialisations, d'autres s'étiolent et perdent peu à peu leur attrait, comme les Bourses provinciales que le gouvernement français essaya, il y a une vingtaine d'années, de faire revivre et des maisons lyonnaises ou bordelaises ont préféré se faire inscrire au Palais Brongniart plutôt que de tenter leur chance sur un marché étroit. Ces Bourses principales ne sont pas nées tout armées, avec leurs caractéristiques actuelles: le contrôle de leurs mouvements, par exemple, est relativement récent. Auparavant, elles revêtaient souvent un aspect sauvage, de jungle, de plus en plus accentué au fur et à mesure que l'on remonte dans le temps. Il va de soi que leur ampleur a également évolué, pour gagner en importance, passant d'une poignée de titres négociés à l'origine à deux milliers ou plus, dans certains cas, aujourd'hui. Mais, autre remarque: si les Bourses portent le fanion d'un marché financier, si elles peuvent apparaître comme le marché financier lui-même de par les opérations, en réalité elles n'en sont que la crête, elles n'en absorbent pas toute entière la substance, elles

sont, au fait, tributaires d'un ensemble sous-jacent qui les fait vivre, s'en sert et les domine.

On ne vise pas ici les institutions parallèles ou annexes comme les Bourses de valeur, concurrentes de celle qui a la prépondérance (comme à New York), la 'coulisse' ou le hors-cote, les marchés spécialisés (celui de l'or à Londres) ou les Bourses de marchandises. Pour la simplicité de l'exposé, on admettra qu'elles forment, avec la première, un complexe, obéissant à un même principe, sans préjudice de leurs particularités de fonctionnement, éventuellement assez accusées. Pour toutes, il y a nécessité d'un afflux de liquidités, quelle qu'en soit la nature, d'un réservoir de capitaux susceptibles d'alimenter les transactions. Vérité de La Palisse: ce marché financier doit être financé, c'est une pompe aspirante branchée sur une sorte de nappe phréatique dont le niveau commande son bien-allant. Classiquement, on la met en rapport avec l'épargne, de la plus mince à la plus grosse, et il existe des sociétés qui se chargent de la récolter pour l'investir en Bourse, ordinairement en choisissant des valeurs de tout repos (par exemple, les *blue chips*). Ces investisseurs institutionnels dont la part dans le total des actions cotées atteint le tiers ou davantage ont la Bourse pour raison d'être, ils peuvent collecter des fonds, par divers moyens, sur le territoire entier d'une nation, les contingences de leur activité exigent qu'ils soient sur place pour surveiller les cours et les tendances: facteur indubitable de centralisation financière. L'argent des particuliers effectue d'autres circuits dont la destination est identique sans qu'elle ait été inscrite au départ. Il s'agit d'organismes tels que la Caisse des Dépôts et Consignations (en France), les Caisses d'Epargne, les Postes. Ils sont sollicités en général par l'Etat pour le placement de ses emprunts et, longtemps n'ont rapporté aucun intérêt aux dépositaires. Cette situation s'est modifiée avec l'adoption de nouvelles formules par les uns et par les autres pour allécher le client. Ils se comportent alors plus ou moins comme des sociétés d'investissement et le marché financier d'un pays s'en trouve élargi d'autant. Les Compagnies d'Assurances et les Mutuelles gèrent elles aussi un portefeuille d'actions et d'obligations: leur poids à la Bourse est considérable (un cinquième, un quart ?), les dividendes perçus sont ventilés de manière différente, reversés pour une partie, capitalisés pour une autre, ce qui les rapproche de la physionomie des Banques.<sup>3</sup>

Ces dernières polarisent l'attention dès lors qu'il est question des capitaux (du capitalisme) et de leur puissance, réelle, occulte ou supposée. Elles font partie, naturellement pourrait-on dire, des investisseurs. Elles possèdent leurs analystes, leurs départements ad hoc. Elles canalisent une bonne fraction de l'épargne, soit sous la forme de dépôts, soit sous la forme de parts ou d'actions lorsqu'elles-mêmes sont des sociétés qui font appel à des capitaux extérieurs (par opposition aux

<sup>3</sup> Si la proximité a constitué longtemps un facteur important pour les dernières compagnies citées dans la mesure où elles avaient pour objectif d'obtenir le meilleur rendement de leurs fonds, elle n'excluait pas une implantation locale élue pour toutes sortes de raisons. Ce secteur a été bien développé en France dans deux villes de province, au moins: Niort et le Mans. Les moyens d'information et de communication en place réduisent l'avantage de la proximité et font revivre l'intérêt d'une certaine décentralisation.



banques familiales). Les plus puissantes, sûres ou renommées exercent, individuellement ou conjointement, un *leadership* sur les opérations de Bourse. D'une manière plus ou moins discrète, les gouvernements leur présentent des demandes ou des requisits, soit pour remplir ses caisses, soit ajuster leur comportement à des nécessités politiques (cf. l'annulation partielle ou le rééchelonnement des dettes des pays du Tiers-Monde et de l'Est européen). Qu'elles aient leur siège au centre des affaires, qui est aussi souvent (mais pas toujours un centre politique), n'offre rien d'étonnant vu les avantages qui en résultent pour leur gestion ou leur *management*. Au reste, un réseau de succursales disséminées à travers tout le pays assure la collecte de l'épargne jusque dans les cantons les plus reculés.<sup>4</sup> Mais les Banques ne se contentent pas de jouer en Bourse. S'agissant des emprunts lancés par un gouvernement, national ou étranger, ou par des firmes, de toute origine, elles peuvent y souscrire sur leurs fonds propres ou/ et en attirer des acheteurs à leurs guichets. Les ouvertures de crédit ne revêtent pas toujours cette forme: elles vont d'avances contractuelles à des consentements à un découvert. Plus on descend dans l'échelle des sommes désirées, plus les Banques se trouvent en compétition avec d'autres organismes créés dans un but spécifique (ex.: le crédit au logement), sinon avec les notaires ou des prêteurs particuliers.. En règle ordinaire, les établissements huppés abandonnaient ce type d'activité à des confrères de seconde zone et se cantonnaient dans les grandes opérations. Nous employons l'imparfait pour en parler car une révision de l'état de la société ('Monsieur Tout-le-Monde est plus riche que Monsieur de Rothschild') et la vascularisation de certains organismes les ont conduits à ne négliger aucun profit, si petit soit-il, qu'une multiplication par un grand nombre accumule rapidement. Nous mentionnerons, enfin, d'autres services rendus dont certains, pour une Banque, ne se traduisent que par un prélèvement pour tenue de compte (cf. les chèques) et d'autres offrent des occasions lucratives appréciables (cf. l'escompte des traites).<sup>5</sup> Sans parler du compartiment des monnaies qui ne se réduit pas à des changes pour touristes mais intègre les spéculations sur les cours, imprévisibles ou mystérieux au regard des profanes et, même, des experts, du yen, du mark, de la livre sterling, du dollar, etc.

Un centre financier contemporain majeur est donc un endroit où l'on trouve de l'argent, beaucoup d'argent, de quoi répondre à des demandes tous azimuts, quoique modulées.<sup>6</sup> La dimension internationale est indispensable aujourd'hui pour lui mériter la qualification de très grand. Il n'en reste pas moins que des centres financiers de moindre envergure existent dont le ressort s'étend à un départe-

<sup>4</sup> Symétriquement, des banques régionales ont pu acquérir une antenne dans le centre principal, voire y déplacer leur siège social (Crédit Lyonnais à Paris, en France). Il est difficile de ne pas voir, dans ce dernier cas, un découronnement de la ville d'origine de l'établissement. Une autre solution était d'entrer en relation avec la banque principale, installée dans le centre, dont on recevait les informations et avec laquelle on faisait des affaires.

<sup>5</sup> Les banques françaises avaient projeté, il n'y a guère, de faire payer à leurs clients chaque opération effectuée sur leur compte. Cette prétention souleva une tempête et fut abandonnée, à tout le moins provisoirement. Chèques et traites, d'autre part, répondent à des emplois distincts.

<sup>6</sup> Il existe une hiérarchie entre ces centres financiers majeurs et chacun d'entre eux n'est sollicité qu'en fonction de sa capacité supposée.

ment (français), un comté (anglais), un Etat (américain) et qu'en conséquence, ils ne peuvent être écartés d'une étude exhaustive bien qu'ils n'aient pas tous les caractères des colosses, le volume et la vitesse de circulation de leurs capitaux. Car chez les géants, l'argent court, change de main, accomplit des va-et-vient incessants tournant aux mouvements browniens pour peu que les Bourses et les boursiers s'emballent. Un centre financier contemporain majeur n'est pas à l'abri d'une contre-performance, d'une déprime, d'un krach. Pour notre propos, ce que nous retiendrons, c'est la dualité intrinsèque du marché financier, qui se retrouve, encore, dans une ambiguïté onomastique. Si l'on parle transactions, le marché s'assimile à la Bourse ; si l'on envisage la présence en abondance des disponibilités mobilisables sur-le-champ ou tout comme, le marché est ce coffre-fort solide qui réunit, idéalement, les avoirs de tous les organismes financiers susceptibles d'être sollicités et de prêter. Sous cet aspect, il est présent, de contours et de configuration souvent mal décelables, nullement abstraits, avec ses immeubles, ses bureaux, ses employés, ses conseils d'administration, ses Directeurs et Présidents-Directeurs – l'homme n'ayant pas encore été détrôné par l'électronique et l'ordinateur.

Or, la meilleure façon de se préserver de l'anachronisme est de bien prendre conscience, d'abord, de la réalité actuelle dans tous ses constituants pour, ensuite, en remontant dans le temps, percevoir à quelle époque, quand, où, pourquoi quand et pourquoi où tel ou tel trait est apparu. Parmi les communications que les participants nous ont, obligeamment fait parvenir et qu'à ce jour nous avons reçues, deux ou trois présentent la genèse d'un centre financier existant: Edimbourg, Londres, d'une certaine manière aussi New York.<sup>7</sup> Progression, diversifications, réorientation des activités ont été suivies, ponctuées par des innovations, notamment dans le domaine des communications et de l'information (paquebot, chemin de fer, télégraphe, téléphone, etc.). Leur point de départ se situe, suivant les cas, au XIX<sup>e</sup> siècle, au XVIII<sup>e</sup> ou au début du XVIII<sup>e</sup>; leur point d'arrivée, peut-être, en deçà de 1991 mais qu'importe ! pour notre tâche. Nous avons à remonter plus haut et à saisir, pour le centre d'Amsterdam, son émergence, à une date qu'il conviendra de fixer, mais de toute façon en contrebalancement avec le passé, les floraisons du passé: Venise, Gênes ou Anvers. Bref, de remplir la béance temporelle entre le Moyen Age et un bourgeonnement dans lequel se devinerait déjà une modernité.<sup>8</sup>

<sup>7</sup> Pour Edinbourg, cf. la communication de Ch. Munn, déjà citée; pour Londres, R.C. Michie; (pour New York, R. Cull et L.E. Davis) (toujours sans préjudice...).

<sup>8</sup> Nous avons été assez surpris de ne trouver aucune référence à notre livre : *Incrovables Gazettes et Fabuleux Métaux. Les retours des trésors américains d'après les gazettes hollandaises XVII<sup>e</sup>-XVIII<sup>e</sup> siècle* (Paris-Cambridge, 1985) dans la communication de Ian Blanchard, et, par contre, une citation de l'ouvrage de M.T. Boyer-Xambeu et L. Gillard : *Monnaie privée et pouvoir des princes. L'économie des relations monétaires à la Renaissance* (Paris, 1986). Nous espérons qu'un compte rendu indigent publié dans les *Annales E.S.C.* et auquel a été refusé le droit de rectification n'aura pas détourné de prendre connaissance du premier cité : sauf présomption, il contient quelques informations nouvelles et suggère une problématique qui n'est peut-être pas à rejeter sans examen.

## Antécédents

Il est évident que le fonction financière n'était pas liée, par préalable, à l'existence d'un centre. Elle est incluse, comme le capital (eût-il été de la grosseur d'une tête d'épingle), dans la plupart des opérations simples du commerce et de l'industrie. A l'exception d'un troc pur et, avec beaucoup de réserves, d'un accord de compensation. Même l'échange muet, tel qu'il se pratiquait sur les côtes d'Afrique, au moment de leur découverte, par les Portugais et les Génois, supposait, de la part de ces derniers, un minimum d'investissement dans leur pacotille. Le *Verlagsystem*, si répandu au Moyen Age réclamait du bailleur de matière première une avance pour sa fourniture. Dans la commandite, il y avait bien la remise d'un capital à faire valoir, duquel une plus-value était espérée. L'association de portionnaires pour la construction ou l'armement d'un navire était en usage dans tous les ports maritimes. On y a vu un ancêtre des Compagnies par actions. Si elle a pu servir de modèle aux Compagnies van Verre puis à la Verenigde Oost-Indische Compagnie aux Provinces-Unies, elle n'était nullement particulière à Middelbourg ou Amsterdam, elle était pratiquée ailleurs: en Italie et à Marseille (division en quirats) et même à Penerf, port minuscule du Morbihan. Quant au change entre les monnaies, il apparut sans doute très tôt, avec les (trapedzitikoï) grecs, en raison du disparate des pièces et des unités ; peut-être mis en veilleuse sous l'Empire romain, ressuscité au Moyen Age avec les tourbillons autour des ateliers de frappe féodaux et urbains. La lettre de change, lorsqu'elle fut introduite dans les circuits commerciaux, témoigne à sa manière d'une complexité croissante des financements. Les anathèmes des Pères de l'Eglise contre l'usure, la législation de Justinien sont des garants de l'existence du prêt à intérêt de leur temps. Seigneurs et souverains ont toujours su 'taper' leur entourage, leurs vassaux et leurs sujets dans leurs passes difficiles.

En fonction de cette activité protéiforme, peut-on déceler l'existence de centres financiers dès ces époques éloignées ? Tout dépend de ce que l'on met sous l'expression. On écartera d'emblée les situations dans lesquelles un seul individu, un seul prêteur ou homme d'argent intervient. Il est toutefois difficile, à maintes reprises, de le jurer complètement isolé, sans aucun substrat économique d'ampleur indiquant une extension des ingrédients financiers. Si l'on table sur la présence de fonds importants en un lieu, potentiellement mobilisables pour un investissement ou un prêt, alors Athènes, Rome, Byzance ont incontestablement été des 'centres', fonction économique et fonction politique s'épaulant et se confondant. On éprouve pourtant du mal à les considérer comme tels en raison d'un archaïsme et d'une exigüité qui seraient, sans doute, contestés par des spécialistes de l'histoire grecque ou de l'histoire romaine: question de perspective. Qui peut exclure toute filiation ou souterraine ou ténue ou selon les apparences, si l'on songe au butin ramené de Constantinople par les Vénitiens? L'appréhension des choses sous cet angle conduirait à rythmer l'éclosion, l'essor et le déclin des centres fonctions au gré des circonstances politiques. Ce qui n'irait pas à l'encontre d'une des propositions de C.P. Kindleberger qui indique un rang de capitale politique comme facteur favo-

nable à la formation d'un centre financier.<sup>9</sup> La variante vénitienne ne consiste pas nécessairement dans un agrandissement de l'aire géographique exploitée (incontestable par rapport au modeste hinterland de la plupart des villes médiévales mais discutable en regard de l'empire dominé par la Rome antique). Mais la Cité des Doges, quelles qu'aient été ses possessions et sa puissance (elle soutint la guerre au début du xv<sup>e</sup> siècle contre une véritable coalition européenne: la Ligue de Cambrai), ne se nourrit pas de son seul domaine qui eût été trop étroit. Elle étendit ses relations, -fuori-, à l'extérieur, à l'Espagne, à l'Angleterre, à l'Allemagne par son rôle de redistribution, d'importateur et d'exportateur de denrées achetées au loin. Le centre financier, au moins dans sa part internationale, fut enté sur le centre commercial: autre origine possible d'un développement du premier dont l'application n'a pas manqué pour Amsterdam. Faute d'une mesure adéquate, l'existence du centre financier est même postulée par celle du centre commercial. Et il est intéressant de comparer ici Venise et Lisbonne. La capitale portugaise eut pour elle son rang politique et, à partir du voyage de Vasco de Gama aux Indes, une position analogue à celle de la Reine de l'Adriatique dans la redistribution du poivre et des épices nobles. Lisbonne est cependant rarement citée parmi les centres financiers anciens. Omission dans laquelle il y a pour et du contre. Nombre d'expéditions de découverte ont été financées par des hommes d'affaires gènois. On pourrait parler alors d'un centre financier passif si l'expression était en usage et réellement descriptive. Mais la présence d'une colonie étrangère dans un lieu traduit simultanément une attraction et un assujettissement.<sup>10</sup> Sans doute, encore, le roi de Portugal enleva-t-il à sa capitale une part de son rôle commercial en le transférant à Anvers où il entretenait un facteur. Soit: il n'empêche que des marchands et, même des banquiers trafiquaient à Lisbonne, avaient des correspondances à Séville (autre place dont le rôle de centre financier serait à discuter), à Madrid, prêtaient de l'argent à leur souverain: d'abord aux Bragance, puis, au xvii<sup>e</sup> siècle, aux Philippe d'Espagne. Et indiquons pour mémoire, en finissant le rayonnement dans le royaume lui-même, supérieur à ceux de Porto, de Viane ou d'Evora.

Ces remarques invitent à revenir sur la – ou, plutôt, les définitions des centres financiers que nous donnions dans notre première partie. Personne, probablement, ne verse dans une confusion des temps, du passé et du présent. *In petto*: certains textes, certaines théories s'avancent dangereusement dans cette direction (y compris pour Amsterdam lors de son épanouissement), n'introduisent des distinguos que presque à regret et en se retranchant derrière l'évolution économique gé-

<sup>9</sup> C.P. Kindleberger : *The Formation of Financial Centres: A Study in Comparative Economic History* (Princeton, 1974).

<sup>10</sup> Le type de colonie ici envisagée diffère évidemment de celles qui étaient le résultat d'une greffe de population dans un territoire vierge (cf. les colonies anglaises d'Amérique) ou d'une conquête (cf. les empires coloniaux anglais et français au xix<sup>e</sup> siècle et au début du xx<sup>e</sup>). Il faudrait une autre étude pour rendre compte de ces deux cas. La dépendance n'a pas empêché le développement de Philadelphie au xviii<sup>e</sup> siècle, ni celle d'Alger, même si l'on peut discuter l'envergure atteinte.



nérale, seule cause en dernière analyse des destins divergents.<sup>11</sup> Nous pensons, au contraire, qu'il faut faire ressortir les différences autant que les ressemblances, les idiosyncrasies en même temps que les germes, les prémices, a fortiori des anticipations alléguées. Cela relève de la prosographie appliquée aux villes. Et qu'un centre ne reçoive pas automatiquement le sceau de financier du fait de son envergure ou d'un rayon d'action international, en soi déjà évident, appelle l'attention sur l'existence de plus modestes, liées à leur région, rendant des services à leur mesure quel que soit leur devenir et quelles que soient leurs chances de résister à l'aspiration des géants.<sup>12</sup> Il n'y a pas là d'extension indue dans la mesure où l'on admet des distinctions, une hiérarchisation, un dégradé. Mais une manière de rompre un trop grand asservissement aux normes des plus grands et des plus modernes, une manière de retrouver une genèse et un large échantillonnage des formes prises par les noeuds financiers dont certaines se sont évanouies, dont certaines ont persisté. Il devient possible d'intégrer dans notre étude des centres financiers temporaires comme les foires de Champagne, bien qu'ils aient médiocrement déteint sur les villes qui en étaient le siège. Foires purement commerciales et, même, tenues hors de l'agglomération comme Beaucaire en France ou d'un prospect plus étroit encore comme les foires au vin de Bordeaux, pour ne rien dire des foires américaines de la Vera-Cruz et de Porto-Bello. Foires couplées avec une activité régulière, marchande et financière, comme à Anvers et, à un moindre degré, à Berg-op-Zoom. Foire de paiements, également greffées, comme à Lyon et ponctuant l'année, quatre fois, d'un surcroît d'intensité.

Foires de paiements aussi que la ville maîtresse eut la coquetterie de laisser hors de ses murs comme celles de 'Bizensone' célébrées à Plaisance, puis à Novi et dominées par les Génois. Certes, on donnera avec cette énumération l'impression de zigzaguer et de s'écarter d'un thème qui a été voulu urbain. Comment y échapper sans faire jaillir du néant finances et financiers à une époque et plus tardive et plus récente? Après tout, l'une des rues londoniennes, de longue date consacrée aux affaires d'argent, s'appelle bien Lombard Street... Le développement des manipulations financières est un corollaire de la monétarisation.<sup>13</sup>

Le paysage aurait-il été plus familier si nous nous étions bornés aux cités-phares d'Anvers, Lyon et Gênes? Le décor urbain y inclinerait. Le Meir, la vieille et, sur-

<sup>11</sup> F. Braudel : *Civilisation Matérielle, Economie et Capitalisme xve-xviiie siècle* (Paris, 1979). Immanuel Wallerstein : *The Modern World System* (3 volumes parus) (New York, 1974 - 1989).

<sup>12</sup> Ni Sétubal, ni Bordeaux, ni Narva ne devinrent de grands centres financiers en dépit d'une fréquentation largement internationale de leurs ports. Le cas de Gdansk est, sans doute, à étudier à part dans la mesure où la ville exploitait un très large arrière-pays (la Pologne) et put, au xviii<sup>e</sup> siècle, avoir aussi une action en Suède. Parmi les villes dont l'activité principale était l'industrie, Augsburg, grâce aux Fugger et aux Welser, eut une influence internationale. Mais que dire de Saint-Gall, en Suisse, dont les productions se répandirent fort loin et les marchands essaïmèrent dans une large portion de l'Europe, sans qu'elle se hisse au rang d'un grand centre financier?

<sup>13</sup> Le mot monétarisation est pris, ici, dans le sens d'une pénétration des affaires et du public par la monnaie, or ou argent. Nous nous sommes exprimé plusieurs fois sur les diverses acceptations. Cf. *The changing nature of money*, communication au colloque de l'Université Keiô à Tokyo. Parue dans les Actes publiés à Bruxelles en 1990. Egalement : *Monnaie, monétisation et monétarisation* à paraître dans la collection d'Histoire économique et financière du Ministère (français) de l'Economie, des Finances et du Budget.



tout à partir de 1531, la Nouvelle Bourse, les alentours de la collégiale Notre-Dame (*Onze Heilige Liefde Vrouw*) rassemblaient facteurs, marchands, hommes d'affaire de tout poil sur les bords de l'Escaut.<sup>14</sup> A Lyon, la place du Change et les deux quartiers aux deux extrémités du Pont-de-Saône, surtout celui de la rive droite, concentraient la richesse et, plus spécialement 'l'aristocratie de l'argent'.<sup>15</sup> La polarisation était, peut-être, moins accentuée à Gênes mais n'existait pas moins. Dans cette dernière ville, comme à Anvers, la mer ayant été ou étant la matrice de l'économie, l'activité s'étendait au-delà du noyau principal, vers les quais et le port.<sup>16</sup> Nonobstant, une autre caractéristique se fait jour, qui rapproche ces cités, au maximum apparent de leur épanouissement ancien au xv<sup>e</sup> siècle, de nos contemporaines, structurellement, dans le domaine des affaires.

A côté de la marchandise, on s'y adonnait à des commerces plus sophistiqués: le *clearing* des lettres de change, les prêts aux souverains, toutes opérations auxquelles on a tendance à réserver, aujourd'hui, le qualificatif de financières. Est-ce le triomphe de notre modernité? Assurément, ce n'en est pas la première lueur. La fixité de la domiciliation contraste avec les centres financiers temporaires mais se trouvait à Venise, ipso facto. La virevolte des lettres de change était peut-être plus accentuée, d'une extension agrandie. Les prêts aux souverains (on passe sous silence ceux dont bénéficièrent des particuliers, contre reconnaissance de dette, généralement de médiocre importance, pratiqués depuis des temps très anciens et à peu près partout), les prêts aux souverains donc n'émanaient plus d'un banquier isolé: un représentant des Medicis à Londres, un Arnolfini à Bruges, un Jacques Coeur en France, au demeurant assez itinérant. L'image du vivier revient: il y avait à Anvers, à Lyon et à Gênes la possibilité de solliciter de nombreuses bourses, un milieu. C'est la conjonction des traits et le changement d'échelle qui relèvent ces centres de plusieurs crans par rapport à ceux qui les avaient précédés.<sup>17</sup> Faut-il, à partir de là, porter un jugement d'identité avec les réalités de 1991: quand au fond, cela va sans dire, et abstraction faite de l'évolution quinquacentenaire de l'économie et de la société? Un examen n'est pas inutile, même par rapport à Amsterdam à laquelle nous venons et qui s'interpose chronologiquement. N'y a-t-il pas lieu de se demander si les trois centres cités du xv<sup>e</sup> siècle, après tout, sont bien équivalents?

Nous avons distingué Venise de Lisbonne: la première animée par ses propres citoyens; la seconde en dépendance de l'implant étranger dans ses murs. Or, il est bien connu qu'Anvers et Lyon comptaient parmi leurs habitants une bonne proportion d'individus venus d'ailleurs, proportion qui serait considérablement aug-

<sup>14</sup> H. van der Wee: *The Growth of the Antwerp Market and the European Economy (fourteenth-sixteenth centuries)* (Louvain - La Haye, 1963); L. Voet: *De gouden eeuw van Antwerpen: Bloei en uitstraling van de metropool in de zestiende eeuw* (Anvers, 1973).

<sup>15</sup> R. Gascon: *Grand Commerce et Vie Urbaine au xv<sup>e</sup> siècle. Lyon et ses marchands* (Paris, 1971).

<sup>16</sup> J. Heers: *Gênes au x<sup>e</sup> siècle. Activité économique et problèmes sociaux* (Paris, 1961). La création de la Nieuwstad à Anvers par Gilbert van Schoonebeke exerça une attraction sur un certain nombre de personnes riches, d'un point de vue résidentiel. Cf. H. Soly: *Urbanisme en Kapitalisme te Antwerpen in de 16de eeuw* (GemeenteKrediet van België, Bruxelles, 1977).

<sup>17</sup> Certains centres étaient toujours actifs: cf. Venise.

mentée si l'on prenait pour dénominateur la seule élite marchande. Point n'est besoin d'égrener leurs noms: les Affaitadi de Crémone et les agents des Fugger d'Augsbourg à Anvers, les Bonvisi de Florence, les Welser d'Augsbourg, encore, et Georges Obrecht de Strasbourg à Lyon... on croirait lire un Gotha européen des affaires au xv<sup>e</sup> siècle. Les mises de fonds dans leurs entreprises pouvaient atteindre des centaines de milliers de ducats ou d'écus ; les volumes des marchandises dont ils s'occupaient s'élevaient à plusieurs milliers de balles; parfois, ils s'ingéniaient à contrôler la totalité d'un trafic (et, parmi les plus lucratifs, celui des épices) ou d'une industrie (quand ils ne l'avaient pas importée: la soierie à Lyon) ; ils formaient des compagnies, assuraient sur mer fût-ce d'au milieu des terres et figuraient au premier rang des prêteurs aux souverains.<sup>18</sup> Cependant, l'endroit où ils vivaient offrant de fructueuses occasions de gains, partie d'entre eux s'émancipèrent du berceau de leur naissance et s'enracinèrent qui sur les bords de l'Escaut, qui sur les bords de la Saône. Mieux, ils construisirent un réseau d'agents et de succursales au loin qui gonfla leurs bénéfices et internationalisa davantage le rayonnement des villes dont nous parlons. Ajoutons que les firmes autochtones, plus à Anvers qu'à Lyon véritablement, apprirent, se lancèrent et acquirent une excellente envergure: en témoignent les de la Faille.<sup>19</sup> Leur cosmopolitisme n'empêche pas qu'on reconnaisse ici et là des centres d'affaires actifs, commerciaux et financiers. Il est un autre point, par contre – et la remarque s'applique aussi à Gênes – qui suscitera une plus longue discussion: les rapports de ces trois centres avec les métaux précieux. Un des effets de lettres de change était de réduire les nécessités de leur transport et, finalement, de les économiser. Les foires de paiement: Lyon ou *Bizensone* ne pouvaient que le décupler. Dans le système des emprunts des souverains, le mécanisme paraît différent, sinon en opposition. Un *asiento* conclu avec le roi d'Espagne par les Centurione, Grimaldi et autres Gênois pour l'ensemble de l'armée des Flandres entraînait deux transports en couple: l'un, d'or, à partir du port ligure, vers le nord ; l'autre, d'argent, par compensation et pour les intérêts en sus, de Barcelone (ordinairement) à Gênes.<sup>20</sup> De même, les contrats passés à Anvers étaient remboursés par des piastres acheminées, si possible, par la voie maritime. Si le principe de ces deux opérations: la liquidation des lettres de change et le règlement des *asientos* est assez clair, les modalités concrètes de l'exécution sont plutôt obscures. Mais, de toute façon, on ne peut faire jouer aux métaux précieux, y compris les américains, un rôle direct dans les affaires. Ils entraient dans ce que nous avons appelé une noria irriguant une foule de canaux capricieux.<sup>21</sup> Une certaine lourdeur n'en affectait pas moins la circulation entre les centres financiers et leurs 'clients' comme de l'un à l'autre: de ce point de vue, la

<sup>18</sup> J.A. Goris : *Etude Sur les Colonies Marchandes Méridionales à Anvers (1477–1580)*. (Louvain, 1925) ; R. Gascon, *op.cit.*

<sup>19</sup> W. Brulez : 'L'exportation des Pays-Bas vers l'Italie par voie de terre au milieu du xv<sup>e</sup> siècle' in *Annales E.S.C.*, 1959, pages 461 – 491.

<sup>20</sup> A. Castillo : 'Dette flottante et dette consolidée en Espagne, 1557 – 1660' in *Annales E.S.C.*, 1963, pages 754 – 759 ; G. Parker : *The Army of Flanders and the Spanish Road 1567 – 1659* (Cambridge, 1972).

<sup>21</sup> Cf. *Incroiables gazettes... op.cit.*

rapidité a beaucoup gagné avec l'amélioration des instruments d'échange d'information et de transmission. Ajoutons que traiter avec les monarques n'était pas de tout repos: ils n'avaient guère de scrupules à faire banqueroute et, mieux, s'en enorgueillissaient comme d'une bonne punition infligée à des créanciers dont les exigences, selon eux, avaient été exorbitantes, usuraires. La diversification du crédit, les garanties généralement requises ont introduit plus de sécurité dans les affaires de finance de l'époque contemporaine... Sauf en cas de révolution ou en ce qui concerne les dettes du Tiers-Monde.

## Amsterdam

Personne ne courra le ridicule de remonter jusqu'à Ghijsbrecht van Amstel pour trouver les origines du centre financier d'Amsterdam. Certes, tout est dans tout et si la ville n'avait pas été fondée, si elle n'avait pas occupé son site au confluent de l'IJ et de l'Amstel, si elle n'avait pas eu sa situation à proximité du Zuyderzee et ses relations avec le Rhin et l'Escaut, elle n'aurait pas connu d'essor ni d'épanouissement (*opkomst en bloei*) quelques siècles plus tard.<sup>22</sup> Mais autant remonter au début du quaternaire... La gestation de la future métropole n'échappe pas, dans sa première période, à l'obscurité qui couvre fréquemment l'histoire économique médiévale quand on ne dispose pas de sources précises et, surtout, statistiques. Quelques événements saillent dans la mémoire qui peuvent servir d'indicateur pour des étapes: la migration miraculeuse des harengs de la Baltique à la Mer du Nord, au début du x<sup>e</sup> siècle ('Amsterdam est bâtie sur des caques'); les vicissitudes essuyées par des concurrents: Dantzicois, Hanséates, au cours du même siècle, créant des opportunités de substitution et de développements... Des chiffres n'apparaissent que dans les dernières décennies, voire les dernières années pour le commerce avec la Baltique. Ils soulèvent déjà des problèmes diacritiques. Faut-il porter à l'actif d'Amsterdam les seuls navires qui s'en réclament du point de vue de la propriété ou du domicile? Faut-il ajouter ceux des villages voisins du Waterland? Les pourcentages varient fortement selon l'hypothèse retenue. Grosso modo, on admet que l'armement des villages voisins et, surtout, l'emploi des bâtiments sont passés progressivement sous la coupe d'Amsterdam, de sorte qu'au milieu du xv<sup>e</sup> siècle, la ville aurait pu se réclamer de plus de la moitié des unités franchissant le Sund.<sup>23</sup> Cette évolution traduirait, évidemment une emprise croissante sur l'avant-pays et, dans notre perspective, l'affirmation incontestable d'une stature de centre régional: financier, d'une certaine manière. Mais que signifie le terme de *moedernegotie* si souvent accolé au commerce en Baltique? L'acceptation la plus courante veut qu'il s'agisse d'un trafic de base, matrice originelle et toujours présente de toutes les autres floraisons de l'activité. Ce ne serait pas un jeu de mots gratuit que d'y voir aussi

<sup>22</sup> Nous faisons allusion à l'ouvrage de H. Brugmans : *Opkomst en bloei van Amsterdam* (Amsterdam, 1911). Notons qu'au Moyen Age, les villes de l'Ijssel : Deventer, Zwolle, Kampen, avaient encore toutes leurs chances.

<sup>23</sup> N.W. Posthumus : *De uitvoer van Amsterdam 1543 - 1545* (Leyde, 1971).

la navigation *nourricière*, dans la mesure où la Hollande septentrionale était impropre à la culture des céréales et devait les acheter à l'extérieur. Le commerce balte d'Amsterdam ressemblerait à celui que Guicciardini a décrit pour la Frise.<sup>24</sup> Mais on ne peut exclure a priori une redistribution à l'intérieur de la province d'une partie des importations. Pour quelle quantité, jusqu'à quelle distance, avec quelle assiduité ? Questions délicates dont les solutions dépendent de nombreux paramètres: les volumes débarqués, le nombre des bouches à nourrir à Amsterdam, même, en forte augmentation de 10 à 12.000 en 1400 à près de 30.000 à la veille des troubles religieux, en 1562 ; les approvisionnements en compétition en provenance des duchés de Clèves et de Juliers ou de Zélande ; la conjoncture, aussi bien politique que climatique.<sup>25</sup> Quel rôle, au surplus, remplissaient les marchands d'Amsterdam vis-à-vis des autres villes ? Vendaient-ils de leur chef, en empochant les bénéficiaires, ou exécutaient-ils des ordres, en se contentant du fret et de la commission ?

La politique d'Amsterdam, au regard d'Anvers, offre pareillement matière à réflexion. Les deux villes étaient reliées l'une à l'autre par la mer et, plus aisément, moins dangereusement par les canaux intérieurs: il existait un trafic. Que celui-ci ait porté régulièrement sur des transports de céréales paraît improbable, sinon impensable, étant donné les limites des chargements arrivant de la Baltique à Amsterdam et nonobstant la croissance fulgurante d'Anvers comme le tarissement des sources d'approvisionnement au sud.<sup>26</sup> Par contre, en période de disette, l'appel aux ressources du nord par la métropole de l'Escaut découlait presque automatiquement de la nature des choses.<sup>27</sup> Directement ou via Amsterdam ? Les deux formules ont pu être utilisées, la seconde jouissant de la prime de la familiarité ordinaire. Mais on retrouve ici le choix entre les options précédentes: qui commandait ? qui avait la haute main sur les importations ? Le poids financier d'Anvers ferait pencher la balance de son côté. Nous serions invités alors à voir dans Amsterdam soit un port marginal, soit un port annexe, soit un port de secours, selon les circonstances, et, parfois les trois simultanément, selon les produits échangés. Quoi qu'il en soit, elle était surclassée par l'autre et l'on ne saurait insinuer même qu'il se soit agi d'une rivalité ce qui suppose toujours une proximité des performances. Quand nous pouvons en prendre le pouls au cours de l'exercice allant du 10 août 1544 au 30 septembre 1545, nous enregistrons aux exportations une valeur de 3.962.688 florins: un an auparavant ou à peu près, Anvers avait réalisé pour 30.307.704 florins dans ce même secteur.<sup>28</sup> Nous n'avons pas de données analogues pour les importations

<sup>24</sup> L. Guicciardini : *Descrizione de tutti i Paesi Bassi* (Anvers, 1766). La dépendance d'Amsterdam et de la Hollande à l'égard des approvisionnements tirés des Pays baltes se reflète dans le nombre de navires franchissant le Sund d'ouest en est *sur lest*.

<sup>25</sup> I.J. Brugmans : *Geschiedenis van Amsterdam* (Utrecht-Anvers, 1972), tomes 2 et 3. *Algemene Geschiedenis der Nederlanden* (Haarlem, 1980) tome v, pages 134 - 148.

<sup>26</sup> J. Godard : 'Contribution à l'étude du commerce des grains à Douai du x<sup>iv</sup>e au x<sup>v</sup>e siècle' in *Revue du Nord*, 1944, pages 171 - 205 ; H. Neveux : *Les grains du Cambrésis (fin du x<sup>iv</sup>e, début du x<sup>v</sup>e siècles)*. Vie et déclin d'une structure économique (Lille, 1974).

<sup>27</sup> E. Scholliers : *Loonarbeid en honger in de x<sup>v</sup>e en de x<sup>v</sup>e eeuw te Antwerpen* (Anvers, 1960).

<sup>28</sup> N.W. Posthumus : *De uitvoer... op.cit.* ; E. Sabbe : *Anvers, métropole de l'Occident (1492 - 1566)* (Bruxelles, 1952).



mais il n'est pas incongru de tableur sur un rapport de 1 à 8 ou de 1 à 7 entre les deux *emporia*.<sup>29</sup> La dénivellation serait également ou plus éclatante quant aux chiffres d'affaires individuels: Arent Hudde, la tête de file d'Amsterdam, aurait exporté, à la même époque, en un an et demi, pour 73.710 florins de marchandises ; Diego Mendes, à Anvers, détenait en magasin, en 1532, pour près de 500.000 florins d'épicerie. Et l'on aurait trouvé davantage d'émules de Diego, sur les bords de l'Escaut, que d'Arent au confluent de l'Amstel et de l'Ij.<sup>30</sup> Au vu de ces chiffres, il est impossible d'accorder à Amsterdam pendant les trois premiers quarts du xv<sup>e</sup> siècle, au moins, un brevet de centre financier autre que régional et parfaitement déclassé dans une comparaison avec Anvers. La présence d'un facteur des Fugger, Pompeius Occo, dans les premières décennies, des prêts au duc d'Albe au moment des sièges de Haarlem et d'Alkmaar, voire la physionomie pimpante de la Warmoesstraat, l'artère la plus fortunées de la ville à cette époque n'y auraient rien changé.<sup>31</sup> Il est possible que la disette de 1565/1566 aux Pays-Bas ait stimulé son commerce avec la Baltique, le parti politique qu'elle adopta entre 1572 et 1578 lui fut défavorable: les gens de Hoorn et d'Enckuysen lui barrèrent la route vers la Mer du Nord par le Zuyderzee. Les épaves des registres de douane en 1580 et 1584 témoignent plutôt d'un resserrement que d'une expansion.<sup>32</sup>

Nous voici donc arrivés à un moment crucial. Anvers tombe en 1585, Amsterdam s'envole. A peine attend-on une décennie que l'on crie à l'hégémonie acquise. Cette conviction, cette opinion ou ce sentiment ont été exprimés dès le début du siècle: à la fois par les Hollandais (Meteren, Grotius); par des partenaires (en France, en Angleterre), par leurs adversaires (Espagnols). Ils s'appuient sur des expériences diverses: un mouvement du port extrêmement animé, un rôle d'entrepôt ou d'intermédiaire entre nord et midi ou vice-versa, le paradoxe d'un pays stérile et spongieux, incapable de produire à sa suffisance et, cependant fournisseur de presque toute la Chrétienté, une présence obsédante à l'étranger, la pénétration d'espaces jusqu'alors non prospectés: la Méditerranée, Mer Blanche, et les plus spectaculaires, le couronnement de la fortune: la Guinée et, par dessus tout, les Indes Orientales. Tout ceci a été collationné, repris, mis en forme au xix<sup>e</sup> siècle par les historiens dont l'un forgea un nom pour ce temps (et en vérité, plus que ce temps): le Siècle d'or (*de Gouden Eeuw*).<sup>33</sup> Pour s'en faire une idée, outre les descriptions anciennes, nous disposons d'un certain nombre de statistiques, en premier lieu de celles des voyages à travers le Sund. Or, un certain nombre de pro-

<sup>29</sup> Guicciardini, *op.cit.* estimait les importations d'Anvers, vers 1560 à 31.870.200 florins et les exportations à 29.541.530 florins. L'absence de chiffres pour les importations à Amsterdam oblige à rester à l'intérieur d'une 'fourchette' dont les branches sont d'ailleurs mal déterminées. Amsterdam, à cette époque, était surtout un port importateur de céréales, dont la valeur était relativement élevée, mais ne recevait pratiquement pas de marchandises de prix comme épices, draps de soie, etc.

<sup>30</sup> Posthumus : *De uitvoer...* *op.cit.*

<sup>31</sup> O. Nübel : *Pompeius Occo (1483 - 1537) Fugger Faktor in Amsterdam* (Tubingen,1972). Cf son portrait, au Rijksmuseum, par Dirck Jacobsz, à la date de 1531.

<sup>32</sup> *Algemeen Rijksarchief* (La Haye), Staten van Holland, Rekenkamer ter auditie, nr. 4362 et 4362 a.

<sup>33</sup> L. Muller : *Onze Gouden Eeuw* (Leyde, 1894). L'ascension économique des Provinces-Unies à la fin du xv<sup>e</sup> siècle avait été magistralement décrite par R. Fruin : *Tien jaren uit de tachtigjarige oorlog (1588 - 1598)* (Leyde, 1857).



blèmes surgissent à cet endroit: est-il légitime de parler d'une hégémonie à la date? Comment se mesurerait-elle? Comment se serait-elle produite? Se fonder sur les seuls mouvements d'entrée dans la Baltique et de sortie est périlleux. Une augmentation des importations des céréales n'a pas une signification univoque. Elle peut répondre, en fait elle répond à une demande interne accrue, notamment par l'arrivée des émigrants du sud, autant et plus que par des appels à la réexportation (qui sont indéniables).<sup>34</sup> Systématiquement, des achats plus importants en Pologne, en Prusse, en Livonie incitent à y augmenter les ventes, donc à développer la production – avec le double avantage de profiter sur les différences de prix et d'économiser sur les envois d'argent-métal. Il y a là un effet *breeder* auquel on pourrait rattacher sans peine le complexe transport – armement naval – construction – fourniture de bois, de poix et de goudron. La croissance qui en résulte est incontestable mais repose, comme on le voit, en grande partie, sur une nécessité interne et n'induit pas ipso facto une domination des marchés étrangers. En plus, il y avait des permanences: la flotte hanrenguière ne semble pas avoir progressé depuis l'époque de Guicciardini; des antécédences: une consommation des vins français qui se déplaça d'Anvers à Middelbourg et Amsterdam, la diaspora flamande en Italie et dans la péninsule ibérique, qui se révéla précieuse pour la réception des bâtiments du commerce hollandais.<sup>35</sup> La fortune d'Amsterdam ne serait-elle alors qu'un rejet de celle d'Anvers? Nous ignorons l'envergure des capitaux de ceux qui s'exilèrent, nous savons seulement que les fugitifs furent nombreux, de toutes classes et de toutes professions. Mais nous ne pouvons attribuer les succès remportés au nord à la vertu magique d'investissements venus du sud. De nouveau, il faut se reporter à une conjonction d'éléments dont les uns étaient propres à Amsterdam et anciens, d'autres furent greffés, d'autres, encore, furent nouveaux, insolites et, pour certains, provisoires.<sup>36</sup> En bref, le concept d'hégémonie paraît inapproprié à des débuts, masquer une grande variété de situations et caviarder le processus parfaitement repérable d'un enrichissement bien réel.

C'est dans le domaine du crédit que la rupture est la plus nette. Les prêts des Anversois répondaient aux besoins et aux demandes des souverains espagnols ou des gouverneurs. La source n'en fut pas totalement épuisée, d'ailleurs, et les archiducs, leurs successeurs continuèrent à emprunter auprès des riches qui ne s'étaient pas retirés. Si les Hollandais taquinèrent le commerce avec l'ennemi (*de handel op den vijand*) pour les profits qu'il assurait, il est exclu qu'ils aient soutenu l'effort de guerre de leur ennemi contre eux-mêmes.<sup>37</sup> Se sont-ils, pour autant, désintéressés des affaires financières de ce type? Nullement: la République des Provinces-Unies avait besoin d'argent: la guerre était exigeante, les impôts insuffisants pour la sou-

<sup>34</sup> M. Morineau : in P. Léon (éditeur) : *Histoire économique et sociale du monde*, tome 11 (Paris, 1979). Chapitre sur Transferts et mutations.

<sup>35</sup> J. Craeybeckx : *Un grand commerce d'importation : Les vins de France aux Anciens Pays-Bas (XIIIe-XVIe siècle)* (Paris, 1958); G. Devos et W. Brulez : *Marchands flamands à Venise* (Bruxelles-Rome, 1986); Gemeente-Archief Leyde : Archief Van der Meulen.

<sup>36</sup> Les exportations de céréales vers l'Italie à la fin du XVIe siècle, à la suite des mauvaises récoltes en Sicile.

<sup>37</sup> J.H. Kernkamp : *De handel op den vijand* (La Haye, 1931).

tenir. D'autres organismes ou institutions furent demandeurs: les villes, les provinces, les Amirautés, les Compagnies des Indes... Une partie des profits du commerce bifurqua en direction des obligations publiques. Le marché financier n'a donc pas disparu: il s'est reconstitué sur des bases nouvelles. La différence fondamentale le séparant de celui d'Anvers était la sécurité des placements.<sup>38</sup> Trois facteurs y ont concouru: une gestion habile, de la part des Etats-Généraux, proportionnant les emprunts aux ressources nécessaires pour le service des intérêts, le respect des libertés locales dans la sollicitation et le système adopté pour faire rentrer les impôts.<sup>39</sup> Le résultat en fut la possibilité d'abaisser les taux d'intérêt tout au long du xvii<sup>e</sup> siècle, de 6½ à 3%. Comme on s'en doute, la dette qui se constitua était relativement faible quand Oldenbarnevelt devint grand pensionnaire.<sup>40</sup> Elle enfla avec le temps. Nous n'avons pas de décompte exhaustif mais la province de Hollande passait en 1662 pour devoir 120 millions de florins, après diverses conversions et 200 millions en 1676, après quatre ans de guerre.<sup>41</sup> Néanmoins, il est hors de question d'égaliser les sommes versées aux Provinces-Unies à celles recueillies en France par les rois, la moyenne des traités – sortes de prêts – entre 1599 et 1653, aurait été de 200 millions *par an*.<sup>42</sup> De même ne doit-on pas exagérer la participation des Hollandais à des financements extérieurs. A l'échelon des Etats, des prêts de 248.000 et 150.000 florins consentis une fois respectivement à l'électeur de Brandebourg et au roi de Danemark, voire de 1 million à Gustave-Adolphe étaient largement contrebalancés par les subventions *annuelles* de la France à la République qui frôlèrent les 2 millions du temps de Henri iv et les atteignirent sous Louis xiii.<sup>43</sup> Par contre, les prêts de particuliers, comme ceux de Louis de Geer et d'Elias Trip au roi de Suède n'eurent pas leur équivalent de la part de Français: on n'oubliera pas, cependant, qu'ils faisaient partie d'une combinaison dans laquelle le commerce, un monopole, avaient largement leur part.<sup>44</sup>

Le but de ces propos n'est pas de minimiser mais de relativiser le marché financier d'Amsterdam et de chercher à le mieux comprendre. Certes, le dicton 'on ne prête qu'aux riches' ne saurait mieux coller. Encore faut-il éviter de se laisser égarer

<sup>38</sup> A l'époque des Trêves, certains néerlandais du sud qui avaient prêté de l'argent au roi d'Espagne et s'étaient réfugiés, plus tard, au nord, réclamèrent un remboursement augmenté des intérêts composés. La somme, dans le cas du marchand Quaetgebuick, s'élevait à un chiffre astronomique et ne fut jamais réglée, on s'en doute. Est-ce la raison pour laquelle Quaetgebuick se lança dans une affaire de fausse monnaie ?

<sup>39</sup> Cf. J.D. Tracy : *A financial revolution in the Habsburg Netherlands* (University of California Press, Berkeley, 1985). C. Cipolla et F. Felloni ont attiré plusieurs fois l'attention sur une fidélité sans faille des déposants aux banques de Milan et de Gênes, en dépit d'un taux d'intérêt mosdique. Notons, aussi, que le principe de l'abonnement et d'une perception municipale était la règle dans les villes espagnoles, notamment pour l'*alcabala*. La supériorité hollandaise tenait à un meilleur contrôle des dépenses et à une plus grande liberté dans le consentement aux impôts, sous réserve que ce dernier était le fait des régents et non pas de l'ensemble de la population.

<sup>40</sup> J.A. den Tex : *Johan van Oldenbarnevelt* (Haarlem, 1960).

<sup>41</sup> V. Barbour : *Capitalism in Amsterdam in the 17th century* (Baltimore, Johns Hopkins Press, 1952).

<sup>42</sup> F. Bayard : *Le monde des financiers au xvii<sup>e</sup> siècle* (Paris, 1988) ; D. Dessert : *Argent, pouvoir et société au Grand Siècle* (Paris, 1984).

<sup>43</sup> Barbour, *op. cit.* ; D. Buisseret : *Sully and the growth of centralized government in France 1598 – 1610* (Londres, 1968).

<sup>44</sup> P.W. Klein : *De Trippen in de 17de eeuw* (Assen, 1965).

par une réputation faite d'un mélange de propagande, de jalousie et de faits vrais. Que recouvre, par exemple, l'image d'une 'plaque tournante' dans la circulation des lettres de change en Europe ? La Banque d'Amsterdam n'intervient là dedans qu'en seconde position. Une lettre, partie de l'étranger, n'était pas, d'abord, domiciliée chez elle. C'est le tiré qui, après réception, s'il était d'Amsterdam, s'adressait à la Banque pour faire virer le montant de son compte sur celui du tiré. Elle ne pratiquait pas le *clearing*. Celui-ci s'insérait, le cas échéant, dans un flot de papiers de toutes origines mais il était soutenu par le commerce dans la mesure où il touchait simultanément un grand nombre de pays et autorisait, de la sorte, des règlements par réciprocité.<sup>45</sup> Le stock métallique de la Banque a beaucoup fait travailler les imaginations. On croyait qu'il s'agissait d'un trésor, d'un véritable amas d'or et d'argent. Quand nous regardons les chiffres, nous devons en rabattre énormément. Au bout d'un an d'existence, le stock n'atteignait pas 1 million de florins (que nous convertirons immédiatement, en arrondissant en piastres espagnoles: 400.000). Admettons que l'institution ait eu besoin de se roder: le stock s'est élevé jusqu'à dépasser les 2 millions en 1618 (2.227.665 = moins d'un million de piastres). On en fut à 3.009.449 en 1630, 5.315.576 en 1637; 11.881.183 en 1645, qui marque une apogée, le stock oscillant ensuite dans la seconde moitié du XVII<sup>e</sup> siècle avec des étiages autour de 4 millions entre 1668 et 1680 et des maxima de l'ordre de plus de 7 millions avec un vif relèvement dans la dernière décennie, à l'entour de 12 millions. Traduisons sommairement en piastres à nouveau: 1,2 million puis 2,1 et 4,7 à l'apogée ; entre 1,6 et 2,8 après 1645 ; 4,8 à la fin du siècle. Remarquons bien qu'il ne s'agit pas d'un apport renouvelé chaque année mais d'un stock cumulé d'un an sur l'autre.<sup>46</sup> Or, la moyenne *annuelle* des retours d'Amérique, en début de siècle, tournait autour de 10 millions de piastres *grosso modo*, de 5 millions officiellement et de 10 vraisemblablement dans les années 1640, de 14 millions (avec un léger défaut) dans la dernière décennie.<sup>47</sup> Le stock métallique de la Banque d'Amsterdam ne témoigne donc ni en faveur d'un dépôt massif ni, encore moins, d'un marché des métaux précieux, *a fortiori* surabondant dont elle aurait été le siège.<sup>48</sup> Cela ne rentrait pas dans ses attributions, d'ailleurs, et son utilité résidait au contraire, précisément, dans l'opportunité de réaliser un maximum de transactions financières avec un minimum d'espèces.<sup>49</sup>

Les frappes monétaires aux Provinces-Unies sont un peu plus difficiles à interpréter mais leur examen conduit à une conclusion analogue. Un calcul qui demanderait à être raffiné mais ne trahit pas la réalité indique pour la décennie 1601 – 1610 le monnayage annuel d'environ 6,2 tonnes de métal en équivalent-argent; pour 1641 – 1650 de 29,7 t. et pour 1691 – 1700 de 33, 9 t..<sup>50</sup> Comparons avec

<sup>45</sup> T. Lindblad : *The Swedes's Trade with the Dutch Republic (1738 – 1795)* (Assen, 1982).

<sup>46</sup> J.G. Van Dillen : *Mensen en achtergronden* (Groningue, 1964).

<sup>47</sup> Cf. nos *Incrovables Gazettes...* *op. cit.*

<sup>48</sup> G. Van Dillen : 'Amsterdam, marché mondial des métaux précieux' in *Revue Historique*, 1926.

<sup>49</sup> M. Morineau : 'De l'abondance monétaire aux Provinces-Unies' in *Annales E.S.C.*, 1974. Communication à la Semaine de Prato en 1972.

<sup>50</sup> Les courbes de frappes monétaires aux Provinces-Unies avaient été présentées à la Semaine de Prato. Elles n'ont pas été publiées.

les arrivages américains à Séville puis à Cadix: les moyennes annuelles s'établissent à 293,8 tonnes de 1601 à 1610; à 178,3 t. de 1641 à 1650, période déprimée, et à 367,5 t. de 1691 à 1700. Inutile d'insister sur la modicité des frappes à l'aurore de la République... La performance de la décennie 1641 – 1650 est plus roborative:  $\frac{1}{6}$ e, presque exactement (16,69%): insuffisante toutefois, soit au regard de la Carrera, soit même des frappes françaises, pour en extrapoler l'existence d'un marché des métaux précieux. Personne, au surplus, ne croira que l'activité des Hôtels des Monnaies, aux Provinces-Unies, ait été suspendue à l'arrivée des flottes et ait reflété à tout coup et sur le champ les variables andalouses. Une courbe des frappes monétaires, en n'importe quel pays, obéit à un rythme propre, déterminé non par un seul paramètre: l'approvisionnement en métaux précieux de l'Europe, mais par plusieurs. Deux ou trois sont perceptibles dans la décennie en question. Le contrat passé par les Etats-Généraux avec le roi d'Espagne pour la conduite des métaux précieux dans les Pays-Bas méridionaux moyennant cession d'un tiers des chargements pour le monnayage dans les Hôtels du pays, un appel à la frappe provoqué par la nécessité de forts achats de grains en période de disette; le troisième paramètre, moins assuré, dériverait d'une reprise générale des affaires après la conclusion de la paix de Munster en 1648. Ceci expliquerait le chiffre absolu et le pourcentage exceptionnel de la décennie. De ce dernier point de vue, les 8,7% de la dernière décennie ( $\frac{1}{12}$ ème) sont plus représentatifs encore qu'induits par les fortes frappes de 1694 et 1698, coïncidant elles aussi avec des événements remarquables: disette, fin d'une guerre...<sup>51</sup> Nous n'ignorons pas que les monnaies nationales n'étaient pas les seules à circuler aux Provinces-Unies. On y faisait usage aussi de pièces étrangères: la Banque d'Amsterdam avait même été érigée pour juguler le trouble dont elles entachaient la vie économique et on les retrouve dans son stock, dans les commerces de la Moscovie, du Levant et, presque par excellence, des Indes Orientales. Cependant l'estimation fournie par les Maîtres des Monnaies pour le triennum 1679 – 1681 et certainement supérieure aux envois précédents: 6 millions de florins, l'équivalent de 2,4 millions de piastres, ne peut être retenue comme un supplément brut, étant donné qu'elle incluait, tout de même, quelques *rijksdalers* et *leuwendalers* déjà comptabilisés. La politique de la Compagnie des Indes dans son négoce en Asie suivait la pratique des marchands hollandais en Europe: limiter le plus possible le recours aux espèces venues de la métropole en se servant de l'argent japonais et en spéculant sur le commerce d'Inde en Inde.<sup>52</sup>

On opposera à ces données les énormes capitaux rassemblés en Hollande pour la Compagnie des Indes Orientales, en 1602: 6.424.588 florins (plus de 2,5 millions de piastres), et pour la Compagnie des Indes Occidentales, parfait en 1623: 7.108.106 (ca. 2,8 millions de piastres). Ces chiffres illustrent incontestablement les capacités des capitalistes hollandais. Sont-ils sans émules ailleurs? Le Second Joint Stock de

<sup>51</sup> 'ouverture des busses dans les Hôtels des Monnaies aux Provinces-Unies n'obéissait à aucune périodicité fixe, ni dans un seul, ni a fortiori dans l'ensemble. Il y a donc une part de 'construit' dans nos courbes et c'est pourquoi nous n'avancions de conclusions qu'avec prudence. Cependant, sur le niveau général, il n'existe aucune obscurité.

<sup>52</sup> F.S. Gaastra: *De geschiedenis van de v.o.c. (Haarlem-Anvers, 1982)*.



la Compagnie anglaise des Indes Orientales attira en une seule fois, en 1617, autant que les deux compagnies hollandaises: 1,6 millions de livres sterling, soit environ 17 millions de florins contre 13.532.694.<sup>53</sup> Les chiffres français correspondants sont tardifs (1664) et viciés par la participation du roi, des nobles, des ministres.<sup>54</sup> A défaut, voyons l'évaluation du commerce marseillais au Levant, établie en 1621, par un orfèvre, en la matière, Thomas Mun, se fondant sur la moyenne des vingt années précédentes, il aurait été de 500.000 livres sterling *annuellement*, soit 5,1 million de florins ou ca. 2 millions de piastres *en argent*, dix fois plus que le commerce hollandais.<sup>55</sup> De ces comparaisons, le capitalisme hollandais – principalement amstelodamois – ne sort pas diminué. Il demeure en soi. Il faut tenir compte, d'autre part, des dates et de la constellation des parties prenantes dans la vie économique du siècle. A l'aurore de la République, le commerce des Hollandais dans le Levant en était aux vagissements ; il connut une période faste lorsque la Révolution anglaise lui donna le champ libre pour l'exportation de ses draps ; il perdit ensuite de sa superbe, dépassé d'abord par les voisins d'outre-Manche, puis au XVIII<sup>e</sup> siècle par les Français. Mutatis mutandis, des schémas analogues vaudraient pour la navigation vers Archangelsk, vers les Indes Occidentales, etc. L'armement suédois le concurrença en Baltique. Avec son monopole de fait sur les épices conquis avec persévérance durant trois quarts de siècle, la Compagnie des Indes Orientales conserva son prestige, même si, dès les années 1680, par suite du déplacement des valeurs en direction des tissus indiens, elle patina et se fit, là aussi, dépasser par les Anglais. Il y avait aussi des dynamismes individuels, notamment dans les ports français du vin, trustant les achats, jusque dans l'arrière-pays, et les expéditions, s'ingérant dans les aventures coloniales antillaises.<sup>56</sup> Ce qui ressort de l'inventaire rapide auquel nous avons procédé, c'est, néanmoins, que les Hollandais ne possédèrent pas l'hégémonie d'une manière continue durant tout le siècle, ni partout: le commerce à Cadix le prouve surabondamment.<sup>57</sup>

Nous avons beaucoup parlé boutique et marchandise. Nous sommes-nous écarté de l'objet de ce colloque: les 'villes financières' ? Celui qui le croirait pécherait par un angélisme de l'argent, si ces deux mots ne jurent pas d'être accolés. D'une manière moins éthérée, Vespasien disait la même chose et son contraire: 'L'argent n'a pas d'odeur'. En fait, il les a toutes: du clou de girofle et de la canelle, de la laine, du mordant des étoffes et de leur teinture, des planches de sapin sciées et des grains de blé, du hareng et de ... l'urine de brebis (*groene kaas*). Il se trouve aux deux bouts de la chaîne: mise de fonds et rentrée, profit. Longtemps, un homme d'affaires exerça conjointement les deux activités, l'une portant l'autre. Et ce qui est valable pour

<sup>53</sup> H. Dodwell (éditeur) : *The Cambridge History of the British Empire* (Cambridge, 1929), tome IV : *British India*, page 89.

<sup>54</sup> Ph. Haudrère : *La Compagnie Française des Indes au XVIII<sup>e</sup> siècle (1719 – 1795)* (Paris, 1988), Tome I, page 26.

<sup>55</sup> Th. Mun : *Discourse of Trade* (1621).

<sup>56</sup> Cf. l'intéressant travail de P. Voss : *Contribution à l'Histoire de l'Economie et de la Société marchande à Bordeaux au XVIII<sup>e</sup> siècle. L'exemple de Jean de Ridder* (Bordeaux, 1985).

<sup>57</sup> Cf. *Incroyables gazettes...* *op. cit.*, Pages 322 et suivantes. Sur ce point, J.I. Israel : *Dutch Primacy in World Trade 1585 – 1740* (Oxford, 1989) erre lamentablement.



un individu, l'était aussi pour la ville. Il serait vain d'isoler au XVII<sup>e</sup> siècle la Bourse du Damrak (il y en avait une autre !), ses abords grouillants de *lijfhebbers* et de *contramineurs* de ce qui l'entourait et la faisait vivre: les entrepôts, le port, les canaux pourquoi pas? lorsqu'un marchand de vins désespérant de vendre les siens par la voie normale les annonçait au bassin. Ce qui ne contrevient en rien avec la propension des riches de séparer leur vie personnelle de leur vie professionnelle, dans les somptueuses résidences du Heerengracht ou de la campagne. Le commerce fabriquait du capital, il en défaisait aussi mais nous ne nous occupons que des réussites et de l'accumulation. Est-ce à dire que l'activité financière d'Amsterdam, sa *larghezza*, découlait, se nourrit purement et simplement du trop plein de l'activité commerciale? C'était le jugement implicite des observateurs du XVII<sup>e</sup> siècle, mais la réponse est négative. On oublierait les revenus des terres, des loyers des maisons, des offices... des actions et des obligations. En elle-même, l'omission est indue. Il faut examiner quels capitaux pouvaient affluer de ces ressources. Nous sommes renseignés sur les offices par la monographie consacrée à Cornelis de Jonge van Ellemeet, tout zélandais qu'il fût: il aurait épargné 1.123.000 florins de 1685 à 1712, sans se priver sur le confort ni les caprices.<sup>58</sup> D'autres chiffres sont éloquentes. Les actionnaires de la Compagnie des Indes Orientales avaient perdu rapidement le contact immédiat avec les affaires commerciales de leurs différentes Chambres et a fortiori du Gouvernement Général de Batavia. Ils n'en percevaient pas moins les dividendes. Lorsque ceux-ci s'élevaient à 40% du capital nominal, c'était une somme de 2,7 millions de florins (par an) qui tombait dans leur escarcelle. Sans doute y avaient-ils de 'petits porteurs' mais les gros se taillaient la part du lion et recevaient, sans fatigue, une manne appréciable qu'ils étaient à même de réinvestir, par exemple dans des obligations.<sup>59</sup> Or, si nous calculons les intérêts de celles-ci dans la province de Hollande, nous trouvons qu'à 4% par simplification, elles auraient rapporté 5.600.000 florins en 1655, et 8 millions en 1676. Ils étaient versés chaque année, ponctuellement et non rognés à la différence de ce qui se passait en France (toujours l'excellente gestion !). Les guerres augmentant les besoins, le service de la dette provinciale grimpa jusqu'à 13,7 millions en 1713. A cette date, cela aurait pu représenter 15 à 20 % du chiffre d'affaire total (importations + exportations) du port d'Amsterdam sur la base des prix courants. Peut-être assez proche des bénéfices du commerce...<sup>60</sup> Il y avait là un germe de capitalisation, voire une capitalisation tout court, qui n'est pas à dédaigner. Analogue dans son principe, d'une certaine manière aux rentes émises par le gouvernement français, plus sûres, moins onéreuses à l'Etat, mais, tout de même, payées par le public, l'ensemble de la population, les impôts.

Pas plus que la formation, la fluidité du marché financier d'Amsterdam ne contient donc de mystère. Colbert s'en retourne peut-être dans sa tombe mais qu'y faire? Et pas davantage l'internationalisation. Nous avons déjà dit quelque part

<sup>58</sup> B.E. De Muinck : *Een regentenhuishouding omstreeks 1700* (La Haye, 1965).

<sup>59</sup> Neal : *The Rise of Financial Capitalism. International capital markets in the age of reason* (Cambridge, 1990). Très sophistiqué et intéressant.

<sup>60</sup> V. Barbour : *op.cit.* page 83 ; J.C. Riley : *op.cit.* page 77.

qu'une création économique, une croissance *in illo* ne dépendait pas d'une seule volonté humaine, d'un investissement de capital, d'une conquête sur le néant.<sup>61</sup> S'inquiéter d'une soi-disant désertion de l'argent, vitupérer une dérobaie, une trahison des nantis, voire un crime de lèse-nation, chercher de ce côté des causes au 'retard industriel des Pays-Bas (du nord)' au XIX<sup>e</sup> siècle: toutes ces démarches nous paraissent également fausses *ab initio* et vaines.<sup>62</sup> Si les capitalistes d'Amsterdam ont souscrit des actions à la Banque d'Angleterre (quoique en moindre volume que la rumeur publique ne le proclamait), ont cotisé aux *annuités* de Sa Gracieuse Majesté Britannique, c'est qu'ils y trouvaient intérêt: l'intérêt du lucre et l'intérêt psychologique, et que les Provinces-Unies ne leur offraient rien de semblable.<sup>63</sup> Pourquoi auraient-ils mis des fonds dans un commerce de grains que la compétition et la nouvelle configuration des échanges qui en résultaient rendaient moins alléchant? Pourquoi auraient-ils soutenu la draperie vacillante de Leyde dont les débouchés principaux, au Levant, se rétrécissaient en présence des productions anglaises, puis françaises, puis verviétoises? La Compagnie néerlandaise des Indes Orientales n'a jamais procédé à une augmentation de capital. S'il en avait été autrement, aurait-elle déclenché un raz de marée de la part des acheteurs? C'est douteux: d'après les cours, les actions déjà existantes ne rapportaient guère plus que des obligations – de 3 à 4 %; à partir de 1730 – 1740. Ce grand corps avait de plus en plus besoin de médecine et ne délivrait plus les mêmes satisfactions qu'autrefois; la Compagnie anglaise lui faisait une sérieuse concurrence probablement davantage en Europe, via Hambourg, qu'en Asie. Pourquoi fréquenter les ventes aux enchères d'Amsterdam ou de Rotterdam et bouder celles de Londres, si les marchandises y étaient moins chères ou/ et mieux assorties (cf. les cotonnades)? Il est arrivé que les capitalistes hollandais aient cédé à l'attraction d'une affaire 'nationale' et prometteuse comme les hypothèques sur les plantations de Surinam vers 1770. Ils n'en furent guère récompensés: ce fut une déconfiture.<sup>64</sup> Au lieu de ces hasards ou de ces langueurs par trop sans horizon ni bonnes surprises, les offres de l'étranger au XVIII<sup>e</sup> siècle, bien autrement considérables qu'au XVII<sup>e</sup> paraissant aussi juteuses que sûres et vice-versa flattaient les espérances de profit et faisaient leur lit aux spéculations financières. C'était un nouvel espace à gagner de l'argent, qui s'était créé: d'où la naissance des sociétés d'investissement.<sup>65</sup> Nonobstant les

<sup>61</sup> M. Aymard : *Capitalisme Hollandais et Capitalisme Mondial* ( Paris-Cambridge, 1982. Notre communication : Hommage aux Historiens Hollandais et Contribution à l'histoire économique des Provinces-Unies (pages 285 – 305). C'est là que se trouve l'évaluation du commerce d'Amsterdam en 1667 – 1668 qui a servi au calcul du pourcentage mentionné ci-dessus. Il y a évidemment une part d'extrapolation ou d'interprétation. En raison d'une diminution probable du mouvement en 1713, le pourcentage susdit pourrait se rapprocher des 25%.

<sup>62</sup> Pour le retard économique des ex-Provinces-Unies, J. Mokyr : 'The Industrial Revolution in the Low Countries in the First Half of the Nineteenth Century. A comparative study' in *Journal of Economic History* 1974, pages 565 – 591.

<sup>63</sup> P.G.M. Dickson : *The Financial Revolution in England. A study in the development of Public Credit* (New-York, 1967).

<sup>64</sup> J.P. Van der Voort : *De westindische plantages van 1720 tot 1795. Financien en handel* (Eindhoven, 1973).

<sup>65</sup> W.H. Berghuis : *Ontstaan en ontwikkeling van de neederlandsche beleggingsfondsen tot 1914* (Assen, 1967).

carrières de quelques matadors ou chevaliers d'industrie: Clifford, de Neuville, Hope, De Smeth, aux entreprises couronnées de succès... quand ils ne sucombèrent pas aux vertiges de la cavalerie.<sup>66</sup>

Ainsi nous avons assisté à l'émergence du centre financier d'Amsterdam et au-delà, jusqu'à la fin du XVIII<sup>e</sup> siècle. A cette époque, il est bien vivant, quels que soient ses rapports avec la santé économique du pays. Il n'a pas encore coupé ses liens avec le monde du commerce. Peut-être, durant la quarantaine que la Révolution française puis l'Empire infligèrent aux ci-devant Provinces-Unies, y eut-il une certaine dispersion: certains retournant à la terre, d'autres prenant tous les risques inhérents aux guerres pour grossir leur pelote avec des transferts de fonds osés pour le paiement des troupes ou d'Amérique en Europe. L'heure n'était pas encore sonnée de l'industrialisation. Ce capitalisme d'Amsterdam gardait beaucoup de ses origines. Il n'avait pas acquis tous les traits de la contemporanéité: il en avait quelques uns. Non pas la Banque et les grandes Compagnies, dépassées et qui firent naufrage, mais l'élargissement des combinaisons proprement financières (au sens actuel, étroit, du mot), une amorce de détachement vis à vis de la marchandise, et l'agilité de l'argent ou de ce qui en tenait lieu. Car, malgré la spectaculaire partie de billard jouée sur les piastres espagnoles par Ouvrard (un Français), Hope et Labouchère (à Amsterdam), Baring (à Londres), indépendamment du détachement vis à vis de la marchandise, le détachement vis à vis des métaux précieux s'amplifie. Il remontait haut, nous l'avons dit et nous pensons qu'il faut y insister en terminant. De même que l'émergence du centre financier d'Amsterdam avait besoin d'être reconstruite, de même le mythe des métaux précieux réclame-t-il d'être exorcisé, le rôle de l'or et de l'argent ramené à ses véritables dimensions. Il est évident que, de nos jours, la masse de la monnaie fiduciaire, du papier, de la pseudo-monnaie l'emporte de loin sur les réserves métalliques. C'est l'aboutissement d'une évolution commencée au Moyen Age et à l'accélération de laquelle le centre financier d'Amsterdam n'a pas manqué de contribuer au XVII<sup>e</sup> et au XVIII<sup>e</sup> siècle, obéissant à des tendances, un comportement qui n'étaient pas uniques à l'époque (cf. Marseille). Cela place les historiens devant un embarrassant pont-aux-ânes. L'influence des métaux précieux sur la vie économique et ses phases a été si souvent rabâchée qu'il est bien difficile, faute d'une révision (déchirante ?) de passer d'un étalon à l'autre, ou, mieux ou pis, à une absence d'étalon. Notre opinion est que l'étude du centre financier d'Amsterdam, dans son émergence, contribue, précisément, à une dissolution de l'aporie.<sup>67</sup>

<sup>66</sup> J.Th. Veluwerkamp : *Ondernemersgedrag op de Hollandse stapelmarkt in de tijd van de Republiek. De Amsterdamse handelsfirma Jan Isaac de Neufville & Comp., 1730 – 1764* (Meppel, 1981) ;

M.C. Buist : *At Spes Non Fracta : Hope & Co., 1770 – 1815* (La Haye, 1974).

<sup>67</sup> Cf. *Incrovables Gazettes... op.cit.* Et, pour Marseille : Ch. Carrière : *Négociants Marseillais au XVIII<sup>e</sup> siècle* (Marseille, 1973) et F.X. Emmanuelli : *La crise marseillaise de 1774 et la chute des courtiers. Contribution à l'histoire du commerce du Levant et de la Banque* (Paris, 1979).



## Cities of Finance: Liverpool and the Atlantic Economies\*

*Everything in that part of the country seems to be increasing, resembling very much a new country; in Liverpool there are whole streets building, and everything having the appearance of a new town about it.*

Joshua Bates, partner in Baring Brothers & Co.<sup>1</sup>

Before the mid-nineteenth century human interaction at a distance was almost totally restricted to correspondence, constrained by its pace of transmission. 'Financial cities' were largely trading centres while trading patterns had their corollary in financial networks, and behind both were sheaves of letters – the information network. Particular knowledge gave particular power and there are many apocryphal stories, including that of the speed of Rothschild's pigeons from the battlefield of Waterloo.<sup>2</sup> The concern with the authenticity of information gave importance to assessing the standing of correspondents, while their trustworthiness was given added weight if underwritten by family or religious bonds. As such the market was more a *social* entity than a technical ganglion, arising from networks of personal relationships, if, none the less, driven by economic factors. Caution is required when decrying such structures in terms of their imperfectness, or partiality. Historians of the pre-modern and medieval worlds have repeatedly pointed to their effectiveness and immediacy and not just in a relative, but also in an absolute, sense.<sup>3</sup>

Credit was critical for trade – to cover production, transshipment, and for stocks held prior to sale. The social-financial network, therefore, had to provide information about producers, the weather, and the state of markets. If the overall system was unstable – marked by the frequency of crisis – it was often the product of communication lags, resulting from difficulties of both domestic and international transport. During 1838 American packets made 119 voyages across the North Atlantic, averaging 34 days Liverpool to New York and, with the prevailing west-

\* I am grateful to my colleague, D. M. Williams, for comments on an early draft and to the discussion at the Amsterdam meeting. Needless to say, responsibility for the current version lies with the author.

<sup>1</sup> Evidence to the Select Committee on Manufacturing, Commerce and Shipping (1833), q.790.

<sup>2</sup> Such a structure was obviously open to abuse for personal gain: see, for instance, F. G. Dawson, *The First Latin American Debt Crisis. The City of London and the 1822–25 Loan Bubble* (1990) [The place of publication is London, unless stated otherwise].

<sup>3</sup> A series of conversations with Dr. I. Blanchard has convinced me at least.



erlies, 21.5 days, New York to Liverpool.<sup>4</sup> Merchants' letters, broadcast upon the exchange, were the mainstay, while the inherent risks could be covered by prudence – giving some priority to liquidity, and diversification. The major other cause of crisis was the behaviour of human agents, in terms of expectations, and reactions to competitive pressures, hence the frequency of complaints regarding 'overtrading'.

A further challenge to credit networks arose from structural shifts in the trading patterns that they supported and one of the greatest during the pre-modern world was the emergence of a sequence of Atlantic economies.<sup>5</sup> The North Atlantic economies of commerce, and their related patterns of credit, reached their apogee in the 1850s,<sup>6</sup> having since the late seventeenth century successively found dynamism in dealings in tropical colonial products, small manufactures,<sup>7</sup> and cotton, before acquiring an entirely new basis from the 1830s in inter-continental transfers of factors of production – capital and labour.<sup>8</sup>

The importance of the North Atlantic economies to Britain was marked physically by the development during the eighteenth century of western port cities, especially Bristol, Glasgow<sup>9</sup> and Liverpool, to the extent that their growth reduced the substantial weight played by London within the national economy.<sup>10</sup> Although the metropolis' position was never totally usurped, the rise of Liverpool, for instance, carried this Merseyside port into the international league of mid-nineteenth-century cities of finance.<sup>11</sup> Liverpool was not to become a modern 'city of finance', but the historical experience of its mercantile and financial community provides a commentary on some aspects of the credit finance networks of the Atlantic economies.

Given the stance that trading patterns were the basis of financial, credit networks before 1860, the following discussion proceeds by first examining Atlantic trading structures and then reviews their mercantile communities – the foundation of the financial network – in terms of its Liverpool constituents during the 1820s. In section III a new data source is deployed to examine the structure of this provincial mercantile society – evidence from fire insurance registers with respect to mercantile holdings of merchandise.

<sup>4</sup> Steam was to cut the voyage time to 10 days. T. Baines, *History of the Commerce and Town of Liverpool* (1852), pp. 642, 654.

<sup>5</sup> On the Atlantic economies in general, see R. Davis, *The Rise of the Atlantic Economies* (1973); K.G. Davies, *The North Atlantic World in the Seventeenth Century* (Minneapolis, 1974); and M. Savelle, *Empires to Nations, Expansion in America 1713–1824* (Minneapolis, 1974).

<sup>6</sup> J. Potter, 'Atlantic Economy, 1815–1860: the U.S.A. and the Industrial Revolution in Britain', in: L.S. Pressnell (ed.), *Studies in the Industrial Revolution* (1960).

<sup>7</sup> D.A. Farnie, 'The Commercial Empire of the Atlantic, 1607–1783', *Economic History Review*, 2nd ser., xv (1962); and R. Davis, 'English Foreign Trade 1700–1774', *Economic History Review*, 2nd ser., xv (1962).

<sup>8</sup> B. Thomas, *Migration and Economic Growth. A Study of Great Britain and the Atlantic Economy* (Cambridge, 2nd ed., 1973).

<sup>9</sup> T.M. Devine, *The Tobacco Lords. A Study of the Tobacco Merchants of Glasgow and their Trading Activities c.1740–90* (Edinburgh, 1975).

<sup>10</sup> E.A. Wrigley, 'A Simple Model of London's Importance in Changing English Society and Economy, 1650–1750', *Past and Present*, No. 37 (1967).

<sup>11</sup> D.S. Landes, *Bankers and Pashas* (1958), p. 16.

Britain's industrialisation was accompanied by a deficit in visible trade, which generated a further need for credit.<sup>12</sup> Davis's reconstitution of trade<sup>13</sup> indicates a visible deficit of c. £ 5m from the mid-1780s until the mid-1810s; thereafter it widened, from £ 13.5m during the mid-1820s to £ 28.1m by the mid-1850s. In terms of Anglo-American trade, Britain had a favourable visible balance until the 1820s, but then incurred a growing deficit, which became very significant overall, accounting for 49.8 per cent of the total trade deficit during the mid-1840s.

The structure of this North Atlantic trade reflected comparative advantage, arising from respective factor endowments and the creation of comparative advantage by technological change. British exports to the United States from the mid-1780s until the mid-1850s almost totally consisted of manufactures – 98.2 per cent, *by value*, during the mid-1800s, although falling back to 81.5 per cent by the mid-1850s. Woollens predominated until the early nineteenth century. Cottons gained primacy in the mid-1800s, but thereafter until the 1850s alternated, decade by decade, with woollens as the major export to the United States. One of those heterogeneous categories characteristic of trading accounts – 'Other metalwares' – replaced the even broader 'Other manufactures' in the mid-1810s as the third major British export.

British imports from the United States consisted entirely of raw materials and foodstuffs. The increasing proportion composed of raw materials is, of course, accounted for by the post-1800 expansion of American cotton exports. Whereas raw materials comprised about a third of British imports, *by value*, from the United States prior to 1800, their importance then increased sharply to 93.4 per cent by the mid-1830s, although subsequently declining to 69 per cent by the mid-1850s. Before cotton's mushroom ascendancy, tobacco had been the principal import from the United States; it retained importance after 1800, albeit now dwarfed by cotton. American timber was a victim of colonial preference during the first half of the nineteenth century which transferred the British import trade to the Canadian Maritime Provinces.<sup>14</sup> Corn gained significance in the 1840s.

<sup>12</sup> Implicit here is the problem of the switch from bilateral to multi-national trade and the rise of intra- and inter-continental credit in the form of the bill of exchange: see J.M. Price, 'Multilateralism and/or Bilateralism', *Economic History Review*, 2nd ser., xiv (1961) and S.E. Astrom, *From Cloth to Iron: the Anglo-Baltic Trade in the late Seventeenth Century* (Helsingfors, 1963).

<sup>13</sup> The statistical base for this section is R. Davis, *The Industrial Revolution and British Overseas Trade* (Leicester, 1979). For an overview of the international accounts of the us, see D. C. North, 'The United States Balance of Payments, 1790 – 1860', *Trends in the American Economy in the Nineteenth Century* (Princeton, N.J., 1960).

<sup>14</sup> US timber was not totally shut out of the British market – as much as one third of Liverpool's imports of timber from Canada in the early 1820s was United States grown, but then exported via the Maritime Provinces to escape the duties arising from colonial preference. See D. M. Williams, 'Merchanting in the first half of the Nineteenth Century: the Liverpool timber trade', *Business History*, viii (1966), p. 108, fn.1.

## II

From 1750 Liverpool was an increasingly important node in the commerce of the North Atlantic. Liverpool's supremacy as the port for Merseyside derived in part from early dock construction undertaken by the town's Common Council. This had begun in the 1710s, driven by the volume of shipping, which rose from 14,600 tons in 1709 to 29,200 tons in 1751. By 1800 the city port, with a population of 82,000, had 28 acres of docks, but these were still insufficient to meet demand, with its shipping now amounting to 450,000 tons. Further extensions took place in 1813–21, 1830–36 and during the mid-century.<sup>15</sup> Liverpool was an 'Atlantic' port, but its commercial and consequential financial networks were not solely Atlantic. It played an important role in the Irish Sea economy, involving also<sup>16</sup> western Scotland and Bristol Channel ports.<sup>17</sup> Liverpool's connections extended to Iberia with the exchange of textiles for foodstuffs, copper and iron. Salt provided a cargo for the Baltic – a source of timber in the eighteenth century. The pattern of Liverpool's international commerce was dislocated by the American War of Independence and the French Wars.<sup>18</sup> However, the Napoleonic wars also generated opportunities, not just privateering, but also gains to be made in the trade of former French West Indian colonies.<sup>19</sup> Furthermore, entirely new connections were developed – with the Orient in 1813,<sup>20</sup> following the abolition of the East India Company's monopoly, and with the newly independent South American republics.

Liverpool's trade gained even greater diversity after 1800, but raw cotton was the major staple and the port from 1820 until 1850 never handled less than 80 per cent of Britain's total imports of the fibre. The United States was the principal source, supplying on average 75 per cent of an import trade which expanded at Liverpool from 0.459m bales in 1820 to 1.522m bales in 1850.<sup>21</sup> Yet the growth and geographical reach of Liverpool's commerce was such that by the 1850s it rivalled London. It became the centre of the Mediterranean trades from the 1830s and during the 1850s commerce with the American 'West Coast' and Australia expanded substantially. Parity with London was particularly evident in the case of

<sup>15</sup> See: F.E. Hyde, *Liverpool and Merseyside: the development of a port 1700–1970* (Newton Abbot, 1971); S. Mountfield, *Western Gateway: a history of the Mersey Docks and Harbour Board* (Liverpool, 1965); C. N. Parkinson, *The Rise of the Port of Liverpool*. (Liverpool, 1951); J. R. Harris (ed.), *Liverpool and Merseyside. Essays in the Economic History of the Port and its Hinterland* (1969); S. Marriner, *The Economic and Social Development of Merseyside* (1982).

<sup>16</sup> L.M. Cullen, *Anglo-Irish Trade* (1968).

<sup>17</sup> On aspects of Liverpool's coasting trade, see V. Burton, 'Liverpool's Mid-Nineteenth-Century Coasting Trade', in V. Burton (ed.), *Liverpool Shipping, Trade and Industry; Essays on the Maritime History of Merseyside 1780–1860* (1989).

<sup>18</sup> B.H. Tolley, 'The Liverpool Campaign against the Order in Council and the War of 1812', in Harris, *Liverpool and Merseyside*.

<sup>19</sup> For one personal example, see B. M. Sauter, 'John Bolton. A Liverpool West Indian Merchant 1756–1837', M.A. thesis (University of Birmingham, 1955), p. 7.

<sup>20</sup> K. Charlton, 'Liverpool and the East India Trade', *Northern History*, vii (1972).

<sup>21</sup> D.M. Williams, 'Liverpool Merchants and the Cotton Trade 1820–1850' in Harris (ed.), *Liverpool and Merseyside*.

exports, with in 1857 Liverpool accounting for 45 per cent of British exports.<sup>22</sup> Liverpool's gains in exports arose not only from servicing its immediate hinterland – the cotton manufacturing districts of south east Lancashire and north east Cheshire – but from regional and national transport improvements which greatly augmented the port's catchment area.

### III

Merchants were the intermediaries in commerce and credit. According to Baines, early 1820s Liverpool was primarily a commercial centre, the town having very little manufacturing employment apart from that generated by servicing shipping and processing of imports.<sup>23</sup> This is largely confirmed by the continuing work of Jon Stobart, which has already shown, from an analysis of wills, the dominance of Liverpool commerce in the north west region during the eighteenth century. His enumeration found 168 merchant wills for Liverpool, as opposed to 46 for Manchester and 21 for Chester.<sup>24</sup> In his directory for 1824, Baines counted across Liverpool's trades 819 merchants, of which 20 were specifically concerned with North Atlantic commerce,<sup>25</sup> 17 cotton dealers, 288 brokers and 165 agents. Much can be made of the differing functions that each of these groups played in trade, both domestic and international, and in the provision of credit. For instance, brokers, legally by 1830, were in a different position to merchants in both Britain and America.<sup>26</sup>

<sup>22</sup> Contemporary, but unreliable, data appeared to show that mid-nineteenth-century Liverpool had unrivalled commercial supremacy. Baines estimated, in 1850, Liverpool's export trade at £ 34.9m, opposed to £ 14.1m for London, while imports were £ 37.4m and £ 43m respectively: Baines, *History ... Liverpool*.

<sup>23</sup> E. Baines, *History, Directory and Gazetteer of the County Palatine of Lancaster* (Liverpool, 1824, reprinted Newton Abbot, 1968).

<sup>24</sup> J. Stobart, 'The Urban System of Lancashire and Cheshire in the 18th Century', Economic History Society Conference, Manchester, 1991.

<sup>25</sup> There seems to be an almost uncanny consistency in the number of 'American' merchants in Liverpool – 10 in 1800 and 10 again in the early 1820s; this can be partly accounted for by wise diversification across trades, but it also queries, to a degree, the validity of the directories. Liverpool's relationship with the Atlantic economy led to some institutionalisation of the mercantile community with the formation of the American Chamber of Commerce in 1801, which proved to be the most important of Merseyside mercantile associations. It was constituted by the Committee of the Associated Bodies of Trade and the Chamber's main local purpose was to regulate freight payments and customs fees for which biannual meetings were held, but these were supported by monthly committee meetings. From 1810 it was financed by trade dues on imports and in 1812 opened a London office, which in its early years was used for political campaigning, as well as commercial purposes. By the mid-1830s, the Association had 43 members.

<sup>26</sup> N.S. Buck, *The Development of the Organisation of Anglo-American Trade, 1800-1850* (New Haven, 1925, reprinted 1969), pp. 17 – 24.

M'Culloch defined a broker as a middleman 'who negotiated sales of produce between different merchants usually confined themselves to some one department or line of business; and by attending to it exclusively they acquire a more intimate knowledge of its various details, and of the credit of those engaged in it, than could be looked for on the part of a general merchant; and are correspondingly able, for the most part to buy cheaper and to sell on dearer terms than those less familiar with the business'. *A Dictionary Practical, Theoretical and Historical of Commerce and Commercial Navigation*. (1869), p. 204.



However, firms acted under a variety of heads and, when called upon to describe themselves, frequently chose the general and ambiguous label 'merchant'.

In foreign trade, merchants worked on both their own account and commission through acting as factors – consignees. Merchants allowed their consignors to draw bills on them, indeed this was the way of attracting consignments. Prudence dictated that such advances should be less than the value of the goods involved – two-thirds or three-quarters – while the commission merchant, acting as consignee, expected to have sold the goods involved before his acceptances had matured. Such merchants combined exporting and importing, receiving on the one hand consignments of raw produce, while on the other exporting British manufactures. With exports, merchants gave advances to manufactures, but in the case of the Anglo-American trade, such advances in the 1830s could remain outstanding for as long as eight months. In these wholesale markets, there was, as Buck has aptly said, 'an interlacing of credit', with merchants obtaining credit from brokers, and brokers obtaining finance from bankers, who during the 1820s in Liverpool were frequently merchants.

What was the structure of this Merseyside mercantile community? Ewart in 1833 described Liverpool's commerce to a parliamentary enquiry as being one in which capital was 'generally diffused'. Ewart was knowledgeable, a Liverpool broker and general commission merchant in a firm which also had a London house and was involved in the trade to the East Indies as well as the Atlantic.<sup>27</sup> Yet an analysis of insurance policies of the Sun Fire Office during the period 1821 – 3 for mercantile stocks does not quite confirm Ewart's view.<sup>28</sup>

According to this data,<sup>29</sup> about 13 per cent of the total number of mercantile firms, in each of the three years surveyed, had policies for merchandise totalling annually more than £ 20,000, while about 45 per cent had such policies totalling

<sup>27</sup> *British Parliamentary Papers* (1833), VI; Report from the Select Committee appointed to inquire into the Present State of Manufactures, Commerce and Shipping, in the U.K., q.4131.

<sup>28</sup> This paper incorporates some of the findings of research undertaken as part of an SSRC financed project: 'The Supply of Capital and the Economic Development of Merseyside, 1680 – 1880', directed by Professor J. R. Harris, B.L. Anderson and the author. I wish to acknowledge the generous financial assistance of both the SSRC (now the ESRC) and the Research Board of the University of Leicester. The monotonous task of transcribing fire insurance policies from a source, which was then unindexed, and discontinuous and variable in presentation, was carried out largely by two research assistants, Ms. C. Woodhead and A. Gibbons.

<sup>29</sup> There is now a literature on fire insurance data. A general guide is provided by S.D. Chapman, 'Business history from insurance policy registers', *Business Archives*, xxxii (1970). D.T. Jenkins, *Indexes of the fire insurance policies of the Sun Fire Office and the Royal Exchange Assurance, 1775 – 1787* (York, 1986), gives a comprehensive list of the provincial offices of both the Sun Fire Office and Royal Exchange Assurance and discusses the data. The policies for the period 1775 to 1787 are now available on magnetic tape from the E.S.R.C Data Archive, University of Essex. Microfiche indexes are available in British academic libraries. Some scrutiny can be found in L.D. Schwarz and L.J. Jones, 'Wealth, occupations and insurance in the late eighteenth century: the policy registers of the Sun Fire Office', *Economic History Review*, 2nd ser., xxxvi (1983). Questions regarding the veracity of the valuations are considered in: S.D. Chapman, 'Fixed capital formation in the British cotton industry, 1770 – 1815', *Economic History Review*, 2nd ser. xiii (1970); D.T. Jenkins, 'The practice of insurance against fire, 1750 – 1840, and historical research' in O.M. Westall (ed.), *The historian and the business of insurance* (Manchester, 1984); and C. Trebilcock, *Phoenix Assurance and the development of British insurance* (Cambridge, 1970).



Table 1. Liverpool Mercantile Fire Insurance Policies, 1821 – 1823. (Frequencies of aggregate values of merchandise insured by firms).

Total value of policies, per annum. £'s in range by '000's.		1821			1822			1832		
£		1	2	3 (%)	1	2	3 (%)	1	2	3 (%)
1	999	6	60	100	2	47	100	3	59	100
1000	1999	6	54	90	3	45	95,7	5	56	94,9
2000	2999	7	48	80	11	42	89,4	9	51	86,4
3000	3999	6	41	68,3	2	31	65,9	5	42	71,2
4000	4999	2	35	58,3	3	29	61,7	3	37	62,7
<b>5000</b>	<b>5999</b>	<b>8</b>	<b>33</b>	<b>55</b>	<b>6</b>	<b>26</b>	<b>55,3</b>	<b>6</b>	<b>34</b>	<b>57,6</b>
6000	6999	3	25	41,6	1	20	42,5	7	28	47,4
7000	7999	2	22	36,6	2	19	40,4	3	21	35,6
8000	8999	1	20	33,3	1	17	36		18	35,6
9000	9999	1	19	31,6	1	16	34		18	35,6
10000	10999	3	18	30	3	15	31,9	2	18	30,5
11000	11999	3	15	25		12	25,5		18	30,5
12000	12999		12	20	1	12	25,5	1	16	27,1
13000	13999		12	20	2	11	23,4	1	15	25,4
14000	14999	1	12	20	1	9	19,1		14	23,7
15000	15999	2	11	18,3	2	8	17	3	14	23,7
16000	16999	1	9	15	1	6	12,8	1	11	18,6
17000	17999		8	13,3		5	10,6	1	10	16,9
18000	18999		8	13,3		5	10,6		9	15,25
19000	19999		8	13,3		5	10,6		9	15,25
<b>20000</b>	<b>20999</b>	<b>1</b>	<b>8</b>	<b>13,3</b>	<b>2</b>	<b>5</b>	<b>10,6</b>	<b>3</b>	<b>9</b>	<b>15,25</b>
21000	21999	1	7	11,6	1	3	6,4		6	10,2
22000	22999		6	10	1	2	4,2	1	6	10,2
23000	23999		6	10		1	2,1		5	8,5
24000	24999		6	10		1	2,1		5	8,5
	+25000	6	6	10	1	1	2,1	5	5	8,5
Total number of firms		60		100%	47		100%	59		100%

Source: Guildhall Library, London: Sun Fire Policy Registers, County series, MS 11,937, vols. 132 – 146.

column 1: Number of firms, per annum.  
 column 2: Cumulative total of number of firms, per annum.  
 column 3: Percentage of total number of firms, per annum.

annually no more than £ 6,000. This points to a pyramidal structure, with a very broad base constituted by a large number of small firms, whereas at the apex there was a small group of very large undertakings. This has many implications, of which one was the ability to grant credit, or conversely the need for credit, within trading networks.

Care is required in deriving such generalisation from this data. The dataset is small and not randomly generated, since it arises from the connections of one provincial insurance agency for one national insurance company – thereby the product, in turn, of a particular network of connections – between London and Liverpool, and within the provincial city itself. In all during the mid-1820s there

were 21 fire and life offices in Liverpool<sup>30</sup> whereas mercantile warehouses totalled about 164 and widely scattered within the port.<sup>31</sup> The Royal Exchange Assurance had over £1m in mercantile risks in Liverpool during the 1820s, while, nationally, mercantile warehouses made up over 20 per cent of all risks above £5,000 that this company assumed. London-based insurance companies had moved into Liverpool from 1750, with the Sun having had an agency since at least 1766 and the Royal Exchange opened in the city in 1790. Liverpool, however, had particular problems for providers of fire assurance. A local company – the Liverpool St. George's Fire Office of 1802 – failed in 1806<sup>32</sup> as a result of fire which caused damage of £323,000. The city's mercantile insurance business over the decade after 1816 was unprofitable, with aggregate premiums of £36,811, expenses of £7,958 and losses of £76,113. This led in 1826 to an agreement between the Sun, the Royal Exchange, the Phoenix and the Imperial for raising the tariff for Liverpool mercantile risks, a cartel subsequently joined by 18 other offices. A further severe fire in 1833 raised Liverpool rates again.<sup>33</sup>

The ability of traders with small capitals to participate in commerce, giving rise to them seeking cover and thereby their presence in table 1, was assisted by an Act of 1803 – 43 Geo III, c.132 – extended to Liverpool and Bristol in 1805. Prior to this statute, importers had had to pay duties upon nearly all classes of goods on their arrival, consequently confining importing to major merchants. The 1803 Act permitted importation without payment, provided security was given for the arising duties and the goods were deposited in approved warehouses, where they could remain for 15 months. Duties became only payable when the goods were delivered for domestic consumption; if they were re-exported, obviously no duties arose, but a bond had to be given as proof of exportation. In Liverpool 34 warehouses were initially licensed, while others, within 1,000 yards of the Custom House, were included through being subject to constant examination.<sup>34</sup>

These post-1805 mercantile developments provide circumstantial support for the outline picture portrayed in table 1, but firmer backing comes from both Mortimer's contemporary indication that only £2,–10,000 was required to engage in foreign trade in the 1810s<sup>35</sup> and especially William's analysis of the bills of entry with respect to cotton and timber. In 1820 607 Liverpool merchants imported cotton, but only 120 (19.77 per cent) were involved in this trade on six or more occasions over the course of the year. Further investigation revealed that the 30 leading im-

<sup>30</sup> Baines, *Directory*.

<sup>31</sup> W.O. Henderson, 'The American Chamber of Commerce for the Port of Liverpool, 1101–1908', *Transactions of the Historic Society of Lancashire and Cheshire*, LXXXV (1933), p. 38.

<sup>32</sup> P.C. Brown, 'Fire Insurance in Liverpool', *Transactions of the Historic Society of Lancashire and Cheshire*, LXXVIII (1926), pp. 5–7.

<sup>33</sup> B. Supple, *The Royal Exchange Assurance. A History of British Insurance* (Cambridge, 1970), pp. 110, 128, 154, 161.

<sup>34</sup> E.H. Rideout, 'The Development of the Liverpool Warehousing System', *Transactions of the Historic Society of Lancashire and Cheshire*, LXXXII (1930), pp. 1–2, 36.

<sup>35</sup> T. Mortimer, *General Commercial Dictionary* (1819).

porters of cotton handled 39.69 per cent of total imports.<sup>36</sup> Moreover, the leading Liverpool cotton importers of cotton identified by Williams coincide largely with the firms having policies totalling more than £ 25,000 annually with the Sun between 1821 and 1823. They were, in terms of their position in the cotton import trade established by Williams: Abraham and Silas Richards (1); W. & J. Brown (2); Dyson Brothers & Co.(7); Cropper, Benson & Co., merchants and shipowners (8); and Duff, Findlay (11). The Sun data highlights other firms as also being members of Liverpool's mercantile elite in the early 1820s, namely: Backhouse, Robinson and Lowe, general brokers and corn merchants; Christopher Bullin, merchant and banker; R. E. Hyde, merchant and cotton broker; T. Leech, Son & Co.; S. Needham & Co., broker and merchants; J. Wharton, corn merchant; and N. Waterhouse & Sons, merchants and cotton brokers.

The skewed structure of the Merseyside mercantile community was not just a feature of the cotton trade, as Williams' analysis shows a similar picture for timber, in which the leading 20 firms accounted for 43.05 per cent of imports. The Sun would appear to have had few dealings with the principal timber importing firms in 1820 – with policies only for W. & T. Langton (ranked sixteenth) and Dixon, Waln & Co. (nineteenth), and these firms were not timber specialists.<sup>37</sup>

The Liverpool elite in the American cotton trade of the early 1820s, identified by Williams and also prominent in the Sun data, were not solely cotton specialists. Richards imported other American produce as did Cropper, Benson and Browns, whose interests also included the West Indies. Dysons were occasionally involved in the Iberian trade, Croppers conducted Irish Sea business and imported from India, whereas Duff, Findlay's connections stretched out to the Philippines, South America and the Levant. This diversification was apparent in other ways: Croppers and Duff, Findlay owned ships and, like Richards and Browns, acted as ship's agents.<sup>38</sup> The mercantile ownership of Liverpool shipping was a continuation of a well established eighteenth century pattern of investment; 80 per cent of Liverpool's fleet between 1786 and 1804/5 was owned by merchants.<sup>39</sup>

The Sun data reveals other aspects of the wealth and capital of Liverpool's mercantile elite. Cropper, Benson insured two warehouses and a counting house with the Sun, each having structures of six storeys, brick and slated, at a value of £ 7,000

<sup>36</sup> Williams, 'Liverpool Merchants and the Cotton Trade'. For a perspective from the source of supply, see H.D. Woodman, *King Cotton and his Retainers. Financing and marketing the Cotton Crop of the South, 1800 - 1925* (Lexington, 1968).

<sup>37</sup> Williams, 'Merchanting...the Liverpool timber trade'. Neither Langtons nor Dixon, Walne were totally timber specialists in 1820. Langtons imported foodstuffs and raw materials from the Baltic and wheat and linseed from Quebec. Dixon, Walne were involved in the American cotton trade, as well as tropical hardwoods, tallow from the Mediterranean and hemp from St. Petersburg. Langtons had a general merchandise policy for £ 5,000 for 6 months for the first half of 1822 (Guildhall Library, London, Sun Fire, County registers, Ms 11,937/134, 12.xii.1821, 986774), while Dixon, Waln insured merchandise in Brooks warehouse, Lime Street, valued at £ 400, from October 1821 until October, 1822. (Ms 11,937/134, 16.x.1821, 984517; -/136, 12.iv.1821, 977986)

<sup>38</sup> Williams, 'Liverpool Merchants...', and Buck, *Organisation of Anglo-American Trade*, p. 51.

<sup>39</sup> R. Craig and R. Jarvis, *Liverpool Registry of Merchant Ships*, Cheetham Society, xiv, 3rd ser. (1967), p. xxxix; see also F. Neal, 'Liverpool Shipping in the early Nineteenth Century', in Harris, *Liverpool and Merseyside*.

in 1827, while in 1822 this firm rented vaults from Richard Pillfold, merchant.<sup>40</sup> Duff, Findlay owned their own warehouse in Chapel Street, placed merchandise in Falkner's, Brooks Alley, and Lee's, Chorley Street, and rented Ralph Peter's warehouse, of which J. Huddleston was the mortgagee and who insured it in 1822 for £ 6,600.<sup>41</sup> Similarly the warehouse rented by T. Leech & Co. was owned by W. Stringer, a Warrington merchant, who gave it an insurance value of £ 2,500 in 1823.<sup>42</sup> Richards, who also insured with the Eagle Fire Office, rented Gladstone's warehouse and placed merchandise in Farrer's warehouse, Goree. Dyson Brothers owned their own warehouse in the New Exchange Building.<sup>43</sup>

Beyond the leading merchants of the cotton import trade, the picture was very similar: Backhouse, Robinson & Lowe owned a warehouse in Salthouse Dock and put merchandise in Rigbys, Addison Street. R. E. Hyde rented Peter's warehouse in 1823 and stored merchandise in a variety of others – Blundell's, Hammond's, Tyer's and Williamson's. Leechs owned warehouses in Matthew Street and John Street but used, between 1821 and 1823, Bird's, Davies's, Ellison's, Forbe's, Hasties's, Ledson's, McKee's, the Old Tobacco Warehouse, and Sill's. Nicholas Waterhouse & Sons normally had general policies covering the whole port, probably arising from being primarily cotton brokers, but in 1821 specifically referred to Makin's warehouse, and in 1823 to Brade's, Moor Street.<sup>44</sup>

Warehouses came in all shapes and sizes, frequently incorporating offices and counting houses as well as associated sheds, and, for fire insurance purposes, consequently had a variety of values. Their valuations with the Sun ranged from £ 6,600 to £ 75. On the basis of this data, the capital value of Liverpool's warehouses seems to have reflected the mercantile structure of the port, with two major groupings of warehouses by capital value: £ 2,500 to £ 1,500 (18 cases), and £ 1,000 to £ 500, (32 cases). In all, the Sun appears to have insured 77 of Liverpool's warehouses during the early 1820s. They were owned not just by merchants but by gentlemen, spinners, attorneys, druggists and soap manufacturers. Rent on them would appear to have been in the range of 13.3 per cent to 8 per cent of the capital sum insured for fire risks.

The Sun data do not provide a complete picture of any one merchanting firm identified as a member of the port's commercial elite during the early 1820s. The structure of that community makes typicality a further problem, but the real estate of Robert Greenham of Walton, merchant, on his death may provide a pointer. It

<sup>40</sup> Guildhall Library, London: Sun Fire, County Registers, Ms 11,937/161, 1827, 1056403; -/141, 22.x.1822, 996536. The firm also took out fire insurance with the Royal Exchange.

<sup>41</sup> Guildhall Library, London: Sun Fire, County Registers, Ms11,937/134, 5.vi.1821, 979848, 24.iv.1821, 979846, 979847; -135, 14.i.1822, 988258.

<sup>42</sup> Guildhall Library, London: Sun Fire, County Registers, Ms 11,937/142, 21.i.1823, 1000217.

<sup>43</sup> Guildhall Library, London: Sun Fire County Registers, Richards:- Ms 11,937/134, 26.ii.1821, 977322; -/136, 1.iii.1822, 990164; -/139, 26;iii.1822, 990464; -139, 20.xi.1822, 998119. Dysons:- -/135, 22.x.1821, 984613; -/137, 14.ix.1821, 984083 (the firm became T.F. Dyson, West Indian merchant in mid-1822).

<sup>44</sup> Guildhall Library, London: Sun Fire County Registers, Backhouse:- Ms 11,937/142, 21.i.1823, 1000206, -/143, 13.xi.1823, 1009760. The firm also insured with the Phoenix. Hyde:- -/140, 4.ii.1823, 1000426, -/134, 26.ii.1821, 977324, -/137, 14.ix.1821, 984089, 984090.



consisted of property let out, so balancing mercantile risk. One group was at Old Church Yard, consisting of offices, a saleroom with a coachhouse below, a house with offices, four stables, a further house and two more, valued at £ 2,600. Another group was at Tower Garden – a warehouse, house and offices; a further house, warehouse, and stable; and a countinghouse and house, for which the total value was £ 2,100. In addition, there were two warehouses and a house in Moor Street (£ 1,200) and houses in Covent Garden and Old Ropery (£ 600). At Walton, the property consisted of a house (£ 600), a coachhouse, stables and shippon (£ 200) and two cottages (£ 300). The basis of the mercantile business (Greenham & Molineux) was the import of corn, with policies amounting, annually, to £ 11,250 in 1821 and £ 5,000 in 1823.

#### IV

Unfortunately there are not readily available national data for the 1820s against which to place the outline picture of Liverpool's mercantile community sketched here. Some confidence is given, however, by James's work for the 1780s, also based on fire insurance data, although allowance has to be made for the dynamics of the economy between the 1780s and the 1820s and the impact of war, especially inflation. James has demonstrated that merchants and bankers were the elite of late eighteenth century society, with mean personal reproducible wealth of £ 1,458, the next other most important occupational groups being those involved in textiles (£ 885.8) and brewing (£ 641.8). It also has to be remembered that textiles were still, in terms of organisation and entrepreneurship, then at the stage of merchant/manufacturers. James also found that within-occupation inequality was far more important than inter-occupational, which is coincident with the Merseyside evidence deployed here – both the fire insurance data and from Williams' analysis.

In regional terms, mean personal reproducible wealth in the northern Pennine counties was 85 per cent of that of London, but above the national average, and with every indication of the gap closing over the course of the eighteenth century. Moreover, reproducible wealth in London and the Pennine northern counties was unequally distributed, with the top one per cent of households holding 21.1 per cent and 19.5 per cent of reproducible wealth, and the top 20 per cent holding 75.3 per cent and 73.5 per cent, respectively.<sup>45</sup>

#### V

Liverpool's mercantile elite of the early 1820s had diverse origins and performed varying functions in trade and the provision of credit. Evident within this apex of

<sup>45</sup> J.A. James, 'Personal wealth distribution in late eighteenth century Britain', *Economic History Review*, 2nd ser., xli (1988).



the mercantile community are networks based upon religion and family, as well as those developed in response to the growth of cotton's importance and other new trading opportunities.

Cropper, Benson can be traced back to 1790 when James Cropper, at the age of 17, was apprenticed by his father to Rathbone, Benson & Co. The Croppers were a local, Winstanley, Quaker family. However, Robert Benson, a fellow Quaker, came from Kendal in the Lake District, where he had been a grocer and involved in the woollen and linen trades, while his relationship with the Rathbones was cemented by marriage to a sister of William Rathbone IV. The Rathbones had begun as local timber sawyers and shipbuilders, the family moving into the American trade with William III. James Cropper was made a partner of Rathbone, Benson in 1795, but in 1797 began his own business and, then in 1799, joined with T. Benson to form Cropper, Benson. These Liverpool Quakers used their co-religionists in New York and Philadelphia as correspondents. James Cropper was President of Liverpool's American Chamber of Commerce in 1806 and in 1816, while Robert Benson was treasurer from 1808 to 1817, when he was replaced by John Cropper who held the office until 1837.<sup>46</sup> Croppers, with Rathbones, also participated in the East India trade from 1815, selling cotton manufactures, but having to take oriental produce, instead of the hoped for raw cotton, in return. From 1816 Cropper, Benson had an agent Matthew Gisborne in Calcutta, whose Indian agency house had become a sizeable concern by 1826. Cropper, Benson was badly affected by speculation in cotton in 1825, the peak of the upswing of the first half of the 1820s. Ultimately the Bensons went to London, forming eventually in the twentieth century a firm with Kleinworts.

Cropper, Benson indicates some inward migration to Liverpool of entrepreneurial talent, and the same is true of Duff, Findlay. The exact nature and structure of this firm with respect to Liverpool is uncertain, but it would appear to have been connected with Kirkman Findlay, who in 1833, stated that until very recently he had been a general merchant in Liverpool, as well as in London and Glasgow.<sup>47</sup> The Findlay firm began as a Scottish mercantile enterprise in the mid-eighteenth century and Kirkman entered the West India trade in 1792 through a partnership in Leitch & Smith, which also interlocked with another West India house – Stirling, Gordon & Co. This turned to exporting cotton yarns to Europe, with Kirkman Findlay acquiring cotton mills at the turn of the century and establishing a branch house in Manchester. Its Indian connections developed from 1816, with the founding of a branch house in Bombay in 1817. The rising ascendancy of American supplies of raw cotton resulted in the creation of branch houses in New York, Charleston and New Orleans, the required capital arising from an enlargement of the general partnership, including Richard Moon of Liverpool.<sup>48</sup> The Sun fire in-

<sup>46</sup> K. Charlton, 'James Cropper and Liverpool's contribution to the Anti-Slavery Movement', *Transactions of the Historic Society of Lancashire and Cheshire*, CXXIII (1972), pp. 57–8.

<sup>47</sup> S.C. on Manufactures, Commerce and Shipping (1833), q.618.

<sup>48</sup> Anon, *James Findlay & Co. Ltd., Manufacturers and East India Merchants, 1750–1950* (Glasgow, 1951).

insurance data would indicate that Findlay broke his Liverpool partnership with Duff in 1821/2, the firm being reconstituted as Duff & Browne – possibly involving Timothy Browne, of somewhat lesser stature.

W. & J. Brown provides an example of movement within the Atlantic economy over far greater distances and in both directions, establishing a structure which arched over the market, and which led the firm to develop into merchant bankers. The Liverpool house arose from an American mercantile firm, but founded by Alexander Brown, a successful linen merchant from Ballymena, Ireland who emigrated to Baltimore in the late 1790s. A presence in Liverpool was established in 1810 by William, his eldest son, whose venture at Philadelphia had failed in 1808 as a result of Jefferson's embargo. William was initially joined in Liverpool by James, Alexander's fourth son, but who went to New York in 1825. The founding of the Liverpool house allowed Alexander Brown to create his own supply of sterling bills; Browns, thereby, from the 1810s combined two usually independent functions, by enabling American exporters to draw on their Liverpool branch and being prepared to purchase the arising bills.

Browns solicited consignments of American exports after 1815 for the Liverpool house by making advances against tobacco and cotton shipments. Security for these loans consisted of bills of lading, while Browns undertook the necessary insurance. By 1820 Browns were a major force in exporting not only American cotton, but also flour and tobacco to Liverpool. In 1821 William proposed that Browns should expand substantially their insurance business, but this was vetoed by Alexander as, because the Liverpool house would consequently fulfil two functions – insurance underwriter and mercantile agent for the insured – there could be disputes in the settlement of claims. The creation of the New York branch in 1825 was in part to enable the Liverpool house to obtain a greater volume of the English trans-Atlantic export trade in manufactures. James's position in Liverpool was filled in 1826 by Joseph Shipley, a Quaker of Wilmington, who for the previous six years had been the Liverpool agent of a Philadelphia merchant. The trans-Atlantic nature of Brown's business gave them considerable advantages in that other Liverpool commission agents had no American branch offices. This almost became absolute when Browns employed William Bowen as a representative in Manchester in a complementary manner to their Liverpool commission business for the export of British manufactures, so thereby taking a direct hold on the trade.<sup>49</sup>

## V

Urbanisation has often been taken as a corollary of industrialisation, to the extent that the growth of towns has been used as a clear marker of the pace of economic change and development in the modern industrial world. During the early modern

<sup>49</sup> See E.J. Perkins, *Financing Anglo-American Trade. The House of Brown, 1800 – 1850* (1975), and J.R. Killick, 'The Cotton Operations of Alexander Brown & Sons in the Deep South 1820 – 1860', *Journal of Southern History* (1977).

world, and the subsequent period of transition, marketing centres were probably the main urban foci. These were places of intermediation, rather than of production, and this is clearly shown in the case of Liverpool, which by the 1820s was a commercial town par excellence. Trade required finance and greater quantities were needed for international transactions, as the volumes and values were of wholesale proportions. The greater that a city was a central node in trading patterns, then the greater was the requirement for finance. This was met by the provision of credit – strings of credit relationships, which linked individually producers with ultimate buyers, but which knitted together formed hierarchies of financial markets. Specialisation of function developed within these strings, but in the case of Liverpool before the 1830s this was not clearly marked in terms of the separation of commission merchant, broker and agent and indeed, banker. During the period of transition on which this paper has dwelt, the keystone was the merchant, but the mercantile community consisted of a pyramid with a broad base, perhaps an indication of an already implicit grading by function and role, as well as by wealth.

Wealth was the basis of credit, or rather the ability to grant credit and/or require it. The evidence here is suggestive of a limited number of major credit providers, while the whole fabric of the mercantile community was drawn together by credit relations. These threads not only enmeshed the city's community, but ran outwards internationally, facilitating the port's trading patterns and so constituted a sizeable part of the international financial network of the emerging economy of the modern world. For some mercantile firms from the 1830s, there was a shift, as the world economy further developed, towards solely banking, initially financing trade, but ultimately intermediating in the flows of capital between continents.

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## The Emergence of Edinburgh as a Financial Centre

In most undergraduate textbooks of economic history students will read about the technology of major industrial sectors and about supply and, to a lesser extent, demand factors affecting those industries. There will usually also be some useful information about economies of scale and about factors influencing the location of particular industries in a particular part of the country. Service industries, such as transport, will also receive very full treatment as will the construction industry. Yet there will be very little about financial services. Despite the importance of finance in the economic equation economic historians, especially those who write basic textbooks, tend to have very little to say about the importance of money or about the contribution of the financial sector to the process of economic growth. Most limit themselves to some carefully chosen words about the changing structure of banking and, perhaps, the stock exchange over time. Insurance, in particular, is almost always ignored.

This is disappointing for if students are to obtain a balanced view of the process of economic growth then they must be aware of the contribution to that process made by all sectors of the economy and not just by manufacturing industry. This is doubly important given the essentially service based nature of many modern economies. In the United Kingdom financial services now employ just as many people as the whole of manufacturing industry. The trend towards a service dominated economy has been evident since at least the mid-nineteenth century and has recently been the subject of some scholarly comment.<sup>1</sup>

In terms of contribution to economic growth, employment and the balance of payments the British insurance industry must count among the top rank of British industries. Yet students of economic history learn precisely nothing about it. It may be thought that this argument is moving towards a dangerously utilitarian view of the purpose of undergraduate teaching of economic history. Perhaps it is. But even if you do not accept that the purpose of teaching economic history is to give your students an understanding of the modern economy there must also be an argument for saying that you have a duty to them to give a balanced view of the whole process

<sup>1</sup> See especially W.D. Rubenstein, *Capitalism, Culture and Decline, 1750 – 1990* (London, 1993), Ch 2.

of economic development. At least in the British case it must be argued that the financial services sector has made a major contribution to growth – both as a growth industry and for the manner in which financial services contribute to growth in other sectors.

The economic development policies being pursued by many countries nowadays recognise these facts. Many countries throughout the world are currently pursuing policies aimed at creating financial centres or at enhancing centres which are already in existence. Dublin, Vancouver and Lyon fall into these categories. Large, well established, centres, such as London, are worried that their traditional business may be stolen away by these centres which are able to offer inducements to attract business from them. The major consideration in the development of these new financial centres is the creation of employment. Historically, however, the activities of financial institutions did not figure very highly on the list of development priorities. Indeed it is really only in the last twenty years that they have begun to come to prominence in programmes of economic development.

This seems somewhat strange because financial services got off to a good start in the minds of economists. The Scottish economist Adam Smith thought highly of banks.

*'That the trade and industry of Scotland...have increased very considerably during this period, and that the banks have contributed a good deal to this increase, cannot be doubted.'*<sup>2</sup>

Thereafter many economists took a passing interest in banking but concentrated their attentions on the mysteries of the supply of money. It is not surprising, therefore, that they took a greater interest in manufacturing industry and the more visible services such as transport. These things are, after all, much easier to comprehend. Moreover it is probable that the provision of financial services, notwithstanding the importance of capital in the economic equation, were not seen as generators of growth. Perhaps for this reason most twentieth century economic development programmes, at least in the United Kingdom, concentrated their efforts on manufacturing and transport infrastructure. Only very recently has the supply of financial services assumed any importance in the plans of development economists.

In these plans the place where services are provided is a major consideration and the creation, or further development, of a financial centre is at the core of these ideas. Yet the idea of a financial centre as a place where the provision of financial services is concentrated is relatively new to the disciplines of economics and economic history. In modern times a great deal of credit for stimulating thinking on this subject must go to Charles Kindleberger whose 1974 Princeton study<sup>3</sup> is, I believe, the key to a greater understanding of this important subject – even if it raises more questions than it answers.

Kindleberger identified that the study of the location of financial centres falls

<sup>2</sup> A. Smith, *The Wealth of Nations* ed A. Skinner (Harmondsworth, 1970). P 394.

<sup>3</sup> C.P. Kindleberger, *The Formation of Financial Centres: A Study in Comparative Economic History* (Princeton, 1974).

between two schools – financial economics and urban and regional economics. Neither have taken much interest in the ‘geography of finance’. The situation, however, is improving with a number of scholars looking at the interstices between these two branches of economics and discovering that financial centre location raises a number of important questions.<sup>4</sup>

With some honourable exceptions historians too have tended to ignore the origins of financial centres. The exceptions are N.S.B. Gras and M. Fanno both of whom wrote in the first quarter of this century.<sup>5</sup> More recent writers such as M. Collins capture the factors which led to the emergence of London as a financial centre without actually addressing the issue of concentration and location.<sup>6</sup>

In the United Kingdom there is a perfectly natural tendency to regard London as the financial centre of the country. It is, after all, one of the three largest centres in the world. Yet this is not the whole story as far as the provision of financial services is concerned. Nor is London the only financial centre in the country. By some measures Edinburgh ranks alongside the largest European centres and other cities, such as Manchester, have aspirations to be regarded as financial centres in their own right. In the nineteenth century, when the whole of Ireland was part of the United Kingdom, Dublin was certainly the locus of financial provision and that city has recently revived its claim to financial centre status. Although there is no universal agreement on the definition of a financial centre the term may be taken to mean a city where many head-quarters of financial institutions are located. The minority view is that it is the number of financial transactions in a city which define its status, rather than the number of head offices. This difference of opinion has not yet achieved the level of historical debate but it is important. In the late nineteenth century, for example, the Scottish financial centre was in Edinburgh, judged by the number of head offices but in Glasgow judged by the number of financial transactions.

The United Kingdom in the nineteenth century can provide several case studies of emerging financial centres – London, Edinburgh and Dublin as major centres and other cities such as Manchester, Birmingham, Belfast and Glasgow as less important but still significant centres. The purpose of this paper is to examine the development of Edinburgh as a financial centre but with sideways glances at some of the other cities of finance. In particular attention will be given to the rivalry between Edinburgh and Glasgow in the nineteenth century and to the Glasgow challenge to Edinburgh’s hegemony.

<sup>4</sup> See Royal Dutch Academy of Arts and Sciences, May 1991 Conference on Financial Centre Development.

<sup>5</sup> N.S.B. Gras, *An Introduction to Economic History* (New York, 1922) and M. Fanno, *La Banche e il Mercato Monetario* (Rome, 1913).

<sup>6</sup> M. Collins, *Banks and Industrial Finance in Britain* (London, 1991). P 62.

One of the most interesting, but perhaps inconclusive, aspects of Kindleberger's paper was his view of world financial centres in terms of which of them were capital cities and which were not. Although politics were identified as a major contributory influence they were not, in themselves, a guarantee that a financial centre would emerge, if one was going to emerge, in the capital of a country. Yet in the United Kingdom, which is an unusual historical amalgam of countries, financial centres emerged in the three capital cities of London, Edinburgh and Dublin, but not Cardiff.

If it is assumed that there will be a close correlation between the emergence of industry and the emergence of banks and other institutions then the experience of Scotland, Ireland and England is all the more curious. In each case the centre of industry emerged in a city or region separate from the financial centre Glasgow in Scotland, Belfast in Ireland and Lancashire in England. Inevitably this has given rise to questions about whether the financial organisations, banks in particular, have been sufficiently in tune with the needs of industry, given their geographical separation from the industrial centres.<sup>7</sup> It will be argued that, given the organisational form of banks in Scotland, this was not a problem.

By the end of the eighteenth century Scotland had developed a three tier system of banking. The three largest banks, Bank of Scotland (1695), Royal Bank of Scotland (1727) and British Linen Company (1746) were based in Edinburgh. They were joint-stock companies, constituted by Act of Parliament or by Royal Charter. These were what Checkland described as the 'Public Banks'.<sup>8</sup> All were deposit taking, note issuing banks and all had developed a branch banking system, although the Royal Bank had confined itself to a single branch – in Glasgow, opened in 1783. It was said of this branch that it was the busiest bank office in the UK other than the Bank of England.<sup>9</sup>

Secondly there was a number of Edinburgh based private banks which tended to act as retailers of credit from the public banks. These banks accepted deposits and borrowed large sums of money from the public banks which they then lent to their own customers. This was a very early variety of what has since been called – round-tripping. No archives for these banks have survived so it is impossible to be precise about their activities. Only the largest of these private banks, Sir William Forbes, James Hunter and Company, issued bank notes and none of them had branches.<sup>10</sup> These were, therefore, very much a part of the Edinburgh financial scene and their partners often served on the boards of directors of the public banks.

The third element in the system was the provincial banking companies. These began to be formed after the Jacobite rebellion in the 1740s. They were to be found

<sup>7</sup> W.P. Kennedy, 'Institutional Response to Economic Growth: Capital markets in Britain to 1914', in L. Hannah (ed.) *Management Strategy and Business Development* (London, 1976).

<sup>8</sup> S.G. Checkland, *Scottish Banking: A History 1695–1973* (Glasgow, 1975). P 103–4.

<sup>9</sup> Checkland, 1975. P 146.

<sup>10</sup> Checkland, 1975. P 201.



first of all in the major provincial cities, but particularly in Glasgow, where the pace of economic development was quickest. By 1770 provincial banks were to be found in Glasgow, Aberdeen, Dundee, Ayr and Perth and from there the system spread to encompass most towns of any size. One of the responses of the public banks to the formation of the provincials was to force them to join a note exchange, and thus to bring stability to the Scottish monetary system. The second response was to establish branches in direct competition with these local banks. By the 1780s most of these banks faced competition from a branch of one or more of the public banks. The Edinburgh system was, therefore, already reaching out into the provinces just as the industrial revolution was getting under way. Edinburgh bankers were determined to meet any competition head on but they also saw themselves as guardians of the system and it was their responsibility not to allow it to be destabilised by reckless banking. The note exchange became the main means by which they controlled the threat, real or imagined, from the provincial banks.<sup>11</sup>

Glasgow was, in the third quarter of the eighteenth century, the centre of the British tobacco industry and conducted a large entrepot trade between the American colonies and France.<sup>12</sup> The problem which faced the tobacco merchants was that few of them were well known in Edinburgh, a city some 45 miles distant, where the public banks were to be found. This meant that it was difficult, if not impossible, for them to obtain bank credit prior to the setting up of public bank branch networks in the 1770s and 1780s. Only the larger, and better known, merchants had credits with the Edinburgh banks. Many had no access to bank credit and even those who had access doubtless found it difficult to operate these accounts in an easy manner. There is also evidence to suggest that there were concerns about the profits from banking being earned by Edinburgh institutions, with a consequent loss of resources in Glasgow. Very few Glasgow merchants were shareholders in the public banks.

Their solution was to set up their own banks.<sup>13</sup> This is a classic case of the people at the centre not appreciating the needs of people on the periphery and the people on the periphery taking the matter into their own hands and producing their own response. What is remarkable in this case is the relatively small size of the country in which this happened. Nevertheless this was the pre-railway, and pre-canal, age and transport and communications problems undoubtedly contributed to the difficulties experienced by Glasgow, and other, merchants.

The provincial banking companies were, on the whole, a highly successful part of the Scottish banking system.<sup>14</sup> Nevertheless they were viewed with some suspicion by the Edinburgh bankers who tried to control them via the note exchange and then to court them by offering correspondent banking relationships. There was thus an ambivalence in the attitude of the public banks to the existence of the provincials. However, what was emerging in Scotland by the late eighteenth century

<sup>11</sup> C.W. Munn, *The Scottish Provincial Banking Companies 1747–1863* (Edinburgh, 1981). Ch 1.

<sup>12</sup> T.M. Devine, *The Tobacco Lords* (Edinburgh, 1975). *Passim*.

<sup>13</sup> Munn, 1981. Ch 1.

<sup>14</sup> Munn, 1981. Conclusion.



was an efficient and price competitive banking system which was able to meet the growth requirements of its customer base. Leadership of the system was clearly with Edinburgh although there were elements in the system which would allow Glasgow banks to grow and to try to threaten the ascendancy of the Edinburgh banks.

One of the factors which made the banks so successful was the highly developed education system in Scotland where commercial subjects such as book-keeping were part of the curriculum. This ensured a ready supply of good quality clerks. Perhaps more important than this was the Scottish legal system, in many ways different from the English system, in which partnerships were recognised as separate legal entities. This brought some of the benefits, and responsibilities, of legal incorporation. All of the private and provincial banks were organised on this basis and this enabled some of them to grow into quite sizeable businesses.

There was also one accident of law which greatly benefited the Scottish banking system. In 1708 the English banking system was encumbered with a piece of legislation which ensured that England was deprived of a banking system 'commensurate with a period of rapid economic growth'.<sup>15</sup> This legislation, which was designed to preserve the monopoly of the Bank of England, had the effect of limiting the number of partners in English country banks to six. It became apparent in the crisis of 1825–26 that the English banking system was weak by comparison with the Scottish where the 1708 legislation did not apply. The result was that many of the provincial banks were multi-partnered organisations. Some of them had as many as 50–60 partners and this made them the fore-runners of joint-stock banks.<sup>16</sup> It was the fully developed joint-stock form of organisation adopted from the 1820s that finally gave Glasgow banks the size to threaten the public banks in Edinburgh.

As a sidelight on this matter it is noteworthy that when the Bank of Ireland was established in Dublin in 1783 it was given powers and protections similar to those enjoyed by the Bank of England. This did not produce stability. Indeed most of the Irish private and country banks failed in a crisis of 1820 and it was not until the monopoly powers of the Bank of Ireland were whittled away and the Irish erected a banking system based on the Scottish model that they were able to enjoy a measure of stability and growth in their banking system and their economy. It is also significant that much of the new growth in banking came from organisations in the industrialising north, around Belfast, although none of these new banks were able to rival the Bank of Ireland in the nineteenth century.<sup>17</sup> As we shall see it was not just the Irish who adopted the Scottish system of banking.

There were a number of features which characterised the Scottish system of banking. Freedom from central (political) control, branch banking, note-issuing and joint-stock type organisation were the major structural elements. The ways in

<sup>15</sup> L.S. Pressnell, *Country Banking in the Industrial Revolution* (Oxford, 1956). P 6.

<sup>16</sup> Munn, 1981. Ch 7.

<sup>17</sup> G.W.S. Barrow, *The Emergence of the Irish Banking System 1820–45* (Dublin, 1975). and P.G. Orlershaw, *Banking in Nineteenth Century Ireland: The Belfast Banks 1825–1914* (Manchester, 1987).

which Scottish bankers went about their business were also quite distinctive. The Scots pioneered lending by overdraft – a system whereby customers received an agreed borrowing limit and could borrow up to that limit, but with the flexibility of being able to repay any amount at any time, and to borrow again for as long as the account was in operation. Interest was charged only on the daily balance basis. This cash account, as it was called, was repayable on demand and was therefore a short-term credit instrument but in practice these accounts remained in operation for many years and became, in effect, long term loans. Customers could also accumulate credit balances on these accounts for which interest was credited at a rate only 1% below the lending rate.<sup>18</sup>

It is significant that notwithstanding the fact that there were three fairly distinct types of bank in Scotland they were quite homogeneous in terms of the lending services which they offered. Where there was a difference was in the other services normally associated with modern banking.

The Scots were very early into the paying of interest for deposits and it was not just on cash account balances. Deposit receipts were also highly popular devices. It is noteworthy that the practice of accepting deposits, and paying interest for them, began in the area of greatest economic growth in the eighteenth century, in Glasgow, but eventually spread throughout the country. Deposit banking was therefore general in Scotland before it became common in England.<sup>19</sup>

Significantly there is evidence to show that deposit gathering activity was more intensive in the rapidly growing industrial west of the country than in the capital city of Edinburgh. In 1827 the Edinburgh based National Bank of Scotland had to pay higher rates on deposit interest at its west of Scotland branches than it did at its other branches or at head office. The reason for this was quite simply to compete with the rates paid by Glasgow banks.<sup>20</sup> Some Edinburgh banks kept out of Glasgow for many years but eventually bowed to the inevitable. In 1844 the Edinburgh based Commercial Bank of Scotland decided to open branches in several west of Scotland towns because it was in that 'district the principal banking business is done'.<sup>21</sup> This point highlights the definition of a financial centre stressed earlier. The head offices of the major financial organisations were in Edinburgh but the bulk of the business was in the West.

The same type of thing happened in Ireland and when the Dublin based Provincial Bank of Ireland opened an office in the industrial city of Belfast in 1826 it had to pay a higher rate of interest for deposits there than at its other branches.<sup>22</sup> It is not clear from the available evidence, however, how long these differential rates of interest survived between the capital cities and the industrial cities in Scotland and Ireland.

<sup>18</sup> Munn, 1981. Pp 115 – 21.

<sup>19</sup> Munn, 1981. Pp 145 – 48.

<sup>20</sup> C.W. Munn, 'The Development of Joint-Stock Banking in Scotland 1810 – 45' in A. Slaven and D.H. Aldcroft (eds.) *Business, Banking and Urban History*, (Edinburgh, 1982). P 120.

<sup>21</sup> Commercial Bank of Scotland, Board minutes. 29th may 1844.

<sup>22</sup> Ollerenshaw, 1987. P 20.

By the time of the commercial crisis of 1825–26 the Scottish banking system had developed a level of sophistication which was not apparent anywhere else in the United Kingdom. The Parliamentary enquiries which were published in May 1826 began to make public the virtues of the Scottish system.<sup>23</sup> Indeed the pamphleteer and company promoter, Thomas Joplin, had begun the process of informing the public about Scottish banking in 1822 and there was soon a substantial pamphlet literature on the subject.<sup>24</sup> Legislation in Ireland and then England was brought in to reduce the monopoly powers of the Bank of Ireland and the Bank of England and to allow these countries to develop banking systems which were more in keeping with the needs of customers. In short it was clear that the banking system which had evolved in Scotland was much more closely the result of customer demand than the banking systems of Ireland or England.

Yet it too was changing. As the economy entered the railway age in the 1830s and other industries were growing apace the private and provincial banking companies found that they were too small to meet the needs of their customers. Within a few years they were gone, mostly by a process of mergers but there were a few failures. In their place there grew a series of large scale joint-stock banks some of whom, like the Glasgow based Union Bank<sup>25</sup> bought up a number of the smaller banks. The effect of this was that by 1845 Scotland had a structurally homogeneous banking system.<sup>26</sup> The same could almost be said for Ireland although the great size of the Bank of Ireland dwarfed the other organisations. The English banking system had begun to develop joint-stock banks but the process was slow.<sup>27</sup>

## II

The years between 1830 and 1850 were, therefore, a period of great change in British banking. Scotland, closely followed by Ireland, achieved a substantial change in its banking structure. England was some years behind.<sup>28</sup> It remains to be seen, however, where this change was taking place and from where these new initiatives were coming.

Throughout the nineteenth century there was a great and intense rivalry between the cities of Glasgow and Edinburgh. It is a rivalry which continues to the present day. It took many forms. On the banking scene the Edinburgh banks, especially the older public ones, the Bank of Scotland and Royal Bank of Scotland, took a superior view of the system and regarded themselves as its supervisors. They

<sup>23</sup> Munn, 1981. Pp 80–85.

<sup>24</sup> T. Joplin, *An Essay on Banking in England and Scotland*, (London, 1822).

<sup>25</sup> N. Tamaki, *The Life Cycle of the Union Bank of Scotland 1830–1954*, (Aberdeen, 1983). P 19–34.

<sup>26</sup> Munn, 1982 and 'The Coming of Joint-Stock Banking in Scotland and Ireland 1820–45' in T.M. Devine and D. Dickson (eds) *Ireland and Scotland: 1600–1850*. (Edinburgh, 1983).

<sup>27</sup> P.L. Cottrell, *Industrial Finance 1830–1914*, (London, 1980). P 195.

<sup>28</sup> C.W. Munn, 'The Emergence of Joint-Stock Banking in the British Isles-A Comparative Approach' in R.T.P. Davenport-Hines and G. Jones (eds) *The End of Insularity: Essays in Comparative Business History*. (London, 1988).

tended to view the Glasgow bankers as somewhat reckless and in 1832, when they had good reason to believe that the Glasgow based Western Bank of Scotland was engaging in business which was likely to de-stabilise it, they excluded it from the note exchange.<sup>29</sup> It is incidents like this which call the adoption of Scotland as a model by the 'Free Banking School' into question.<sup>30</sup>

There was therefore a clear difference of tone in the minds of bankers in the two cities. The reluctance of the National Bank to operate in the west of Scotland, mentioned above, is another example of the guarded and suspicious way in which Edinburgh bankers regarded the west.

When, in 1845, the Bank Act was passed which prevented the creation of new note-issuing banks the Scottish banks were allowed to have an 'authorised circulation' based on the average circulation in 1844. The figures which were published at that time give some indication of the strength of banking in the two cities.

These figures clearly show what a commanding position Edinburgh had established in the banking world by this stage. Nevertheless the struggle was not over and note issues are not the only measure by which to gauge a banking system. The Scottish bankers themselves thought of their strengths not only in terms of figures on their balance sheets but in terms of the number of branches which each bank maintained. These figures tell a somewhat different story.

In 1857 there were 607 branches of Scottish banks. Of these 228 were operated by banks with their headquarters in Edinburgh (average 45) but the Glasgow banks operated 281 branches (average 70). Other Scottish cities had banks with 84 branches (average 12). These figures clearly establish Glasgow in the ascendancy. Furthermore, in terms of note issues, the Glasgow banks were moving to close the gap with £ 1,454,000 against Edinburgh's £ 1,840,000 in 1857.<sup>31</sup> It must be remembered, however, that by this stage of their development note issues were becoming less important to the circulation of Scotland and cheques were being used increasingly in business.

Any ascendancy over Edinburgh which the Glasgow banks had been able to establish at this time was short lived. For in the commercial crisis of 1857 the Western Bank of Scotland failed. The shock was severe, for the Western had the largest number of branches and the second largest note circulation of the Scottish banks. In 1865 the Scottish banks began to publish modest balance sheets and these show that, by that date, any claim which Glasgow might have had to be a rival financial centre to Edinburgh had evaporated. The figures show that, in that year, the Edinburgh based banks controlled 61.5% of bank liabilities to the public (notes and deposits) while the Glasgow banks had only 30.31%.<sup>32</sup> In 1878 the City of Glasgow of Glasgow Bank failed and the Glasgow bank's share of total liabilities went down to 22.15% in 1880 against Edinburgh's 70.72%. The eclipse of Glasgow was complete

<sup>29</sup> C.W. Munn, 'The Origins of the Scottish Note Exchange', *Three Banks Review*, 1975 and (Checkland, 1975). Pp 328 - 9.

<sup>30</sup> L. White, *Free Banking in Britain: Theory, Experience and Debate 1800 - 45*, (Cambridge, 1984).

<sup>31</sup> C.W. Boase, *A Century of Banking in Dundee*, (Dundee, 1867). P 503.

<sup>32</sup> Checkland, 1975. Table 48, p 751.

Table 1. Authorised Note Circulations of Scottish Banks 1845.  
(all figures in £ 000s).

Bank		Total
<b>Edinburgh</b>		
Bank of Scotland	300	
Royal Bank of Scotland	183	
British Linen	438	
Commercial Bank of Scotland	375	
National Bank of Scotland	297	
Edinburgh and Glasgow Bank (50%)	68	
		1695
<b>Glasgow</b>		
Union Bank of Scotland	327	
Western Bank of Scotland	338	
Clydesdale Bank	104	
City of Glasgow	73	
Edinburgh and Glasgow Bank (50%)	68	
		910
<b>Other Cities and Towns</b>		
Dundee Banking Company	33	
East of Scotland Bank (Dundee)	34	
Aberdeen Town and County Bank	70	
Aberdeen Banking Company	88	
North of Scotland Bank (Aberdeen)	154	
Perth Banking Company	39	
Central Bank of Scotland (Perth)	43	
Caledonian Bank (Inverness)	53	
		514
<b>Total</b>		3119

Source: C.W. Boase, *A Century of Banking in Dundee* (Dundee, 1867) 432.

and the industrial city never again rivalled the capital city of Edinburgh as a banking centre.

In Ireland the Bank of Ireland continued to dominate the system and the Belfast banks never looked like threatening the Dublin based banks<sup>33</sup> in the way that the Glasgow banks had threatened those in Edinburgh. In 1850 the three Belfast banks had 49 of the 174 Irish bank offices (28.2%). By 1880 they had 138 out of 415 offices (33.3%).<sup>34</sup>

The number of branches and the amounts of notes issued are, of course, not the whole story. Advances to customers are probably even more important but it is more difficult to obtain reliable data. S.G. Checkland ranked the Scottish banks at five yearly intervals between 1865 and 1972 based on published balance sheet

<sup>33</sup> Ollerenshaw, 1987. Table 37, p 184.

<sup>34</sup> Ollerenshaw, 1987. Table 29, p 124.



information. In 1870 the five Edinburgh banks ranked 1,2,3,5, and 6 with the three Glasgow banks ranked 4,7, and 8. In 1880, after the failure of the City of Glasgow Bank, the Edinburgh banks ranked 1,2,3,4 and 5 with the remaining Glasgow banks ranked 6 and 7.<sup>35</sup>

Mention of bank lending raises the question of where the money was being lent. It is certainly clear from the above that the bulk of Scottish banking was controlled from Edinburgh. Yet it seems likely that most lending took place in Glasgow and the west of Scotland. This was, after all, the industrial centre of Scotland where the highest densities of population were to be found. In the last quarter of the nineteenth-century Scotland, particularly the west of Scotland, maintained a disproportionately large part of Britain's heavy industry and the demand for credit must have been very high. What is not clear is where the lending decisions took place. Branch managers certainly had some discretion especially where discounting of bills took place. It is much less likely that they had discretion in the granting of cash credits.<sup>36</sup> In these cases decisions were made either at head office or by one of the regional boards or committees which some banks operated.

The Glasgow based Union Bank of Scotland operated a regional committee system. Its historian, Norio Tamaki, discovered that in the regions of Perth, Aberdeen and Edinburgh, between 1860 and 1865, deposits exceeded advances – sometimes by a large margin. But in Glasgow the reverse was the case; advances were continually ahead of deposits.<sup>37</sup> The conclusion to be drawn is the obvious one that branches were not just used to gather deposits and channel them in to head office but that was their main function. It is also noteworthy that the west of Scotland branches produced the largest volume of deposits. Unfortunately none of the Edinburgh banks has attracted the same degree of careful examination from an historian so that it is not possible to see how this system operated from Edinburgh. However, the notes made by S.G. Checkland and his researchers, using board of directors' minute books, show that Edinburgh bankers made many loans to west of Scotland businesses. These would be operated via accounts in Glasgow and other west of Scotland branches. It is tempting to assume that the Edinburgh banks did the bulk of their lending in the west but there is no hard evidence to support this. The quotation from the National Bank that Glasgow was where 'the principal banking business is done' lends weight to this supposition but there is clearly a need for more research in the archives of the Edinburgh banks.

Given the dominance of the Edinburgh banks in the last quarter of the nineteenth century and the preponderance of industrial developments on the other side of Scotland it might be tempting to assume that this led to questions about the quality of the banking service which customers received. It is often claimed of England, although without much substantiation, that the physical separation of banking head offices in London from industrial head offices in the north of England led to an inferior quality of banking service. This is usually related to lending,

<sup>35</sup> Checkland, 1975. Table 47, p 750.

<sup>36</sup> C.W. Munn, *The Clydesdale Bank: The First 150 Years*, (Glasgow, 1988). P 54.

<sup>37</sup> Tamaki, 1983. Table 27, p 89.

in particular, and the argument, in its more extreme form, is that the banks turned their backs on industry. Given that there was this same physical separation of banking head offices from industry in both Scotland and Ireland might it not be argued that these countries suffered an inferior quality of banking service, especially in lending?

The evidence for such an argument is non-existent. It is possible to find a few examples of applications for loans being turned down but this is not the same as saying that the banks were blind to the needs of industry. It is just that they knew a poor lending proposal when they saw one. The branch banking system and the operation of regional boards ensured that banks, wherever their head office, were well attuned to the needs of industry. Moreover the German banking system of having bankers on the boards of industrial customers is sometimes held up as a system well worthy of imitation. Yet the Scottish and Irish practice, perhaps also the English, was to have businessmen on the boards of banks. There is an abundance of evidence to show that all Scottish banks were responsive to the needs of industry and commerce and that it was not just large well established companies who received credit from their banks.<sup>38</sup> Many newly formed companies, some of which were in new industries, were able to prove themselves sufficiently credit worthy to justify the faith of their bankers in lending them money.

### III

The existence of a banking system is always the main element in a financial system and it is usually the most visible, especially when branch banking is part of the structure. Yet banks are by no means the whole story. In Scotland the life assurance industry has, for many years been a major element of Scottish financial enterprise. Unfortunately, despite its importance, it has received very little attention from historians.<sup>39</sup> Public sources of information about the industry are scarce and they are often unreliable.

Nevertheless a few figures will suffice to create the impression that Edinburgh's dominance over Glasgow in the banking industry was even more marked in the life assurance business. There do not seem to have been any permanent developments in the life assurance industry in the eighteenth century. Most of the nineteenth century companies were organised as mutual companies (without shareholders,

<sup>38</sup> Tamaki, 1983, Ch 5; and Munn, 1988 'Emergence...'. Pp 114 – 139.

<sup>39</sup> The notable exceptions are Messrs Butt and Treble. See J Treble 'The Performance of the Standard Life Assurance Company in the Ordinary Life Market in Scotland 1850 – 75', in J. Butt and J.T. Ward, *Scottish Themes*, Edinburgh, 1976. Pp 124 – 40; and 'The Performance of the Standard Life Assurance Company in the Ordinary Market for Life Assurance 1825 – 50', *Scottish Economic and Social History*, Vol 5, 1985. Pp 57 – 77; and J. Treble, 'The Record of the Standard Life Assurance Company in the Life Assurance Market of the United Kingdom, 1850 – 64' and J Butt 'Life Assurance in War and Depression: The Standard Life Assurance Company and its Environment, 1914 – 39' in O. Westall (ed.) *The Historian and the Business of Insurance*, (Manchester, 1984). Pp 95 – 113 and Pp 155 – 172.

Table 2. Total Life Funds of Scottish Assurance Companies (all figures in £ 000,s).

Name of company	Year of formation	Edinburgh head office	Glasgow head office	Other head office	
Caledonian	1805	773			
City of Glasgow			1435		
Edinburgh General		2119		899	Perth
Life Assn of Scot	1885	3081			
North Brit	1838	3645		1960	Abdn
Scot. Amicable	1809		2775		
Scot. Provident	1827				
Scot. Union and Nat	1837	5738			
Scot. Widows	1878	2655			
Standard life	1814	9228			
	1825	6482			
total		33721	4210	2859	

although some were set up as companies and then converted to mutual status)<sup>40</sup> whose sole business was life assurance. There were a few composite companies who transacted all branches of insurance but the business was dominated by the mutuals.

A list in the *Scottish Banking and Insurance Magazine* of 1887 gives a view of the size of the industry and of the extent to which it was dominated by Edinburgh based companies (See table 2). Significantly the three largest Scottish companies – Scottish Widows, Standard Life and Scottish Provident were also the three largest British companies and several of the other Scottish companies were also significant in UK terms. The table indicates that the formative period for the industry was between 1815 and 1840. This was also the period when banking transformed itself from its eighteenth century mode into a more modern structure.

What is a little surprising is that Glasgow did not provide a greater response to the opportunities which were available. Yet whereas the development of large scale joint-stock banking was slower to be seen in Glasgow than in Edinburgh the life assurance business barely developed at all. This is not to be explained by regional demand factors for most of the Edinburgh life offices had branches in Glasgow. In the absence of primary research we must assume therefore that there was a healthy demand for life policies in the west of Scotland.

#### IV

The dominance of Edinburgh over Glasgow as Scotland's financial centre was evident in the eighteenth century and with the arrival of the life assurance industry

<sup>40</sup> E.g. The Scottish Mutual Assurance Society which began life in 1883 as the Scottish Temperance Assurance Society Ltd. See M. Magnusson, *A Length of Days: The Scottish Mutual Assurance Society*, (London, 1983).

in the early 19th century it was confirmed. This was re-affirmed by later developments, for Scotland came to be the home of the investment trust movement. Many of the principles on which investment trusts were established and run were developed in Scotland by people like Robert Fleming and W.J Menzies.<sup>41</sup> Most of these developments were based in Edinburgh but it was Dundee, rather than Glasgow, which provided the competition.

Research on the history of investment trusts and other financial organisations is in an even less developed state than that on insurance companies. Of the investment trust companies formed between 1873 and 1900 (and still in existence in 1932) twelve were in Edinburgh and six in Dundee. There were none in Glasgow.<sup>42</sup> If the investment trusts are added to the general category of financial, land and investment companies used by the Stock Exchange Yearbook then the same picture of Edinburgh dominance emerges. Of the companies formed in the nineteenth century and still in existence in 1900 some 22 were in Edinburgh, 8 in Dundee, 6 in Glasgow and 4 in Aberdeen. These figures simply confirm what we have already observed.

It should be remembered too that, earlier in the century, a great deal of Glasgow and the west of Scotland's energies were being channelled into railways and iron companies, with banking a poor third and life assurance barely visible. Edinburgh energies on the other hand were being channelled into commerce, especially banking and life assurance, with comparatively little being devoted to heavy industry. Regional specialisation may provide a framework for describing what was happening but it does not adequately explain why the economic development process in the two cities was so different.

The geography of central Scotland was certainly a contributory factor in this. The cities are only 45 miles apart and they were connected by railway in 1841. Prior to this the canal boats had done a good trade in passenger traffic – linking the two cities in 10 hours. Stagecoaches were even more important. Nevertheless the pattern of development which has been described was set before the arrival of the railways. Although railways are vitally important to later developments in many parts of the world they certainly do not form part of the explanation for regional specialisation in central Scotland before the 1840s.

Clearly the development of a predominantly commercial city on one side of the country and a predominantly industrial one on the other side is not to be explained by a mono-causal argument. Industrial development in Scotland, as in Ireland and England, can certainly be attributed to such factors as access to raw materials, shipping facilities and a supply of labour. These ingredients are not so important in financial services which can be supplied anywhere with small amounts of labour. The branch system saw to that. The question to be posed therefore is why so many financial institutions were head-quartered in Edinburgh rather than Glasgow.

Of course, exactly the same question can be asked of Ireland and England.

<sup>41</sup> A. Slaven and S.G. Checkland (eds.), *Dictionary of Scottish Business Biography, Vol 2*, Aberdeen, 1990. Entry by C.W. Munn on Robert Fleming pp 401 – 2 and R.B. Weir on W.J. Menzies pp 414 – 5.

<sup>42</sup> G. Glasgow, *The Scottish Investment Trust Movement*, (London, 1932).



Kindleberger defined a series of factors which were important in the establishment of financial centres and to his list I have added some of my own. These include legal stability, currency stability, location on trade route, political centre, local demand, external economies of scale, culture, tradition, skills, savings accumulation, information network, government policy and education.<sup>43</sup> Edinburgh possessed all of these attributes, with the exception of government policy. Yet Glasgow had nearly as many attributes. The only major difference between itself and Edinburgh was that it was not a political centre.

Ultimately the answer may be found in the eighteenth century rather than the nineteenth. The establishment of the Royal Bank's branch in Glasgow in 1783 under the management of R. Scott-Moncrieff and David Dale was extremely successful and came just at the time when Glasgow was beginning to emerge from the loss of most of its tobacco trade and to find other things to do with its energies. The Royal Bank branch soon established itself as the dominant force in Glasgow banking.<sup>44</sup> The fact that it was controlled from Edinburgh did not seem to matter to the Glasgow merchants who were its customers. Encouraged by this the Bank of Scotland opened a branch in 1787. The British Linen Company had a presence in Glasgow from an even earlier date. It is reasonably clear that these offices of the Edinburgh banks did excellent business and the Royal Bank in particular soon came to dominate the city's banking despite the existence of several native banks and the branches of numerous other provincial banks. Moreover the shareholdings in the Edinburgh public banks appear to have been more widely spread so that the argument about profits from Glasgow banking going to Edinburgh were no longer so valid as they had been in the 1750s.

This issue was addressed by Professor Tamaki in his history of the Union Bank. He questions why it was that in 1830 Edinburgh had five large scale banks when Glasgow had four relatively small scale organisations of its own. The answer seems to be that most of Glasgow's banking needs were being met by branches of Edinburgh banks and there was no perceived need for Glasgow to develop its own larger scale banks. What changed this situation was the sudden arrival of the railway and iron age in the 1830s. Demand for credit and other banking services grew dramatically and Glasgow, at last, produced some large scale banking initiatives of its own.<sup>45</sup> For a time these highly active and aggressive organisations posed a serious challenge to the Edinburgh banks but they over-reached themselves and their challenge soon faded. It may be speculated that if Glasgow business people were, on the whole, content to look to Edinburgh for their banking needs they would be equally content to look there for their life assurance and other financial requirements.

The branch and agency systems of distributing financial services proved to be a highly efficient and reliable means of collecting deposits, lending money, selling insurance policies and gathering premia. The management tasks involved in run-

<sup>43</sup> Kindleberger, 1974. *Passim*.

<sup>44</sup> Checkland, 1975. Pp 146 – 7.

<sup>45</sup> Tamaki, 1983. Intro. and ch.1.



ning a branch system were quite straight-forward. Basically it was sufficient to ensure that agents or managers knew their business and that there were controls on their freedom of action to ensure quality and reasonable conformity to head-office practice. These enabled the Scottish life offices to grow to be world class financial institutions and to operate on a world scale. The banks never sought to extend their branches overseas and when they sought to move into England they were soon rebuffed by the growing confidence of English joint-stock banks.

## Le Développement des Activités Financières à Paris au XIX<sup>e</sup> s.

Dès le XVIII<sup>e</sup> siècle Paris apparaît comme une place financière importante. Un quartier de l'argent commence à s'y individualiser, au nord-ouest du quartier de la marchandise qui était situé principalement entre les rues Saint-Denis et Saint-Martin. C'est là qu'est installée dans l'hôtel de Nevers, rue Vivienne, une Bourse où on fait commerce des lettres de change, des effets royaux et autres effets publics, ainsi que des 'papiers des compagnies et associations particulières'. Quoique l'effondrement du Système de Law ait suscité une grande défiance du public à l'égard des valeurs représentées par du papier, elle est le lieu de transactions de plus en plus actives. C'est en raison de 'l'étendue et de l'importance des négociations' qu'une déclaration du roi de 1786 porte de 40 à 60 le nombre des agents de change chargés d'assurer la bonne marche des opérations.

L'essor du commerce international et les besoins croissants de l'état français, qui charge ses financiers de lui procurer des capitaux considérables, tant en France qu'à l'étranger, favorisent aussi l'établissement dans ce même quartier de Paris de véritables banquiers. Certains d'entre eux sont originaires des provinces du royaume, comme les Le Couteulx de Rouen, beaucoup sont arrivés de l'étranger, de Suisse surtout : ainsi les Mallet, qui sont d'anciens huguenots français réfugiés à Genève, le Neuchâtelois Jean-Frédéric Perregaux ou le Zurichois Jean-Conrad Hottinguer, qui a débuté comme commis chez Le Couteulx. On trouve aussi à Paris des banquiers originaires d'Espagne, d'Angleterre, d'Italie, ou des Pays-Bas : Jean-Baptiste Vandenyver, qui s'est fixé à Paris en 1752 et a été naturalisé français cinq ans plus tard, est venu d'Amsterdam, tandis qu'Abbema et de Kock ont été chassés de Hollande par la Révolution de 1787.

Ces banquiers ont de multiples activités. Ils mettent au service du souverain leur crédit international, ils interviennent en Bourse, achetant et vendant pour le compte de leurs clients ou spéculant pour leur propre compte, ils participent à toutes les 'grosses affaires' du temps, au lancement des nouvelles compagnies d'assurances par exemple. Ils font surtout le commerce des lettres de change et financent ainsi le grand commerce.

La liste de ces maisons de banque donnée par les Almanachs royaux, qui comptait 51 noms en 1721, en comprend plus de soixante-dix dans les années 1780. Trois d'entre elles ont alors un capital atteignant ou dépassant les deux millions de livres : Le Couteulx, Tourton & Baur, et enfin l'ancienne société Vernet Thelusson

& Necker devenue en 1789 Greffulhe Montz & Cie. Les plus importantes, les plus sûres aussi, celles dont la signature est toujours assez facilement acceptée, constituent déjà une sorte de 'haute banque', l'élite des affaires financières.<sup>1</sup>

Depuis 1778 ces maisons sont entrées dans le capital de la Caisse d'Escompte et se trouvent donc représentées dans son conseil d'administration, transformant ce premier institut d'émission en 'banque des banquiers': ceux-ci peuvent en effet se servir de la Caisse d'Escompte pour bénéficier en cas de besoin de ses escomptes à bon marché. Durant les années qui précèdent la Révolution ces établissements connaissent une grande prospérité. Un contemporain affirme même alors, avec une admiration quelque peu excessive, que 'Paris fait un commerce de banque d'une étendue incroyable : on peut dire qu'il n'y a pas de ville dans l'univers qui lui soit supérieure à cet égard.'<sup>2</sup>

La Révolution française, qui a perturbé les conditions du crédit dans toute l'Europe, a plus directement frappé les financiers et les banquiers parisiens, du moins après la journée du 10 août 1792 qui entraîne la chute de la royauté. Les sans-culottes s'attaquent à tous les manieurs d'argent, et la Terreur organisée par les Montagnards touche durement les banquiers, par nature doublement suspects, en raison de leur richesse et à cause de leurs relations à l'étranger, qui paraissent couvrir d'infâmes complots avec l'ennemi. Il n'est guère de banquiers connus qui aient échappé aux dénonciations souvent démentielles et aux arrestations. On jette ainsi en prison les Mallet, coupables d'avoir payé à l'émigré Bertin, ancien Contrôleur général des finances de Louis xv, l'hôtel qu'ils lui avaient acheté, sis rue Mirabeau (devenue Chaussée d'Antin), et les Le Couteulx, qui échappent par miracle à l'échafaud. D'autres ont été guillotins, comme les Vandenyver, 'banquiers de la Dubarry' (l'ancienne favorite de Louis xv), accusés par Fouquier-Tinville d'avoir toujours été les ennemis de la Révolution, les complices 'd'abominables complots', et les auteurs d'un 'infernale agiotage'.<sup>3</sup> Le 27 juin 1793 la Convention fait fermer la Bourse pour anéantir l'agiotage, et en août elle supprime la Caisse d'Escompte. Par un décret du 7 septembre de la même année elle ordonne enfin l'apposition des scellés chez tous les banquiers et agents de change et la mise sous séquestre de leurs biens. En fait, à cette date, la plupart des banques parisiennes avaient déjà cessé de fonctionner. Certaines ont fait faillite, d'autres ont liquidé ou sont entrées en état d'hibernation.

Après la chute de Robespierre et le démantèlement de la Terreur, la Convention autorise le 25 avril 1795 'l'ouverture des lieux connus sous le nom de bourses'. Mais elle prend contre l'agiotage des mesures rigoureuses qui interdisent une reprise normale du marché. Si quelques grands banquiers font leur réapparition à Paris, comme Jean-Conrad Hottinguer qui revient des Etats-Unis en 1796, la convalescence de la place est difficile et incertaine. En mettant fin à l'instabilité politique, le

<sup>1</sup> H. Lüthy, *La banque protestante en France de la Révocation de l'Édit de Nantes à la Révolution* (Paris, 1959) et G. Antonetti, *Une-maison de banque à Paris au xviii<sup>e</sup> siècle, Greffulhe Montz & Cie, 1789 - 1793* (Paris, 1963).

<sup>2</sup> P. Vilar, *Or et monnaie dans l'histoire* (Paris, 1974). Citation p. 342.

<sup>3</sup> J. Bouchary, *Les manieurs d'argent à Paris à la fin du xviii<sup>e</sup> siècle* (Paris, 1939).

coup d'Etat de Bonaparte du 18 brumaire an VIII (9 novembre 1799) rend possible une véritable renaissance des activités financières. Bonaparte favorise la création d'une nouvelle banque d'escompte autorisée à émettre des billets, qui est créée le 13 février 1800 et bénéficie du privilège de l'émission à Paris à partir de 1803: cette Banque de France se situe à l'évidence dans le prolongement de la Caisse d'Escompte de l'Ancien Régime. Par ailleurs une loi du 17 germinal an XI assure le retour de l'ordre monétaire et choisit pour unité monétaire le franc, défini par un poids de 4,5 gr. d'argent fin ou de 290 mg. d'or fin. En cette même année 1803, la loi du 28 ventose réorganise le fonctionnement de la Bourse.

Aussi d'anciennes maisons comme celle des Mallet retrouvent toutes leurs activités. Sur l'annuaire de 1815 on ne retrouve qu'un tiers des noms de banquiers mentionnés par l'Almanach royal de 1789, mais les disparitions ont été en grande partie compensées par l'apparition des promoteurs de firmes bancaires nouvelles. Car Paris attire à nouveau en même temps que les capitaux, de nouvelles souches de banquiers. Il en vient, ainsi qu'à la fin de l'Ancien Régime, de province, comme les Perier de Grenoble, ou les Fould et les Seillière, originaires de l'est de la France. La conomie suisse s'enrichit de nouveaux éléments, comme Frédéric Pillet-Will, un Savoyard intégré dans une famille de banquiers de Lausanne, qui s'établit à son compte à Paris vers 1811. Au même moment le plus jeune fils de Meyer Amschel Rothschild de Francfort, Jacob, bientôt dit James, vient s'installer à Paris.<sup>4</sup>

Mais la persistance de la guerre et la conjoncture souvent troublée entravent le développement des activités financières. La crise dite des Négociants Réunis de 1804 touche si durement la grande banque parisienne qu'elle ne s'en relèvera complètement que sous la Restauration.<sup>5</sup> Aussi, malgré un renouvellement incontestable des hommes et des firmes, le bilan d'ensemble de la période révolutionnaire et impériale établi en 1815, dans l'immédiat, demeure-t-il modeste. Le nombre des banques notables établies dans la capitale s'est plutôt effrité, et elles n'ont guère gagné en puissance depuis 1789, puisque leur capital n'a dans l'ensemble que peu augmenté. Pourtant les progrès de la centralisation commerciale, le rôle accru du négoce parisien dans le commerce français et international, le développement des activités industrielles dans la capitale, ont jeté les bases d'une incontestable 'suprématie bancaire de Paris' qui va s'affirmer tout au long du XIXe siècle.<sup>6</sup>

Curieusement l'histoire propre de la place financière de Paris demeure particulièrement mal connue pour cette période même où sa supériorité en France s'accroît. Il est vrai qu'en raison de la centralisation de notre système bancaire, les structures de crédit régionales ou locales ont donné lieu à des documents fournissant des informations précieuses (des rapports d'inspection ou des correspondances notamment), sans équivalent pour Paris. Sans doute aussi l'histoire financière et bancaire de la capitale paraît tellement s'identifier à celle de l'ensemble de la nation qu'elle n'a pas spécialement retenu l'attention des chercheurs. On se contente

<sup>4</sup> L. Bergeron, *Les Rothschild et les autres* (Paris, 1991).

<sup>5</sup> B. Gille, *La banque et le crédit en France de 1815 à 1848* (Paris, 1959).

<sup>6</sup> L. Bergeron, *Banquiers, négociants et manufacturiers parisiens du Directoire à l'Empire* (Lille-Paris, 1975), p. 874.

d'évoquer quelques grandes figures de banquiers 'parisiens' parce qu'ils ont fait de Paris le centre de leurs activités, comme Jacques Laffitte, James de Rothschild ou Henri Germain, le président et fondateur du Crédit Lyonnais, ou quelques images témoignant de leur réussite, comme le château de Ferrières pour les Rothchild ou le 'palais' construit pour le Crédit Lyonnais sur le boulevard des Italiens. Il est pourtant nécessaire de décrire dans toute leur richesse les diverses structures bancaires existant à Paris et les grands traits du fonctionnement de la place financière pour en saisir les caractères originaux. Il est délicat de dénombrer les banques existant au XIX<sup>e</sup> siècle à Paris comme dans le reste de la France. A cette époque en effet la banque est un métier libre, qui n'est pas défini par la loi, et il n'y a donc pas de listes officielles des banquiers. On considère simplement comme tels les entrepreneurs qui font principalement et habituellement des opérations de crédit, ce qui ne permet pas toujours de les séparer nettement d'autres agents économiques pratiquant, entre autres affaires, le commerce de l'argent, ou de capitalistes utilisant à l'occasion leurs fonds sous forme de prêts. Tout dépend donc de la source utilisée, et de l'acception plus ou moins large qui s'y trouve implicitement admise.

En tout cas l'effectif des banquiers parisiens s'est considérablement gonflé. A la fin du Directoire, il y avait une cinquantaine de maisons de banque à Paris, et peut-être soixante-dix à la fin de l'Empire. A la fin du Second Empire et au début de la Troisième République, au moment où s'amorce à peine la 'révolution bancaire' qui va voir les grandes banques constituées sous la forme de sociétés anonymes concurrencer les banquiers privés déjà en place, on eut estimer qu'il y a à Paris entre 500 et 270 établissements bancaires. Pour les années 1874-1875 *l'Annuaire spécial de la finance* en mentionne 430 à l'intérieur du Paris d'Haussmann (sans compter une centaine d'autres répartis dans les départements de la Seine, de la Seine-et-Marne et de la Seine-et-Oise).<sup>7</sup> *L'Almanach-Bottin* en indique pour la même période plus de 400, et la confrontation de ces deux sources permettrait aisément d'arriver au chiffre de 500. Les archives de la Banque de France ont permis de retrouver sur les gros registres des comptes clients du siège central les noms de plus de 300 banquiers et escompteurs exerçant leurs activités à Paris.<sup>8</sup> Les notes du marquis de Ploeüc, sous-gouverneur de la Banque de France, en relèvent seulement 275 pour l'année 1877.<sup>9</sup> Ces chiffres plus restreints s'expliquent, car les responsables de la Banque de France ne prennent pas en compte les banquiers qui n'ont pas été admis à avoir un compte à l'institut d'émission, avec autorisation d'y réescompter leur papier, par un vote du conseil de régence. Cette sélection élimine automatiquement bon nombre de maisons récentes, qui n'ont pas encore fait leur preuve, celles qui ont une trop faible surface ou dont les dirigeants insoient trop peu de confiance.

Quel que soit le chiffre retenu, il est sans commune mesure avec les évaluations

<sup>7</sup> Béraud & Cie, *Annuaire spécial de la finance* (Paris, 1874-1875).

<sup>8</sup> D'après les *Grands Livres des Comptes Courants* que j'ai pu consulter pour ma thèse sur *La Banque de France sous le Second Empire* (Paris, 1980). Ces registres semblent avoir depuis lors disparu...

<sup>9</sup> *Papiers de Ploeüc* conservés aux Archives Nationales sous la cote 272 AP.



de Rondo Cameron, selon lequel le nombre de guichets bancaires à Paris aurait évolué de la façon suivante entre 1800 et 1870<sup>10</sup>:

	1800	1820	1840	1860	1870
- banques par actions	3	1	6	10	17
- banques privées	10	25	30	25	20
Total.....	13	26	36	35	37

La différence avec nos chiffres, qui est considérable, provient essentiellement de ce que cet historien américain ne considère comme des banques que les établissements importants créant de la monnaie sous forme de billets ou de dépôts. Préférant suivre l'opinion des contemporains, qui ne considère pas le fait de recevoir des dépôts et de délivrer des carnets de chèque, dont l'usage est alors tout à fait exceptionnel en France, comme un critère discriminant de la banque, nous appelons ainsi toutes les entreprises qui pratiquent couramment le crédit. Si l'on accepte notre fourchette, on arrive au ratio d'une banque pour 5,000 eu pour 8,000 Parisiens. Cette 'densité' bancaire tout à fait honorable n'a à vrai dire qu'une signification limitée, tant la répartition de ces 'points' bancaires à travers les arrondissements de la capitale est inégale. Voici en effet où se situent les demeures des 275 banquiers parisiens répertoriés par de Ploëuc.

arrondissement	nombre de 'demeures' bancaires	
I	15	On voit que les huit derniers arrondissements, correspondant aux communes annexées à la capitale sont pratiquement vides d'établissements bancaires. Ceux-ci sont rares aussi sur toute la rive gauche, même dans le VII <sup>e</sup> arrondissement qui comprend le faubourg Saint-Honoré, où l'on trouve les hôtels particuliers des riches familles aristocratiques.
II	46	
III	4	
IV	4	
VI	4	
VII	3	
VIII	7	
IX	176	
X	12	
XII	3	
XIII	1	
XIV à XX	0	

Par contre 97% des banques parisiennes se trouvent concentrées surtout dans la moitié méridionale du IX<sup>e</sup> arrondissement (64%) et dans le II<sup>e</sup> (17%), ainsi que sur

<sup>10</sup> Rondo Carmeron (et al), *Banking in the early stages of Industrialization. A study in comparative economic history* (Oxford, 1967), pp. 110 - 111.

les rues toutes proches, appartenant aux 1<sup>er</sup>, III<sup>e</sup>, IV<sup>e</sup>, VIII<sup>e</sup>, et X<sup>e</sup> arrondissements; et ensemble forme grossièrement un quadrilatère d' 1 km, 5 de côté, qui va de la rue de Rivoli au sud, aux rues de Chateaudun, de Lafayette et de Saint-Lazare au nord; il a pour limite orientale le boulevard de Sébastopol, et s'arrête à l'ouest avant la place de la Concorde, aux abords de l'Opéra et de la gare Saint-Lazare.

A l'intérieur de ce périmètre on repère trois secteurs qui ont plus particulièrement attiré les implantations bancaires:

– Les alentours de la Banque de France, qui s'est elle même installée en 1808 dans l'hôtel de Toulouse, et a par la suite agrandi ses bâtiments autour de ce magnifique hôtel, le long de la rue Croix-des Petits Champs.

– Les abords de la Bourse, un-peu plus au nord. Celle-ci, après avoir fonctionné dans l'actuelle église Nôtre Dame des Victoires, puis à l'intérieur du Palais Royal, a pris enfin possession dès 1826 du Palais conçu pour elle dès l'Empire par l'architecte Brongniart.

– Enfin la Chaussée d'Antin, au nord du boulevard des Italiens, qui attire les grands négociants depuis le début du siècle.

Paris bénéficie donc d'un tissu bancaire relativement riche, et à bien des égards diversifié. On y trouve en effet, à proximité les uns des autres, des banques constituées sous des formes juridiques variées, disposant de ressources très inégales, bénéficiant d'une réputation plus ou moins assurée ... Les plus anciennes et les plus honorablement connues sont les maisons de *la haute banque*. Cette expression, qui est apparue sous la Restauration et est devenue courante sous la Monarchie de Juillet désigne une bonne vingtaine de grands banquiers parisiens, assez souvent d'origine étrangère et de religion israélite ou protestante. Les plus notables d'entre elles ont généralement un représentant au sein du Conseil de Régence de la Banque de France. Si leurs dirigeants commencent à partir du Second Empire à aller habiter avec leur famille de préférence dans le VIII<sup>e</sup> arrondissement, et notamment à proximité du Parc Monceau, leurs maisons de banque restent installées dans le quartier de la Chaussée d'Antin: ainsi la banque Rothschild étend son emprise rue Laffitte de 1835 à 1859. Elles ont pour caractéristiques principales leur ancienneté (les premières remontent à l'Ancien Régime, les autres datent surtout du début de la Restauration), leur honorabilité, et leur constitution de 'banques privées': ce sont en effet soit des entreprises individuelles, soit plus fréquemment des affaires familiales organisées sous la forme de sociétés en nom collectif. Leur capital, qui représente une grosse part de la fortune familiale, approche les cinquante millions dans le cas exceptionnel des Rothschild en 1868, mais il atteint à peine dix millions pour les Hottinguer et n'est que de 4,4 millions pour les Mallet vers la même époque. Il s'y ajoute les dépôts d'une clientèle restreinte mais très riche (ces maisons n'ont pas de rapport avec le grand public), et en cas de besoin le recours à l'émission d'acceptations. Ces banques opèrent toujours sur le marc international des capitaux et restent fidèles à leurs activités traditionnelles, le change et les avances, en particulier les crédits par acceptations. Elles écoulent surtout dans leur clientèle, ou par l'intermédiaire de la Bourse, des valeurs mobilières, et surtout des emprunts d'Etats, quelles ont prises à commission ou achetées ferme. Aussi, dans son livre classique sur *Les opérations de banque*, Courcelle-Seneuil les définit-il comme des

'banques de placement dont les fonctions consistent à acheter les titres en gros et à les revendre au détail en bénéficiant de la différence'.<sup>11</sup> Leurs dirigeants sont donc 'les principaux animateurs de la Bourse' qu'ils alimentent de leurs ordres incessants.

Ces grandes maisons correspondent aux 20 banques privées répertoriées par Caméron pour l'année 1870, mais elles ne constituent qu'une petite minorité des banques de ce type exerçant leurs activités dans la capitale.

Il existe en effet à côté d'elles près d'une centaine de banquiers, également à la tête d'entreprises individuelles ou de sociétés en nom collectif, qui interviennent activement dans les mêmes affaires de Bourse. On a eu trop tendance à les ignorer, ou à considérer leur rôle le comme minime. Il est vrai qu'il en est de très petite, mais beaucoup d'autres ont un capital déjà important, de l'ordre de plusieurs millions, et tiennent une place nullement négligeable dans les affaires financières de la capitale. Leurs noms apparaissent en pleine lumière lorsque éclate une 'affaire'. Jean Bouvier avait remarqué leur rôle dans les émissions de titres de la Compagnie de Panama, mais 'ces intermédiaires pleins d'activité et d'entregent dans les rangs desquels les israélites étaient nombreux' étaient à ses yeux des 'banquiers de second zone, dont le standing se situait quelques degrés au dessous de la haute banque'.<sup>12</sup> Une étude récente considère ces maisons (Lévy-Crémieu & Cie, Kohn Reinach & Cie, Heine, Bischoffsheim Godschmidt & Cie, Donon Aubry Gautier & Cie, etc...) comme les éléments d'une 'nouvelle haute banque qui occupent de fortes positions dans le monde de la finance. A ces financiers qui sont arrivés souvent à Paris pendant le Second Empire, 'il manque encore la durée', et donc la respectabilité qu'elle apporte, mais il est vrai que ces financiers qu'on voit souvent à la Bourse, tout comme sur les boulevards dans les meilleurs restaurants, participent activement aux grandes affaires du temps.<sup>13</sup>

Les banques spécialisées dans l'escompte forment un autre groupe au moins aussi étoffé que le précédent. On les appelle indifféremment des banques ou des caisses, ou des comptoirs d'escompte. Ce sont de véritables banques locales parisiennes, qui escomptent la plus grande partie du papier de commerce créé dans la capitale. Leurs noms sont généralement inconnus des historiens, et pourtant elles traitent un volume d'affaire considérable, si on en juge par l'importance de leurs réescomptes à la Banque de France. Beaucoup d'entre elles d'ailleurs se sont installées au plus près de l'institut d'émission.

Dans les vérifications trimestrielles du portefeuille de Paris qu'effectuent les régents, on peut glaner quelques renseignements sur ces 'principaux présentateurs' de la Banque qui sont généralement des sociétés de personnes, en nom collective ou en commandite<sup>14</sup>. Voici deux exemples caractéristiques: – Archambault Chantrot & Cie, banque, rue de la Vrillière; la Banque de France leur a ouvert en 1860 un compte courant avec autorisation d'escompte, et ils l'utilisent largement, puisque

<sup>11</sup> Citation in Cauboué, *Revue-de-la-Banque*, 1954.

<sup>12</sup> J. Bouvier, *Les deux scandales de Panama* (Paris, 1964).

<sup>13</sup> J.-Y. Mollier, *Le scandale de Panama* (Paris, 1991).

<sup>14</sup> *Procès-verbaux-du-Conseil Général-de-la-Banque de France*.

leurs engagements envers la Banque oscillent constamment entre deux et cinq millions. Leur capital est d'un million de francs, et 'les chefs paraissent avoir de plus une fortune personnelle'.

La Veuve Gosselin, devenue en 1863 A. Gosselin, escompte, place des Victoire : cet escompteur a un capital plus faible, de l'ordre de 600,000 F, ce qui ne l'empêche pas d'être couramment engagé auprès de la Banque pour 4 à 5 millions, en tant que présentateur de papier provenant surtout du commerce des tissus.

Parmi ces caisses d'escompte une mention particulière doit être faite, touchant un petit nombre de banques qui se trouvent établies simultanément à Paris et dans une ville de province dont elles sont généralement originaire. On trouve ainsi Lévy-Bing & Cie à Nancy et à Paris, Jacob-Pètre & Cie à Sedan et à Paris, Claude Lafontaine Martinet Prévost et Cie à Charleville et à Paris: il s'agit là d'une véritable affaire familiale, puisque Claude Lafontaine crée sa banque à Paris avec son fils et ses deux gendres, les Martinet, tandis qu'un troisième, Prévost, dirige la succursale de Charleville. De même Quentin & Cie, Née & Cie, et enfin Lécuy & Cie sont établis simultanément à Saint-Quentin et à Paris. La plus importante de ces banques est bien la Caisse Lécuyer, qui a longtemps été le plus fort présentateur de la Banque de France tant à Paris qu'en province. Les deux frères se partagent la direction des deux sièges, et ils ont un capital considérable, de 12 millions à la fin du Second Empire, et le volume de leurs opérations peut atteindre un chiffre énorme; durant l'année 1856 par exemple ils ont escompté 529,812 effets représentant une valeur totale de plus de 500 millions!<sup>15</sup> Au total, ces caisses d'escompte jouent un rôle considérable dans le financement des activités économiques de Paris.

Avec les banques par actions, créées généralement sous la forme de sociétés anonymes, nous retrouvons des entreprises plus connues, qui étaient au nombre de 17 à Paris en 1870 selon R. Cameron. Ce sont encore de nouvelles venues sur la place, puisque les premières d'entre elles ont été créées entre 1842 et 1852, et que les autres datent surtout des années 1860. Plusieurs de ces établissements sont en principe spécialisés dans certains types d'opérations ou dans les relations financières avec tel ou tel pays particulier. Ainsi le Crédit Foncier de France, établi boulevard des Capucines tout comme le Crédit Agricole, le Crédit Mobilier qui continue à opérer place Vendôme après le départ forcé des Pereire (1867), le Crédit Mobilier Espagnol, le Crédit Rural et la Banque Franco-Egyptienne (où l'on retrouve Lévy-Crémieu), tous trois situés boulevard Haussmann, la Banque Impériale Ottomane, la Banque de l'Indochine, etc ... A vrai dire ces banques paraissent assez souvent sortir de leur objet initial et s'intéresser à des opérations de bourse et à toutes sortes de 'grosses affaires'. Il convient de faire une place à part aux grandes banques de dépôts, qu'on appelait souvent alors les établissements de crédit. Elles vont avoir par la suite une importance considérable dans le système bancaire français. Dès leurs premiers pas, elles apparaissent par comparaison avec les firmes déjà en place à Paris comme des banques d'un autre type, en raison de leur forme d'organisation et de leur régime juridique, de l'importance considérable de leur capitalactions

<sup>15</sup> L. Bergeron, 'Les espaces du capital', in: *Histoire de la France* (Paris, 1989).



(bientôt de l'ordre de 100 millions) et de leur stratégie de drainage des dépôts. Trois de ces banques sont parisiennes de naissance : le Comptoir d'Escompte de Paris, fondé en 1848 au 14 rue Bergère, la Société générale de Crédit Industriel et Commercial, qui date de 1859 et a son siège au 66 de la Chaussée d'Antin, et la Société Générale pour favoriser le développement du commerce et de l'industrie en France, créée en 1864 et qui occupe plusieurs immeubles rue de Provence.

Quant au Crédit Lyonnais, d'origine provinciale ainsi que l'indique son nom, il ouvre deux ans après sa création une succursale à Paris au 6 boulevard des Capucines, qui est transférée boulevard des Italiens en 1878. Très vite celle-ci se mue en un véritable siège central.

Les lieux où se sont établis ces 4 grandes banques de dépôts montrent qu'elles ont choisi délibérément de s'installer sur le territoire de la haute finance et de coller au plus près aux maisons de la haute banque comme pour les défier. Leur but est en fait d'occuper une position stratégique au carrefour des grandes affaires financières. La mission confiée par les dirigeants du Crédit Lyonnais à leur succursale parisienne est révélatrice à cet égard: elle doit 'négocier pour nous les grosses affaires', c'est à dire suivre les syndicats bancaires dans leur politique, se tenir au courant de ce qui se fait et se dit, obtenir des participations dans les grands emprunts d'Etats étrangers et des occasions de placement auprès des grandes entreprises.<sup>16</sup>

Le nouveau, c'est la dimension imposante des immeubles destinés à abriter ces sièges des grandes banques, non seulement pour installer des services centraux qui emploient un nombre croissant d'employés, mais bien plus encore pour se donner en spectacle à un large public, pour s'en faire connaître et communiquer avec lui. Le but des dirigeants du Crédit Lyonnais se faisant construire un véritable temple de la finance sur le boulevard des Italiens est clair : alors que les maison de banque traditionnelles sont 'cachées du public', la nouvelle banque veut conquérir toute une clientèle de bourgeois de Paris et d'étrangers dont les anciens banquiers ne s'occupaient pas: en ouvrant 'sur le trottoir le plus fréquenté une boutique immense, nous aurons par notre façade la plus vaste publicité qu'on puisse avoir; 200,000 personnes passeront chaque jour devant nous et nous pourrons leur dire dans toutes les langues que nous leur offrons tous les services'.<sup>17</sup> A l'intérieur même de ces palais, l'aménagement est grandiose, car il faut créer un cadre luxueux, théâtral, propre à séduire les bourgeois: de là ces escaliers monumentaux, ces vastes galerie et au siège du Crédit Lyonnais une immense salle des pas perdu tout autour de la quelle sont installés des guichets sans grillage ni vitrage, selon 'le mode anglais'.

Ces grandes banques introduisent une autre nouveauté dans le paysage bancaire parisien: les agences de quartier. On connaît les réseaux de succursales mis en place par ces établissements de crédit (à l'exception du C.I.C. qui préfère patronner des banques régionales) pour drainer l'épargne des bourgeois de province. En fait le mouvement a commencé à Paris, qui n'offrir pas seulement l'occasion de participer

<sup>16</sup> J. Bouvier, *Naissance d'une banque: le Crédit Lyonnais* (Paris, 1961).

<sup>17</sup> J. Bouvier, *ibidem*; L. Bergeron, 1991; et J. Rivoire, *Le Crédit Lyonnais* (Paris, 1989).



à de grosses affaires, mais aussi la possibilité de trouver sur place une clientèle riche en abondance: c'est là que la bourgeoisie est la plus nombreuse et la plus fortunée, et en 1908 les habitants du département de la Seine possédaient à eux seuls 32% de la fortune privée française.<sup>18</sup>; c'est là que drainage des dépôts est le plus prometteur. Or tous ces bourgeois ne fréquentent pas quotidiennement le boulevard des Italiens, surtout aux heures d'ouverture du siège. Il faut donc aller vers eux. La Société Générale donne l'exemple: dès 1865 elle ouvre ses quatre premiers bureaux de quartiers, dont un seul se trouve dans le quadrilatère habituellement investi par les banques. Son réseau parisien continue à s'étoffer, et il compte en 1914 une soixantaine d'agences, répartis dans tous les quartiers, mais plus particulièrement dans les quartiers aisés de la rive droite (les VIII<sup>e</sup> et XVI<sup>e</sup> arrondissements) comme de la rive gauche (les VI<sup>e</sup> et VII<sup>e</sup> arrondissements). Les trois autres suivent le mouvement. Ainsi le Crédit Lyonnais décide à son tour d'ouvrir des guichets de quartiers, et il en crée 34 en deux ans. Certaines de ces agences, écrit le directeur Mazerat, 'situées dans des quartiers commerçants ou industriels, vivent de l'escompte et du compte courant; d'aut au contraire, établies dans des quartiers bourgeois, dirigent leurs efforts sur les comptes de dépôts, les ordres de Bourse'. Ainsi la banque à succursales multiples opère un mouvement de décentralisation à l'intérieur de la grande ville, elle fait la conquête de quartiers où l'usage des banques était inconnu. Du même coup elle centralise de plus en plus les opérations sur titres, et elle peut donc jouer à la Bourse un rôle grandissant.

Ces quatre catégories de banques (la haute banque, la deuxième banque, si l'on peut dire, les caisses d'escompte, et enfin les grands établissements de crédit) coexistent à Paris à partir des dernières années du Second Empire. Jusque alors il s'était établi une certaine division du travail entre 'les banques du commerce' proprement dites (essentiellement les caisses d'escompte) et 'les banques de spéculation' (surtout la haute banque). Mais, constate un Dictionnaire du Commerce écrit à la fin du siècle, les unes et les autres se trouvent menacées par l'expansion de grands établissements de crédit qui 'ont pour but de concentrer chez eux toutes les opérations non seulement les opérations courantes des banques commerciales, mais encore l'achat et la vente des métaux précieux, et même les opérations de haute banque ou de spéculation.' La concurrence ainsi surexcitée fait reculer la spécialisation bancaire: alors qu'à 'Londres la division du travail atteint son plein épanouissement, sur la place de Paris se fait surtout sentir une pénétration, ouverte ou latente, par chaque catégorie de banque des opérations des autres'.<sup>19</sup> C'est dire que ces banques de toutes catégories se disputent aussi bien la matière escomptable que les opérations de Bourse et de spéculation.

Les opérations d'escompte que pratiquent largement la plupart des banques parisiennes (le portefeuille commercial tient une place importante non seulement dans l'actif des banques de dépôt, mais aussi dans celui des grandes banques d'affaire qu'on oppose souvent aux précédentes...) ont connu une croissance consi-

<sup>18</sup> A. Daumard, *Les Fortunes françaises au XIX<sup>e</sup> siècle* (Paris 1973).

<sup>19</sup> Guyot et Raffalovitch, *Dictionnaire du Commerce, de l'Industrie et de la Banque* (Parriss, s.d.)

dérable, mais difficile à mesurer précisément. On sait qu'en France les escomptes représentent une forme de crédit tout à fait privilégiée. Vers 1906 – 1910 la valeur des effets de commerce créés annuellement rapportée au nombre des habitants est de près de 1000 F bien supérieure à ce qu'elle est dans les autres pays (600 F en Allemagne par exemples). Les contemporains considéraient que c'était là 'un grand avantage pour le commerce' et une pièce maitresse pour notre économie. La valeur des effets de commerce soumis chaque année au droit de timbre est en effet de 36,8 milliards, somme considérable si on la compare à un revenu national de 27 ou 28 milliards. Or sur ces 36,8 milliards, 44% représentent la valeur des effets de commerce timbrés dans le département de la Seine! C'est qu'un certain nombre d'entreprises de province, qui ont leur siège social et leurs services centraux à Paris, y créent des effets de commerce et les escomptent sur la place.<sup>20</sup>

La Bourse de Paris a connu au XIX<sup>e</sup> siècle un essor spectaculaire grâce aux banques établies sur la place. Ces banques en effet animent les transactions par les ordres qu'elles donnent pour leur propre compte ou pour celui de leurs clients et aussi, indirectement, par les prêts sur reports qu'elles consentent aux spéculateurs. Surtout elles nourrissent le marché d'émissions nouvelles, et pour ce faire elles constituent des syndicats de placement associant tous les types de banques : les banques d'affaires, bien entendu, dont c'est un des spécificités, mais aussi de grandes banques de dépôts, des maisons privées, et même des caisses d'escompte, comme le Comptoir des Ardennes de Claude Lafontaine. Elles utilisent pour écouler les titres plusieurs procédés:<sup>21</sup> – la souscription publique, à date fixe, précédée par toute une phase de préparation et de publicité; – l'introduction directe en Bourse : en ce cas les banques interviennent auprès de leurs clients et amis afin de provoquer leurs ordres d'achat; – la vente directe au guichet des banques, de gré à gré et sans aucune publicité. C'est ce placement de titres mobiliers par les banques qui a permis l'extraordinaire croissance de la Bourse de Paris. En 1815 la cote officielle, établie par les agents de change, ne comprend que des emprunts publics français. Très vite elle a accueilli des actions et des obligations des compagnies de canaux et des compagnies d'assurances, puis des titres ferroviaires à partir des années 1840, de nombreuses valeurs étrangère sous le Second Empire, les emprunts de libération du territoire lancés par le gouvernement Thiers, les fonds russes à la fin du siècle... Le nombre des valeurs inscrites au marché officiel est ainsi passé de 118 en 1850 à 307 en 1869 et plus de mille à la fin du siècle, et elles représentent un capital nominal quinze fois plus élevé :

<sup>20</sup> G. Roulleau, *Les règlements par effets de commerce en France et à l'étranger* (Paris, 1913).

<sup>21</sup> H. Nakayama, *Le rôle du marché financier parisien d'après l'exemple des valeurs russes, 1890 – 1913* (Paris, 1982).

Valeur nominale des titres inscrits à la cote officielle.<sup>22</sup> (en milliards de F)

	en 1852	en 1902
– Valeurs publiques françaises	5,7	28
– Total des valeurs françaises	7,7	60
– Valeurs étrangères	1,7	66
– Total général	9,4	130

Au début du xxe siècle, les Bourses de province pèsent à peine 6% du marché parisien, et il faudrait ajouter aux 130 milliards représentant la valeur des titres inscrits au Parquet une vingtaine de milliards pour les titres cotés à la coulisse. C'est ce gonflement de la Bourse de Paris qui explique essentiellement l'accroissement du portefeuille de valeurs mobilières détenu par les Français, qui est passé selon les calculs de Neymarck de 9 milliards en 1850 à 90 milliards en 1902, dont 27 milliards pour les titres étrangers.<sup>23</sup> La France est ainsi depuis le Second Empire, grâce aux placements de titres étrangers opérés par les banques le second pays exportateur de capitaux dans le monde après l'Angleterre.

Les banques parisiennes n'ont pu tout à la fois nourrir des crédits d'escompte considérables et assumer la charge de placer des quantités de titres également considérables que grâce à l'appui de la Banque de France. Celle-ci leur rend des services gratuits essentiels comme l'encaissement des effets à leur échéance : ainsi le 31 janvier 1885 elle fait recouvrer par ses employés à bicorne 198,000 traites commerciales dans Paris dans 71 000 domiciles différents, ce pour une somme de 125 millions. Elle permet aussi aux banquiers et aux agents de change de régler leurs différences par de simples virements entre les comptes qu'ils ont chez elle. Tout ceci explique le peu de succès d'une Chambre de compensation qui ne groupe alors qu'une douzaine de banques.

Pendant longtemps la Banque de France a surtout largement réescompté les effets commerciaux présentés par les banques commerciales et les a ainsi régulièrement refinancés. Ce rôle de la Banque décline quelque peu dans les dernières décennies du siècle, car les grands établissements de crédit qui détournent à leur profit une partie de la matière escomptable ont assez de dépôts pour ne pas avoir besoin normalement d'user du réescompte.

Mais l'institut d'émission continue à jouer un rôle fondamental dans les opérations de placement des banques: pour disposer des fonds nécessaires avant et pendant la souscription des titres, les banques clientes de la Banque de France lui présentent parfois des effets à réescompter, et surtout elles lui demandent des avances sur titres. C'est ainsi qu'elles ont souscrit largement aux emprunts publics de 1854–1855 en obtenant de l'institut d'émission des conditions plus libérales en

<sup>22</sup> F. François-Marsal, *Encyclopédie de Banque et de Bourse* (Paris, 1929).

<sup>23</sup> Chiffres repris dans A. Desmays, *Le contrôle du marché financier de Paris par les pouvoirs publics* (Paris, 1927).

matière d'avances sur titres ferroviaires et sur fonds publics. On constate que le même mécanisme a fonctionné lors de la souscription des emprunts français de 1884, 1886, 1891 et 1901 ainsi que pour le placement d'un emprunt sinoussé émis le 19 juillet 1895. Lorsque elles avaient besoin de liquidité pour financer de 'grosses affaires', les banques pouvaient bénéficier ainsi d'une création momentanée de 'monnaie banque centrale'.<sup>24</sup>

Fortes de l'appui de la Banque de France, ces banques parisiennes nombreuses, dynamiques, ont soutenu et encadré l'essor de la place financière de Paris. Elles ont su profiter de l'importante épargne des Français (plus de 2 milliards de francs par an à la fin du siècle) et de l'afflux, dans la capitale d'une grande partie de la richesse nationale. La centralisation politique même a contribué à renforcer la domination financière de Paris sur l'ensemble de la nation, et l'influence que le pouvoir politique peut exercer en ce domaine (grâce à la désignation du gouverneur de la Banque de France ou au droit du ministre des Finances de refuser l'inscription d'une valeur étrangère à la cote de la Bourse notamment) n'a pas entravé l'essor de la place de Paris, du moins sur le plan national.

<sup>24</sup> A. Straus, 'Trésor public et marché financier', *Revue historique*, t. CCLXVII/1.





## **Frankfurt am Main: A City of Finance. Banking systems in Frankfurt in the 18th and 19th centuries\***

In 1994 Frankfurt am Main celebrated its 1200th anniversary. For this occasion, the city began to be the subject of increased discussion among historians. A re-assessment of the city's history is taking place. Disregarding probable results, which will be published later on, I think nobody will deny that Frankfurt's mainspring was and will continue to be commerce and finance.

The importance of commerce and finance for Frankfurt had its origins in the city's trade fairs. These fairs benefitted from imperial privilege and developed from a local agrarian market in the 15th and 16th centuries to an occasion of large size and international importance. Merchants brought a wide range of goods from a great number of countries to Frankfurt.

To be sure, a fair of such size was not only a place where a supply of goods met its demand but also where payments took place. During the time the fair lasted – normally three weeks – one week was designated as a period for payments. There, clearings between individual merchants took place, and goods, delivered at the last fair, were paid for. Interest payments were made and money changed. Since the 15th century bills of exchange were honoured or protested as the case may have been. The complex nature of this economic system, its almost abstract and speculative character based on contracts which in turn were based on Roman law, can be traced back through a set of pamphlets of written legal suits. It is possible to state that the fair has been since its beginning a place of finance, a place at which according to the *Encyclopaedia Britannica*, 'the art of providing the means of payment' has been cultivated.

It was true: the trade in the wake of the fairs made some Frankfurt merchants rich. Additionally the growth of fortunes was favoured because only Frankfurt citizens had the right to exchange foreign money against the home currency. Furthermore, the princes and nobles from the areas surrounding Frankfurt invested their money in the city. Therefore, monetary investment in Frankfurt grew rapidly. These funds were used from the 13th century onwards for smaller private loans. Nevertheless, a money and capital market, later the exchange of bills stayed

\* Translated from the German with assistance from B. Heuser and N. Waesche, Universität Frankfurt.

quite important. Such an economic activity was seen in Frankfurt only twice a year at the time of the fairs, and was made possible especially by foreign merchants.

This situation changed radically in the 16th century when some foreign merchants decided to stay in Frankfurt and to pursue their business from this new location while maintaining their old commercial channels. Many came from the southern Netherlands, especially Antwerp, which they were forced to leave owing to Spanish religious persecution. Thanks to them, Frankfurt became a true centre of finance quite similar to Amsterdam. On their own initiative the long distance merchants met at first occasionally, later on a regular basis, at times when no fair was being held to carry out their different monetary and capital transactions. This range of commercial activities was linked to a new commercial technique, namely the creation of the free endorsement. The bill of exchange, or, to be more exact the draft, became a businesslike certificate which took on the function as legal tender during its period of validity. Therefore, the draft showed a particular rate according to the current circumstances of commercial and monetary relations. In this way, the free endorsement led to a market in drafts which however took place only at a few important commercial centers. Only those drafts were qualified to circulate which had been sanctioned for use by those commercial centres. Among them was Frankfurt.

Besides the regular commercial transactions, the aim of these meetings of the merchants, which since the 17th century were called 'Börse' (stock exchange), was to improve the practical and legal conditions of their business. This included the fixing, drafting and publishing of foreign currencies on a regular basis.

Key merchants at the 'Börse' influenced the commercial decisions of the city council. Their proposals led in 1666 to a bill of exchange law, which lasted until the 18th century with only a few alterations. Officially not recognized, the chairmen of the 'Börse' had a great deal of influence.

The money and draft exchange soon had a firm structure within the organisation of the 'Börse.' From the beginning of the 17th century until the late 18th century it formed the heart of the finance centre of Frankfurt. That is all the more remarkable, because the fairs gradually lost their former extraordinary importance. The forms of commercial transaction changed. International commercial connections steadily became more independent of the fairs. The fair of goods changed into fair of samples (Mustermesse). It may be correct to say that the financial centre in Frankfurt which had been formed by fairs, had now been modernized and further developed by the 'Börse'.

The city remained economically important not any more as a location for regular fairs but instead as a site of bill exchange. The significance of this type of clearing activity on an international scale can be judged by the following criteria:

1) How many other important commercial cities were to be found on its public bill or stock exchange lists? 2) What was the geographic radius of the relating drafts? In other words, where the site was fixed on the bill or stock exchange lists of other places. 3) What was the size of its turnover? Evidently, the best index to measure the status of a market of bill-exchange would be the size of its turnover relative to that of other places.

Unfortunately, suitable figures – at least for Frankfurt – are not available. We have to be content with a few hints: In 1799 the total sum of drafts negotiated in Frankfurt was estimated by the chairmen of the 'Börse' at about 5 Million fl. In 1860 the number of 60 discount houses in the city may give a slight impression of the turnover that took place. The oldest preserved printed bill or stock exchange list dates back from 1642. These lists were written in the 17th century in Italian, in the 18th century in French, and, finally, at the end of that century in German. A list of important places of draft negotiations from 1726 shows that during this year rates for twelve other places (Venice, Amsterdam, London, Hamburg, Leipzig, Naumburg, Lyon, Norimberg, Prague, Augsburg, Vienna, Breslau) were present in Frankfurt. At eleven places (Amsterdam, Basel, Berlin Brunswick, Bremen, Geneva, Leipzig, Naumburg, Norimberg, Prague, Vienna) rates for drafts drawn up in Frankfurt were present. On a bill or stock exchange form, published one year later in 1727, we can make out 16 sections. Antwerp, Bremen, Breslau, Geneva, Leipzig, Naumburg and Prague were not quoted, however. In connection with Amsterdam three sections were reserved but left blank, for Leipzig two blank spaces were present. Amsterdam was distinguished between 'en banque', 'en courant' and a currency of draft until the month of August. The sections for Leipzig were separated as drafts drawn at the fair and other drafts.

In the first part of the 19th century in Frankfurt twelve locations were present. Amsterdam, Augsburg, Hamburg, Leipzig, Lyon, London, Vienna were present as before. Venice, Prague, Breslau, Naumburg and Norimberg were replaced by Berlin, Bremen, Paris, Milan and Triest. Frankfurt itself was now present at 28 places: Aachen, Amsterdam, Antwerp, Augsburg, Basel, Berlin, Bordeaux, Bremen, Brussels, Elberfeld, Geneva, Ghent, Genoa, Hamburg, Cologne, Leipzig, London, Luik, Milan, Naples, Odessa, Paris, Porto, Rome, Triest, Venice, Vienna, Stockholm and Zurich.

For ranking the importance of the locations where draft negotiations took place, three categories were laid down in economic history research: places of first order, where not only regional, but mainly regular international draft rates were present, places of second order, where mainly regional and only seldom international draft rates were present, and, finally, places of third order, where only regional draft rates were regularly present. During the 18th century and the first half of the 19th century there existed only three places of the first order in Germany: Hamburg, Augsburg, and, of course, Frankfurt.

The negotiations of the drafts were carried out by private banking firms and/or brokers. The 'Frankfurter Mercantil-Schema', a regularly published list of all Frankfurt merchants in the 18th century estimated the 'banquiers' the most important branch of the city's business-life. Of course, their main profit resulted from the negotiation of drafts, but they were also busy in commission agencies and as carriers. Only in the 19th century did they give up their commercial activities.

Due to improved commercial and banking communication in the 19th century, the dominating role of draft negotiations decreased, even if they still remain today an important part of banking transactions. At the end of the 18th century, Frank-

furt received a new dimension in its significance as a city of finance. Its financial market developed into a highly efficient stock market.

It is not astonishing that the stock market – more than the negotiation of drafts – has received special historiographical attention. There are relatively old but very instructive surveys which describe Frankfurt's prosperity during the 19th century in general, but only recently have studies of special problems been published, namely a consideration of how the actors at the markets followed their calculating strategies or how the development of the stock market was influenced by the capital demand of the state.

Let us refer to this last point. The growth of the finance market in Frankfurt didn't happen at random, neither did the introduction of the bill exchange. The causes for the development of a stock market in Frankfurt were based on four points, as H.- P. Ullmann stated recently. Assumption of and demand for capital were preconditions already at hand in Frankfurt. Firstly, Frankfurt represented in the eyes of its contemporaries an acknowledged and a long time functioning centre of finance. Secondly, the demand for capital for the administration of the state grew considerably. Thirdly, this demand met in Frankfurt a voluminous money and capital supply. Lastly, Frankfurt adopted the epochmaking innovation of public loans on the basis of individual bond- or shareholding relatively late, as did Amsterdam.

We find these grown market structures more or less still today: the participants at the market, those, who tried to place a loan and those who are prepared to subscribe to it, market institutions by which the loans were negotiated, banking firms, the stock exchange and its brokers.

At this point, I would like to return to some particularities of the initial period of this new capital market in Frankfurt. It is notable that the imperial Habsburg government in Vienna was the first to use Frankfurt as its principal capital market. Between 1778 and 1793 Vienna placed 38 loans that were negotiated by the Frankfurt banking firm 'Gebrüder Bethmann'. The stock exchange list from the third of July 1797 gives an impression of the important position of the Viennese government as customer of the Frankfurt finance market. Of course, it intended to satisfy its almost endless demand for capital – and Frankfurt was able to do so. Furthermore this expressed a special relationship between the imperial house and the city on the Main. The relationship was able to develop due to Frankfurt's special legal status as an imperial city (Reichsstadt). It had been the imperial government that stabilized and protected the city in periods of inner problems or threats coming from outside. Until 1866 Frankfurt remained in political and commercial terms more or less well disposed towards Austria.

According to historical evidence, only a small part of the obligations which were negotiated in Frankfurt remained in the city itself. The domestic banking firms not only negotiated but also subscribed frequently to loans raised in Frankfurt but did not plan to do so in terms of long-term investment. They looked for successful short-term speculations. Long-term obligation investment could be found only with wealthy private citizens. The major part of obligations had been subscribed by creditors from Frankfurt, fulfilling their intentions to provide credit in larger



amounts and in an easier way than before, when loans had only one or a few creditors and one debtor.

When a market for public obligations – later for industrial shares – came into existence, a new type of banking-firm developed: The bank specialised in negotiating public loans (Emissionsbank). The name of the house of Bethmann was already mentioned. These typical ‘merchant-bankers’ conceded between 1754 and 1778 thirty private loans of total 2½ Mill. fl. to different princes and nobles. Between 1778 and 1793 the bank was able to negotiate the Habsburg loans in Frankfurt with a total sum of 17,2 Mill fl. Other banking firms followed. Prussia, smaller German countries and Denmark obtained their capital in the same way from Frankfurt. The wars following the French revolution and the wars led by Napoleon also hit Frankfurt and its firms with state obligations.

From 1797 until 1813/14 the city was subjected in different ways to French power and it became impossible to keep the previously close commercial connections with Vienna. The Viennese government, for example, interdicted a loan in 1795, the purpose of which was to pay a forced contribution to Paris.

The loan negotiations started again in 1815 when the question arose of how to put the new and restored political and social order on a solid fiscal basis. For the same reason the interrupted liquidation of older debts was finally continued by the state treasuries. A long file of public loans was raised, often special banking associations were formed which connected different financial centres and looked for better conditions for negotiators and subscribers to calm a lot of mistrust, which had grown during the war period towards the capital market mechanism. The leading banking firm in Frankfurt until that time, the Bethmann Bank, lost this position, like other houses in other cities, to the Frankfurt Rothschilds. The Rothschilds had built up, still during the Napoleonic period, an Europe-wide branch system and after 1815 was the banking firm which was lending to the entire continent – an aspect too well known and not necessary to be discussed here to a greater extent.

I think it is evident that a more or less minute reconstruction of the Frankfurt financial market or even less the stock exchange will be neither possible nor suitable here. Therefore I would like at least to give a short survey of the developments that happened in this market during the 19th century. We can distinguish here four interdependant periods. The first, from 1790 to 1820, marked by an exclusive dominance of public loans. From 1820 to 1860 public loans remained dominant, but in 1820 a first bank share of the Austrian Nationalbank, in 1836 a second of the ‘Bayerische Hypotheken- und Wechselbank’ had been introduced at the Frankfurt stock exchange. Shares and obligations of other banking firms and the newly founded railway companies followed. In 1847 twelve shares were fixed at the stock exchange list and one year later, in 1848, 44 public loans were fixed, twice as much as in Berlin’s stock exchange (25) and many more than in Hamburg (9), Leipzig (8) or Vienna (5). Between 1853 and 1856 the proportion of banking shares grew substantially. During these years eleven new banking-shares were introduced, among them the first banking-share of the ‘Bank für Handel und Industrie’ in Darmstadt. This banking firm was founded after the pattern of the Parisian ‘*crédit mobilier*’. In



1854 the 'Frankfurter Bank' was founded by private capital (the Rothschilds were involved), following the example of Paris and Darmstadt. Thereby ideas of Frankfurt merchants and bankers since the late 18th century came to fruition, namely to dispose over a banking firm whose exclusive assignment was to facilitate the circulation of money as a Frankfurt issuing bank.

For a few years during the third period (1860–1875), in 1871, 1872 and 1873, the number of quoted shares at the Frankfurt stock exchange went up to 48. This quantitative upswing depended upon the suspension of the obligatory licence for joint stock companies by the Prussian state. This reflected the hectic activities of the German 'Gründerjahre' after the victorious war against France. This period received its historical particularity from a stream of foreign loans that were now quoted at the Frankfurt stock exchange. Among these loans were many of North and South American or Oriental origin – the so called 'Exoten'.

The years following 1875 were often marked as years of beginning decline. No doubt, this impression referred to the changed political circumstances in Germany: the loss of Frankfurt's political independence, its incorporation into Prussia, the founding of the second Reich. Berlin as the capital of Prussia and the Reich surpassed Frankfurt as a centre of finance. The Reichsbank, established in 1875, took its seat in Berlin. The installation of the 'Mark' as the new German currency, made Frankfurt superfluous as a clearing centre between southern and northern Germany with their formerly different currencies. The banking firms in Berlin turned in contrast to Frankfurt banking firms quite early for the negotiation of industrial shares. But the firms believed that in Frankfurt, owing to the influence of the Rothschilds, industrial shares were too risky and less lucrative. At the end of 1912 439 foreign loans were quoted in Frankfurt, but only 115 of these shares were not quoted in Berlin as well.

In 1913 94 banking firms existed, 14 joint-stock or cooperative banking firms and 8 branches of national large banks. Between 1797 and 1873 378 foreign loans were negotiated in Frankfurt, that amounts to 4,9 per year. Apparently, during times of war or other times of political crisis, for instance from 1797 to 1815, no loans were negotiated. From 1880 to the First World War only 39 foreign loans were raised – a mean of 1,1 a year.

No doubt, Frankfurt or rather its council, parliamentary institutions and citizens were conscious of the fact that their wealth was based on commerce and finance. They were politically in no way ambitious, which was valid also in regard to the surrounding area. All their administrative conceptions were subordinated to commercial maxims. But this did not mean that active merchants and bankers were normally addressed with functions of government in modern times. In the first phase from the beginning up until into the 16th century a sort of nobility had been formed out of a social group of 'old' merchants, which gave up business and tried to involve itself in politics or simply enjoyed leading a 'Rentier' existence.

In the late middle ages Frankfurt provided the geographic space and infrastructure for foreign merchants to do their business. In this second phase commercial activity within the city itself resulted from the Flemish immigration, which opened a larger field of possibilities to business. The city administration practised liberal

economic ideas in the commercial and financial field – contrary to the area of handicraft production that remained subordinated to guild compulsion until the second half of the 19th century.

Formulating the bill of exchange law, for example, the city council, conforming to the wishes of the merchants, gave them a free hand to pass the stock exchange regulations or to negotiate money and loans according to their own ideas.

A previously unknown, more regulating element was introduced through the founding of the public chamber of commerce. This policy instrument was introduced by a new government out of Aschaffenburg from 1806 to 1813.

During the period of the Free City (1815 – 1866) once again, certain ideas had the upper hand which made possible the most extensive commercial liberties in Frankfurt. That is the reason why Frankfurt hesitated in joining the German 'Zollverein'. In 1866 citizens argued in Frankfurt, that the city would be more useful to Prussia if it would keep its political and economical independence instead of becoming an ordinary Prussian town.

Nevertheless, the actual Prussian annexation did not change the commercial constitution of Frankfurt decisively. The sovereign handling of its own interests was lost, but the Prussian side practised quite liberal economic conceptions, so that Frankfurt remained without difficulty a city of finance whose financial importance even grew afterwards.

The development towards an industrial centre which started in the nineties of the 19th century – late but on a massive scale – didn't change the previous economic set-up. A second, parallel branch of economic activity was gradually formed.

The political changes and burdens that Frankfurt had to experience during the 30 Years War, the Napoleonic predominance or the Prussian annexation, caused distress. Decreasing commercial success influenced the level of the rates and from time to time the commercial connections were blocked. Never, however, were the three features which characterized the financial side of Frankfurt disturbed for a longer period: trade fair credits, bills of exchange, public and industrial loans. The commercial Frankfurt seemed to be à la longue remarkably impervious to political events.

This story is not very extraordinary. The development of all other financial centres in Europe seems to be in many ways similar to that of Frankfurt. Nevertheless, the success of Frankfurt as a site for finance is inseparable from the general history of the city as a whole. As is so often the case, economic history is directly related to urban history.

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## The City of London: functional and spatial unity in the nineteenth century

Throughout the nineteenth and twentieth centuries London has maintained its position as the premier financial centre of Europe, since it replaced Amsterdam during the French Revolutionary/Napoleonic Wars (1793–1815). Challenges from Paris and Berlin all failed, helped by the de-stabilising effects on Continental Europe of major military conflicts, particularly the Franco-Prussian War of 1871 and the First and Second World Wars. Illustrative of London's continuing importance, despite the relative decline of the British economy, was the fact that in 1990, while the number of foreign banks with London offices stood at 478, Paris and Frankfurt could attract only around half that number, with 277 and 247 respectively. However, London was not only dominant in the European time-zone for it also ranked as one of the world's major financial centres, being relatively unchallenged before 1914, and vying with New York and, more recently Tokyo, for pole position. Especially in cross-border financial activities London continued to occupy the leading position as in international bank lending, foreign exchange dealing, global bonds and equities, and worldwide re-insurance.<sup>1</sup>

Nevertheless, this impression of London's long-standing financial dominance, at least in Europe, rests upon considerable ambiguity over what constituted, 'The City of London'. In the middle of the nineteenth century contemporaries resorted to the geographical expression – 'The City of London' – in order to describe the wide and diverse range of commercial, financial and manufacturing activity that took place in London, and which was largely located, at that time, in an area covering one square mile, and stretching from the Tower of London to Temple Bar, bordering the Thames. As one writer in 1852 put it, 'The City is a world within itself centered in the heart of the metropolis<sup>2</sup>(3)'. At that time, therefore, a reference to the City of London was not specific to finance but included a much more numerous grouping, especially trade, shipping and all the industries and services necessary to support them.

It was only over the next 100 years that the expression – 'The City of London' – changed so that it referred to finance alone and, at the same time, widened to cover

<sup>1</sup> *Financial Times*, 7 February 1991.

<sup>2</sup> *The City, or the Physiology of London Business* (London 1852) 1.

all financial activities within Britain, wherever located. As the *Financial Times* stated in 1987, 'The City of London is a function, no longer a postal address. The function is finance and it does not have to be applied in the square mile'.<sup>3</sup> In this it was merely reflecting the official position for the government's own statisticians used the term, the City of London, as short-hand for the financial sector as a whole, and so included much that was, and always had been, undertaken elsewhere in Britain. Amongst these were the building societies, that were largely provincial in origin and location, and the Scottish banks, insurance companies, and investment trusts that had been long established in such cities as Edinburgh. At the same time many activities that were central to the City of London's operation, and were of growing importance, were ignored, especially the firms of chartered accountants and corporate lawyers.<sup>4</sup>

Consequently, while in the popular mind the term, the City of London, remains identified with a particular place, the officially accepted definition relates to a group of financial institutions and intermediaries. Naturally this leads to confusion, particularly when numerous authors insist upon using the popular and official definitions interchangeably, depending upon the point they wish to make. For example, in a recent book on the City of London's manpower requirements, Rajan and Fryatt state, 'For a geographical area of its size, the economic significance of the City of London is exceptional. It contributes nearly half the net invisible earnings' in the UK's balance of payments.<sup>5</sup> Here they are attributing to one place the entire overseas income of the UK financial sector, regardless of where it was taking place, and this error is commonplace in any of the work done on the City of London. The result has been that in Britain the public have come to believe that in one small part of London is concentrated the head offices not only of all the banks and other financial concerns, but also those of the major manufacturing, commercial and natural resource companies, along with the institutions, markets and experts necessary for their successful management and operation. Together, these are deemed to constitute such a powerful group that they could either ignore the wishes of any democratically elected government or even force it to follow policies of the City's choosing.<sup>6</sup> Only in the United States, where the financial sector and the Wall Street district of New York are synonymous, does a similar confusion of place

<sup>3</sup> *Financial Times*, 27 February 1987.

<sup>4</sup> UK *Balance of Payments: The CSO Pink Book* (London 1989) 36.

<sup>5</sup> A. Rajan & J. Fryatt, *Create or Abdicate: The City's Human Resource Choice for the 90's* (Brighton 1988) 17.

<sup>6</sup> See J. Coakley & L. Harris, *The City of Capital: London's Role as a Financial Centre* (Oxford 1983) 2; H. McRae & F. Cairncross, *Capital City: London as a Financial Centre* (London 1984) xli; J. Plender & P. Wallace, *The Square Mile: A Guide to the New City of London* (London 1985) Preface; A. Hilton, *City within a State: A Portrait of the Financial World* (London 1987) vii, 1–2; M. Reid, *All Change in the City: The Revolution in Britain's Financial Sector* (London 1988) 21. See N. Newton & D. Porter, *Modernisation Frustrated: the Politics of Industrial Decline in Britain since 1900* (London 1988). More specifically the following reflect the general belief in socialist circles that the City has been all-powerful in Britain for at least 100 years. P. Anderson, 'The Figures of Descent' *New Left Review* 161 (1987) 34–5, 41, 45, 56, 61–3, 69, 75; M. Barrat Brown, 'Away with all the Great Arches' *NLR* 167 (1988) 41, 47, 50; G. Ingham, 'Commercial Capital and British Development' *NLR* 172 (1988) 55.



and function appear to occur, which also results in a popular perception concerning the concentration of financial and business power. In 1912 US Congress even appointed a Committee to investigate the 'Money Trust' that was felt to exert a central control over economic life, with J.P. Morgan as its principal architect.<sup>7</sup>

Clearly, what is required is a separation of these spatial and functional definitions in order to discover the reality behind the rhetoric. As Goodhart and Grant suggested in a 1988 Fabian pamphlet, '... Critics must stop tilting at a largely imaginary city ...,' and in their account of the present-day situation they stuck rigidly to the functional definition that equated the City with the financial sector.<sup>8</sup> That approach could also be repeated historically, in an attempt to describe how the financial sector has changed and grown over the years, and evaluate the contribution, or otherwise, it made to Britain's economic performance. Conversely, it would also be possible to take the spatial approach, and try to identify what the City of London actually did, and how that changed over time, attempting to judge both what was unique and special about the City and the degree of importance it possessed. Both approaches are equally valid but different, for one takes the financial sector as a whole submerging within it that which took place in the City of London, while the other identifies a grouping of activities in a particular place, and ignores that which took place outside. Until the wholesale destruction of the City of London by aerial bombing during the Second World War, and the planning controls that restricted its re-building and re-population afterwards, this spatial definition does capture the unique and important contribution that the City made not only to the British economy but also to the world economy. Since 1945, the large-scale dispersal of City activities to other centres in Britain and abroad, and the fundamental changes that have taken place in the organisation of economic life, necessitate the abandonment of the spatial definition and its replacement with a functional one.<sup>9</sup> Therefore, a study of the City of London in the nineteenth century, based on the geographical definition allows the historian to capture those central components, and their inter-play, which underlay the successful functioning of a financial and commercial centre of world importance, in an era of limited government intervention and in the absence of large trans-national corporations.

As it took a combination of world war, government controls, and escalating property and labour costs on the one hand, and a revolution in communication facilities and business organisation on the other to break the spatial unity of the City of London after 1945, one must assume that there was a high degree of interdependence in the years preceding. The City of London's workforce did expand steadily before the Second World War, for example, reaching 0.5 million in 1935 compared to 0.4 million in 1911 and 0.3 million in 1866. The expectation of the 1944

<sup>7</sup> US Congress, *Investigation of Financial and Monetary Conditions in the United States* (Washington 1912); US Congress, *Report of the Committee appointed to investigate the concentration of control of money and credit* (Washington 1913).

<sup>8</sup> D. Goodhart & C. Grant, *Making the City Work* (Fabian tract 528, 1988) 3.

<sup>9</sup> City of London Council, *Report by the Improvements and Town Planning Committee on the Preliminary Draft Proposals for Post-War Reconstruction in the City of London* (London 1944) Passim, F. Duffy & A. Henney, *The Changing City Passing* (London 1989) 73.

City planning committee was that this trend would continue because of the need for proximity among City businesses. As a result a total of 0.8 million, or an increase of 60 per cent, was forecast, and it was felt that this could be accommodated in the same area with the use of modern buildings. As it was the City of London's workforce, after the war-time dispersal, recovered to a peak of only 0.4 million in 1961, before falling back to 0.3 million in 1981, by which time there had been a major movement of firms and functions out of the City.<sup>10</sup> Nevertheless a 1986 survey still found that, 'Although most City firms stated they did not consider it important for the services they used to be located in the City, nonetheless the majority of such services were bought from firms located either in the City or in the neighbouring postal districts.'<sup>11</sup> Therefore, despite the restrictions, expenses, and access to means of electronic contact, there continued to be a significant coincidence of spatial and functional unity in the late twentieth century in the City of London. A century earlier, with limited restrictions, relatively lower costs, and only the beginnings of a telephone service, the necessity for close physical contact between the diverse activities of the City of London would have been even greater. However, this leaves unanswered the questions of what was the City of London actually composed of, and why did they need to be in such proximity to each other.

Unfortunately, it is no simple matter to discover the actual composition of the City of London, and how it changed over time. The national census taken every ten years should provide a precise listing of occupations for those who worked in the City. However, as the census counted only the night-time population, and as most of the City's workforce was increasingly resident elsewhere (65 per cent in 1866, 95 per cent in 1911), it is largely useless as a record. Aware of this weakness in the census, The City of London conducted their own from 1866, with those for 1881 and 1911, giving sufficient detail on occupations to provide useable results though not of the reliability or quality of the national census (see table). From an analysis of this data it is clear that the City remained a mixed business community in both 1881 and 1911, engaged in both manufacturing and commercial, financial and other services. Nevertheless, substantial change was taking place in the composition of the City of London in the nineteenth century, leading it to become more and more specialised in the functions it carried out. Already by mid-nineteenth century the City was ceasing to be a place where people lived and worked, to become one where they only worked. Scott, writing in 1877, observed that, 'Private families, with their domestics and children, are giving place to, solicitors, engineers and other men of business ...'<sup>12</sup> With the City's resident population down to 20,000 by 1911 there was little need for all the facilities required to maintain a large permanent community, and so the support activities were increasingly those that catered

<sup>10</sup> City of London, *Report by the Improvement and Town Planning Committee*, 1, 4, 13, 15; J.H. Dunning & E.V. Morgan, *An Economic Study of the City of London* (London 1971) 34; Corporation of London, *City of London: Population Census 1981* (Dept of Architecture & Planning, 1987).

<sup>11</sup> Duffy & Henney, *Changing City*, 179.

<sup>12</sup> B. Scott, *A Statistical Vindication of the City of London* (London 1877) 37. Booth observed the continuing exodus in 1903 (see C. Booth & G.E. Aves, *Life and Labour of the People of London* (London 1903) vol 5, 96).

for the needs of the day-time workforce, and maintained and serviced the very fabric and operations of the City. At the same time rising wages and rents were undermining the competitiveness of the City's manufacturing base, leading it to seek alternative locations, particularly in other parts of London. Activities like the manufacture of furniture and footwear, book printing, and engineering were all migrating from the City in the second half of the nineteenth century as they sought space within which to expand. A pharmaceutical firm like Allen & Hanbury's, with workshops off Lombard Street, increasingly switched its manufacturing operations to Bethnal Green at this time, leaving its City premises as the administrative and distributive – centre for the business. Nevertheless, the City continued to be a significant manufacturing area in the nineteenth century, especially in such activities as printing and garment making, as these consisted of numerous small firms with a high degree of interdependence, meeting the specific requirements of local customers.<sup>13</sup> Discounting manufacturing as being increasingly distinct from the City's role as a financial and commercial centre, and including support services as representing inputs into other sectors of the City's economy, it can be seen that the City of London was, increasingly, a large and concentrated service centre, specialising in the handling of trade, the supply of credit, the raising of loans, and the provision of the expert knowledge and facilities that all these required. It is also obvious that finance was by no means the dominant activity within the City of London before 1914, though its relative importance was growing rapidly. Up to the First World War the City of London remained, predominantly, a commercial centre. However, with the composition of the City of London established, at least for the late nineteenth early twentieth century, it is now possible to investigate more fully the forces that underlay the desire for spatial unity both within and between individual service sectors.

The City of London had grown in importance as Britain's principal port handling the country's exports, imports and re-exports, and acting as the central distribution point for internal trade. By the 1850s its importance in domestic distribution was already on the wane with the development of an integrated railway network and telegraph communication. It became progressively easier to arrange delivery direct from source to consumer, without the intermediation of City markets and merchants. Even within London it was the railway termini outside the City, such as Kings Cross, that were acting as distribution points.<sup>14</sup> For imports, which did arrive by ship, the City was losing its role as they could be directed to their final destination without trans-shipment. Much wool now went directly to Yorkshire textile mills via Hull, having previously broken the journey in London. Even a new and specialised trade, like that in frozen meat, also gravitated from the

<sup>13</sup> London School of Economics, *The New Survey of London Life and Labour* (London 1930) Vol 1, 215, 357; P.G. Hall, *The Industries of London since 1861* (London 1962) 103, 145; D.J. Olsen, *The Growth of Victorian London* (London 1976) 123, 310 – 11, 318; D.F. Stevens, 'The Central Area', 190 & P. Hally 'Industrial London: A General View', 231 in J.T. Coppock & H.C. Prince (eds), *Greater London* (London 1964), G. Tweedale, *At the Sign of the Plough: Allen & Hanburys and the Pharmaceutical Industry, 1715 – 1990* (London 1990) 52, 72.

<sup>14</sup> Hall 'Industrial London', 227; Hall, *Industries of London*, 23, 25, 119.

City. In 1882/6 the City's Smithfield market handled two-thirds of the meat imported into the UK but only 41 percent in 1910, by which time it largely served the southern half of England.<sup>15</sup> Nevertheless, London as a port continued to handle 33 per cent of UK imports by 1913, reflecting the consuming needs of the South East, especially London with a population in excess of 7 million. In exports London was not well situated for the northern industrial areas, and so the flow of cotton textiles, iron and steel and coal went via Liverpool, Glasgow and Newcastle. By 1913 London was handling only 19 percent of UK exports. In re-exports London retained its dominant position with 54 percent of the UK total in 1913. However, the trade London continued to handle was increasingly by-passing the City of London and instead was located in new dock facilities downstream, such as Tilbury, or directly from ships moored in the Thames. It was only the most high value items like furs, diamonds and curios that warranted space in the City. Clearly there was a growing separation between the City of London and the physical conduct of trade but the City remained a major commercial centre judging from the number of merchants who continued to operate from there. The existence of such a large re-export trade, indicates what underlay the City of London's continuing importance as a commercial centre before 1914. With a growing volume and variety of goods entering international trade, and that trade encompassing more and more countries, there was an increasing need for a wholesale centre to which goods could be sent and despatched from. Bulk commodities like wheat, cotton, coal or iron and steel could justify direct transit but a huge number of other commodities and manufactures could not, and so needed to be assembled and re-assembled in part loads. At the same time other commodities were produced on a seasonal basis and so had to be stored close to market while awaiting use, or required inspection and grading before being made ready for sale. Consequently, whereas London lost bulk trades it continually picked up others in such areas as tropical produce or speciality manufactures. What the City could offer was an unparalleled range and depth of expertise that continued to attract trade to London, though less to the wharves and warehouses of the City itself.<sup>16</sup>

The very growth of a global communications network by the late 1870s, which undermined London's role in the movement of bulk cargoes, also allowed the City to play a greater role in the organisation of international trade. Through the use of the telegraph it became possible to conduct worldwide trading and shipping business from an office in the City, maintaining regular contact with agents and ships

<sup>15</sup> P. Perren, *The Meat Trade in Britain, 1840 - 1914* (London 1978) 197 - 203, 211; C. Maughan, *Markets of London* (London 1931) 145; W.J. Passingham, *London's Markets: Their Origin and History* (London 1934) 47, 71; J.B. Jefferys, *Retail Trading in Britain, 1850 - 1950* (Cambridge 1954) 9 - 11, 30.

<sup>16</sup> S.W. Dowling, *The Exchanges of London* (London 1929) 106, 130, 140; J.G. Broodbank, *History of the Port of London* (London 1921) Vol II, 498 - 9; G.L. Rees, *Britain's Commodity Markets* (London 1972) 144 - 5, 173, 229, 234, 241 - 4, 269, 274, 269 - 70, 325, 334, 351, 417; Economist Intelligence Unit, *The London Metal Exchange* (London 1958) 10, 14, 61 - 2; Maughan, *Markets of London*, 78, 85 - 6, 94, 98, 108, 127 - 8, 203; Passingham, *London's markets*, 149 - 151; J.G. Smith, *Organised Produce Markets* (London 1922) 147; D. Barnard, *The Australian Wool Market, 1840 - 1900* (Melbourne 1958) 133 - 4, 164 - 8; *Statistical Abstract for the United Kingdom* (London 1914) 94 - 6.



captains around the world. The City of London established itself at the very centre of the world communications network, and so attracted shipping and trading firms to it not only from elsewhere in Britain, such as Liverpool, but also from abroad. A firm such as Harrison and Crossfield moved to London in 1854 and ran from there an international distribution network in tea and coffee. Also in that year Julius Czarnikow arrived from Germany and established in the city a worldwide business trading in sugar and coffee.

The very complexity of international trade required organisation and intermediation, and, in the absence of either multi-national companies or government agencies, the numerous merchants, brokers and dealers of the City of London fulfilled those functions. One of the problems of the continued growth of intermediaries, and their increasing specialisation in terms of either product or place, was a means by which they could come together to focus on any particular trade. Clearly physical proximity was an important aid to by-passing the problems of specialisation for it facilitated both competitive behaviour between firms in the same trade and complementary activity among those in allied areas. Mincing Lane, for example, was an especial haunt of firms dealing in such tropical produce as coffee, tea, sugar, spices and rubber with the result that there was common pool of expertise and information that could be quickly tapped as well as a competitive environment which served the customer well. This informal network was strengthened in many trades by the establishment of organised markets. The Baltic Exchange, for example, developed as the market for shipping and grain while the London Metal Exchange, established in 1882, dealt in copper and lead. Though each exchange or market organisation had their own membership and means of operation, their physical proximity ensured that they served the City as a whole. In grain, for instance, entire shiploads were traded on the Baltic Exchange for clients worldwide while the Corn Exchange dealt in less than shiploads for mainly domestic clients like flour millers.<sup>17</sup>

However, the formal markets did more than provide a convenient forum for contact for they also developed facilities which, in turn, enhanced the City's attractions as a centre for international commerce. In particular, a number of commodities lent themselves to trading in standard amounts and grades, such as wheat, coffee, cocoa, tin and copper. As a result, the trading process was reduced to one involving simple price determination of identical lots. Combined with the telegraph, which gave advance notification of expected production and supply, it be-

<sup>17</sup> J.A. Findley, *The Baltic Exchange* (London 1927) 39; H. Barty-King, *The Baltic Exchange: The History of a Unique Market* (London 1977) 133, 153, 360–3, 387; C.A. Jones, *International Business in the Nineteenth Century: The Rise and Fall of a Cosmopolitan Bourgeoisie* (Brighton 1987) 68, 80–2, 106, 110–4, 142, 155–7, 160–2; *One Hundred Years as East India Merchants: Harrison's & Crossfields 1844–1943* (London 1943) 3, 15, 17, 18, Maughan, *Markets of London*, 24, 34, 85–6, 108–13, 118–9, 127–8, 131.; Smith, *Organised Produce Markets*, 97, Passingham, *London's Markets*, 156; Dowling, *Exchanges of London*, 35, H.J. Sayers, *The Story of Czarnikow* (London 1963) 9–25, K.M. Stahl, *The Metropolitan Organisation of British Colonial Trade: Four Regional Studies* (London 1951) 293; S.J. Nicholas, 'The Overseas Marketing Performance of British Industry, 1870–1914', *Economic History Review* 37 (1984) 496–8, 506.



came possible to deal for future delivery with reasonable confidence. Consequently, the operation of active commodity markets in the City reduced the risks attached to trade and this increased the supply and lowered the cost of the credit that was essential to bridge the gap between production and sale, especially of seasonal products. By making the ownership of such stocks transferable they could be sold to an intermediary who undertook the risk of finding an eventual purchaser. With a guaranteed sale, banks and other financial institutions were now happy to provide credit at low cost and with little margin, making London an attractive centre from which trade could be organised or goods stored until sold. As the Tea Buyers' Association noted in 1900, 'Warrants for tea are like bank notes and change hands frequently,' indicating the degree of activity in a commodity that did not even possess a formal exchange.<sup>18</sup> Consequently, while in commerce the spatial and functional unity of the City had originally derived from the existence of facilities for loading and unloading ships and the storage of goods, increasingly in the nineteenth century, it was replaced by an unmatched ability to organise trade that came from long experience and an easy access to shipping, insurance, communications and, especially, cheap credit. In turn, this relied upon close proximity of those involved in order to counter-act the specialisation that existed not only within the commercial sector itself but also between it and those who provided the other inputs that were becoming essential for success. A shipbroker, Percy Hartley, remembered, '... it was part of my duty in the rice season to run around the Burma market two or three times daily offering steamers.'<sup>19</sup> This indicates the close connection between trade and transport and the necessity of a constant presence in a fast moving market if opportunities for business were to be gained on behalf of clients. Though the telephone was eroding the need for physical proximity to markets or inter office visiting, the system remained very limited in coverage and quality, with only 10,000 subscribers in the entire central London area by 1905. Before the First World War there existed no substitute for an office in the City itself, and especially one in the most appropriate district, if those in commerce expected to play a full and committed role in a particular trade. Even if the decentralisation of the communications system was reducing the significance of proximate location, the growing importance of cheap credit in international trade, and the necessity of having rapid and reliable access to it, acted to maintain the spatial and functional unity of the Commercial City.<sup>20</sup>

<sup>18</sup> Passingham, *London's Markets*, 136–7, 156, 160; Economist Intelligence Unit, *Metal Exchange*, 3, 42–6, 63, Maughan, *Markets of London*, 22–4, 26–7, 36, 39, 85–6, 98, 106, 115–7, 119, 122, 189–191, Rees *Britain's Commodity Markets*, 170, 205, 397; Swiss Bank Corporation, *Commodity Markets* (London 1935) 7, 14; Dowling, *Exchanges of London*, 153, Barty-King, *Unique Market*, 181, Smith, *Organised Produce Markets*, 4, 11, 41, 44–5, 86, 96–7, 147. Economist Intelligence Unit, *Metal Exchange*, 17–19, 42–7. Rees, *Britain's Commodity Markets*, 52, 133, 170–171, 208, 348, 416–7, 437. Maughan, *Markets of London*, 31–3, 106, 108, 122; S. Chapman, *The Rise of Merchant Banking* (London 1984) 106, 125, 137; Dowling, *Exchanges of London*, 158; London Chamber of Commerce, *Tea Buyers' Association Minutes*, 22/Feb/1900.

<sup>19</sup> P. Hartley, *My Life in Shipping, 1881–1938* (London 1938) 65.

<sup>20</sup> Maughan, *Markets of London*, 36, 119; Holden and Holford, *City of London*, 177, 182; Barty-King, *Unique Market*, 181.

Essentially, there was a growing degree of inter dependence between the City of London as a commercial and as a financial centre before 1914, rather than a position of rivalry. Certainly, the physical trade was threatened with the competition for space between offices and warehouses, but this did not mean that those who organised trade had to migrate, for the forces that led them cluster in the City of London remained very strong. Only the extensive destruction of the commercial districts during the Second World War, as they were close to the Thames, and the post-war restrictions that prevented their return, broke the link between the City and Commerce, while the growth of trans-national corporations and government agencies removed many of the functions they had performed. Thus, within the City of London before 1914, it was the operation of the money market that was becoming of crucial significance in maintaining, and reinforcing, the spatial and functional unity that had existed for other reasons in the past. Within a market economy money was continually being released and absorbed by different sectors and locations in the daily, weekly or monthly cycle of activity, while periodic booms and slumps created fluctuations from year to year. This led to a constant need to redistribute money from one sector or location to another as circumstances altered, in order to make maximum use of the available supply. In particular, there were always substantial balances that were being held idle in order to meet a wide variety of expected needs in the near future, as well as contingency funds for unpredictable demands. Consequently, there did exist a vast potential supply of cheap finance available for short-term use, as in the provision of trade credit. Initially, this was done through connections between private City banks and their provincial counterparts but increasingly it became submerged within the operations of the major commercial banks with their extensive branch networks. By 1913 the London based banking groups, like Barclays and National Provincial, possessed 4,716 branches (58 per cent of the total) and had 660 million in deposit (64 per cent of the total). Though a large proportion of these deposits were advanced directly to customers in the locality of each branch or retained as cash to meet withdrawals, a significant proportion was collected centrally and employed in the London money market where it could be lent for as little as a day at a time, and so could be called back at very short notice to meet either the demands of depositors or the needs of customers. Naturally, for such short-term lending the banks received a low rate of return but previously, this money would either have had to be kept as cash, upon which no return was obtained, or advanced to customers on a longer term basis with the risk that, in a crisis it would not be available to repay depositors. Banks had to balance risk and return in order to survive, and the London money market offered a very useful facility in its ability to employ large sums for short times.<sup>21</sup>

<sup>21</sup> M. Friedman & A.J. Schwartz, *Monetary Trends in the United States and the United Kingdom: Their Relation to Income, Prices and Interest Rates 1867 - 1975* (Chicago 1982) 262; P. Ollerenshaw, *Banking in Nineteenth Century Ireland: The Belfast Banks 1825 - 1914* (Manchester 1987) 81, 94; F. Capie & A. Webber, *A Monetary History of the United Kingdom, 1870 - 1982* (London 1985) Vol. 1, 130, 576 - 7; P.W. Matthews & A.W. Tuke, *History of Barclays Bank Ltd* (London 1926) 1; R. Reed, *National Westminster Bank: A Short History* (London 1983) 14; A.R. Holmes & F. Green, *Midland: 150 Years of Banking Business* (London 1986) 56, 100.

The very scale of the City's operations as a commercial centre created remunerative openings for money available for the shortest of periods, because there was constantly new stocks – ashore or afloat – needing to be financed while others were being sold and the credit repaid. Such was the volume of credit business in London that there was the assumption that, in normal times, the supply and demand for credit could be matched with the withdrawal of supply from one lender being counter balanced by an increase from another. Consequently, trade credit could be provided on a permanent basis by tapping continually changing sources of finance. Central to this process was the market in short-term debt because this ensured that the funds coming to London could be quickly and easily employed while those that were leaving could do so smoothly and without causing major repercussions in obtaining replacement finance. These short-term debts were normally in the form of bills of exchange, which were promissory notes given by the purchaser to the vendor. They were often guaranteed by a bank or other acceptor, which made them more marketable since it provided a guarantor that was better known and trusted than any individual trader or manufacturer. By selling these bills at a discount to its face value – hence the name the discount market – the vendor obtained immediate payment for the goods sold, the purchaser was given time to dispose of them and the holder of the bill obtained remunerative employment for temporary funds, measured by the level of discount obtained. These bills normally ran for 30 to 90 days and represented a reasonably liquid asset which matured at a specified time and at a fixed price. For even greater liquidity, though smaller profit, banks could purchase bills with only part of their term left to run, or simply lend to the bill-brokers or discount houses that specialised in borrowing short term, usually on a day-to-day basis, and used the money to purchase and hold bills until maturity, benefiting from the differential between the cost of borrowing and the return on the bill. These money market intermediaries operated in the expectation that, normally, they would always be able to employ any money lent to them in the bills constantly appearing in the market, and that they would always be able to finance a portfolio of bills, using the money continuously offered to them, for as one loan was recalled another became available. Their faith in this was further reinforced by their ability to borrow from the Bank of England on the strength of their bill portfolio, though at high rates of interest which they were willing to pay because their other sources of finance were so cheap. In turn, the Bank of England gained in being a lender of last resort for, though it could be left with substantial idle balances, when it did lend these it obtained a very favourable rate of return.<sup>22</sup> Thus, by the mid-nineteenth century, there had already evolved a complex and sophisticated money market in London that could mobilise the nation's idle short-term funds and employ them in providing the credit necessary for the successful operation of the economy. Thus the City of London's need to provide trade credit created opportunities which attracted short-term money throughout Britain, which enhanced

<sup>22</sup> W.T.C. King, *History of the London Discount Market* (London 1936) 9, 30, 42, 48, 99, 117, 175, 183; C.A.E. Goodhart, *The Business of Banking* (London 1972) 31.

London's position as a commercial centre, because it was easier and cheaper to obtain the necessary credit there than elsewhere. This, in turn, attracted further short-term funds as the openings for their profitable employment grew, bringing in new commercial business in its wake, and so the cycle continued. There was a constant interaction between the demand for, and the supply of, credit which greatly enhanced the City of London's ability to employ money remuneratively, even if available for the shortest of times. Consequently, access to this money market was a major consideration for those requiring credit in large amounts and low cost, and this dictated a presence in the City, certainly before 1914.<sup>23</sup>

However, national banking groups also possessed the ability to bypass the London money market itself. With the existence of their extensive branch networks, directed from a London head office, the national banks could link savers and borrowers by means of transfers within the group, rather than by resorting to the London money market. Domestic bills of exchange, for example, ceased to grow in volume after 1880, even though the expansion of the economy would have suggested a greater need for them. Increasingly each bank was in the position to meet the needs of those merchants and producers among its customers itself by tapping into, directly, the deposits existing within its entire branch network. Nevertheless, this still left the banks with substantial funds which they either wished to keep as liquid as possible, but still remunerative, or were unable to employ within their own network at any one time. Collins has estimated that banks had around 14 per cent of their assets in the form of money at call or short notice by 1914, and most of this was lent out in the London money market. However, simultaneously with these changes in domestic banking the London money market was already finding additional and alternative uses for the funds at its disposal and the expertise and facilities it possessed. This was in the realm of international commerce, which expanded rapidly in this period with Western Europe's demand for raw materials and foodstuffs and its ability to supply manufacturers and services worldwide. Consequently, as the London bill of exchange declined in relative importance domestically it developed into the prime means by which international trade was financed, beginning with Britain's own foreign transactions. From the mid-nineteenth century onwards there was a growing international orientation of the London money market. For example, by 1913–14, of the commercial bills outstanding in London, totalling £ 518m, two thirds were foreign, representing trade that did not touch Britain at all. The London money market was thus providing the commercial

<sup>23</sup> W. Howarth, *The Banks in the Clearing House* (London 1905) 118, J.W. Lubbock, *On the Clearing of the London Bankers* (London 1860) 5; S. Chapman, *The Rise of Merchant Banking* (London 1984) 137; Capie & Webber, *Monetary History*, 221, 291.



credit necessary to finance not only British exports and imports but also those of countries like the United States and Germany as well as the Empire.<sup>24</sup>

Within the City, merchant, colonial, foreign and UK clearing banks each developed their own specialities in trade finance, either by area or commodity, or a combination of both, giving the London money market a spread and depth of knowledge and expertise that was unmatched anywhere else in the world. They acted not only as passive intermediaries between the City and the rest of the world, bringing to London those seeking trade credit at the best terms, but also filtered this business, using their judgement to vet the standing of customers and the quality of bills. Collectively they were acting as bankers to the international trading community, using their own experience to reduce the risks to acceptable levels. These banks and their contacts not only brought business to London they also brought money. As banking systems developed around the world all banks experienced the same need to maintain liquid funds in case of crises and the same desire to employ these funds where they would obtain some positive return, in order to help profitability and competitiveness. For this reason they also began to make extensive use of the London money market in the same way as had British banks. By 1914 the deposits of the foreign and colonial joint-stock banks operating in London totalled £ 1.9bn, or almost twice the level of the UK bank deposits. German banks, like Deutsche Bank, for example, not only used their London branch as a means of financing German trade, but also to employ the short-term funds that their extensive German branch network was continuously producing. Thus, the London money market became the dominant centre for the finance of world trade before 1914, and did so by drawing the funds necessary for such an operation from throughout the world's banking systems. As in the domestic situation in 1850, so internationally by 1914, it was only London that could offer the blend of liquidity, security, mobility and return that allowed otherwise idle funds to be employed, and so drew them to it even from other major financial centres such as Paris, New York and Berlin. In turn, this reinforced London's position in the provision of trade finance. At the same time it was increasingly important for these banks to have a presence in the City of London for that gained them ready access to the fast mov-

<sup>24</sup> C.P. Kindleberger, *A Financial History of Western Europe* (London 1984) 79, 85; S. Nishimura, *The Decline of Inland Bills of Exchange in the London Money Market, 1855 – 1913* (Cambridge 1971) 72, 79; Capie & Webber, *Monetary History*, 280, 310; King, *Discount Market*, 39, 273; M. Collins, *Money and Banking in the UK: A History* (London 1988) 106; E. Nevin & E.W. Davis, *The London Clearing Banks* (London 1970) 136; W.M. Scammell, *The London Discount Market* (London 1968) 162, 193; G.A. Fletcher, *The Discount Houses in London: Principles, Operations and Change* (London 1976) 17 – 34; E. Seyd, *The London Banking and Banker Clearing House System* (London 1872) 61; Chapman, *Merchant Banking*, 106; W.T.C. King, 'The London Discount Market' in: Institute of Bankers, *Current Financial Problems and the City of London* (London 1949) 12 – 14.



ing money markets.<sup>25</sup> It was not only banks that were in this position but other financial institutions like insurance companies and investment trusts for they were continually receiving new funds, either through premiums or interest on their holdings, which they needed to employ remuneratively before being re-invested or paid-out to policy holders or share-holders. This presence could be accomplished by either locating the head office in London, as with the major UK international banks and many insurance and investment companies, or by devolving responsibility to a major branch, as happened with the Scottish and foreign banks. Whatever method was chosen a presence in the City became essential for the operation of a financial institution in the more complex and cosmopolitan world of the late nineteenth century. As the City was also ideally placed for the overall direction of a financial institution, with its worldwide communications and its support facilities, the easiest course of action was often to locate the head office there, as happened with an increasing number of British banks and insurance companies before 1914.<sup>26</sup> However, the continuing independence of the Scottish banks and the existence of major insurance companies in such centres as Edinburgh, Liverpool, Manchester and Norwich, does indicate that a City head office was not essential for success, as long as other means were used to maintain an intimate contact with the London markets. Also, in order to retain its competitive position as a home for short-term funds, and as a source of credit, the City had to develop new facilities and devices continually to facilitate the matching of supply and the demand for credit. This had to be done over all the variables of type, amount, time, location and price. This forced those in the money market to look for alternative means of employing the funds at their disposal, when the demands of trade were low, if they were to continue to attract short-term money through their ability to pay interest on it. The problem was that though the need for short-term funds were continuing to grow, proportionally there was an even greater need for long-term capital. Throughout the world there was a progressive development of railway lines, telecommunications networks and urban facilities which all required a very large fixed investment that had to be made at the outset if the systems were to operate successfully. Similarly, in manufacturing industry and mining the scale of operations necessitated a growing initial investment in plant and equipment rather than a slow build-up fi-

<sup>25</sup> Holmes & Green, *Midland Bank*, 132; Collins, *Money and Banking*, 149; A.G.J. Baster, *The Imperial Banks* (London 1929) 140, 144, 216; A.G.J. Baster, *The International Banks* (London 1935) 76, 258; K.E. Born, *International Banking in the Nineteenth and Twentieth Centuries* (Leamington Spa 1983) 117; R.J. Truptil, *British Banks and the London Money Market* (London 1936) 142, 149, 155, 178–80; D. Williams, 'The Evolution of the Sterling System' in: C.R. Whittlesey & J.S.G. Wilson (eds), *Essays in Money and Banking* (Oxford 1968) 286; A.I. Bloomfield, *Short-term Capital Movements Under the pre-1914 Gold Standard* (Princeton 1963) 35, 46; E.G. Peake, *An Academic Study of Some Money Market and other Statistics* (London 1923) 7, 21, 24, 37, 39; M.C. Myers, *Paris as a Financial Centre* (London 1936) 162; *Enemy Banks (London Agencies): Report of Sir William Plender 16 December 1916* Cmnd 8430 (London 1917) 6, 12, 31; G. Rozenraad, 'The International Money Market' *Journal of the Institute of Bankers* vol 23 (1902) 197–8, vol 24 (1903) 101, vol 25 (1904) 266; Kindleberger, *Financial History*, 70, 264.

<sup>26</sup> C. Clegg, *Friend in Deed* (London 1958) 6, 33, 39; J.D. Simpson, *1936: Our Centenary Year – The Liverpool, London & Globe Insurance* (London 1936) 11, 14, 26, 45; E.V. Francis, *London and Lancashire History* (London 1962) 1, 2, 4, 28.

nanced by credit and ploughed-back profits. There had always been a need for the provision of long-term finance but it had been small when compared to the requirements of commercial credit or the use of self-finance in business.

The question was how could the money market, which was abundantly supplied with short-term funds, use these to finance long-term capital-intensive projects, where the funds were required for years, or even decades, and could not be withdrawn in the interim. As with the link to the commodity markets this brought the money market into intimate contact with another City operation, namely the Stock Exchange. As Hichens, a broker who represented the London J-S bank, put it in 1848 'The Stock Exchange is the channel through which all the money business of London flows, ...'<sup>27</sup> The Stock Exchange was the market in securities, such as shares, stocks, bonds and debentures. These represented long-term debt created by governments, often to finance wars, or by corporations, such as the railways, which could not be liquidated on demand, but could be sold to another at the prevailing market price. What was being bought and sold on the Stock Exchange were the claims to these debts. To the issuer of the securities the debt created was a long-term one because any date of redemption was far in to the future, if it existed at all. In contrast, as long as the purchasers of these debts were convinced that they were easy to re-sell, without any serious alteration in price, the length of time for which the investment was made depended upon the investor's desire or ability to hold the securities. Thus, though the investment itself could not be liquidated, the owner of the claim to the return on that investment could sell it to another. Those requiring long-term finance could obtain it from those only willing to make short-term loans through the device of a market in the claims to the product of the investment. Consequently, the creation and efficient operation of a securities market removed the distinction between short- and long-term investments, creating instead a single market in assets of varying liquidity. This opened up the opportunity in London for the placing of short-term funds into long-term securities for limited periods, profiting from the fact that the price would rise as the dividend or interest-paying date approached. This did involve an element of risk as the price could fall in the interim through general economic circumstances or events peculiar to the issuer of the securities. There thus developed a group of intermediaries, particularly jobbers on the Stock Exchange, who made a practice of borrowing short-term money, available at low rates of interest, and investing it in long-term securities, yielding a higher rate of return, and so profiting from the interest-rate differential. Obviously they took the risk that the securities might fall in value and that they might have to realise at a loss if it became impossible to renew the loans during the panic. However, because of the size of London money markets there was every expectation that short-term money would always be available, and as the Stock Exchange grew in size and turnover, it became easier to buy and sell with little variation in price. It was only the safest and most liquid of securities in which these operations were conducted, so as to limit the likelihood of price fluctuations and increase the pos-

<sup>27</sup> London Stock Exchange: Committee for the General Purposes 16/Feb/1848.

sibility of rapid realisation. At first, these were principally the various issues of the National Debt, because they were the largest and safest securities traded in the market. By the late nineteenth century they had been complemented by the loans raised in London by foreign and colonial governments and, increasingly, the various securities issued by large railway, industrial and mining enterprises, both from home and abroad. In particular, the securities created by the world's major railway companies to finance their operations were available in such magnitude as to make them suitable for temporary investment, especially as the scale and nature of their operations virtually guaranteed their ability to service their debts and make regular dividend payments.<sup>28</sup>

Thus the London Money Market became adept at employing volatile funds in long-term investment with only minimal risk, and so increased its attractiveness as a home for such funds since it could always employ them at some positive rate of return. To do this successfully required a location in the City itself as it was important to be within easy reach of both the stock exchange and the offices of the banks, discount houses, and other intermediaries. In 1848, for example, the stockbroker, Mullens had a regular stroll around different banking houses between 10.30 and 11 o'clock, picking up buy and sell orders.<sup>29</sup> In fact, it was to be the late twentieth century before the existence of rapid, reliable, and extensive electronic networks finally replaced the inter-office contacts, and the market floor, as the principal means of dealing in fast-moving money and securities markets.<sup>30</sup> The consequence was that London attracted investment bankers from all over the world who recognised in the City a market where they could more easily raise and direct finance than anywhere else in the world. These included firms like Kleinworts from Germany or Flemings from Scotland. In turn, the existence of so many specialists in foreign investment in London, and their extensive contacts, helped to make the City an even more dominant force in international investment, which attracted more finance houses from abroad. Essentially, what the City was very good at was the raising of large amounts of capital for the likes of governments and railways wherever they were located. For example, between 1860 and 1904, Barings and Rothschilds issued between them 250 loans worth £1.9bn, or with an average size of £7.7m. Established firms like these were specialist issuers of large loans and when an industrial issue came into that category they would handle that as well, such as Barings' issue of £6m in securities for Guinness in 1888. Beneath them there existed numerous other merchant banks that specialised in smaller issues. J S Morgan, reflecting their US origins, concentrated upon loans for the principal US railroad companies and, later, industrial enterprises where issues of between £0.1m and £0.2m were common, with few being over £0.5m. Smaller still were firms like Dunn, Fischer & Co, or the Canadian Agency, with interests in Latin American

<sup>28</sup> For more detail on the links between the money and capital markets see, R.C. Michie, *The London and New York Stock Exchange 1850–1914* (London 1987) 139–56.

<sup>29</sup> London Stock Exchange: Committee for General Purposes 12 Jan 1848.

<sup>30</sup> Duffy & Henney, *Changing City*, 18–19, 99, 104, 108; N. Sowels, D. James & I. Hunter, *Britain's Invisible Earnings* (Aldershot 1989) 146.

tramways and Canadian industries respectively. Again, for all these firms of investment bankers a presence in the City was of major importance as few were large enough to handle an issue alone, and so needed the co-operation of those in a position to pass on the resulting securities to their clients, like stockbrokers and other merchant bankers, or absorb them into their investment portfolios, like the insurance companies or investment trusts. At the same time a company flotation or government loan was a complex undertaking and required not just the expertise of an investment banker and their associates, but the likes of accountants and lawyers to handle the intricate financial and legal detail. Similarly a railway project necessitated the involvement of surveyors and civil engineers while a mining venture required geologists and mining engineers. The City possessed these in abundance, so that a meeting could be quickly and easily arranged to include all the expertise relevant to the proposal. Even in the late twentieth century it was important to have this range and depth of talent available in the one place for the sequence of consultations necessary before a prospectus could be laid before the public. Consequently, within the City's financial operations before 1914 there was a constant requirement to be located near the Stock Exchange, as the central market for buying and selling securities, and this in turn attracted those firms and institutions that were involved in both the issue of new securities, like the merchant banks, and the investment of large sums in stock and shares, such as the insurance companies and investment trusts. In turn this drew in experts like accountants, lawyers, surveyors and engineers who could provide that pool of knowledge and expertise required in either floating companies or handling government borrowing.<sup>31</sup>

In 1903, when Booth, assisted by Aves, was examining the question of London life and labour, they came to the conclusion that, 'The economic advantages of localization largely consist in grouping around the main process of an industry those allied and subsidiary trades and processes which, combined with adequate means of distribution, go to secure the maximum of aggregate and efficiency.'<sup>32</sup> This explanation was the result of their observations concerning London's manufacturing industry as they sought to understand the dense concentrations that continued to exist even with improved transport. However, once the principal features of the City of London before 1914 are identified it becomes clear that the same processes operated there, and help to explain both why the City itself continued to expand in numbers right up to the Second World War, and what underlay the desire of so many diverse activities to retain a high degree of physical proximity. Essentially,

<sup>31</sup> S. Chapman, *The Rise of Merchant Banking* (London 1984) 16, 43, 49, 70–81, 103, 170–2; v P. Carosso, *The Morgans: Private International Bankers, 1854–1913* (Cambridge, Mass 1987) 221–2, 390, 395–6, 403, 461, 596, 606, 612; P. Ziegler, *The Sixth Great Power: Barings, 1762–1929* (London 1988) 199–200, 287; J. Orbell, *Baring Brothers and Co Ltd: A History to 1939* (London 1985) 51–2, 65; R. C. Michie, 'Dunn Fischer & Co in the City of London, 1906–1914', *Business History*, vol 30 (1988) 195–6, 213–4; Duffy & Henney, *Changing City*, 28, 159, 177; Rajan & Fryatt, *Create or Abdicate*, 5, 20; E. Jones, *Accountancy and the British Economy, 1840–1980: The Evolution of Ernst & Whinney* (London 1981) 47, 56, 99, 141, 147, 156, 158, 163, 168–9, 174–7, 180; J. Slinn, *Linklater & Paines: The First One Hundred and Fifty Years* (London 1987) 1, 7–10, 16, 31, 41, 52, 99, 109.

<sup>32</sup> Booth and Aves, *Life and Labour* Vol 5, 97.



the explanation rests upon a combination of physical infrastructure and human resources. The physical infrastructure originally consisted of the docks and warehouses, that reflected the City's role as a port, but in the nineteenth century, especially after 1850, it consisted more and more of custom-built buildings and especially a worldwide communications system. Together, these provided the City of London with the accommodation from which to carry out business, whether it was from numerous small offices or markets and exchanges, and the international contacts and intelligence that was essential in the directing and managing of flows of commodities, manufactures, credit, capital and ships. In the course of the century there was a constant interaction between growth and infrastructure as new buildings replaced old and the post gave way to the telegraph and the telephone. However, the physical infrastructure of the City, was, itself, the least important part of its continuing success, though it did help to sustain its spatial unity before 1914 by accommodating an ever growing number of people and providing centralised communication facilities. Of much more importance were the activities that took place within and between these offices and markets, and which the worldwide communications served. As the trade in physical goods migrated from the City of London the pull of a City location centred upon the services that City merchants, markets, and intermediaries could offer and this was dependent upon their expertise due to both a long-familiarity with the business and a high degree of specialist knowledge. Though that alone was sufficient to preserve the City of London as a major commercial centre it was increasingly supported by an array of other services, of which shipping, insurance and finance were the most important. The City of London's ability to call upon such a wide array of specialist services increased its competitiveness against rival commercial centres, as they enhanced its expertise and lowered its costs. In particular, the existence of a large and active money market in the City of London gave merchants' access to the volume of credit which was becoming necessary if the world's expanding trade was to be financed. Thus, though commerce had given birth to the financial element in the City of London, it was the availability of credit that helped to sustain the commercial element in the second half of the nineteenth century. However, the money market did not just service commerce, for its existence in the City itself stimulated a wide range of other activities related to the raising of long-term finance, initially for the British government but later for important areas of the world economy as a whole. Key to this linkage was the stock exchange which, by creating a market for long-term debt, made it a suitable investment for short-term funds, and this brought it into contact with the money market. As a result the City attracted those who wanted to borrow, such as governments and railways, and those who wanted to invest, like insurance companies, investment trusts, banks, or the individually wealthy. Finally, in turn all these activities required advice, and so in the City were located the accountants, lawyers, and others who could provide it.

The end result was that the City of London achieved a critical mass that allowed it to achieve self-sustaining growth, as its very success, for example, in employing otherwise idle funds, attracted more and more of those needing to place or to use such funds. In the process the City of London lost its residents and its manufac-



turing, but gained a world role as a commercial and financial centre. Events in the twentieth century, after 1914, removed from it the commercial function and left it with a changed and reduced financial function, within which the operations of the money market continued to be the vital force preserving what spatial and functional unity there was left. As Goodhart and Grant observed, 'The City fulfills a need in the world economy as a place where providers of capital can be brought together with its users, where companies can rely on finding a pool of financial expertise, and where markets that have been driven out of other centres by an excess of regulation can flourish.'<sup>33</sup> The reason that the City of London continues to fulfill this role by the late twentieth century, despite all the vicissitudes of the last 100 years, rests largely with the critical mass it had built up before 1914 and the central importance of the money market as a centripetal force. After the First World War the City of London had to share that money market with New York and, eventually Tokyo, whereas before it had been virtually unchallenged internationally.<sup>34</sup>

## Appendix

City of London: Changing Composition 1881 – 1911.

Year	Manufacturing	Support Services	Commercial Services	Financial Services	Business Services
1881	30%	10%	38%	4%	19%
1911	8%	28%	27%	9%	19%
Manufacturing:	Production of all goods and materials including printing, publishing, clothing.				
Support Services:	Servicing the needs of the City: retailing, transport, secretarial, maintenance.				
Commercial Services:	Commodity markets, merchants, dealers, agents, brokers and others handling merchandise and produce.				
Financial Services:	The Stock Exchange: Banks, discount houses, investment companies, stockbrokers and others handling money and finance.				
Business Services	Insurance, accountancy, law, surveyors, architects & engineers				

(The 1881 data only identified firms or separate units while that for 1911 identified all employers and employees. The result of this would be to undercount for 1881 Financial' and Business as the banks and insurance companies were among the largest single employers in the City of London.)

Sources: Corporation of London, Report of the City Day – Census, 1881 & 1911.

<sup>33</sup> Goodhart and Grant, *Making the City Work*, 6.

<sup>34</sup> See R.C. Michie, *The City of London: Continuity and Change since 1850* (Macmillan, London 1992).



## Florentine Nobility and Finance in the Age of Decline

The economic renaissance of Florence closed at the end of the 16th century. As a consequence of the short run 1573–75 crisis that shook the city's economy to the roots there was a severe decline in the woollen industry, which since the end of the 13th century had been the major source of urban income. Production in this sector of industrial activity reduced by half and, after a brief period of recovery in the last decade of the century, suffered further reverses after the new crises of 1616 and 1630. This trend continued to decline in the second half of the century and during the following. Losses in wool were only partially compensated by the contemporary success in the silk industry, which was gaining ground in the growing markets of northern and eastern Europe. Because of this change of weight between the two sectors, capital and manpower shifted from one industry to the other.<sup>1</sup>

Concurrent with the fall of the woollen industry was the severe decay of Florentine banking activity.<sup>2</sup> Several important banks, which maintained flourishing relations not only with major financial centres in Italy, but also with Europe's most significant financial cities, in 1573–75 either failed or were shaken. Although it is difficult to explain the causes of this crisis, probably Florentine finance was hit by the current crisis taking place in a centre like Lyons, with which it had important and continuous relations. The monetary policy of the Medici dukes at this time almost certainly had an additional negative effect. Undoubtedly an unfavourable influence derived from the contemporary decline of the woollen industry, with which finance was deeply intertwined. The primacy that Tuscan banks had held in Europe for several centuries was definitively over. The presence of Florentine businessmen in international markets certainly did not die out, but moved from a central to a peripheral place. Gone were the golden days of Bardi, Peruzzi, Datini and Medici when Tuscan bankers were financial leaders throughout Europe. Florentine merchant houses in Europe after the crisis of 1573–75 were certainly fewer than before and endowed with smaller capital.

Less difficult to clarify than the causes of decline is the changing location of mercantile activities all over Europe during the 17th and 18th centuries. To this end

<sup>1</sup> An ampler examination of this argument in Malanima, (1982); and Malanima (1988).

<sup>2</sup> Cipolla (1987), 109 ff.



Map I. 1610 – 1620.

we can make use of hundreds of contracts deposited in the archives of the office then controlling commercial activities, the *Tribunale della Mercanzia*.<sup>3</sup> In the decade 1610 – 20 Florentine banks with their centre of affairs outside Florence existed not only in Tuscany (Pistoia, Pisa, Leghorn), but also in many other Italian cities like Piacenza, Venice, Ancona, L'Aquila, Rome, Naples, Bari, Lecce, Palermo,

<sup>3</sup> The basis for the following examination is formed by the contracts in State Archives of Florence (ASF), Tribunale della Mercanzia, 10837 – 10858.



Map 2. 1650–1660.

Messina and Cagliari. Beyond Italy banks endowed with small funds were still operating in Flanders, Frankfurt, Nuremberg, Lyons, Valencia, Lisbon (Map 1). These non-Italian enterprises directed by Florentine merchants almost completely disappeared in the middle of the century in the decade 1650–60 they still existed only in Lisbon, in Ragusa and Alexandria. In Italy Florentine merchants were still present in Pisa, Leghorn, Empoli and, beyond Tuscany, in Novi, Rome, Naples, Bari, Palermo (Map 2).

A notable recovery in Florentine financial investments took place in the age of Cosimo III, the Medici duke who reigned during the long period between 1670 and





Map 3. 1670–1680.

1723. For the year 1672 we have a complete census of Florentine business houses<sup>4</sup> 64 in all. Of these, 49 operated in Italy and particularly in Tuscany. The only major banks in Florence were 13. Beyond Italy there existed Florentine merchant houses in Smirne, Cadiz, Madrid, London (two), Amsterdam (two). Other banks were founded just after 1672 in Lyons, Marseilles and Lisbon (Map 3). Noteworthy is the presence of London and Amsterdam among the Florentine foreign interests a

<sup>4</sup> ASF, Carte Stroziane, s. 1, 106, 150–4.



Map 4. 1700 – 1710.

proof of the adaptability of Florentine financial capital to the changing economic geography of Europe. Small investments in commercial firms operating in London and Amsterdam remained in the first decade of the new century together with banks in Madrid, Lisbon and Seville (Map 4). Outside of Italy financial investments by Florentine bankers disappeared in the decade 1740 – 50 with the single exception of Lisbon.

To sum up the movement of Florentine foreign investments since the end of the 16th century, we can clearly distinguish three long phases; a phase of decrease beginning about 1575 and closing around 1650; a new phase of expansion from

around 1670, culminating at the end of the century; and finally a new period of decrease beginning in the first decades of the 18th. We could also synthesize the trend as a long decay interrupted only, but not substantially modified, by some decades of recovery after 1670.

After this brief outline of Florentine commercial interests, we can now examine the relation of urban nobility to finance during the period under study. But before any discussion of the theme we must define the width of this social group.

Obviously we need here a clear indication of what the term nobility means. Without embarking on a never ending debate on this point we can simply assume what contemporaries in Florence meant by the word. Well, in Tuscany by means of a law promulgated as late as in 1750 the juridical status of nobility was actually defined.<sup>5</sup> But even earlier, Florentines evidently identified the members of the upper social group, using the following two criteria: the presence of the family's ancestors in the highest state offices since the ancient times of the Republic, and the ownership of large fortunes and particularly of lands. Thus at the end of the 17th century the Florentine nobility was estimated as composed of some 385 families.<sup>6</sup> If we consider the average noble family composition in this period, we can assume about 2000 persons.<sup>7</sup> It does not seem that in the 15th and 16th centuries the Florentine patriciate was more numerous.<sup>8</sup> On the contrary around 1760 the number of noble families was estimated to be 314<sup>9</sup>, the reduction in the previous decades being similar to what was taking place in several other European regions. Considering that during the century and half under examination the whole Florentine population was 60–80,000 inhabitants, we may then conclude that the nobility accounted for 2.5–3.5% a very small number. From comparisons with other Italian cities of the time, the Florentine nobility would seem to have been relatively low in number<sup>10</sup>.

The 300 noble Florentine families around 1750 were structured into several different levels of wealth. For the year 1769 we have a rough estimate of the incomes of the 21 richest families of the city.<sup>11</sup> This classification may be considered valid for the previous century as well. The wealthiest family was that of the Riccardi Marquises, with an annual income of some 20,000 ducats.<sup>12</sup> A comparatively recent member of the nobility (from the end of the 16th century), this family had reached an annual income of 36,000 ducats around 1700. Similar in status in 1769 were the two ducal families of Salviati and Corsini two houses of ancient nobility and fortune. For an approximate idea of the relevance of these values, we can consider that in 1765 the entire revenue of grandducal landed ownership in all of Tuscany

<sup>5</sup> Boutier (1988).

<sup>6</sup> ASF, Manoscritti, 452.

<sup>7</sup> Litchfield (1969).

<sup>8</sup> Litchfield (1986); Litchfield (1970).

<sup>9</sup> Boutier (1988), 233.

<sup>10</sup> *Ibid.*, 234.

<sup>11</sup> *Ibid.*, 259–60.

<sup>12</sup> For Riccardi family Malanima (1977). For Salviati and Corsini families see the essays in *Archivi dell'aristocrazia fiorentina* (1989).

was estimated at 90.996 ducats.<sup>13</sup> These first three houses were followed by five others of ancient nobility with an income of 12–15.000 ducats Rinuccini, Torrigiani, Corsi, Niccolini, Capponi. Thirteen other families enjoyed an income of some 5–9000 ducats, the rest being at the level of about 1000–2000 ducats. Several other noblemen must have had only a few hundreds a high level, however, if we recall that around 1769 the peasants working under the system of share tenancy (550,000), forming 60% of Tuscany's population (950,000), could have a yearly income of some 12 ducats.<sup>14</sup>

Until recent years the Florentine aristocracy was thought to have completely abandoned business investments during the 17th century. In this, Florentine patrician families were said to have followed a behaviour common to Italian aristocracy in general during an age of decline. While during the long Renaissance age in Italy the relation of the wealthiest urban families to the economy had been continually a strong one, with the end of this bright period things completely changed. The case of Florence seemed a perfect example of this thesis. Everybody knows the judgement by F. Braudel on the *trahison de la bourgeoisie* in Florence and generally in Tuscany at the end of the 16th century. During the two last decades studies conducted on this problem have modified our perception of these questions.

It is well known that profound linkages between the Florentine patriciate and financial business existed in the time of the Renaissance, when the fortunes of nearly every rich and influential Florentine family developed in commercial and industrial activity. Business was the main channel of social mobility. It was, naturally, a consequence of the central position held by Florence in European finance and industry. Not only did investments in business come from members of more influential urban families, but the direction of commercial enterprises was also in the hands of Florentine patricians. Many noblemen living in other Italian cities in the 16th century considered this relationship of the richest Florentine houses to the business world as a social stain on the whole urban nobility.<sup>15</sup> Certainly this strong relation of Florentine aristocracy to commercial activities was reduced as a consequence of the city's economic decay. Contemporaries, as for example Venetian ambassadors, were then able to recognize this sudden change.<sup>16</sup>

We must however not exaggerate the transformation. It was much more a change of quantity than of quality. Most of the Florentine nobility continued through the 17th century and the first decades of the 18th to maintain their own trade investments and sometimes to direct commercial and industrial activities as well.<sup>17</sup> Certainly to commercial direction were devoted more the members of lesser nobility than those of court aristocracy. This direct engagement in business on the part of the Florentine patriciate must, however, not be underevaluated. It has been

<sup>13</sup> Dal Pane (1965), 12.

<sup>14</sup> Paoletti (1772), 12.

<sup>15</sup> Boutier (1988), 35 ss.

<sup>16</sup> For example Relazioni (1916), III, 2d part, 176.

<sup>17</sup> As it appears from hundreds of commercial contracts in ASF, Tribunale della Mercanzia, 10837–10858.

calculated that in Florence, during the 150 years under examination, 10–20% of business enterprises were directed by noblemen.<sup>18</sup> The large silk firm operating in Florence for more than seventy years between 1660 and 1731 was directed by a member of the Frescobaldi family, a house which since the 13th century had held the most relevant political offices in the Florentine State. In 1741 the members of that Frescobaldi family branch which had long directed the silk firm were granted the title of Marquises of Capraia.<sup>19</sup> We cannot, besides, neglect the example of the Ginori family, holding several times after 1300 top offices in the Florentine Republic. Lorenzo Ginori directed for several years at the end of 17th century and at the beginning of the 18th a commercial enterprise which operated in Lisbon and had intense business relations with America. Even more interesting and well known is the entrepreneurial engagement of Lorenzo's son, Carlo, who set up in 1737 the famous china factory in Doccia, near Florence.

Of much more importance than the direction of commercial and industrial activities by aristocratic families were, however, their investments. It is worth remembering that, as usual in a pre-industrial economy, capital expenditure tended to take the form of circulating rather than fixed capital: it was nearly all employed for the purchase of raw materials or for the payment of wages. The simple tools or machines used in the industrial sector were owned by artisans who worked in the form of the putting-out system.

These aristocratic investments were certainly favoured by the large success in Florence, at the turn of the 16th century, of a limited liability enterprise able to assure greater safety to the investors the *accomandita*.<sup>20</sup> It was a juridical institution originating from the ancient *commenda*, the type of association that had taken place in maritime Italian cities since the 12th century. Later on the *commenda* contract changed by adapting also to non-maritime affairs. The director of the firm, the acting partner, was totally liable and was held responsible for the course of affairs with his own fortune. The limited partners, on the other hand, who only invested without taking part in the direction, were liable solely within the limits of the capital employed. This type of contract, the *accomandita*, seems to have been characteristic of Tuscany – we do not find many similar examples in other Italian areas during this period.

It is evident that this financial institution was particularly suitable for the formation of capital in an age of growing difficulties, the turn of the 16th century, at least in Italy. Florentine noble houses, which before the end of the century invested in unlimited liability enterprises (*compagnie*), began to invest more and more during the following century in limited liability societies. After 1575 there was a remarkable growth in business investments and particularly in aristocratic investments in this form of association. Already in 1602–04 more than a half of the

<sup>18</sup> Litchfield (1986), 214.

<sup>19</sup> Malanima (1977), 218.

<sup>20</sup> Malanima (1982), 130 ff.



capital employed in *accomandite* and nearly all major investments originated from noble families.<sup>21</sup> Investments above 10,000 ducats came from families such as Capponi, Guicciardini, Corsini, Bartoli, Martelli, Guadagni, Strozzi, Bartolomei, Franceschi, Riccardi, Viviani, Doni, Serragli, Mazzinghi, Ugolini. People of lesser fortune and of lesser social status were present mainly in minor firms or only in the direction of the major ones. In 1674 the largest investments in the silk industry, the dominating sector in the urban economy, came from Ridolfi, Capponi, Riccardi, Tempì, Gerini, Pucci, Corsi, Guadagni, Bonaccorsi....<sup>22</sup> Families like that of the Corsini still invested in commercial activities. Not, however, as at the end of the previous century, when their interests included participation in silk industry together with investments in trade in Madrid, Palermo, cities of France, Antwerp, Amsterdam, Brussels, The Hague, London. A similar reduction of commercial interests can be recognized in the economic history of the Corsi family, which was in the 16th century particularly active in industry and in trade in southern Italy.<sup>23</sup>

For investors, *accomandite* were often a good choice, though not in the first half of the 17th century, when bankruptcies were numerous. Business got better later on. Profit rates yearly achieved and usually divided among investors every three years exceeded in many cases 10% and could reach even 30% in particularly favourable years.<sup>24</sup> Although *accomandite* investments were, after all, a type of more risky saving employment than land investments, they could offer, however, good and sometimes excellent profits. In an age of relatively low agricultural prices, they nearly always far exceeded rents on landed properties.

Only after 1730 the *accomandite* investments from Florentine noblemen declined.<sup>25</sup> The place of aristocrats was occupied by men of recent fortune, among them often small merchants. Probably this decline can be related to the fear on the part of the aristocracy that the Hapsburg-Lorraine dynasty, which replaced the Medici as the reigning family in the Grand duchy in 1737, could not protect commerce and industry as previous dukes had done. After 1740 there was also the fear that commercial business might suffer from the war of the Austrian Succession. It was not, however, a definitive abandonment of financial affairs during the 19th century, ancient Florentine aristocratic families were again in the foreground of Tuscan economic life.

Together with *accomandite* investments, two other financial investments appear very frequently within the fortunes of noble Florentine families. The first consisted of loans, mainly made to commercial enterprises often those in which the city's aristocrats were major investors. Because all commercial sharings, as well in the less risky form of *accomandita*, were in any case subject to the normal ups and

<sup>21</sup> Litchfield (1986), 207.

<sup>22</sup> ASF, Segreteria di gabinetto, 156, ins. 10, n. 6.

<sup>23</sup> For Corsini see A. Moroni in Archivi (1989), 83–105; for Corsi, in the same volume, 1–22, the essay by v. Arrighi.

<sup>24</sup> See profit rates of the firms where Riccardi invested in Malanima (1977), *passim*.

<sup>25</sup> Litchfield (1969).

downs and the possible loss of invested capital, aristocratic families often preferred to make simple loans. They were rewarded not on the basis of actual profits, but on that of simple interest rate calculated from the rate of exchange in Bisenzone fairs. Thus the risk of losing all or part of invested capital was less, even if gains were nearly always lower during the 17th century about 4–5% of employed capital.

Capital invested in this form was in many ways remarkable. We can consider, for example, that in 1674, in the Florentine silk industry, funds invested in the form of *accomandita* (not by the upper class alone, but by all investors) amounted to 653.000 ducats, compared to loans of 370.000.<sup>26</sup>

The other notable form of investment, familiar to the wealthiest patricians since the 14th century, was the purchase of State bonds (*luoghi di Monte* as they were called in Florence). Florentine noblemen owned not only the ones sold by the local government (of *Monte di Piet*, *Monte del Sale*, *Monte delle Graticole*), but also those of other Italian cities. Particularly relevant within the patrimonies of Florentine nobility were first of all bonds of Rome, very numerous and not only issued by public power, but also by private families (Barberini, for example) and, secondly, of Bologna; finally, less numerous, even of Naples.

For the Riccardi family, for instance, this type of capital employment increased during the 17th century not only in absolute value, but also in relation to the whole patrimony – it was 3% around 1600, reaching 20.000 ducats; by 1700 it had become 137.000 ducats, 10% of a very ample fortune, the largest in the city, after that of the Medici.<sup>27</sup>

The Florentine attitude towards economy would remain very incomplete without considering two other types of wealth employment which profoundly influenced the relevance of financial investments too. The first of these two types was a productive investment land purchase. The other unproductive luxury expenditure.

Land purchase at the turn of the 16th century has long been considered by historians as one of the causes or one major effect of the economic crisis that struck not only Tuscany, but all of Italy by the end of the Renaissance. Tuscany, and particularly Florence, have often been quoted as case-studies of this complex change in economic attitude. On the basis of more recent studies in Tuscan economy we can assert that land purchase always formed an aspiration of every wealthy family, either patrician or mercantile. In the long run, changes concerned only the quantity of the land bought. The growth in quantity of purchased land could depend not only on economic phases of decline, but also on those of economic success. Success, in fact, could make available monetary gains in search of investment; and land was always one of the most desirable forms of capital employment.

The 17th century was certainly in Tuscany, for noble families, a period of remarkable land purchases. They were partly a consequence of commercial and industrial difficulties that tended towards a reconversion of capital; partly, as the history of some Florentine families documents, they derived from the profits rea-

<sup>26</sup> ASF, Segreteria di gabinetto, 156, ins. 10, n. 6.

<sup>27</sup> Malanima (1977), 246 ff.

lized in surviving commercial enterprises, when, as at the end of the 17th century, their performances were good or even excellent. During the following century land purchases declined in spite of the abandonment of commercial interests by the aristocracy, that could lead us to suppose a reconversion of capital into land. The oft-declared coincidence of economic crisis and purchase of land, or economic expansion and reduced interest in land, as we can clearly see, does not always work.

The general tendency of land purchase by the Tuscan aristocracy can be followed by examining the increase of real estate taxes (*decima*) of the wealthiest Florentine houses. Thus, if we consider 13 aristocratic families, the index of tax burden on property goes from 100 in 1537 to 158 in 1604, to 196 in 1650, to 265 in 1695. The rise is only from 265 to 268 between 1695 and 1776.<sup>28</sup>

Land purchases in the second half of the 16th century and during the 17th took place first of all within Tuscany. An area where property of aristocratic Florentine families increased was the whole western Tuscan plain particularly the valleys of the Arno and the Nievole. In the Pisan countryside small peasant ownerships decreased in number and size, while upper-class Florentine and Pisan holdings rose. In 1550 Florentines owned only 10% of the entire territory and 26% in 1637, while peasant properties in same years passed from 17 to 10% and those of religious bodies from 44 to 23.<sup>29</sup>

There were also notable purchases outside Tuscany, particularly in those southern areas where Florentine patricians maintained some commercial interests. Corsi, for example, bought some real estate in the Roman plain (the Buonricovero farm in 1607), and also the Caiazzo fief and other lesser fiefs in the Kingdom of Naples in 1615. Corsini invested in the countryside surrounding Terni (Casigliano, Rosano, Sismano) and later in the kingdom of Naples and in Sicily; Salviati and Riccardi in Latium and Del Riccio in Naples.<sup>30</sup>

In several cases Florentine noble families achieved later feudal titles on those lands they were purchasing in Tuscany in the 16th and 17th centuries. Thus we have the case in Florence of important landowners, who were granted feudal titles, but also kept considerable financial interests. In Tuscany, fiefs, which had been eliminated in the late Middle Ages by the antifeudal policy of the urban communes, were newly created from the end of the 16th century they were only 23 in number in 1621 and increased to 47 in 1650. Around 1650 titles of Marquis or Duke preceded the names of major Florentine families such as Salviati, Guicciardini, Niccolini, Giugni, Della Stufa, Capponi, Albizi, Guadagni, Ridolfi and Riccardi.

It would not be exact to consider Florentine patrician land purchases as true investments. Here economists would prefer to use the term transfers. They were mainly transfers of properties from one family to another or from one social group to another with no change in productivity level of transferred lands. If rents sometimes increased, it was rather the effect of a landed reassembling than of a con-

<sup>28</sup> Litchfield (1986), 219.

<sup>29</sup> Malanima (1979); Malanima (1980), 80–82.

<sup>30</sup> On Corsini family, Moroni (1986); on Salviati, Hurtubise (1985).

sciously pursued plan by new owners whose properties formerly held by several families were united in compact farms. From this change some positive effect on the productivity level might derive.

Most acquired lands were, in fact, assembled as farms provided with dwelling-houses for peasant families engaged in farming according to the system predominating in Tuscany, share tenancy (*mezzadria*). More and more often since the end of the Middle Ages farms owned by a single proprietor in a certain area were coordinated into a cultivation complex called *fattoria* and administered by a *fattore*.<sup>31</sup> Occasionally the purchase of lands and the organization of farms and *fattorie* could imply investments in the form of fixed capital, as, for instance, either the building of peasant dwelling-houses or the repair of existing ones. Sometimes tree planting or additional ditches in the fields would be necessary, or the acquisition of more work animals. Usually, however, these fixed capital investments by noble families were particularly small. Major investments were accomplished more in the form of circulating capital and consisted mainly in the seeds that every year, on the basis of share tenancy contract, every proprietor had to assign to his tenants. For the most part, aristocratic owners were uninterested in carrying out more than the minimum in improvements.

A limiting effect on financial investments could derive, besides land purchase, also from the share of income Florentine aristocracy destined to luxury expenses, a relevant expenditure chapter for every aristocratic family, and not only in Florence. We need only remember that, according to Thomas R. Malthus and other classic economists, the function of nobility within the economy was connected exclusively to expenditure and not to investment.

For Florentine aristocracy early modern history constitutes certainly a long period of remarkable increase in unproductive expenditure. By the 15th century the aristocracies of Italian cities, and particularly of Florence, had already abandoned the patterns of expenditure characteristic of feudal nobilities.<sup>32</sup> Expenses for weapons, soldiers and domestic clientele, which were typical of noble houses in previous centuries, were seen to disappear and be replaced by increasing outlay for urban palaces, luxury furniture, servants, patronage, clothes... These changes took place earlier in Italy than north of the Alps.<sup>33</sup>

In Florence, another increase in aristocratic expense was observed by contemporaries during the 17th century. Lucchese ambassador Bartolomeo Cenami wrote in 1600 that the nobility of Florence had by that time abandoned its ancient parsimony in private life and assumed a courtly way of life: patricians – he said – scorn commercial traffic and gird on their swords. As a consequence expenses were increasing inordinately.<sup>34</sup> Probably these considerations were true of only a part of

<sup>31</sup> These developments are examined with reference to an important Florentine house by Luttazzi Gregori (1979).

<sup>32</sup> Goldthwaite (1985).

<sup>33</sup> An example of the changing consumption pattern in a nobility north of the Alps in Stone (1965).

<sup>34</sup> *Relazioni inedite di ambasciatori lucchesi* (1901), 122–33.



the aristocracy – Montesquieu, in Florence in 1728, had occasion to notice the modest way of life led by some aristocratic houses.<sup>35</sup> It is true that probably luxury and splendour concerned only a minority of the wealthiest houses maybe no more than 1% of the whole urban population.

It did not escape Bartolomeo Cenami that the growth of domestic expenses was strictly connected with new public functions carried out by the Florentine noblemen who were in close contact with the Medici court. Florentine patricians are often dignitaries, knights of the military Order of Saint Stephen, diplomats, or holders of religious offices such as apostolic nuncio, legate, cardinal, bishop. Relevant also is the aristocratic presence in the offices of the Duchy. Between 1550 and the early 1700's, in Tuscany, as in many other contemporary European States, the bureaucracy enjoyed considerable growth in the Duchy the expansion was by two-thirds.<sup>36</sup> Many of the newly created offices were occupied by Florentine noblemen, who in most cases received modest salaries. Especially daily contact with the Medici court was a strong stimulus towards the change of the way of life.

From the end of the 16th century and lasting the whole of the 17th there was in Florence an increase in the building of elegant palaces, plus numerous restructurings. Architects like Gherardo and Pierfrancesco Silvani directed the building of such palaces as those of Capponi, Corsini, Marucelli and Pecori as well as the restructuring of the Guadagni, Guicciardini, Pucci, and Salviati palaces. The 15th century palace which Cardinal Bandino Panciatici owned in Via Larga was profoundly modified after 1669. Not far away even the austere Riccardi palace, built by the Medici in the 15th century, was enlarged by two-thirds and modified in the last decades of the 17th century.

A larger and more elegant residence naturally implied a rapid growth of expenses for furniture, paintings, silver (more and more numerous in inventories of noble fortunes). A consequence was also the growth of running expenses, including those for the increasing number of servants. Some Florentine families had 30 – 40 servants in the urban palace where they lived, and others in villas owned in the countryside, where they usually went in the summer months. The growth of servants implied, in turn, a relevant increase in food and clothes expenditure, because servants were fed and dressed by the families by which they were employed. Moreover, from the end of the 16th century the use of carriages gained a hold in Florence, as in the rest of Europe. And the number of carriages owned by Florentine aristocrats grew continually in the following century, implying important expenses for grooms, for the purchase and maintenance of horses, and for the building of stables near the palaces.

Generosity is one of the typically aristocratic virtues that becomes so much more important when members of well-known families fill prestigious public offices. Alms is a relevant item in current expenses. Extremely expensive are, besides, parties a public evidence of achieved social degree.

<sup>35</sup> In *Voyages en Europe* (1964), 250 – 251.

<sup>36</sup> Litchfield (1986), 86 and passim.



The consequence is that investments were a very narrow part in effective demand, while very relevant was the weight of expenditure for conspicuous consumption. On the whole both financial investments and land purchases were always negatively influenced by the importance of aristocratic expenditure. Concerning the influence of this item on the economy of Florence and the stimulus from it exercised on so many urban crafts, but also on the import of luxury goods, it is very difficult to suggest a reply on the basis of limited current knowledge. There now opens a very interesting theme of the influence of noble expenditure on the ancien régime economies. It would be worth considerable study, and not only in the case of Florence.

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## **The Antwerp Financial Elite of the 18th century and the Preservation of its Fortunes**

### **The Antwerp financial élite in the 18th century**

The high-days of Antwerp as an international port or as an international centre of finance, were far-off during the 18th century, but there nevertheless was still a lot of money left. Most of it had been earned in the trade to Spain, that all through the 17th century remained very lucrative. The war of the Spanish succession at the beginning of the 18th century however dealt a heavy blow to that trade, and the situation even deteriorated after 1713 when the Spanish Netherlands came under Austrian rule. Some merchants tried to replace the lost commerce by concentrating on the new East India trade, but since this failed most of them – certainly the wealthiest ones – retired from business.

From this group of wealthy, retired tradesmen arose during the 18th century a new Antwerp élite, consisting of some 40 to 50 families. The wealth of those families appears from the fact that the individual fortunes not seldom amounted to half a million guilders and even more. Only a fraction of that capital (some 10 to 20%) was invested in landed property, as the return of it was generally considered as too low. Their fortunes consisted for the most part of internal and external government bonds, but also of actions in trading-companies (such as the Ostend Company and other foreign East India companies) and in industrial undertakings (such as large sugar refineries and calico printing works). So they were not simple rentiers, but they still played a part as financiers of trade and industry.

The Antwerp financial élite also spent some money on conspicuous consumption. Every family owned a large mansion in town, where they kept 3 or 4 servants and a carriage with 2 or 4 horses. They also possessed a country-house in the neighbourhood of Antwerp, sometimes a real castle in a park with wide avenues and ornamental waters. The money spent on that conspicuous consumption was anyhow but a fraction of their fortune (some 15 – 25%) and the Antwerp financial élite even had the reputation of being of a saving turn, or 'having the Dutch mentality' as some travellers noted. The élite indeed only spent on the average some 40% of its yearly income and capitalized the rest. So they certainly lived according to their earnings and not according to their global fortune as most of the wealthy and noble families did during the Ancien Régime.

The only group that at first could rival for social prestige with the new financial

élite, consisted of some old, noble, patrician families, that for ages had dominated the city government of Antwerp but that were generally impoverished (Van de Werve, Van Halmale, Happaert...). But it didn't last long before members of the new élite also were ennobled, acquired titles, a coat of arms, manors and appeared in the town-council. At the end of the 17th century and especially during the first decades of the 18th, most of the rich Antwerp merchants or ex-merchants succeeded in buying a noble title. Some of them even became barons or counts, but this didn't mean that they lost their economy, as we've already seen. Many of them also were appointed as aldermen of the city, some even as mayor, but they seldom made a real career in the town government. These functions were too time-consuming, not well-paid and of too little political interest for the wealthy élite. So its members were only concerned with the social prestige of the functions and that's why they only made some kind of an 'acte de présence' in the town council and then left it to the old patrician families, that could use every penny, to some jurists and to some families of entrepreneurs (such as brewers) that were more interested in town politics.

The new financial élite, ennobled and covered with all kinds of social prestige, thus became the indisputable élite of Antwerp. It was certainly not a closed élite. Every family that was rich enough and succeeded in being ennobled, could join it without problems. Only one of the old patrician families (the oldest: Van de Werve) managed to marry into the new élite and so reacquired a fortune. It was much easier for the few inhabitants of Antwerp who succeeded in building up a new fortune during the 18th century, to become accepted by the upper ten. That was especially the case for the new fortunes that were of financial origin. Some bankers or cashiers (Cogels, Van Ertborn, Osy, Proli) who accumulated a lot of money, were quickly ennobled and married into the élite. But that was not the fate of some 'homines novi' who built a capital as industrial entrepreneurs. The families Janssens and De Heyder that made a fortune as sugar-refiners or as calico-printers, were not integrated in the new élite. That can be explained by the recent character of the fortunes, but also by the still prevailing social disdain of industrial activities. The industrialists also invested almost their complete capital in the family enterprise and were neither concerned about conspicuous consumption, nor about noble titles. So they didn't exteriorize their fortunes, and that's probably the reason why only some insiders were well aware of the capital strength of people like Janssens and De Heyder.

### **The preservation of fortune and its social consequences**

The yield of the Antwerp 18th century fortunes wasn't very high. The annual net proceeds averaged between 2 and 2,5% and 40% of that income was consumed. So there was only a yearly capital growth of 1.2 or 1.5% in normal years. During time of war or economic crisis there generally was no growth at all, or even a loss of capital. In view of this limited capital growth there was a real danger that the family fortune would be definitively cut up by inheritance, and that would certainly



Table 1. The marriages of the Antwerp élite.

1. In absolute numbers					
Period (*)	Number of marriages	Number of children (sons-daughters)	died young	married	unmarried
1666–1698	65	331 (174–157)	122 (64–58)	134 (71–63)	75 (36–39)
1699–1731	95	403 (199–204)	135 (69–66)	160 (77–83)	108 (51–57)
1732–1764	76	371 (187–184)	111 (67–44)	184 (81–103)	76 (39–37)
1765–1796	94	326 (167–159)	74 (41–33)	184 (81–103)	68 (45–23)
1666–1796	333	1431 (727–704)	442 (241–201)	662 (310–352)	327 (171–156)

2. Average per marriage				
Period (*)	Number of children	died young	married	unmarried
1666–1698	5,09 (2,68–2,42)	1,88 (0,98–0,89)	2,06 (1,09–0,97)	1,16 (0,56–0,60)
1699–1731	4,24 (2,09–2,15)	1,42 (0,73–0,69)	1,68 (0,81–0,87)	1,14 (0,54–0,60)
1732–1764	4,7 (2,37–2,33)	1,41 (0,85–0,56)	2,33 (1,03–1,30)	0,97 (0,50–0,47)
1765–1796	3,47 (1,78–1,69)	0,79 (0,44–0,35)	1,96 (0,86–1,10)	0,72 (0,48–0,24)
1666–1796	4,3 (2,18–2,11)	1,33 (0,72–0,60)	1,99 (0,93–1,06)	0,98 (0,51–0,47)

(\*) I.e. the period in which the marriage of the parents was contracted.

imply a loss of social prestige. In Antwerp there existed no right of primogeniture that could prevent this, and all heirs were treated in an egalitarian manner. The only exception made, was for seigniorial goods that always went to the eldest son. The value of these goods however was taken into account and deducted from his portion.

There was also no real birth control that could limit the number of children. The only limitation was imposed by nature and consisted in the infant mortality and in the fact that many of the marriages were broken off early by the death of one of the partners. So the only way to prevent the definitive cutting-up of the fortunes was to restrict the number of marriages, and that was indeed the strategy applied by the Antwerp upper ten. I've studied the 333 marriages that took place among the Antwerp élite (composed of 60 families) during the period 1666–1796, and I figured out that these couples (childless ones included) had on an average four descendants. One in four of these children died early, before reaching the age of marriage. Two of them married, and one stayed single. One fourth of these unmarried children became ecclesiastic. (See table 1 for more detailed information). This average family situation we've stated among the Antwerp élite was an ideal one for the preservation of fortune. The only condition that in this case still had to be fulfilled was that the partners chosen for the children were of equal capital strength. The motto followed by the Antwerp rich for that matter, and that we also met with in their correspondance, was the latin one: 'si vis nubere, nube pari' ('If you want to marry, marry someone equal'). To see how far this device was followed, I've stud-

ied the partners chosen by the élite for its children. I did this from the point of view of the 'family' (here to be understood in the broad sense of the word), and I've stated that among the 60 most wealthy families 12,7 marriages were contracted on an average per family, during the period 1666 – 1809. The origin of the partners selected for these weddings, was the following:

- 5.9 (or 46.5%) were members of the same élite of 60 families.
- 2.3 (or 18.1%) were members of a group of some 70 Antwerp families that financially were situated immediately under the élite.
- 2.2 (or 17.3%) weren't inhabitants of Antwerp, but generally they were also of wealthy origin.
- 2.3 (or 18.1%) came from less wealthy Antwerp families, or were difficult to identify.

Once a family was ennobled, its descendants almost exclusively married into the nobility. The marriages contracted by the noble or ennobled members of the élite were for 82.2% with other noble families, mostly of Antwerp origin.

So by selecting very strongly the wedding partners, and also by restricting the total number of marriages, the Antwerp financial élite succeeded in preserving its money. In spite of the low yield of the fortunes, many of these families even had grown richer at the end of the 18th century. This was mainly caused by the fact that some of the wealthiest families had died out and its property was distributed among the relatives. This family strategy was generally stipulated by the parents, or by the older brothers when the parents were already dead. There were of course sometimes children who didn't agree with the celibacy that was forced upon them, or who didn't approve the choice of partner made by their parents. Others simply dissipated the money that they had received already. What means did the parents and other relatives have at their disposal to make these rebels obey or to punish them? Complete disinheritance of children by their parents was not permitted by the local law of Antwerp, but it was yet possible to limit the inheritance to a minimum: 'de naakte, legitieme portie (the bare, legitimate portion).' In this case the child received  $\frac{1}{2}$  (if there were five heirs or more) or  $\frac{1}{3}$  (if there were four heirs or less) of its filial portion, i.e. the inheritance that it would have received in normal circumstances.

This system of partial disinheritance was however seldom used by the Antwerp élite. These parents mostly intervened in a more diplomatic way. They gave their problem children by will the option between, the bare, legitimate portion, and the entailed full, filial portion. If the descendant accepted the entail (or 'fidei-commis' as it was called in Antwerp), it implied that they only possessed the usufruct of the goods and that the bare property ('de naakte eigendom') went to a third party, mostly their children or nephews and nieces. The entail was generally accepted, as it provided larger revenues, and so this part of the fortune was saved for the future. An important part in the preservation of fortune could also be played by the unmarried uncles and aunts, that could be found in almost every family. As they had no direct offspring they could leave their part of the fortune to whoever they liked. So they normally favoured the main branch of the family and certainly disinherited

its rebellious members. This clearly shows that the preservation of the fortune was a real family matter. A far more drastic way to deal with unwilling children or relatives was to proclaim them 'stadskind' ('child of the city'). This meant that they were put under custody and declared incompetent and unable to spend money or to dispose of their goods. Such an official proclamation was only made when the city council agreed with the request presented by the family, but the council seldom disagreed. Rehabilitation was of course possible when the person in question showed signs of improvement. When on the other hand he proved himself to be completely unmanageable, then he was even collocated and locked up in the convent of the Alexians (also called 'Cellieten'), a religious order who specialised in the treatment of lunatics. These drastic methods of placing under custody or of confinement were seldom used by the Antwerp élite, but yet we found at least some 12 members – all men – of the high society who were proclaimed 'stadskind' in the 18th century, and who sometimes were confined. The motivation for this treatment was not only their prodigality or wasteful behaviour, but also – in some cases – the fact that they wanted to marry some one of the lower classes. These 'rebels' certainly were not insane, as one might deduce from the treatment they received. More than half of them had even studied at the university of Louvain. Their largest defect simply was that they didn't fit into the fortune- or family strategy- of the Antwerp élite.

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This paper is mostly based upon my unpublished thesis :

'De Antwerpse fortuinen. Kapitaalaccumulatie, -investering en -rendement te Antwerpen in de 18de eeuw' (Univ. of Ghent, 1985), and upon the following articles of my hand:

- 'Stadsadel en stadsbestuur te Antwerpen in de 18de eeuw. Een sociaal-economische benadering', *Tijdschrift voor Geschiedenis*, 93 (1980) 466–482.
- 'Ridder Gaspar Joseph van Horne (1688 – 1748). Antwerps stadssecretaris, schepen en rentenier. Een socio-economische benadering van een loopbaan in stadsdienst.' *Bijdragen tot de Geschiedenis*, 65 (1982) 109 – 126.
- 'De Antwerpse adel in de 18de eeuw', in: J. Verbesselt (e.a), *De adel in het herzogdom Brabant* (Brussel 1985) 133 – 141.

All these studies are based upon original research in the town archives of Antwerp. We especially used the family and business archives, the notarial records and the parish registers.



## The Banking Families in Berlin and Vienna around 1900

At the fin-de-siècle, Berlin and Vienna were the glittering capitals of great empires, where court life, government administration and commerce, aristocracy and meritocracy, high finance and high culture met in a way typical of Central Europe.<sup>1</sup> As part of a privileged sphere cut off from that of the 'merely' respectable, the bankers of the two metropolises regarded the middle class not so much with disdain as with disinterest. The banking community was self-contained and self-absorbed, though seeking partners among industrialists and allies among bureaucrats and officials. In the words of Bernard Michel: 'Fortes de leurs privilèges, les banques viennoises forment un univers clos. Leurs directeurs ne sortent guère du cercle étroit du quartier des affaires que pour fréquenter les milieux politiques du Parlement ou des ministères.'<sup>2</sup> But in the pre-war era, Berlin bankers were more successful than Viennese bankers in their ambitions to increase the power and prestige of their institutions and of the banking sector as a whole and in the social aspirations that went with them. This paper will show why this was so, comparing my own work on Berlin bankers with Bernard Michel's study on Viennese bankers.<sup>3</sup> My material on Berlin bankers stems from a larger project on the 502 wealthiest businessmen in Wilhelmine Germany<sup>4</sup> listed in the *Yearbook of Millionaires*, a reference work compiled by a renegade bureaucrat and published in 1912–14.<sup>5</sup>

The social world of the banker in both Berlin and Vienna was molded in important ways by his economic activities. Banks played a major role in industrialization

<sup>1</sup> Research for this article was supported in part by a grant from the International Research & Exchanges Board (IREX), with funds provided by the National Endowment for the Humanities and the United States Information Agency. None of these organizations is responsible for the views expressed.

<sup>2</sup> Bernard Michel, *Banques et banquiers en Autriche au début du 20e siècle* (Paris, 1976), 52.

<sup>3</sup> Ibid. Michel's study is a remarkable achievement. He covers the entire Empire and deals with both social and economic history. It is, however, very unfortunate that the study lacks footnotes and that quotations are not properly attributed.

<sup>4</sup> Dolores L. Augustine, *Die wilhelminische Wirtschaftselite: Sozialverhalten, Soziales Selbstbewusstsein und Familie* (unpublished doctoral dissertation, Freie Universität Berlin, 1991). To appear in 1994 with Berg Publishers as *Patricians and Parvenues: Wealthy Business Families in Wilhelmine Germany*. Cf. Dolores L. Augustine, 'The Banker in German Society,' in Youssef Cassis (ed.), *Finance and Financiers in European History, 1880–1960* (London: Cambridge University Press, 1991), pp. 161–185.

<sup>5</sup> Rudolf Martin, *Jahrbuch der Millionäre Deutschlands* (18 vols., Berlin, 1912–14).



in Central Europe, and the major banks of Berlin and Vienna were heavily involved in investment banking. As the traditional banking center of the Habsburg Empire, Vienna long held a virtual monopoly over industrial financing in the Austro-Hungarian Empire which Prague was only slowly beginning to undermine in the years before the First World War. Berlin, beginning to surpass Frankfurt by 1900, was emerging as the banking and stock market capital of Germany. Viennese and Berlin bankers often sat on corporate supervisory boards, actively participating in the running of industrial and other enterprises. A second major characteristic of banking in Berlin and Vienna was its dependence upon the state. The state dealt almost exclusively with Viennese banks, hardly concerning itself at all with provincial banks. The government bonds market, monopolized by the Rothschild consortium until 1910, was of great importance in Viennese banking.<sup>6</sup> In Berlin, the government bonds market was of less importance than in Austria. Here, banks worked together with the state in the export of capital, often following the advice of the Foreign Office and seeking state backing for financial links to foreign governments. In Berlin, bankers negotiated a relationship with the state which neither subordinated the interests of banking to those of the state nor the reverse.

This crucial link between bankers – or the bourgeoisie as a whole – and the state has been misinterpreted in the past. Assuming that the state essentially represented the interests of an alliance of a neo-feudal aristocracy and a neo-absolutist monarch, some historians have come to the false conclusion that in Germany and in the Austro-Hungarian Empire, the bourgeoisie capitulated to the aristocracy in the late nineteenth century, giving up the idea of a ‘bourgeois revolution’ and becoming ‘feudalized.’ As historians have come to recognize in recent years, this ‘feudalization thesis’ totally overlooks the extent to which the state created a ‘revolution from above’ for the benefit of the bourgeoisie.<sup>7</sup> As far as bankers are concerned, this would involve, for example, the gradual centralization of German financial markets and the negotiating of loans (provided by private banks) to foreign governments.

Historians have often been struck by the fact that the banking elites of Berlin and Vienna were predominantly Jewish. Bernard Michel estimates that 80% of those running leading banks in Vienna in the years 1898 – 1914 were Jewish. (Just under 9% of the Viennese population was Jewish.<sup>8</sup>) Catholics were to be found above all in subordinate positions or in less prominent banks. There was only a handful of Protestant bankers.<sup>9</sup> Of the 55 wealthiest Berlin bankers, three-quarters were Jews, converted Jews, or of Jewish descent.<sup>10</sup> What impact did this have on the position of bankers in society? Were they still nothing more than *Kaiserjuden* – the successors of the court Jews who had financed rulers in previous centuries, a

<sup>6</sup> Cf. Michel, *Banques*, esp. 13 – 14, 52 – 55; Richard Rudolph, *Banking and Industrialization in Austria-Hungary* (Cambridge, London and Melbourne, 1976), esp. 102 – 121.

<sup>7</sup> Cf. David Blackbourn and Geoff Eley, *The Peculiarities of German History: Bourgeois Society and Politics in Nineteenth-Century Germany* (Oxford, 1984).

<sup>8</sup> Cf. Steven Beller, *Vienna and the Jews 1867 – 1938* (Cambridge, etc., 1989), 44.

<sup>9</sup> Cf. Michel, *Banques*, 312 – 314.

<sup>10</sup> In two cases, the religion was unknown.

hated minority serving the imperial state on the latter's terms? Fritz Stern portrays Bismarck's banker Gerson Bleichröder as a 'pariah merchant-prince' who lived in the illusion that the Prussian nobility truly accepted him, while in reality he, as a Jew, was exploited and secretly despised.<sup>11</sup> Lamar Cecil asserted that wealthy Berlin Jews – many of them bankers – lavishly courted the Junkers, overcompensating for feelings of inferiority by denying their Jewish identity and seeking approval of a class that would never truly accept them.<sup>12</sup> However, this interpretation largely misrepresents the role the Jewish upper bourgeoisie played in German society. One of the main findings of my research is that class played a far greater role than ethnicity in forming the mentality of the German banking elite. This is not true to the same extent of Viennese bankers.

The position of Viennese bankers in society was very much undermined by anti-Semitism. Operating in a state which was still overwhelmingly agrarian, they were equated with capitalism in a way not true of Berlin bankers, who were part of a much larger business elite. In Austria-Hungary, the *Gründerkrise* of 1873 led to widespread discreditation of capitalism in general and of Viennese bankers in particular. The press constantly attacked so-called 'speculative Jewish capital.' The economy recovered from the depression of the 1870's, but the Austro-Hungarian Empire failed to become a dynamic industrial powerhouse such as the German Empire. In Germany, admiration for the achievements of Germany industry – very much promoted by the Kaiser and by the government in general – began to weaken anti-capitalist sentiment in the years before the First World War. The *Gründerkrise* was forgotten to a much greater extent. There are at least some signs that in the upper echelons of society, Jews were beginning to enjoy greater acceptance, a fact which should not be obscured by the resurgence of anti-Semitism in the wake of the First World War.

The position of bankers in Vienna and Berlin was molded by other economic forces as well. A more rapid process of concentration was underway in Vienna, leading to the sudden disappearance of private banking houses there. By 1911, Albert von Rothschild was the only remaining major private banker in Austria, the great Schoeller bank having lost its independence in 1910. And in fact, the Rothschild group was much weakened, having lost its monopoly on the sale of government bonds and torn as it was by internal rivalries. By this time, seven institutions dominated the financial market: the Credit-Anstalt, the Boden Creditanstalt, the Wiener Bankverein, the Länderbank, the Anglobank, the Eskomptebank and the Unionbank.<sup>13</sup> Private banking was – granted – on the decline in Germany as well, but according to Manfred Pohl, there were still 1,200 private bankers in Germany in 1913.<sup>14</sup> Of the 55 Berlin bankers in my quantitative study, 38 were the owners of

<sup>11</sup> Cf. Fritz Stern, *Gold and Iron* (New York, 1977).

<sup>12</sup> Cf. Lamar Cecil, 'Jew and Junker in Imperial Berlin,' *Leo Baeck Institute Year Book* 20 (1975), 47–58.

<sup>13</sup> Cf. Rudolph, *Banking*, 51–52, 106–107.

<sup>14</sup> Cf. Manfred Pohl, *Konzentration im deutschen Bankwesen. 1848–1980* (Frankfurt am Main, 1982), 464.

private banks,<sup>15</sup> while 16 were in corporate banking.<sup>16</sup> Admittedly, my study is somewhat skewed in favor of bank owners, since the bankers listed in the *Yearbook of Millionaires* were selected according to their wealth.

The bankers of Berlin and Vienna were part of highly exclusive elites that exhibited a high degree of cohesion, but also a tendency to seek links both with industrial and government circles, as shown in marriage and succession strategies and patterns of sociability, to which we now turn. Social newcomers were in the minority in the banking elites of Berlin and Vienna.<sup>17</sup> Of the 36 Berlin bankers for which information was available, 22 (or 61%) were the sons of bankers. Some were part of old banking dynasties: the Mendelssohn and Mendelssohn-Bartholdy clan, the Schicklers, and the Delbrücks, along with James Hardy, who was related to the Speyers of Frankfurt am Main. But many of the other bankers' sons were only second-generation bankers, often from other towns. The father of Dresdner Bank co-founder Ludwig Max Goldberger was more renowned as the producer of metal bracelets that warded off rheumatism than as a banker. His paternal grandfather was a rabbi. Carl Hagen (born Levy), owner of Wiener, Levy & Co., was the son of a banker whose operations are described as 'modest.' Two fathers were middle-class merchants, five are described as 'Kaufmann,' ('merchant'), a vague term which in Prussia is probably indicative of a middle-class rather than wealthy background. One rabbi's son was to found in the sample. The remaining fathers had upper-middle-class professions. Though 14 of the 55 bankers held titles of nobility, none of these titles predated the 19th century, and few predated 1871.<sup>18</sup> Information was available on the professions of the sons of 32 Berlin bankers. Of the 50 sons of these 32 persons, 26 (or half) went into banking. Five went into big business, two became engineers, and two are described as 'Kaufmann.' Only 6 became officers, great landowners or diplomats.<sup>19</sup> Admittedly, this sample is small, but these findings are in line with those for the German business elite as a whole.

According to Bernard Michel's data, two-thirds of the Austrian bankers were from families that were wealthy or prosperous. Only 4% had risen from poverty. Only a quarter of the fathers were bankers – a fact that is not surprising, given the decline of private banks in Vienna. However, the great majority of Viennese bankers came from business families. Viennese bankers' titles of nobility were of recent vintage. Earlier in the 19th century, it had been quite common for aristocrats to engage in capitalist ventures, but the depression of 1873 caused them to leave

<sup>15</sup> Private banks as defined here include the following legal forms: the G.m.b.H. (Gesellschaft mit beschränkter Haftung) and the Kommanditgesellschaft.

<sup>16</sup> In one case, the legal form of the bank was not known.

<sup>17</sup> On Austrian bankers, cf. Michel, *Banques*, 310–311.

<sup>18</sup> According to which two-thirds of the bankers were bankers' sons.

<sup>19</sup> This is not surprising, given that Jews could not become officers or diplomats in Prussia and that converted Jews were discriminated against as well. Nevertheless, a Jew was really intent on assimilation with the aristocracy could always embark upon a military career in Bavaria or could retire to a large landed estate.

banking and industry.<sup>20</sup> Most of the sons of Viennese bankers in Bernard Michel's study became bankers or industrialists.<sup>21</sup>

Marriage strategies could reinforce succession strategies. Of 29 fathers-in-law of Berlin bankers, 6 married bankers' daughters. Such marriage alliances provided a basis for cooperation between two banks, a potential pool of bank management recruits, and access to additional capital.<sup>22</sup> Bank directors sometimes married into old banking dynasties.<sup>23</sup> However, it was more common in the group under study to marry the daughters of businessmen not in banking (13 cases). On the other hand, distinctly less than half of bankers' daughters married into wealthy business families: Of 61 bankers' daughters, 24 married businessmen, 22 men with aristocratic professions (landowners, officers, diplomats) and 12 married men with non-business bourgeois professions (civil servants, artists and intellectuals, and professionals). One explanation lies in the fact that by the children's generation, the wealth and economic position of the family had been established. To maintain this position, a son or sons had to become bankers. But the daughters could be allowed to marry into socially prominent families, so as to consolidate the family's social standing.

In Berlin, prominent business families socialized primarily with other business families. The men lunched together at certain restaurants or met at the Club of Berlin, and in the evening, they attended large, formal dinner parties at the homes of other business families, together with their wives.<sup>24</sup> The wives were responsible for the organization of this networking, and they were the arbiters of the social sphere so important to the business world. Banking families were part of these social circles, though they formed a distinct group within the propertied upper bourgeoisie. For example, banking families' homes were concentrated in the Tiergarten district of Berlin. Also, though there were strong social ties between Jewish and non-Jewish families within the banking world and the business world as a whole, there were also barriers, particularly as far as intermarriage is concerned. Here, Berlin seems to have been more progressive than the rest of Germany.

The bankers of Berlin and Vienna – much dependent upon the state – assidu-

<sup>20</sup> Cf. Michel, *Banques*, 314–317. On Spitzmüller, cf. Carvel de Bussy, trans. and ed., *Memoirs of Alexander Spitzmüller Freiherr von Harmersbach (1862–1953)* (Boulder, 1987), 1.

<sup>21</sup> Michel, *Banques*, 318.

<sup>22</sup> On the role of the family in capitalism in German, cf. Jürgen Kocka, 'Familie, Unternehmer und Kapitalismus,' *Zeitschrift für Unternehmensgeschichte* 24. Jg. (1979), 99–135.

<sup>23</sup> Examples for Vienna in Michel, *Banques*, 318.

<sup>24</sup> Cf. my article 'Arriving in the Upper Class: The Wealthy Business Elite of Wilhelmine Germany,' in David Blackburn and Richard J. Evans, *The German Bourgeoisie* (London, 1991), 46–86. On social life, cf. Carl Fürstenberg, *Lebensgeschichte eines deutschen Bankiers (Berlin, 1931)*, esp. 254–255, 262, 263, 308, 315, 350, 355, 369, 371, 397, 436, 497, 509ff.; Paul Wallich, 'Lehr- und Wanderjahre eines Bankiers,' *Zwei Generationen im deutschen Bankwesen* (Frankfurt, 1978) 343–345, 352–353. On the Club of Berlin, cf. Arthur von Gwinner, *Lebenserinnerungen*, ed. by Manfred Pohl (Frankfurt am Main, 1975), 54–56; Max I. Wolff, *Club von Berlin: 1864–1929* (Berlin, 1926), esp. 20–29, 89, 99. On Grunewald, cf. Dittmar Machule and Lutz Seiberlich, 'Die Berliner Vororte,' *Berlin und seine Bauten*, pt. 4, vol. A (Berlin, Munich and Düsseldorf, 1970), 93–114. On Tiergarten, cf. Erich Achterberg, *Berliner Hochfinanz* (Frankfurt am Main, 1965), 43–46.



ously courted bureaucrats, high officials, and even the kaiser himself.<sup>25</sup> The home of Carl Fürstenberg (head of the *Berliner Handels-Gesellschaft*) and his wife Aniela Fürstenberg was a focal point of Berlin social life, where bankers, high officials, influential personalities and diplomats – German ambassadors abroad and representatives of foreign powers with which Fürstenberg's bank did business – congregated.<sup>26</sup> Paul Schwabach and Fritz von Friedländer-Fuld socialized with some of the politically best-informed aristocrats in the capital – ministers, state secretaries, ambassadors.<sup>27</sup> The information they picked up doubtlessly helped them to keep an eye on events at home and abroad that could have a major impact on their business ventures. Both had close ties with the Foreign Office, which on occasion asked for their assistance in diplomatic negotiations.<sup>28</sup>

In Vienna, bankers and government officials had a close relationship, but on very different terms than in Berlin. The emperor and Archduke Francis Ferdinand showed little interest in economic matters and remained aloof of business circles. Bankers tried to influence the government through their contacts with top bureaucrats. Shared values – notably a Vienna-centric view of the Empire – brought bankers and government officials closer together.<sup>29</sup> However, the scope of bankers' influence was severely restricted. In 1910, two former ministerial directors (*Sektionschefs*) – Rudolf Sieghart and Alexander Spitzmüller – became the heads of two of the most important banks of the Rothschild group. However, as Spitzmüller recounts in his memoirs, his old colleagues in the civil service immediately turned their backs on him, treating him with 'distrust, based on jealousy, and were unwilling to give me special cooperation. . . . The harsh treatment of the (Rothschild) Group which had been customary for some time continued on. This was clearly a serious mistake, because Rothschild, through his international relations, was important for the national finances and was indispensable for the solution of the problem of the southern railway.'<sup>30</sup>

Ultimately, the Austrian banks found themselves in an inferior, dependent position in their relationship with the state – the result of the hostility of society at large. The virulently anti-capitalist and anti-Semitic climate in Austria convinced bankers, not only that they had no place in the political arena, but that they could not defend even their vital interests in public. The state clearly took advantage of their weakness. Bankers accepted a fiscal system which was unusually unfavorable to banking by the standards of pre-war Europe. The Ministry of Finance took gov-

<sup>25</sup> Cf. Hans Jaeger, *Unternehmer in der deutschen Politik (1890–1918)* (Bonn, 1967), 172–178; Ernst Feder, 'James Simon. Industrialist, Art Collector, Philanthropist,' *Leo Baeck Institute Year Book* 10 (1965), 6; Stern, *Gold*, 544; C. Fürstenberg, *Lebensgeschichte*, 439.

<sup>26</sup> Cf. C. Fürstenberg, *Lebensgeschichte*, 332–33, 337, 427, 510ff.

<sup>27</sup> On Schwabach, cf. Rudolf Vierhaus (ed.), *Das Tagebuch der Baronin Spitzemberg* (3rd ed., Göttingen, 1963), esp. 475. On Friedländer-Fuld, cf. Bogdan Graf von Hutten-Czapski, *Sechzig Jahre Politik und Gesellschaft* (Berlin, 1936), vol. II, 63; Werner Frhr. von Rheinbaben, *Viermal Deutschland. Aus dem Erleben eines Seemanns, Diplomaten, Politikers 1895–1954* (Berlin, 1954), 76; Jules Huret, *En Allemagne. Berlin* (Paris, 1909), 313.

<sup>28</sup> Cf. Hans Jaeger, *Unternehmer in der deutschen Politik (1890–1918)* (Bonn, 1967), 181.

<sup>29</sup> Michel, *Banques*, 355; cf. 54.

<sup>30</sup> Spitzmüller, *Memoirs*, 57; cf. 52 and Michel, *Banques*, 331–332, 355.



ernment bonds out of the hands of the Rothschild group, though it had served the state well – supporting the government in the area of railroad building in southern Europe and giving loans for election campaigns to politicians which the Emperor supported. Sieghart's acquiescence was bought with a seat in the House of Lords, offered to him by the Minister of Finance.<sup>31</sup> Thus, while in Germany bankers renounced political activity in favor of direct influence on government at the highest levels, Austrian bankers did in fact revert after 1873 to the role of *Kaiserjuden*.<sup>32</sup> The difference lies above all in the different level of economic development in the two countries.

## Conclusion

In both Berlin and Vienna, a sort of patrician banking class existed, bound together not only by business connections, but also by ties of marriage and friendship. Banking families were at least partially integrated into a larger wealthy business elite. Investments in industry brought about such social and marital connections. Bankers were often the sons of non-banking businessmen, and bankers' sons often went into industry or commerce. Bankers were interested in building up a network of contacts with the political and administrative elites that could be activated to gain access to insider information, influence the formulation of government policy and bureaucratic regulations, and to win opportunities to participate in financial dealings abroad. Bankers and other businessmen competed with each other for connections in high places, and their wives played an instrumental role in this endeavor. There is hardly any evidence of bourgeois capitulation to the aristocracy here.

It may be of some use here to apply Anthony Giddens' typology of elite formation.<sup>33</sup> Giddens distinguishes elites according to the degree of 'social and moral integration' and the degree of openness of recruitment. The banking elites of Berlin and Vienna were part of a larger business elite which had tendencies in the direction of a 'uniform elite,' that is, an elite closed to newcomers and characterized by a high degree of 'social and moral integration.' Bankers of both financial centers came largely from propertied business backgrounds, and their sons usually remained within this class. However, wealth levels in these families did vary considerably, and banking dynasties were very much in decline, particularly in Vienna, where private banking was fast disappearing. Social integration was based on ties of marriage and sociability, which held the banking world together and rooted it in the larger business elite. The 'moral cohesion' of the banking world was based on its professional ethos (not discussed in this paper), but the larger business elite was much more heterogeneous in its values and mentality.

<sup>31</sup> Cf. *ibid.*, 344; Spitzmüller, *Memoirs*, 57 – 59; Somary, *Raven*, 56.

<sup>32</sup> Michel is rather naive to believe that anti-Semitism no longer played a role in the Viennese banking world. Cf. Michel, *Banques*, 312 – 313.

<sup>33</sup> Cf. Anthony Giddens, *The Class Structure of the Advanced Societies* (London, 1973), esp. 118 – 138.

Despite their similarities, the banking elites of Vienna and Berlin differed in their relationships to other elites, to society as a whole, and to the state. Confronted with a hostile environment, Viennese bankers developed a fortress mentality. The state used the tenuous position of Viennese bankers in Austrian society to its own advantage. Berlin bankers, on the other hand, had a much stronger bargaining position as part of the capitalist class that had made the German economy the most dynamic in Europe.



## The Location of the Banking System: Venice between the XVI and the XVII centuries

There is documentary evidence of the existence of banks in Venice – referred to as ‘*tabulae cambii*’ or ‘*banchi de scripta*’ – from the first half of the XIIIth century; they were located under the porticoes of the Square of San Giacomo di Rialto (‘*sub porticu cambii*’); there were others, though fewer, at the foot of the Campanile in St. Mark’s Square.<sup>1</sup>

We know that as early as the XIIIth century, the great Venetian and foreign merchants kept an account at one of these ‘*banchi di scripta*’ operating in the city. It was enough for a verbal order to be given to the scribe at the counter, or ‘*banco*’, and for the other party to the transaction to agree (the other party also had to be an account-holder at the same bank), and the sum in question would be transferred from one account to the other. It was a simple and quick way of making payments and lent a certain stability to money circulation and since it was closely connected with commercial activities and implied personal control and access to information, the system was operated in the market places themselves, that is in the two squares on either side of the Grand Canal. In both places, the patterns of open spaces, of thoroughfares and areas where business could be done seem to have played an important role. What seems to have been crucial in both cases was the importance of the site in terms of intersections and urban relations, rather than the designation of a suitable office in a representative building.

When the nobleman Giovanni Dolfin made a first attempt to create a public bank in 1356, a difficult time for the private banks, he proposed that officials in the new bank should no longer hold money and deposit ‘*super dicto banco*’, but rather they should ‘*facere scribi*’ and operate through written orders and contracts. But his proposal was not taken up and the old practice of showing ‘proof’ of financial resources, which was one of the key reasons for the physical concentration of banks in the market places, continued. Thus for almost two centuries the banking system remained in the hands of just a few aristocratic Venetian families and was operated from what amounted to stalls, or on a few tables set up one beside the other in the very heart of the two trading centres.

The fundamental importance of a physical place, in which merchants could see

<sup>1</sup> G. Luzzatto, *Storia economica di Venezia dall’XI al XVI secolo*, Venice 1961.



Fig. 1. Vettore Carpaccio, *Vocation of Saint Mathew*, 1500 ca.: on the left a small bank for currency exchange. (Venice, School of San Giorgio degli Schiavoni).

exactly what was being done (if not actually the money changing hands), where they could hear people's comments and reactions, was confirmed at the moments of crisis or danger for one or another of the various private banks: creditors would hasten to the Rialto for information, or to ask for reassurance or, *in extremis*, to withdraw their deposits before closing time; however, the immediate repercussions of a bankruptcy affected not only private fortunes, but also, and much more seriously, the fortunes of the community in general, from the fontego to the price of bread.<sup>2</sup>

Even the aspect of banking historically assigned to the Askenazy Jews – pawn

<sup>2</sup> M. Brunetti, *Banche e banchieri veneziani nei 'Diarii' di Marino Sanudo*, in: *Studi in onore di Gino Luzzatto*, Milan 1950, II, pp. 26 – 47.



broking – may have been strictly controlled in space and time and for centuries allowed only on the mainland and therefore well away from the island of Venice, but the last phase too was finally permitted in the same place as other banking activities, and under the same eyes. Indeed, one of the archway premises at the Rialto was specifically designated for the sale of auction of items which had been pawned and never redeemed.

It was during the xvii century, in a period when the urban geography of the city was being redesigned in the light of the new siting strategies and changed priorities, that the banking system in Venice underwent significant reorganization.

The island of Rialto established itself as not only a food market, but also as a centre of international trade.<sup>3</sup> For centuries, first the currency exchangers and later the private banks had identified the Rialto as the principal site for financial transactions;<sup>4</sup> in their physical precariousness, a not inapposite reflection of their financial instability, they continued to operate from modest wooden tables of the kind depicted by Carpaccio,<sup>5</sup> on which it was important to display the 'proof' of a not always secure creditworthiness, *id est ready money*.

Constituting, as they did, the reasons for the health or decline of several great families, whose available wealth was able (or not) to quieten the rumours and calm the crowds, but also constituting one of the reasons for Venice's enormous international prestige, the banks were seen as evidence at the Rialto of the economic well-being or difficulties of the State or of private individuals:<sup>6</sup> for Venetians the news of a bankruptcy was 'peggior nuova' than the loss of Brescia.<sup>7</sup> Often lasting only a short time, or suddenly being reactivated, it was the fragile impermanence of the private banks and the problem of mediation they created between State and citizen that eventually, over two hundred years after the original proposals, the public Banco Giro was founded.<sup>8</sup> Campo San Giacomo, around which, 'for the

<sup>3</sup> D. Calabi e P. Morachiello, *Rialto: le fabbriche e il ponte*, Turin 1987, pp. 63–65.

<sup>4</sup> E. Lattes, *Libert. delle banche in Venezia dal secolo xiii al secolo xvii secondo i documenti inediti del R. Archivio de' Frari*, Milan 1869; F. Ferrara, *Documenti per servire alla storia dei banchi veneziani*, in 'Archivio Veneto', 1 (1871), pp. 107–155, 332–363; R. Cessi, *Il problema bancario a Venezia nel secolo xiv*, in 'Atti della Regia Accademia di Torino', vol. 52, p. 786; F.C. Lane, *Venetian Bankers, 1496–1533: a study in the early Ages of deposit Banking*, in 'Journal of Political Economy', xiv, 2 (1937); F. Gilbert, *The pope, his banker and Venice*, Cambridge (Mass), 1980.

<sup>5</sup> V. Carpaccio, *La bottega del cambia-valute*, detail of the: *Vocazione di San Matteo*, 1501, Scuola di San Giorgio degli Schiavoni, Venice.

<sup>6</sup> D. Malipiero, *Annali Veneti dall'anno 1457 al 1500*, edited by T. Graz e A. Sagredo, in 'Archivio storico italiano', Florence 1843–44, vol. vii, p. 683; M. Sanudo, *I Diarii*, Venice 1879–1903, xvii, 468; G. Priuli, *Diarii*, edited by A. Segre, in: *Rerum Italicarum Scriptores*, edited by: L.A. Muratori, Citt. di Castello 1912, vol. xxiv, pp. 122–125, 283, 286–287.

<sup>7</sup> M. Sanudo, *I Diarii*, quoted., xviii, pp. 187 and followings; D. Malipiero, *Annali Veneti*, quoted, p. 683.

<sup>8</sup> In 1587, on the demand of the merchants, the Senate repeats 'the ruin overhanging the Rialto square deprives it of the old habit of trading through the 'banchi di scritta', which operate for the benefit of the same merchants as well as of the public service', *ASV, Senato terra*, 5 march 1587, R. 57, c. 107 r.; *Savi alla mercanzia*, 11 july 1595, R. 137, c. 148 r.; 24 january 1597 (m. v. 1596), R. 139, cc. 130–132 r. e v.; 20 november 1625, R. 146, cc. 209–210 r. e v. For the birth of the Banco Giro, see also *BNMV, Commercio Veneziano* (Erario pubblico, Banco Giro, Commercio), ms. It. vii, 2215 (= 9196); and: G. Caval-Pasini, *La scuola pratica del Banco Giro della Serenissima Repubblica di Venezia*, Venice 1741; U. Tucci, *Mercanti, navi, moneta nel Cinquecento veneziano*, Bologna 1981, pp. 231–251; F.C. Lane, *I mercanti di Venezia*, Turin 1982, pp. 219–255.



Fig. 2. The Rialto square with the 'portico' of the Banco Giro, engraving xviii century. (Museo Civico Correr, stampe Gherro).

convenience of all the traders in this square',<sup>9</sup> the activities of the Pisani, Lippomani, Cappello, Garzoni, Priuli, Augustin and Vendramin families was carried on, seems to have functioned as a guarantee of the simultaneous presence and at the same time of the absolute separation of trading and banking on the island. But, at the same time, it was regarded as an important and physical place where the mechanism could continue functioning in the city. Even the church, a temple to the origins of Venice, became a point of reference in banking matters, a place of not strictly religious propitiatory masses but noisy meetings of creditors.

Thus, after the fire of 1514, it was considered a matter of absolute necessity and urgency to replace the banks; application was made for the immediate provision of carpenters to construct a temporary shelter against the church wall at San Giacomo and in calle dei Naranzeri; indeed, they were so important that banks appear as the dominant function of the rebuilt square, that is of the redesigned meeting place for merchants. Perhaps unconsciously recalling the premises sited under the porticoes of the *fora* of ancient Roma,<sup>10</sup> the new banks were again amongst the eco-

<sup>9</sup> BMCV, *Banchi*, ms. Gradenigo 164; sec. xvii, c. 2: 'Notizie sopra li Banchi di Venezia'.

<sup>10</sup> See the stalls of the money-changers, located under the porticoes of the Basilica in the ancient *fora*, following Vitruvio and the restitution of the Basilica of Fano by Cesare Cesariano.

nominally more important activities, housed in small rooms inside a complex built for various purposes.

A combination therefore, of traditional Venetian customs and analogies with the models of Vitruvius, though the influence of these will have filtered into Venice through other examples of urban areas and recent buildings.<sup>11</sup>

In St. Mark's Square on the other hand, the new buildings planned and erected in the same period (the *Libreria*, the *Loggetta* and the *Procuratie*) involved a gradual adjustment in ideas of what was considered to be 'compatible' with the setting, and the banks eventually disappeared altogether. They were amongst those activities (like the butcher's the baker's, certain taverns, the stables, the sale of cheese, cured meats, fruit and vegetables, or like the dentist's) which the Senate deemed to be inconsistent with the prestige required for a centre of government and so decreed should be moved out of the area immediately adjacent to St. Mark's. More simply, the banks too were affected by an ambition which several magistrates evidently thought was achievable around the middle of the 1500s, that is a certain amount of zoning according to function in the central parts of the city.

And in pursuit of this aim, the Procuratori de' Supra issued many orders for the clearance of the porticoes around the Doge's Palace and the area in front of the Basilica.<sup>12</sup>

This strategy, which I believe involved attempts gradually to separate the places where trade and government were practised and to designate a certain number of prime sitings, also affected the banks, in contrast to what occurred elsewhere in Italy. Moreover, Venice was one of the few cases (if not the only one) where the Monte di Piet (which from 1480 to 1490 had spread so rapidly and relatively evenly over the whole of mainland Veneto) never managed to compete successfully against the Jewish banks.<sup>13</sup> Looking at this from a long-term point of view, the choice can be explained on the one hand by the traditional diffidence of Venetians towards charitable works, and on the other by a form of cooperation, almost of solidarity, which had grown up between the government and the Jewish community over the previous two centuries and more. But to justify the decision there is the fact that after all, the Jews guaranteed fast and more versatile loans. And there may also be an element of the ambiguous question of their physical and social segregation within the urban environment: scholars have always found it difficult to assess whether, in the end, the positive or the negative motives were uppermost.

In the other towns and cities around Venice (especially in Padua and Mestre),

<sup>11</sup> Filarete, *Trattato* II, Libro 8, fol. 61 r., BNF, ms. Pal. 1411. See also: W. Lotz, *Studies in Italian Renaissance Architecture*, MIT 1977, pp. 74–92; 117–139.

<sup>12</sup> D. Calabi, *La ville et ses places: St. Marc et Rialto entre heritage médiéval et intention de renouveau* and documents quoted in: P. Braunstein (editor), *Venise*, Paris 1991 (in printing).

<sup>13</sup> Renata Segre, *Banchi ebraici e Monti di Piet.*; Brian Pullan, *Jewish Moneylending in Venice: from private Enterprise to Public Service*, both in: *Gli Ebrei e Venezia, cit.*, first: pp. 565–570 and second pp. 671–686. See also: Marin Sanudo, *Diarii, cit.*, 10 november 1519, vol. 28, p. 63–64; ASV, *Senato, Secreta*, 10 february 1520 (m. v. 1519), R. 1519–1520, c. 97 r. e v.; 2 march 1520, cc. 99–100; *Senato terra*, 27 march 1523, R. 23, c. 72 r. e v.; *Consiglio dei X*, 19–20 april 1524, quoted in: Brian Pullan, *La politica sociale nella Repubblica Veneta 1500–1620*, Rome 1980, p. 542.



Fig. 3. Domenico Garzoni, manuscript plan with the two 'islands' of Saint Mark and Rialto, schematically represented in their relationships with the Grand Canal and the pedestrian street called 'Mercerie', 1712. (ASV).

Jews had performed their service of lending money to the *gentili* since the XIVth century, but in Venice itself, usury was strictly forbidden. In 1382, at the end of the war of Chioggia, the Comune, with supporting vote of the Quarantia and the Maggior Consiglio, had even invited Jewish money-lenders to settle in Venice itself, with their families, in an attempt to attract new capital; with this invitation, the government legalized, indeed encouraged, a practice which may previously have been accepted and held to be useful but which had deliberately been kept to the edges of the trading centre.<sup>14</sup> And for a dozen years, not only did the plan work but the declared intention was to make the measure permanent, with the creation of houses in which the newcomers could be accomodated together and with dignity.<sup>15</sup>

<sup>14</sup> Reinhold Mueller, *Les prêteurs juifs de Venise au Moyen Age*, in: 'Les Annales', november-december 1975, pp. 1277–1302; ASV, *Maggior Consiglio, Novella*, (1350–1384), 20 february 1382 (m. v. 1381), c. 171 r. e v.; *Misc. Cod. di Storia Veneta*, 24 november 1385 [in Rogatis], I series, 116, cc. 5–7.

<sup>15</sup> The mentioned decision, listed in a register of the *Senato, Secreta* now lost, is collected also in: ASV, *Sopraconsoli dei Mercanti*, quoted; See also dte decrees of the 21 february 1389 (m. v. 1388), of the 12 july 1389 (in Collegio), of the 24 september 1389 in the same cover; finally see: v. Sandi, *Principi di storia Civile della repubblica di Venezia*, Venice 1755, part III, vol. 1, 2, pp. 437 and followings.



Then suddenly, in 1394 the Senate decided to limit the Jewish presence not so much in terms of their use of public space as in terms of time: bank-owners were to be allowed to occupy the designated premises for not longer than fifteen days at a time, at intervals of at least four months, and from 1496 no more than once a year.<sup>16</sup> It was a clear and unequivocal expulsion, which lasted about a century and involved not the service as such so much as the people who performed it, a period which corresponded to a phase of greater economic prosperity and which also draws attention to the fact that the clause in the 11nd 'condotta' (1387–1397), which made explicit reference to the need for a 'convenient' district to be designated for the Jews to be able to live together, had never been implemented. The banks ended up being housed in the fortress of Mestre and usurers had to live on the mainland; pledged items left unredeemed, however, continued to be brought to the Rialto for sale by auction: a thin but strong connecting thread which the shrewd merchants will not have wished to sever.

But in the following century, during and after the crisis of Cambrai, the banks gradually became the institution which radically changed or even revolutionized the relationship between Venice and the Jews. It is certain that given the repeated concessions made in a period of special need, and given the several examples when bans were lifted,<sup>17</sup> the Venetians first accepted the return of the Jews and later allowed them to settle permanently in the city.<sup>18</sup> It was after all obvious that formal loans, occasionally for considerable sums, at a high rate of interest and for medium or long periods of time, or more frequently short-term loans made against deposited securities, were of enormous importance in a trading city. Used both by those intent on trying to ensure their survival by pawning what few things they possessed and by those looking for considerable sums to invest, the banking system became of more central importance in difficult times, when the market is more than usually dependent on the simultaneous presence of a wide range of different operators. The Rialto was in this sense a crucial market. Not without some hesitation, not without the voicing of some opposition to the idea of entrusting the lending service and associated facilities to a foreign community, the Republic opted to do just this in the 1520s, disciplining the system's functions and enabling the city to get used to the change. The conscious choice, effected with the consent of the Doge, Andrea Gritti, of the Council of ten and of certain prestigious senators, such as Antonio Grimani, took this line in 1523: faced with hesitation over the road to be taken, he made a

<sup>16</sup> Eliyahu Ashtor, *Gli inizi della comunit. ebraica a Venezia*, ASV, op. n° 10112, also in 'Rassegna Mensile d'Israel', 1978, pp. 683–703; ASV, *Compilazione leggi*, voce Ebrei, 26 september 1423, quoted; Umberto Fortis, *Il ghetto sulla laguna*, Venice 1987.

<sup>17</sup> ASV, *Senato terra*, 3 august 1508, quoted; the decree, signed by the Savi di Terraferma too, authorizes the Jews to continue 'living in our lands and places for the next five years with all their families and rent a house and the usual banks for citizen and foreigners'; see also: *Senato terra*, 21 february 1510 (m. v. 1509), quoted.

<sup>18</sup> Giacomo Carletto, quoted, pp. 44–47; Andrea Alvise Viola, *Compilazione delle leggi del Maggior Consiglio, Senato, Consiglio dei x, Consiglio dei xl al Criminal, Presidenti sopra gli Uffici, Ordini dei Savije terminazioni di altre magistrature in materia d'officij e banchi del Ghetto, divisa in 5 tomi*, Venice 1786: in partic. tome 5° part II –. Brian Pullan, *La politica sociale nella Repubblica Veneta 1500–1620*, Rome 1980, vol. II, pp. 498 and followings.



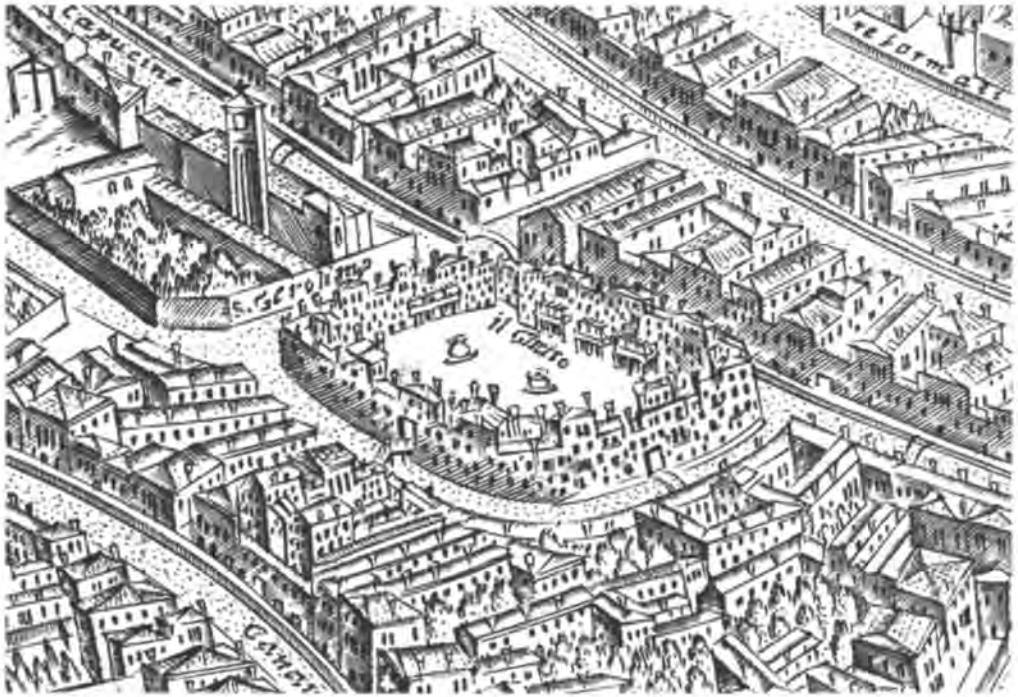


Fig. 4. G. Merlo, *Venetia*: detail with the Ghetto, engraving 1696 (Museo Civico Correr).

firm statement in public, reminding his listeners of how necessary the Jews had become to the 'poor' of the city.<sup>19</sup> In fact the operation was more complex than his words suggested, that is than a simple acceptance of what had already occurred. To transform the institution of money lending into a welfare facility and use it to replace other charitable initiatives means acknowledging its role as a socio-economic balancing factor, a basic service offered to the less prosperous levels of a society, but also to the Signoria and to rich merchants. Lending against pledged property was in fact theoretically directed at the poor, as its relatively low rate of interest showed, but rich citizens had also always made frequent use of it. The function may have been delegated to foreigners, but opening times in Summer and Winter were controlled by the State, as were the types of goods that could be deposited as security, relations with activity which Jews continued to carry out on the mainland and the forms of contract which Jews were allowed to stipulate. In reality it was one

<sup>19</sup> Simon Luzzatto, *Discorso circa il Stato degl'Hebrei, et in particolare dimoranti nella citt. di Venetia*, Venice 1638, p. 1; Marin Sanudo, *Diarii*, quoted, 10 november 1519, vol. 28, pp. 63–64; ASV, *Senato terra*, 27 march 1523, quoted; 3 october 1523, R. 23, c. 60 r.

of the public services (even though contracted out into the private sector) of a major local and international market.<sup>20</sup>

The institution was subject to control of the locality where it could be situated; it was open, however, and could therefore attract a wide range of people to the closed district of the Ghetto in Cannaregio.

It was controlled directly by the State and was therefore one of the principal means of keeping Jews bound to Venice, reducing their physical isolation, to the advantage of both sides.<sup>21</sup> It constituted as the Inquisitors said a 'condition' underlying the stipulation of all other agreements. Paradoxically, and perhaps with varying degrees of awareness on the part of some of its members, the Council of Ten, by facing up to the difficult decision to reject the *Monte di Piet.*, had created a long and important opportunity for contact and intermingling between strata of society at a time when officially the Council still wanted them kept apart.

Between the 1400s and the 1500s specific premises had been created for the *Monte di Piet.* in the market squares of almost all the towns and cities of the Dominion, a representative building which on occasion had actually served as an expedient for redeveloping the thoroughfares and stopping places of the town centre.<sup>22</sup> In the capital, though, the Serenissima opted for a conservative attitude towards banking activities, behaviour and siting. In effect, it ended up using Jewish money lending as a welfare facility, rather than replacing it with another. It became an integral part of the State's financial system, also from the point of view of the distribution of public facilities<sup>23</sup> and to consequent small-scale emigrations within the area; around 1550 the Jewish banks in Venice too suffered a period of unusual instability and diminishing financial capacity, perhaps caused by the expulsion orders and the creation of *Monti di Piet.* on the mainland. The fact remains that in 1558, there were just three active banks in the Ghetto, but the bankers could subcontract their money-lending licence to others and other branches will certainly have been opened here and there on the square, each with one or two rooms squashed between shops and dwellings. Christians too made considerable investments through these banks and made profits on the transaction, but they were immune to the charge of being usurers. In 1565, the banks with premises around the square numbered five, but the Council of Jews presented a list of eleven companies

<sup>20</sup> ASV, *Senato terra*, 13 June 1525, R. 24, c. 12 r. e v.; 16 November 1558, *cit.*; 19 February 1567 (m. v. 1566), quoted, (where they repeat that the Rialto is the urban place chosen to make a new order in the banking matter); 16 November 1624, R. 94, cc. 211 v.-227 r.

<sup>21</sup> ASV, *Senato terra*, 16 November 1624, quoted; *Inquisitori agli Ebrei*, 3 February 1672 (M. v. 1671), b. 38, c. 314.; Attilio Milano, *I banchi dei poveri a Venezia*, in: 'La Rassegna mensile d'Israel', xvii (1951), pp. 250–265.

<sup>22</sup> ASV, *Senato terra*, 27 March 1523, quoted; see also: Donatella Calabi (editor), *Le città venete di terraferma nelle vedute del Settecento*. Milan 1990.

<sup>23</sup> F. Ferrara, *Gli antichi banchi di Venezia*, in: 'Nuova Antologia', 1871 n° xvi, which refers also to: Elia Lattes, *Libert. delle banche in Venezia dal secolo XIII al XVII secondo i documenti inediti del Regio Archivio dei Frari*, (Historical Research), Milan 1867, pp. 192 and followings; Mario Brunetti, *Banche e banchieri veneziani nei 'Diarii' di Marin Sanudo*, in: *Studi in onore di Gino Luzzatto*, Milan 1950, pp. 26–47.



Fig. 5. Plan of the Ghetto Nuovo, with the location of the three most important loan banks (R: the 'red', V: the 'green' and N: the 'black'), following the income-declarations of 1661. (Elaboration by the author).

which had lent money to the State according to the guidelines laid down by the *ricondotta* of 1548 and 1558; most of these must certainly have been active in Venice itself.<sup>24</sup>

The activity of banking, which might at first have been profitable, for the Jews became a fiscal duty; especially after 1573, when it became an obligation for the Jewish minority to maintain the banks, an obligation which was justified by the fact that their trade in used objects made no contribution to customs revenue as new goods would have done. In 1580, and again in 1586, the Senate asked for at least two banks to be open at the usual places and conditions 'for the greater convenience of the poor'; in effect, this was the price that Jews had to pay to obtain renewal of the *condotta* and their permit to stay in Venice.<sup>25</sup>

From 1598 this service, which no longer had any hope of making a profit, given the limit of rate of interest which could be charged, came increasingly to be financed with taxes collected from all three Jewish communities resident in Venice,

<sup>24</sup> Quoted in: Brian Pullan, *La politica sociale...* quoted, p. 569.

<sup>25</sup> ASV, *Senato terra*, 11 July 1573, quoted; 10 August 1580, quoted; 13 August 1586, quoted; *Inquisitori agli Ebrei*, 7 December 1591, b. 38, c. 296 r. e v.



including the Sephardic Jews, who were traditionally shopkeepers rather than money-lenders, it therefore became a factor of unity and internal solidarity and a place of identification with respect to the outside world.<sup>26</sup>

The result – which conditioned both economic organization and urban structure – was that between the xvth and xvith centuries two recognizable centres of banking activity were operating in Venice, both of them soon dominated by two systems of public control: the market authorities at the Rialto and the pawn broking centre in the Ghetto.<sup>27</sup> The first was decided upon in 1587 but implemented only in 1619 and was designed to look after the money of businessmen and entrepreneurs, to make payments on their behalf and enable money to be transferred from one account to another without cash having to be handed over.<sup>28</sup> It was still located in the heart of the market area, under the new portico which ran round the square designated for international trade, opposite the ancient church of san Giacomo, which continued to be used for bargaining and creditor's assemblies. Over the years, in fact, all the public and private offices and places connected with the exchange of money in a maritime and trading state had become concentrated hereabouts; not only the 'banchi di scritta' (or exchange offices), but also the notaries' desks and bond offices, all helping to polarize the new geometrical shape of the square and to identify a specialist area within the trading specialisation itself.<sup>29</sup> The second nucleus was a service comprising three separate offices (the Red bank, the Green and the Black), each contracted out to private families for a limited period. The three banks all gravitated around the Campo del Ghetto Nuovo and each was sited in a strategic position: the first along the san Girolamo canal near the bridge of the same name, giving access to the square itself; the second beside the Scuola Tedesca, and the third near the Ponte degli Agudi.

These two concentrations of banking facilities, each established the character of one of Venice's trading areas. And beside the surviving private banks, those of the great noble Venetian families (Priuli, Lippomano, Pisani, and Soranzo) at the Rialto and of the richer Jewish families (quondam Anselmo dal Banco, Luzzatto and Calimani) in Cannaregio – a small circle which dealt with most of the business from the three main banks –, there were the two systems described above, which wholly took the place of the charitable institutions called for elsewhere by the mendicant orders and by a fiercely conservative dominant class.<sup>30</sup> Originally cre-

<sup>26</sup> BNMV, Ms. It. VII, n° 2391 (= 11723), sec. XVI-XVIII, c. 381; Brian Pullan, *Gli ebrei d'Europa e l'inquisizione a Venezia dal 1550 al 1670*, Rome 1980.

<sup>27</sup> ASV, *Ufficiali al Cattaver*, 18 august 1595, b. 244, c. 155: for the house of Pietro Pigna, in which – said a document of 1595 – there are dangers of ruin, they demand for urgent interventions, because of the public bank of the Ghetto Nuovo; See also: Brian Pullan, *La politica sociale...* quoted, p. 605.

<sup>28</sup> BMC, Ms. Gradenigo n° 164, cc. 1 v. – 3 r., 29 r.; G. Caval Pasini, *La scuola in pratica del Banco Giro nella serenissima Repubblica di Venezia*, Venice 1741; Gino Luzzatto, *Les banques publiques de Venise, siècles XVI-XVIII*, in: J. G. Van Dillen (a cura di), *History of the principal Public Banks*, L'Aja 1934.

<sup>29</sup> Donatella Calabi e Paolo Morachiello, *Rialto...* quoted, cap. II.

<sup>30</sup> Frederic Chapin Lane e Reinhold Mueller, *Money banking in the Medieval and Renaissance Venice*, Baltimore 1985, pp. 76 – 79.



ated to keep money or other forms of wealth safe and offering all possible guarantees, each of the systems interacted with the articulated use of the market areas of the city and with their relative specializations.

In short, the Venetian banking structure (anomalous, compared with that of other cities from an organization point of view) ended up identifying a financial service of the government of the Republic with the German-Jewish money-lenders and a consequent use of certain urban spaces; and interpreting the Rialto/Ghetto polarization in terms of different, but to some extent inter-related, uses.

It is symptomatic that most of the organization of the Bancogiro in 1619 was attributed (not without some exaggerations) to the advice to the financial authorities of the great Jewish banker Abramo dal Banco.<sup>31</sup>

On the other hand, we know that by the xvii<sup>th</sup> century the Jewish banks were producing enormous wealth: and though in 1664 certain passing difficulties had caused their management to be taken over by the community, the celebrated contemporary observer Simon Luzzatto could still note that in 1673 the Jews were paying taxes of 250,000 ducats to the state and were employing no fewer than 4,000 Christian craftsmen for their own needs or for the production of goods which they then despatched to other parts of the world.<sup>32</sup> These figures are admittedly partial and overestimated, but they do indicate a certain influence and a network of relationships. The money collected from the Jewish University for the payment of freight charges continued to be deposited in the Rialto bank; when disputes arose between the communities of Verona, Padua and Venice over the payment of taxes to the Serenissima, it was to the Doge in person that the Venetian Jews applied for judgement, he in turn defending them stoutly against their mainland counterparts.<sup>33</sup>

During the xviii<sup>th</sup> and xviii<sup>th</sup> centuries the banks, perhaps even more than other activities located in the Ghetto and open to the use of Christians, conspired in the opening of the gates into the district at unauthorized times, and similarly in the use of the canal banks around the Ghetto and even in the creation of actual new hidden entrances by stretching the terms of permits, or freely interpreting the *condotte*. By now they were all set up as premises open to the public in non-purpose-built buildings, with the office on the ground floor and the staff in charge of the cash desk and the registers of the first floor.<sup>34</sup> As business also covered loans which were merely recorded, as well as loans made against property pledges (which involved different interest rates and loan periods), the rooms on both floors were furnished with high shelves erected along partitions and side walls, on which were kept the registers and the pawns. Unredeemed pawns were later auctioned at the Rialto, in the presence of a public notary. Several times, according to the usual sources, 'extremely serious' disorders suggest that previous resolutions should be

<sup>31</sup> Cecil Roth, *Gli ebrei di Venezia*, Rome 1933.

<sup>32</sup> Simon Luzzatto, *Discorso...* quoted, pp. 28 e segg.

<sup>33</sup> ASV, *Inquisitori agli Ebrei*, 3 february 1672 (m.v. 1671), quoted, 1681, b. 45, c. 342.

<sup>34</sup> ASV, *Senato terra*, 31 january 1597 (m. v. 1596), quoted; 16 november 1624, quoted.

revoked.<sup>35</sup> But during the 1700s the three official banks (still called the Red, the Green and the Black) were still the three created in 1591, with premises in Campo del Ghetto Nuovo, respectively beside the san Girolamo bridge, adjoining the Scuola Grande Tedesca and near the Agudi bridge, and thus strategically placed to achieve domination of the whole square. In each case, their organization structure was similar; they were governed by six ministers, three responsible for the bank's acceptance of deposits and of pawned items ('cattapegni') and the other three for their registration (an 'estimador', a scribe and a cashier).<sup>36</sup>

It was only after the fall of the Republic and the decision to do away with the Ghetto, that it was also decreed that the 'banchi di pegno' should be closed: it was the new regime's first concession to the Jews of Venice, who had for centuries borne the burden of them. Certainly it is a significant gesture, indicating a will to end the advantage of the 'isolation', on which the banking system and the position in the city of the minority who ran it, had for so long been based.<sup>37</sup>

<sup>35</sup> ASV, *Ufficiali al Cattaver*, 15 January 1620 (m.v. 1619), b. 2, c. 39 v.; *Inquisitori agli Ebrei* 1681, quoted.

<sup>36</sup> ASV, *Inquisitori agli Ebrei*, 1 November 1780, B. 44, c. 424; 18 February 1788 (m. v. 1787), b. 15, c. 212.

## Bankers, Banks, and Other Financial Institutions in the Urban Landscape of Amsterdam, late 16th – 20th centuries

The general image of financial centres is largely determined by that of the 20th century. In that century the concentration of banks, insurance companies in the Central Business District together with the stock exchange, the commercial markets, the offices of the telegraph and telephone and other services, offers us the traditional picture of a financial centre. What about the period before those 'modern' times? Did a spatial and functional specialisation leading up to segregation exist?

Gideon Sjöberg provided a very general picture of the preindustrial city and its functions and one of his chapters deals with the demography and ecology with a section on spatial arrangements.<sup>1</sup> He stresses the pre-eminence of the 'central' area over the periphery, especially in regard of the residences of the elite and the low incidence of functional differentiation. The main market is to be found in that central area next to governmental and religious buildings. Sjöberg states that in 'feudal' cities political and religious activities had more status than economic ones and that for that reason the main market was only subsidiary to the religious and political structures. The commercial structures in no way are supposed to rival the religious and political in symbolic eminence. Sjöberg contrasts this picture with the 'industrial' city with its CBD as described by the 'Chicago' school. In his pre-industrial city the elite lives near or in this centre and the poor live at the periphery. These concepts will be used to give a description of the Amsterdam urban landscape related to its financial functions and the persons involved in financial activities in the period before the 19th century.

I will try to make some observations on some public buildings related to financial activities and also on the place of residence of people employed in the financial sector. In this contribution market places, places where merchants regularly met, the exchange, the houses of bankers and the residences of cashiers, money-exchangers and the like will be discussed.

<sup>1</sup> Gideon Sjöberg, *The preindustrial city, past and present* (New York/London 1960) 91 – 103

## Where the merchants met

We may wonder about the origins of meeting places of merchants in the 15th and 16th centuries and their successors in the 17th and 18th centuries. An anonymous author reported around 1500 that the merchants in Amsterdam met daily in the Warmoesstraat: *est etiam in hac parochia, platea olerum dicta, ubi mercatores dietim conveniunt.*<sup>2</sup> That could have been the origin of the product exchange or bourse. The Dutch name 'beurse' (bourse) was only used from the end of the 16th century. On this bourse the merchants bought and sold their merchandise, exchanged money and dealt in bills of exchange.

The old chapel of Saint Oluf, built some years before 1450, served from 1586 till 1602 as meeting place for the merchants, a predecessor of the exchange near the Dam square. The chapel was in 1578, when Amsterdam chose the side of the protestant rebellion against the Habsburgers, robbed of its silver and inventory and in 1586 given as a meeting place to the merchants.<sup>3</sup> The role of mediators between merchants in Amsterdam and foreign merchants was in the hands of innkeepers or 'waarden' in the 16th century concentrated in the already mentioned Warmoesstraat.<sup>4</sup> Also since the end of the 16th century we find other mediators named 'makelaars' or solicitors although they had a bad reputation. In 1495 the city authorities ordained that all innkeepers and licensees ('Waarden') had to warn foreign merchants for solicitors. Apparently, the city authorities had received complaints about the way some solicitors handled the business of foreign merchants. During the 16th century these solicitors or 'makelaars' were allowed to practise in Amsterdam, although the city authorities themselves nominated them. In 1612 these solicitors got a guild structure and in the 18th century the city historian Wagenaar counted 500 of them, of which 50 were Jewish.<sup>5</sup>

In the meeting places of the merchants we also found money changers, in earlier days appointed by the ruler of the country, but since 1440 this lord gave this right of appointment to the urban authorities in Haarlem, Delft, Leiden and also in Amsterdam. In 1562–1570 we find a 'sworn' (i.e. an official) money changer in Amsterdam.<sup>6</sup>

As said before, the merchants assembled in the Warmoesstraat in the early days, later they came together in the Saint Olufschapel and the famous architect Hendrik de Keyser built the Bourse near the Dam square ('plaatse'). This building came into use in 1613 and was demolished because of defects in the construction in 1835. In

<sup>2</sup> F. Ketner, *Handel en scheepvaart van Amsterdam in de vijftiende eeuw* (Leiden 1946) 151–156.

<sup>3</sup> B.M. Bijtelaar, 'Enige Protestantse Kerken binnen de Singelgrachten', *Historische Gids van Amsterdam* (Amsterdam 1971) 1, 43.

<sup>4</sup> R.E. van der Leeuw-Kistemaker, *Wonen en werken in de Warmoesstraat van de 14de tot het midden van de 16de eeuw* (werkschrift 7 Historisch Seminarium Universiteit van Amsterdam 1974).

<sup>5</sup> I.H. van Eeghen, *Inventarissen der archieven van de gilden en van het brouwerscollege* (Amsterdam 1951) 83.

<sup>6</sup> *Amsterdammers voor de Grote Raad (1465–1580), procesbundels en vonnissen uit het archief van de Grote Raad* (Algemeen Rijksarchief Brussel) met betrekking tot inwoners en instellingen van Amsterdam (red. J.W. Bomhof) (Amsterdam 1977) 108.

most of the descriptions by foreigners visiting Amsterdam this building is mentioned. Francesco Belli gave a description in his 'Osservazioni nel viaggio' of 1632, the German Gotfrid Hegenitius also in his travelbook published by Elsevier in 1630.<sup>7</sup> William Brereton compares the Beurs in Amsterdam with the exchange in London. He thinks that the Amsterdam building was not as stately and richly adorned in respect of the ornaments and pictures.<sup>8</sup> Also John Evelyn visited Amsterdam in 1641 and in his memoirs he mentioned among others the Bourse.<sup>9</sup> 'It was on a Sunday morning that I went to the Bourse, or exchange, after their sermons were ended, to see the Dog-market, which lasts till two in the afternoon, in this place of convention of merchants from all parts of the world. The building is not comparable to that of London, built by that worthy citizen Sir Thomas Gresham, yet in one respect exceeding it, that vessels of considerable heights can ride at the very quay contiguous to it.' Apparently John Evelyn points out here a multi-functional use of the building. A French observer compares the Bourse with 'la grande salle du Palais de Paris in 1646.'<sup>10</sup>

## Lombards

A word has to be said also about the pawnbroker's shops or the tables of the 'Lombards'. In 1367 the first pawnshop is mentioned in Amsterdam. These Lombards had to pay the landlord a considerable sum each year to get permission for their trade. Most of the pawnshopkeepers were from Northern Italy or Lombardy, but because of the bad name of Lombardy they called themselves 'from Piemont'. In 1547 and in 1550 the Estates of Holland tried to ban those people from Holland on the proposition of the city of Leiden. But the duke of Burgundy did not agree because of his financial interests in regard of the Lombards. In the period 1547–1570 and in 1572 we find cases in the Court of Holland and the Grand Conseil de Malines in regard of the pawnshops.<sup>11</sup> A decision of the Estates of Holland (17 November 1578) authorised the cities to deal themselves with the pawnbrokers. In 1581 Johan Laignier got permission to open up a pawnshop in Amsterdam and in 1591 Sion Luz got as the last one this permission. Since 1614 the city itself exploited the pawnshop and the profit was to be given to the poor of the city. The shop of Sion Luz was near the Grimnesseluis and the urban pawnshop or municipal Loan Bank was situated in a former convent between the Nes and the Jude Zijds Voorburgwal. The Pawnshop of the city had, especially briefly after its foundation, relations with the Exchange Bank of Amsterdam established in 1609. Both institutions were run by officials appointed by the city government. Briefly after

<sup>7</sup> J.N. Jacobsen Jensen, *Reizigers te Amsterdam* (Amsterdam 1919) 29.

<sup>8</sup> William Brereton, *Travels in Holland, the United Provinces, England, Scotland and Ireland* (ed. Edw. Hawkins, Chatham Society 1844).

<sup>9</sup> John Evelyn, *The diary of John Evelyn* (ed. W. Bray) (London 1973) 24.

<sup>10</sup> Claude Joly, *Les voyages de Munster, d'Hollande, d'Osnabrugh, Varendorph, des Pais-Bas et de Cologne* (Paris 1672) 106–107.

<sup>11</sup> *Amsterdammers voor de Grote Raad* (red. J.W. Bomhof) (Amsterdam 1977) 21, 22.



1614 the Bank of Exchange gave credit to the urban Pawnshop. The amounts of money involved never exceeded f 200,000. Later on the mixture of interests of both the financial institutions is exemplified by a decision of 6 January 1639 that the Pawnshop had to give a credit of f 150,000 for an annual interest rate of 5 percent to the West-Indian Company. After only a couple of months this amount has been restituted. It will be clear that these cash flows were directed by the city government using either the Exchange Bank, or the Pawnshop.<sup>12</sup> We will never know how in these early days of both institutions the money they had in deposit was used because basic archive material has been destroyed. The ledgers of the urban pawnshop from 1614 till 1802 are missing; a member of the board ordered their destruction in the beginning of the 19th century. Because of the low interest rate asked by private merchants (ca. 5 percent in 1620, 4½ percent in 1655 and in 1662 3½ percent, even 2½ percent in 1723) the importance of the Pawnshop diminished and disappeared altogether in the area of commercial credit.<sup>13</sup> Only in 1773 the city government created by the establishment of an urban pawning chamber the possibility on the basis of merchandise or securities to borrow commercial capital. The city did that because of the financial crisis of that year it was very difficult to find capital.<sup>14</sup>

### The Bank of Exchange

The creation of the Bank of Exchange of Amsterdam can be considered as one of the major innovations in regard to financial transactions in the early 17th century and its role remained important throughout the 18th century. The Bank did not have a separate building but its offices were first in the old townhall on the Dam square and after the construction of the new townhall, also on the Dam square, in the new one. The 18th century city historian Jan Wagenaar described it as follows: 'in the southern section of the building are two very big, vaulted caves, separated by a thick wall. The western part with its entrance at the east side of the south west entrance to the second floor, serves as storage for coal, pots and other utensils for the assayer of the exchange bank. The eastern cave under the room of the collector of the Bank contains the treasury of the Bank and it has a very carefully locked entrance door of which the members of the board of the bank have the keys'.<sup>15</sup> So, the Bourse, the Urban Pawnshop and the Bank were, one can say on less than walking distance. Most of the historical research on the Bank has been done by J.G. van Dillen, who also published the main sources of the Bank, although much

<sup>12</sup> W.D. Voorthuysen, *Stadshank van Lening 1614 – 1989* (Amsterdam 1989) 29 – 33.

<sup>13</sup> W.D. Voorthuysen, *Stadshank van Lening* 34.

<sup>14</sup> H. Diederiks, *Een stad in verval. Amsterdam omstreeks 1800, demografisch, economisch, ruimtelijk* (Amsterdamse Historische Reeks 4) (Amsterdam 1982) 252; L. Jansen, *De koophandel van Amsterdam, een kritische studie over het koopmansboek van Jacques le Moine de l'Espine en Isaac le Long* (Amsterdam 1946) 279.

<sup>15</sup> Jan Wagenaar, *Amsterdam in zijne opkomst, aanwas, geschiedenissen etc.* (Amsterdam 1760 – 1767) II 86.

more detailed work has to be done especially in regard of the individual accounts. Part of being a financial centre was the trade in bullion or in coins. The foundation of the Bank was connected to the problem of the bullion and the need for stable exchange rates. We find no mint in Amsterdam, although there is a mint tower. Since in 1606 the autonomy of the cities to strike coins was partly given up the Dutch Republic had only provincial mints. In the province of Holland one is in Dordrecht and one in Enkhuizen.<sup>16</sup> The occupation in 1672 by the French of part of the territory of the Republic caused the close of a number of mints and for that reason a mint was temporarily established in Amsterdam. An important unifying measure was taken in 1694: the ordinance of the Estates-General of the 17 March 1694 established a sharp control on the mintmasters. The confusion in monetary matters were largely solved by the reform in 1694, although the ever changing relationship in value between silver and gold remained a returning problem.

### Banking and bankers

It is not clear when one can speak of Amsterdam as a financial centre. In general the heydays of banking and of Amsterdam being a financial centre is put in the mid-18th century. Some historians trace this further back. Maria Bogucka mentions activities in the field of credit giving and banking in the very beginning of the 17th century. On one side there was a constant flow of capital, mainly in the form of cash and bullion, from the West to the Baltic; large traffic in bills of exchange was going in the opposite direction. Loans were given to Dutch factors in Gdansk and those mediators could lend money to the merchants of that city. These transactions were sometimes very big: in 1608/09 a merchant of Gdansk got from Amsterdam a credit of 300,000 carolus guildens for his grain trade.<sup>17</sup> She also gives examples of a special form of credit: the bottomry bond (bodemerij brief) for the second quarter of the 17th century. Also in the beginning of the 17th century special companies composed of local and foreign moneydealers were active in Gdansk. The explanation for the establishment of the Bank of Exchange is on one side the international developments and on the other hand the existing institutions in Amsterdam and last but not least the availability of enormous amounts of money in Amsterdam. Together, the Exchange Bank of Amsterdam, cashiers, and by 1750 bankers specialising in the bill trade formed the Amsterdam clearing house of commercial finance.<sup>18</sup> Van Dillen locates the transition from commercial to financial activities around 1760. Then there was a growth of the financial sector in the Dutch economy and this sector was largely Amsterdam based.<sup>19</sup> Van Dillen mentions Thomas

<sup>16</sup> Enno van Gelder, *De Nederlandse Munten* (Utrecht/Antwerpen 1966) 123 – 165.

<sup>17</sup> Maria Bogucka, 'Dutch Merchants' activities in Gdansk in the first half of the 17th century', in: *Relations between the Netherlands and North-Eastern Europe 1500 – 1800* (1990) 26.

<sup>18</sup> J.C. Riley, *International government finance and the Amsterdam Capital market 1740 – 1815* (Cambridge U.P. 1980) 28.

<sup>19</sup> J.G. van Dillen, *Van rijkdom en regenten* 599.

Hope as the example of this change. Around 1750 Hope was still a merchant and in 1760 his main activities concern credit and transactions in bills of exchange. During these ten years Hope became more and more a banker and less and less a shipowner. Others, like Jim Riley, place the change in the long period of 1650 to 1750. During that period there were growing opportunities in commission transactions, short term commercial credit, commercial settlements and the bill trade, and lending to governments. Dutch merchants remained active in the carrying trade and marine insurance, but the share of their resources and energies devoted to commercial finance increased.<sup>20</sup> The concept of 'banker' was already coined in the first half of the 18th century. The writer of a chronicle mentions famous and rich bankers. So, in 1731 died the widow of the banker Andries Pels and she was the richest lady in town with an annual income of 70,000 guilders. The same chronicler tells us that in 1741 the respectable banker Jean Deutz van Assendelft died.<sup>21</sup> In 1748 died Dirk Trip, who lived on the Herengracht in the famous Bartolotti house and later moved to a bigger house on the same canal between the Regulierscanal and the Vijzelstreet. This banker had an income of 100,000 guilders per year.<sup>22</sup> The chronicler was a member of the same group as those rich people and apparently the amount of income was well known among those people. The persons mentioned as bankers since the beginning of the 18th century combined their residence with their work place and they all lived in the 'golden bent' of the Herengracht or on the Keizersgracht. Some of the Amsterdam merchants had already started financial operations during the early decades of the 18th century. The distinguished house of Andries Pels and Sons was founded in 1707, while in 1712 Pieter Schout Muilman and Dionijs Meulenaar established a house, being the starting for the later firm Muilman and Sons. The house of Hogguer was from foreign origin. The Hogguers came from Switzerland and via Lyons in France they came to Amsterdam. The family of De Smeth came from the Southern Netherlands and the Cliffords were of British origin. Especially during the last quarter of the century these bankers made up big firms specialising in foreign loans to Suede, Poland, Russia and Spain. Although Amsterdam had not the absolute monopoly within the Dutch Republic the concentration there was quite heavy. During the period 1780 – 1792 of the 41 firms specialising in foreign loans only ten were located outside Amsterdam: (four in Utrecht, one in Rotterdam, The Hague, Dordrecht, Haarlem, Leiden and West-zaan respectively).<sup>23</sup> A new activity was investment in special investment funds. Abraham van Ketwich is considered as the inventor of collective investment. In 1774 he founded the first investment fund called Unity Gives Power. (Eendracht maakt macht) He had a house on the Herengracht nr. 120.<sup>24</sup>

<sup>20</sup> J.C. Riley, *International Government finance and the Amsterdam Capital Market* 24, 25.

<sup>21</sup> Bicker Raije, 86, 87.

<sup>22</sup> Bicker Raije, 153.

<sup>23</sup> M.G. Buist, *At spes non fracta, Hope and co. 1770 – 1815, merchant bankers and diplomats at work* (The Hague 1974) 5, 6, 498, 499.

<sup>24</sup> W.H. Berhuis, *Ontstaan en ontwikkeling van de Nederlandse Beleggingsfondsen tot 1914* (1967), J.C. Riley, *International Government Finance* 57 – 58; *Herengrachtboek* 436.

## Cashiers

Jan Wagenaar described in 1760 how the merchants had great advantage of the existence of cashiers. So it was allowed that there operated cashiers outside the houses of those merchants. One cashier could only serve one merchant and the cashiers had to follow the rules in regard of the coins.<sup>25</sup> Van Dillen mentioned also the cashiers as a group of money keepers for other people and money changers developing into a group of persons supplying capital. They provide capital as the private bankers did in London. Also during the first half of the 18th century cashiers seemed to have been a distinct group. In the already mentioned chronicle over the period 1732–1772, written by one of the patricians, the suicidal drowning of a bankrupt cashier in the canal ‘the Singel’ in January 1734 is explicitly mentioned.<sup>26</sup> In 1742 a tax register contained 58 cashiers. Many cashiers started as solicitors or agents in insurances.<sup>27</sup> These agents started also to play a role on the financial market during the second half of the 18th century. Next to the insurance of ships and their cargo, the fire insurance developed, but these persons also took deposits and provided short term credit.

## Where did the financial people live?

We are not very well informed about the persons with activities in the financial sector. As mentioned before we can distinguish at least three categories of occupations within the financial sector: the big bankers, the cashiers, and the money changers and bullion dealers.<sup>28</sup> For 1742 we have the already mentioned register of tax payers in Amsterdam giving of more than 13,000 heads of households name, occupation, number of servants, the rent, income, possession of a country house, a carriage and the amount of tax to be paid. In this list the money changers, the bookkeepers at the Exchange Bank, the assayers and the cashiers are selected to analyse their living place, paid rent and income.<sup>29</sup> We also have a document of 1749, a letter, signed by 88 persons, with a protest against the prohibition of taking profit by the mintmasters buying bullion for their trade.<sup>30</sup> The names of these 88 persons have been checked in the tax register of 1742. 24 could not be found in the register of 1742. Of the 64 which could be traced the data are mentioned in the tables. Of

<sup>25</sup> Jan Wagenaar, *Amsterdam* II 538a.

<sup>26</sup> *Het dagboek van Jacob Bicker Raije, Merkwaaardige notities over het dagelijks leven in de jaren 1732–1772* (eds. Fr. Bijerinck, M.G. de Boer) 19.

<sup>27</sup> An example is David Chabot in Rotterdam, who started his business there in 1769 as a brooker in bills of exchange and insurances; later he founded a ‘cashiers house’. See: *Mees en Chabot, twee kassiers te Rotterdam, een bijdrage tot de geschiedenis van de financiële infrastructuur van de stad Rotterdam 1850–1914* (Rotterdam 1986) 20.

<sup>28</sup> J.G. van Dillen, *Van Rijkdom en Regenten* 451.

<sup>29</sup> *Kohier van de Personeele Quotisatie te Amsterdam over het jaar 1742* (ed. W.F.H. Oldewelt) (Amsterdam 1945).

<sup>30</sup> J.G. van Dillen, *Bronnen tot de Geschiedenis van de Wisselbanken (Amsterdam, Middelburg, Delft, Rotterdam)* R.G.P. 59, 60 (1925) I 381, 382.



Table I. Persons employed in the financial sector in 1742.

occupation	old inner city		Jewish district	canal south	district north	total
	old site	new site				
moneychangers	–	1	41	–	–	42
'list 1749'	7	5	28	8	16	64
bookkeepers	1	2	1	8	3	15
cashiers	10	26	6	2	14	58
assayers	–	4	1	1	–	6
total	18	38	77	19	33	185
%	9.7	20.5	41.6	10.3	17.8	100

Source: Kohier van de Personeele Quotisatie te Amsterdam over het jaar 1742 (ed. W.F.H. Oldewelt) (Amsterdam 1945)

the 24 not mentioned in the register of 1742 13 had Jewish names, so the number of persons living in the Jewish district signing this letter in 1749 can be increased with 13 making a total of 41. The names of the persons signing the document of 1749 do not overlap the other listings. We use a very rough division of the city into ten districts to locate these persons considered active in the financial sector.

From table one we may conclude that there is a heavy concentration of 'financial people' in the old inner city, the Jewish district and the canal zones. We find no representatives of these groups in the labour class districts of the Jordaan and the Eastern and Western Isles. In 1795 – the year of the first census – of the whole population of Amsterdam 22 percent lived in the old inner city, 16.2 percent in the Jewish district and only 11.4 percent in the canal zones. The northern canal zone contained 6.5 percent and the southern one 4.9 percent. In the Jewish district the share of money changers and other persons in the financial sector was much greater than that of the population as a whole. The old inner city district on the eastern side (the old side) had also in 1795 less inhabitants (8.5 percent) than the western side (New Side) with 13.5 percent.<sup>31</sup> In the tax register of 1742 the occupation of banker is not mentioned and the persons of whom we know that they were involved in banking activities were called 'rentier' or 'merchant' or their function in the city administration or East/West Indian Company. We may conclude that in 1742 the concept of banker was not that well established. In the canal zone, especially the southern part was also the residential area for the big bankers. We have of course to take into account that there was not yet a separation of work and living place.

Table two gives some information on the the annual rent and the income of the financial persons. The rankorder of both variables run parallel: high rents involved also high incomes. The highest incomes we find with the persons signing the letter of 1749 and the lowest with the money changers while the other were somewhere in between. To have some yardstick to measure the value of a guilder we can mention the fact that the list of 1742 contained only persons with an annual income of 600

<sup>31</sup> Diederiks, *Een stad in verval* 286.



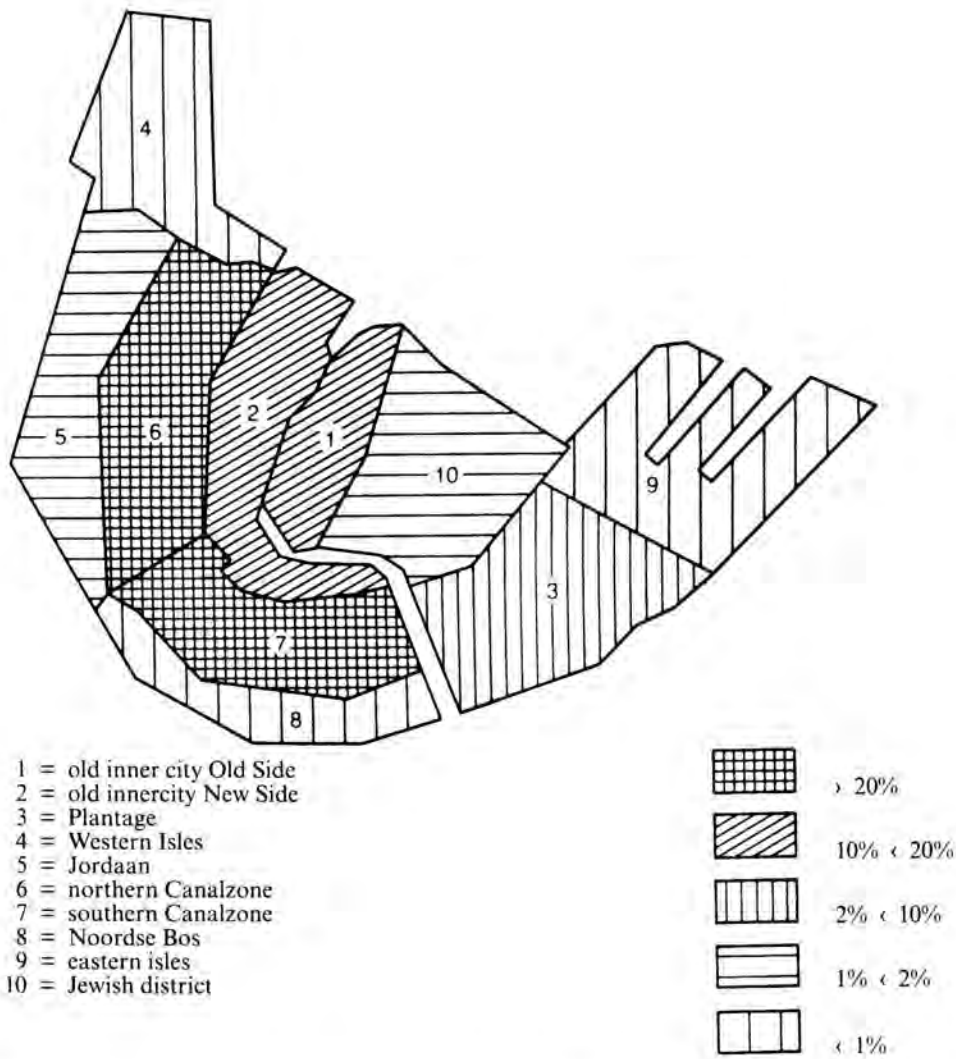


Fig. 1. Amsterdam beginning of 19th century. Share in highest category of rent.

guilders and that about 30 percent of the population belonged to that category. A minimum annual income – for a man, wife and two children – was estimated at the end of the 18th century at about 300 guilders. So the highest income of 70,000 guilders is indeed very high. As we have seen before in 1748 there is an annual income mentioned of 100,000 guilders. The persons with an occupation in the financial world were not only the representatives of the patrician families and other merchants changing commerce for banking during the 18th century, but also middle class groups as the cashiers and the money changers. These latter groups

Table 2. Average annual rent and annual income, 1742(1749) (in guilders).

occupation	annual rent	annual income	N
'list 1749'	856	6057	64
bookkeepers	791	2693	15
cashiers	720	2583	6
assayers	463	1741	58
total	271	1024	42

*Source:* Kohier van de Personeele Quotisatie

did not live in the canal belt, but they were living in the old inner city and as far as the Jewish people concerned in the Jewish part of the town.

### Final observations

Taking the 'ideal type' of the pre-industrial city as formulated by Sjoberg as a starting point, we must say that the centre of Amsterdam was also the centre of economic and financial life. In Amsterdam, however, the economic functions dominated and not the religious ones as Sjoberg tells us. Even a chapel was turned into a meeting place for merchants at the end of the 16th century. The Dam square was dominated by the townhall housing the Bank of Exchange, the weigh house was also there, and nearby was the Bourse. The Municipal Loan Bank(urban pawn shop) was not far away. Because the money changers were largely recruited from the Jewish population the money changers lived in the Jewish part of the city. The big bankers were with their work and residence concentrated in the southern canal zone. The other persons involved in the financial sector, cashier, assayers, lived in the old inner city near the places of their work.

name	address	se	rent	incom	dis	
<i>moneychangers</i>						
Levi, Hend. Jos.	Korte Dijkstraat	3128	1	280	800	11
Minden, Sal. Dan. v.	Zandstraat	3808	1	275	800	13
Nathans, Benj.	St.Anthoniebreestr.	3881		300	600	13
Jacobs, Benj.	St.Anthoniebreestr.	3886	1	440	1200	13
Embden, Abr. v.	Houtgracht	3896	1	220	1500	13
Cohen, Phil.	St.Anthoniessluis	3908	1	200	600	13
Joseph jr., Meijer	St.Anthoniessluis	3910	1	350	800	13
Joseph, Jon.	Ververstraat	4086	1	275	600	14
Michielse, Abr.	Zwanenburgwal	4142	1	300	800	14
Markus, Jos.	Houtgracht	4198	1	250	600	14
Hartog, Wolf	Houtgracht	4244	1	280	800	14
Joost, Hartog Phil.	Stroomarkt	4300	1	250	800	14
Sadok, Abr.	Stroomarkt	4301	1	230	800	14
Jacobs, Sal.	Zwanenburgerstraat	4304	1	350	1200	14
Levi, Nath.	le Weesperstraat	4488		250	600	14
Renedictus, Nath. Levi le	Weesperstraat	4494	1	350	800	14
Barents, Herm.	Muidergracht	4771	1	275	800	15
Heymen, Jac.	Muidergracht	4772	1	410	800	15
Jacobs, Meijer	Muidergracht	4775	1	300	800	15
Bing, Mich. Levi	Muiderstraat	4793	1	450	1000	15
Proops, Jos.	St.Anthoniebreestr.	4799	1	250	2000	15
Proops, Jac.	St.Anthoniebreestr.	4802	1	260	1000	15
Jonge, Beni. de	St.Anthoniebreestr.	4809	1	250	1500	15
Bing, Mos. Levi	Muiderstraat	4878	1	300	1000	15
Keijser, Lev. Al.	Herengracht	4904	2	315	3000	15
Keijser, Herm. Al.	Herengracht	4908	1	440	4000	15
Benedictus, Abr.	Rapenburgerstraat	4997	1	150	600	15
Andries, Bened.	Rapenburgerstraat	5000		250	600	15
Drukker, Moses Josephs	Rapenburgerstraat	5039	1	180	600	15
Philips, Abr.	Rapenburgerstraat	5041	1	150	1000	15
Embden, Elias Jos.	v.Rapenburgerstraat	5110	1	275	1000	15
Bing, Garson Levi	Rapenburgerstraat	5115	1	200	800	15
Stern, Al	Rapenburgerstraat	5136	1	300	800	15
Keijser, Levi Harm.	Rapenburgerstroat	5138	1		220	15
Embden, Al. v.	Houttuinen	5191	1	330	1200	15
Hartog, Al.	Houttuinen	5214	1	250	800	15
Samuels, Hert.	Uilenburg	5593		200	600	15
Kalfs, Sim. David	Uilenburg	5675		126	600	15
Alexander, Marc.	Batavierstraat	5967	1	200	600	15
Samuels, Phil.	Batavierstraat	5970	1	210	600	15
Isacqs jr., Jos.	Oudeschans	5995	1	200	1000	15
Ruts, J.	Boommarkt	3601		275	2000	26
<i>list 1749</i>						
Gijsbert Verbrugge	Warmoesstraat	1240	3	8652	500	5
Patr. Cruinkshank	O.Z.Achterburgwal	1392	1	690	2000	6
Nic. Muilman	Oude Turfmarkt	1892	3	1325	3500	8
P. Schoute Muilman	Oude Turfmarkt	1889	5	1325	10000	8
Theod. en Raym. te Smet	Nwe Doelenstraat	2199	5	1885	10000	9
Balthasar Nolthenius	O.Z.Achterburgwal	2356		800	4500	9
Laurens van Herseel	Nwe Doelenstraat	2190			1500	9
Ger. La Lause	Raamgracht	3767	1	500	1500	13
Arons David	St.Anthoniebreestr.	3887	1	400	1500	13
Moses Philip	St.Anthoniebreestr.	3852	1	490	1500	13
Sal. Jacobs	Zwanenburgerstr.	4304	1	350	1200	14

name	address		se	rent	incom	dis
Frans de Prado	Keizersgracht	4698	5	650	5000	14
Ferdin. Nunes	Herengracht	4453	2	400	3000	14
Philip Salomons	Zwanenburgwal	4128	1	475	4000	14
Benj. Simons	Zwanenburgerstr.	4349	2	750	2500	14
Abr. Henr. de Ferrera	Keizersgracht	4709	7	1600	8000	14
Raph. Mendes da Costa	Zwanenburgerstr.	4347	5	800	6000	14
Bing Mos. Levi	Muiderstraat	4878	1	300	1000	15
Jos. Proops	St.Anthoniebreestr.	4799	1	250	2000	15
Bing Garson Levi	Rapenburgerstraat	5115	1	200	800	15
Isaak Alex. Keijser	Rapenburgerstraat	5043	2	450	3000	15
Salomon Norden	Herengracht	4905	2	600	3000	15
Moses Nath. Jacob	Oudeschans	5992	1	450	1200	15
Elias Jos. van Embden	Rapenburgerstraat	5110	1	275	1000	15
Baerent Salomons sn.	Houtgracht	4738	1	250	600	15
Alex. Salomons	Oostersekade	5999	1	275	1500	15
Herm. Alex. Keijser	Herengracht	4908	1	440	4000	15
Bing Mich. Levi	Muiderstraat	4793	1	450	1000	15
Alex. van Embden	Houttuinen	5191	1	330	1200	15
Jac. Proops	St.Anthoniebreestr.	4802	1	260	1000	15
Moses de Chaves	Herengracht	4919	6	1140	40000	15
Benj. Jacobs jr.	Rapenburgerstraat	5028	1	280	600	15
Salom. Jacobs	Houttuinen	5201	1	450	1500	15
H. Verbrugge	Singel	2796	1	300	1000	23
Jac. v.d. Wal	Kalverstraat	2864			4000	24
J. v.d. Wal	Singel	4929		350	3000	29
Jac. Fisquet	Herengracht	5034	2	895	2500	29
H. Dan. Gildemeester	Singel	4889	7	985	3000	29
Dion. Muilman	Keizersgracht	5864	3	1200	7000	33
Servat, Matth. jn.	Herengracht	6060	2	680	3000	33
Jac. Hendr. Verneden	Keizersgracht	5914	2	935	3000	33
Dan. Rietman	Keizersgracht	5914			2500	33
Pierre Testas	Keizersgracht	7	5	1600	12000	35
Jacob Schites	Keizersgracht	32	3	1200	5000	35
H. Muilman	Herengracht	869	2	600	2500	37
P. Locquet	Keizersgracht	1168	2	1460	8000	38
Thomas van Son	Keizersgracht	2242			4000	41
J. Couderk	Herengracht	2531	3	1470	5000	47
Abr. van Notten en Zn.	Keizersgracht	2836	2	900	3000	43
Const. Losquet	Herengracht	3112	3	1443	4500	44
Joan Scherenberg	Herengracht	3118	5	2120	20000	44
Thom. en Adr. Hoope	Herengracht	3702	4	1536	10000	46
Volk. van Jeverden	Herengracht	4413	4	1375	6000	48
Nicolaas Danser	Keizersgracht	4968	3	950	5000	49
Fr. en Josua Ouwkerk	Keizersgracht	3113	3	880	3500	56
Andries Pels	Herengracht	3077	5	2040	70000	56
George Clifford	Herengracht	3830	8	2000	30000	57
George Clifford jr.	Keizersgracht	3861	7	1590	15000	57
Jan Wijnants	Herengracht	4430	3	1545	10000	58
Henr. Muilman	Herengracht	4433	2	1050	3000	58
Barth. Muilman	Reguliersgracht	5076	2	560	6000	58
Pierre Testas jr.	Keizersgracht	5678	3	1215	4000	60
<i>bookkeepers</i>						
Elias, Arn.	Nwe Doelstraat	2220	3	700	3000	9
Gravia, H.	Binnen Amstel	4684	1	500	2500	14
Pama, P.	Singel	2787	2	850	1500	23

name	address		se	rent	incom	dis
Berewouts, J. Fred.	Keizersgracht	4032	6	1960	3000	47
Bosch, J. de	Herengracht	1538	4	740	1000	39
Alewijn, D.	Leidsegracht	2826	3	780	5000	55
Pijl, Abr.	Keizersgracht	3159	2	800	2500	56
Trip, Piet	Herengracht	4412	7	1975	9000	58
Middelhove, Mich. Gr.	Leidsedw.str.	3504		150	1000	56
Bakker, W.C.	Keizersgracht	5639	4	988	6000	60
Homoet jr., Alb.	Prinsengracht	5824	2	480	2000	60
Kerfbijl, H. Woutersz	Prinsengracht	5849	1	400	600	60
Pool, Abr.	Binnen Amstel	6079	1	336	1500	60
<i>cashiers</i>						
Nedermeijer, Bertram	O.Z.Achterburgwal	566	1	620	2000	3
Voogt, Nath.	O.Z.Achterburgwal	566	1	620	2000	3
Mulder, Gerr.	O.Z.Achterburgwal	585	1	325	1000	4
Sleden, Jac. van de	O.Z.Achterburgwal	855	1	700	1500	4
Val, Jac. du	O.Z.Achterburgwal	888	1	400	1500	4
Cramer, Fred.	Fluwelenburgwal	1341	2	700	2000	6
Cherre, P.	O.Z.Achterburgwal	1388	1	285	1200	6
Borchers, Arn.	Fluwelenburgwal	1948	1	675	3000	8
Hoogh, Jan v.d.	Rusland	2291	—	—	1000	8
Hoogh, Hend. v.d.	Rusland	2291	—	—	1000	9
Lime, Sal. de	Herengracht	4468	1	420	1200	14
Proopst, Dav.	Rapenburgerstraat	5017	1	440	2000	15
Abas, Moses Curiel	Rapenburgerstraat	5030	1	400	2000	15
Keijser, Js. Alex	Rapenburgerstraat	5043	2	450	3000	15
Meijer, Magn. Andr.	Rapenburgerstraat	5137	1	280	600	15
Meijer, And.	Oostersekade	6001	1	260	1500	15
Bijl, J. v.d.	N.Z.Voorburgwal	1913	1	650	2000	20
Hes, H. de	N.Z.Voorburgwal	2282	—	415	1200	21
Rogier, Fr.	N.Z.Achterburgwal	2740	1	420	1500	23
Lelivelt, Ar.	Pijpenmarkt	3187	1	410	1200	25
Schaik, Zach. v.	N.Z.Achterburgwal	3363	1	350	2000	25
Schelling, Wed. J.	Boommak	3622	1	250	600	26
Cranenburg, W.	N.Z.Achterburgwal	3648	1	180	800	26
Tier, Jeron	Binnen Amstel	4570	1	400	1500	28
Dominicus, J.	Binnen Amstel	4570	1	400	1500	28
Fremijn, Nic.	Singel	4890	2	915	2500	29
Bleker,	Nic.Herengracht	5036	2	640	1500	29
Roi, Arn. d.	Singel	5042	1	435	1500	30
Nagel, J.	Warmoesgracht	5063	1	200	600	30
Clercq, Etienne le	Warmoesgracht	5073	1	485	2500	30
Beek, Wed.	Singel	5084	1	710	2500	30
Harder, Jaq. d.	Driekoningenstraat	5108	—	300	1500	30
Bitter, Ar.	Driekoningenstraat	5110	1	345	1500	30
Milde, Alb. d.	Driekoningenstraat	5111	1	350	1500	30
Pool, Jan Willem	Bergstraat	5170	1	535	1000	30
Thiel, Jan van	Bergstraat	5182	1	180	600	30
Verhoeff, Joh.	Blauwburgwal	5209	1	380	1200	30
Garengroot, Joh.	Herengracht	5221	2	600	2500	30
Cretsman, J. Martijn	Herengracht	5244	1	375	1200	30
Otto, J.	Herengracht	5287	1	510	1000	30
Nosse, Nic	Herengracht	5514	1	340	800	31
Broijel, H. v.	Herengracht	6133	3	615	5000	31
Amman, Elias	Keizersgracht	24	1	500	2000	35
Schelling, Jacobus	Keizersgracht	497	1	400	2500	36



name	address		se	rent	incom	dis
Ferrand, Jaq.	Herengracht	887	2	1000	3500	37
Silvius, Herm.	Reestraat	1993	–	270	1000	40
Silvius, Joh.	Rozengracht	2049	1	340	1500	40
Mets, J.	Keizersgracht	2251	1	350	1000	41
Kerkhoff, H.	Bloemstraat	2492	–	250	600	41
Baart, Joh.	Prinsengracht	2519	1	350	1000	41
Marlier, Jac. d.la	Herengracht	2529	2	700	3000	41
Cloek, Andr.	Keizersgracht	2835	2	650	3000	42
Warrelman, J.	Egelantiersgracht	3298	1	160	600	43
Chikot, Paul	Keizersgracht	4048	1	680	2000	47
Langendijk, P.	Driehoekstraat	2742	–	110	600	54
Valk, Jor. v.d.	Prinsengracht	3379	2	600	5000	56
<i>assayers</i>						
Vos, Joh.	St.Anthoniebreestr.	3568	1	550	1500	12
Novisadi, Car.	Kalverstraat	3137	1	870	1500	25
Schoone, G.	Kalverstraat	3145	1	600	2000	25
Hartog, Nic.	Kalverstraat	3149	2	800	8000	25
Hartog, W.	Kalverstraat	3149	–	800	1500	25
Gertner, P.	Leidsestraat	3018	1	700	1000	55

se = servants      dis = district

## Amsterdam as a Financial Centre, 1876 – 1914

### Introduction

Until the middle of the 19th century, financial transactions in the Netherlands were mainly a private affair. Borrowing money depended upon one's financial reputation, and not primarily on a thorough scrutiny of the debtor's bookkeeping.<sup>1</sup> Demand for credit was modest. Small scale manufacturing dominated Dutch industry. Additional capital was provided by relatives or acquaintances. Commercial firms were self-sufficient. Borrowing was often seen as a sign of weakness. The national administration provided for its capital needs via treasury bonds placed on the stock exchange. Sometimes it took refuge to wealthy citizens, some of whom adopted the title of 'banker'. They hardly approached anything resembling professional banking. Traditionally, Amsterdam was the focus of financial activities in the Netherlands. The wealth of the city's merchant elite was unmatched. It controlled a few private banks like Hope & Co., operated discreetly on the money market and participated in some deposit banks. Trading firms also frequently acted as investment bankers.

From the 1870's the Dutch economy showed signs of recovery after a long period of stagnation and decline. The German unification placed the Netherlands in the heart of Europe's main traffic flows. The Dutch East Indies were finally opened for private investment. This was particularly relevant to Amsterdam, which maintained close ties with the colony. The inauguration of the Suez Canal in 1869 was a powerful impetus to colonial trade. In 1895, when the 'Great Depression' came to an end, the Dutch economy successfully joined in the prosperity which lasted almost uninterrupted until 1914. During those years, Dutch society was eventually transformed from a traditional order into a modern-industrial one. Trade, finance and transport continued to play a leading role, however. The modernisation of the Dutch economy had a profound influence upon financial services and institutions. The expanding scale of industry and the rise of large corporations were increasingly incompatible with the informal organisation of the money market. The demand for investment capital could no longer be met by relatives or partners. The

<sup>1</sup> Rixman, 1961, p. 120.

answer was found in companies with limited liability. The construction proved highly successful. In industry alone the number of public limited companies (plc's) rose from 431 in 1895 (joint stock f 82 million) to 882 in 1905 (joint stock f 146 million).<sup>2</sup> Without professional assistance, issuing shares at the stock exchange was a precarious operation. Investors wanted precise information on the balance sheets before they trusted their money to a corporation. Bonds could no longer be issued without providing data on a firm's assets and liabilities. In the 1890's professional accountancy was successfully introduced.<sup>3</sup> The admission of free enterprise to the Dutch East Indies provoked an investment wave in plantations, mining and transport in the archipelago. The number of Amsterdam-based colonial plantation companies (plc's) soared from 2 in the years 1870 – 1875, with a joint stock of some 8.000.000 guilders, to 62 companies in the years 1891 – 1895, with a capital of 39.000.000 million guilders. Almost 70 percent of all Dutch plantation firms had its head office in Amsterdam. Its initiators and main participants were the city's major trading firms, banks and wealthy individuals. They dominated colonial mining and transport companies as well.<sup>4</sup>

The growing demand for venture capital, loans and credit facilities stimulated specialization and expansion of financial services. Protagonists in this process were the merchant banks and the Union of Stockbrokers, an organisation founded in Amsterdam in 1876. The city took the lead in the modernisation of financial and commercial services. Between 1876 and 1914 Amsterdam secured an unrivalled position within the Netherlands.

## Amsterdam banks and brokers

### *Banks*

The 1860's saw the creation of 6 new banks in the capital. Two banks of the *crédit mobilier* type were short-lived. Time was not yet ripe for such speculative institutions. That the Twentsche Bank was established in Amsterdam in those years was significant. Its founders and main clients were mill owners from the Eastern periphery of The Netherlands who created this bank to finance their cotton exports.

It demonstrated that for banks with a national or international ambition an Amsterdam head office was imperative. For that reason the Darmstadt-based *Bank für Handel und Industrie* created the *Amsterdamsche Bank*, which was to become one of the Netherlands' most successful banking ventures. Similar considerations led the Rotterdam Bank, the nation's 3rd largest bank, to a takeover of a minor Amsterdam firm. Only in this way was the Rotterdam Bank able to secure a position on the international capital market.<sup>5</sup>

<sup>2</sup> De Vries, 1976, p. 93.

<sup>3</sup> Rijxman, 1961, p. 120, note 2.

<sup>4</sup> Wagenaar, 1990, pp. 74 ff.

<sup>5</sup> Wagenaar, 1990, pp. 83 – 87.

The number of banks established in Amsterdam grew steadily, from 31 banks in 1876 to 47 in 1900. On the eve of the First World War they numbered 56. Not all of them were merchant banks. Some of the newcomers specialised in capital management for wealthy clients. Others were almost exclusively devoted to brokerage.

When compared to national growth figures, Amsterdam's performance was not too impressive. In 1900 only 19 percent of all Dutch banks were established in the capital. Fourteen years later that proportion had risen to a meagre 17%. But these are deceptive numbers. Many provincial banks vanished after a while. Some were taken over by the larger banks and transformed into branch offices. A great deal simply went bankrupt.<sup>6</sup>

It was hardly surprising. Minor provincial banks lacked the assets to meet the growing capital demands of local entrepreneurs. Their weakness is demonstrated by the balance sheet of all Dutch merchant banks. In 1900, the share of the 5 largest national banks amounted to f 190 million, 48% of the Dutch aggregate. Four out of these five banks were established in Amsterdam.<sup>7</sup> The liquidation of provincial banks, which set in before 1914, was completed in the 1970's. Of the leading Dutch banks only one is found outside the capital. All major banks were *merchant* banks, some of which had an exclusive colonial (or South African) orientation. None of these banks were modelled after the German 'Gründerbanken', whereby banks themselves took to creating new transport or manufacturing companies.<sup>8</sup>

Merchant banks did not abstain from participation in Dutch enterprise, to be sure. The *Amsterdam Bank* took the lead in a consortium exclusively devoted to home and overseas investments in mining, manufacturing and shipping. Merchant banks also acted as major underwriters when companies were introduced at the stock exchange. Their main activities concentrated on current account credits, securities and deposit affairs, however.

Even around 1914 the lines between banks and trading companies were not yet clearly drawn, despite increasing professionalism and specialisation. Colonial traders continued their financial involvement in plantation companies. Merchants like Van Eeghen & Co. explicitly claimed a banking status. The firm's directors acted as trustee or commissioner in many plc's. At the same time they were involved in private capital management. Such combinations were far from exceptional.<sup>9</sup>

<sup>6</sup> De Vries, 1976, p. 83.

<sup>7</sup> The 5 largest banks were: Amsterdamsche Bank, Incassobank, Nederlandsche Handel-Maatschappij, Twentsche Bank (all in Amsterdam) and the Rotterdamsche Bank (since 1911: Rotterdamsche Bankvereniging). Figures from tables 3c (pp. 42/43) and 3 (pp. 32/33) in: Financiële instellingen in Nederland 1900 - 1985: balansreeksen en naamlijsten van handelsbanken. Statistische cahiers van De Nederlandsche Bank nr. 2. Amsterdam 1986.

<sup>8</sup> Brouwer, 1946, p. 38.

<sup>9</sup> Wagenaar, 1990, pp. 74 - 75.

Table 1. Investment in foreign, colonial and Dutch stock and bonds as quoted on the Amsterdam stock exchange.

year	foreign stock	Netherlands Indies	Total	Dutch of which Government bonds
1880	222	11	66	10
1890	368	55	188	29
1900	531	165	314	46
1910	727	201	543	81
1914	840	265	691	109

Source: De Vries, 1976, p.87.

### *Stockbrokers*

Traditionally the Amsterdam Stock Exchange took a prominent position in continental Europe. From the middle of the 19th century, volume and value of capital transactions gradually increased.

In 1890 the Chamber of Commerce observed that 'For American railway securities Amsterdam remains the continent's leading market'. Next to Berlin, Paris and London, Russian government bonds, often of a huge value, were issued in Amsterdam, '... where it finds a willing market for its considerable funds'.<sup>10</sup> The South African Boer Republics' orientation on the Amsterdam stock exchange was hardly surprising. The Chamber of Commerce valued Transvaal as an interesting investment opportunity.<sup>11</sup> The Boers successfully funded the costs of railway construction on the Amsterdam stock exchange. But Latin American nations also raised money in Amsterdam. Foreign investors bought Dutch government bonds which became increasingly attractive as the colonial Atcheh wars came to an end.<sup>12</sup>

The Amsterdam stock exchange was of special interest for investors in the Dutch colonies. As Table 1 demonstrates, capital expenditure in the Dutch East Indies rose considerably. There was a wide choice of investment opportunities. Next to plantation funds, shares in mining and oil companies were popular. Royal Dutch Shell was only one of the more successful pioneers in the Indonesian archipelago. Its share profits often exceeded 100%.<sup>13</sup>

Colonial plantations, mining and manufacturing could only flourish due to a steady capital flow to regional and overseas transport companies. Their monopolistic position made them popular with the small investor, as losses were almost hypothetical. All in all, a substantial part of the nation's wealth was sunk in its colonies and in South Africa.

During the years between 1870 and 1914, Amsterdam consolidated its leading position on the Dutch capital market. Competing local stock exchanges were of

<sup>10</sup> Chamber of Commerce, 1880, p. 89.

<sup>11</sup> Chamber of Commerce, 1887, p. 117.

<sup>12</sup> Chamber of Commerce, 1880, p. 88.

<sup>13</sup> Chamber of Commerce 1890, 1895, p. 276.



little significance. Parochial interests kept the Rotterdam exchange alive until 1973. In that year even staunch chauvinists admitted that its continuation was ridiculous.<sup>14</sup>

Volume and value of trade contrasted sharply with the poor organisation of the stock exchange. In 1876 the creation of the Union of Stockholders was the first step towards a more professional attitude. From that year on, only Union members were allowed as dealers on the Exchange floor. Share issues were made subject to stricter rules. Without solid financial reports and a minimum of consolidated assets new companies were refused an Exchange quotation.

The old Exchange building was a source of growing irritation. It lacked essential facilities and was overcrowded. In 1903 the new Exchange building, designed by H.P. Berlage, opened. The Union successfully excluded provincial brokers from the Amsterdam stock exchange. Even banks were refused as dealers as long as they did not establish an office in Amsterdam. Meanwhile the Union thrived. Membership rose from 465 members in 1876 to 581 full members and 227 authorized assistants in 1900. In 1914 the Union counted 695 full members and 499 authorized assistants.<sup>15</sup>

That growth inevitably led to new housing problems. Stockbrokers shared the Exchange building with commodity traders. Their presence was felt as a growing constraint. In 1913 the Union inaugurated the new Stock Exchange building, a few meters away from the Commodity Exchange. It was yet another proof of growing professionalism and specialisation in the money market.

### *Amsterdam as a financial centre*

The concentration of the money market and of financial and commercial services in the national capital was not uncommon in Europe. What made Amsterdam exceptional was that as a capital it did not play any role in national politics or administration. In 1815, The Hague had been given that prerogative.<sup>16</sup>

Despite such handicaps Amsterdam was able to reinforce her position as a financial centre. Her performance was partly built on the past. Amsterdam's financial elite commanded a volume of capital unmatched elsewhere in the nation. Its wealth combined with financial skill and know-how on international money markets constituted the solid basis upon which professional banks and specialized stockbrokers were built.

The King's attempts to enlist Amsterdam's aristocracy into the ranks of the Dutch nobility did not lead to an instant flight from the capital. For the time being, the 'Haute Finance' remained loyal to Amsterdam.<sup>17</sup>

In 1814 *De Nederlandsche Bank (DNB)* (Bank of the Netherlands) was established in Amsterdam. It added considerably to the city's financial supremacy. In its

<sup>14</sup> Camijn & Vleesenbeek, 1986, pp. 169 ff.

<sup>15</sup> De Vries, 1976, p. 105.

<sup>16</sup> Engelsdorp Gastelaars & Wagenaar, 1981, pp. 229–246.

<sup>17</sup> Wagenaar, 1990, pp. 49, 105.

early years, DNB did not differ much from other financial institutions, although it enjoyed special privileges from the government and maintained exclusive relations with the Treasury. Gradually, however, DNB came to play the role of 'Banker's Bank'. DNB became the national clearing house, where private capitalists and merchant banks cleared their exchanges, deposited their assets and covered their major credit demands. From 1863 onward, DNB enjoyed the monopoly on issuing currency. DNB's bank rates determined the interest rates of all other banks. The leading merchant banks gradually took over most credit operations. But for major loans they resorted to DNB. Their share in DNB's total discount rose from 77% in 1881 to 92% in 1913.<sup>18</sup>

In 1824 the government created the *Nederlandsche Handel-Maatschappij* (NHM) (Dutch Trading Company). The NHM, an early example of a 'public-private-partnership', was given exclusive trading privileges with the Dutch East-Indies. The company grew out to become one of the nation's leading commercial and financial conglomerates. In 1831 the NHM management therefore decided to move its headquarters from The Hague to Amsterdam. Its decision demonstrated again that for financial, commercial and colonial business an office in Amsterdam was mandatory. At the same time this decision reinforced Amsterdam's attraction as a financial centre.

## Accommodation and address

### *The rise of the modern office*

'What humble accommodation most offices had! Even firms like Hope & Co. used dark, insignificant and simple rooms or parts of houses as their offices. Purpose-built offices did not exist. PLC's were a rarity... most companies were private firms. Only a few occupied a complete house. Most offices were "at home", in the basements of the stately mansions along the canals. Merchants resided along the (main) canals, the Heeren- and Keizersgracht, Singel etc., in the Centre'.<sup>19</sup>

This quotation from an Amsterdammer looking back from 1936 to the 1870's and 1880's draws a convincing picture of the early years of the office sector. The occasional single-purpose office buildings in the 1870's were former residences. A few adaptations made satisfactory office space, as was the case with the NHM and DNB headquarters. Most other offices still conformed to Brugmans' model: 'Entrepreneurs held office at home, sometimes at their warehouse. Housing in Amsterdam was designed for that purpose. The flight of steps to the main entrance led to the private home. Clerks were let in by the maid, through a high door under the main entrance'.<sup>20</sup>

The situation reflects the modest size and unsophisticated state of the tertiary

<sup>18</sup> Wagenaar, 1990, p. 87.

<sup>19</sup> Kluytenaar, 1936, p. 254.

<sup>20</sup> Brugmans, 1977, p. 326.

sector around the 1870's. The tune was set by small firms which could be housed easily in residential basements or mezzanines: '...by placing some desks ... in one of the lower floors, part of the house could easily be transformed into an office. Usually, director and clerks were working side by side. Occasionally clerks were housed in a separate room next to the management office'.<sup>21</sup>

At the turn of the century such combinations of office and residence came under increasing pressure. Banks and trading firms were the first to make use of single-purpose office buildings.

### *Replacement, demolition and reconstruction*

Banks played a leading role in the formation of a central business district. They were the first to realise single-purpose office buildings. 'Between 1800 and 1910 many large cities saw the creation of banking districts, which in their turn caused a further concentration of offices. Because of their high "rent paying capacity" they successfully competed with residential functions. In the end this resulted in a separation between residential and employment areas. That tendency became first manifest in London's banking district, the City'.<sup>22</sup>

In terms of employees, financial services in Amsterdam were of a modest size. But the sector's growth was formidable. In 1889 it employed only 162 persons. Ten years later the number had risen to 2.363 employees. The 1909 Labour Census counted 4.215 employees. At the same time the average size of financial companies increased, from 1 employer for every 3.5 employees in 1889 to 1 for every 7.6 employees in 1909.

The expanding size stimulated the use of single-purpose offices. Added to that, merchant banks by their very nature produced their own spatial requirements. Clients were helped in stately halls, behind tellers. Prominent customers were welcomed in special meeting rooms. Safe deposit facilities claimed a considerable surface. 'Corporate identity' demanded imposing, monumental architecture. All of these considerations led to single-function buildings.

Given the locational preferences of the service sector, banks were interested in office space in central areas. To realise their aims within the built environment, two options were open. The first, 'organic' option was to gradually replace other users of the premises. While the interior was refurbished, the (often 17th or 18th century) facade was kept intact. The second, more radical strategy was to acquire several premises, to evict its tenants and clear the site for new construction. Both strategies implied a loss of residential functions.

Van Eeghen & Co., one of the city's leading trading companies, followed the first strategy. 'The turn of the century... witnessed the separation between the executive's residence and the office'. After the last tenant left Herengracht 464, the property was redesigned as an office. The doorman was still housed in the base-

<sup>21</sup> Rogge, 1948, p. 380.

<sup>22</sup> Ter Hart, 1981, p. 183.

ment. In 1903 continuing growth required the creation of a second office only a few meters away. Errand boys were charged with communication between the two offices.<sup>23</sup>

But most banks opted for the radical solution. The construction of new offices required substantial demolitions, as in the case of the *Amsterdamsche Bank* (expanding from 1 to 4 premises), the *Incasso Bank* (from 1 to 3 premises) and the *Amsterdamsche Handelsbank*. All favoured the 'Golden Crescent' on the Herengracht, between Leidsestraat and the river Amstel. Elsewhere on the same canal the *Associatie-Cassa* exceeded all other banks. Its new office required the clearance of 6 sites. The inner city proved to be attractive as well. Here the Spuistraat was a focus of activities. The street numbers 138–144, in combination with corresponding houses on the Singel (nrs. 175–179) made way for the head office of the *Twentsche Bank*. A bit further on, *Labouchère, Oyens & Co.* demolished 14 buildings to make way for its new offices.

Expansive banks demonstrated similar housing careers. They often started in rented property. After some successful years companies considered buying their own offices. The *Nederlandsch-Indische Handelsbank* (Merchant Bank of the Dutch East Indies) '...initially had to make do in shabby rented spaces. Later on it acquired Keizersgracht 389. From there on the bank moved to spacious Keizersgracht 313...'. As a consequence, both premises on the Keizersgracht lost their residential status. Meanwhile the bank continued to prosper. In 1912 they moved again, this time to 'a newly constructed, completely up-to-date office building on the corner of Singel and Raadhuisstraat'. Behind the monumental, neo-classical facade the interior was lavishly decorated with mahogany, marble and brass. Precisely how many houses were cleared to make way for this impressive banking palace is unknown. At least 8 properties must have been demolished.<sup>24</sup>

Such a 'housing career' was not exceptional. Other banks decided after several changes of address to expand their new offices. The *Incassobank*, founded in 1891, finally moved to prestigious Herengracht 537. 'This property was eventually joined with neighbouring premises 531–535 and then reconstructed into an office'. In 1903 the buildings on 537 and 535 were demolished. In 1909 the bank's architect designed a monumental, rather modern facade for the cluster.<sup>25</sup>

Banks did not hesitate to clear distinguished old-city housing. The *Associatie-Cassa* unscrupulously knocked down 17th century Keizersgracht 185–189, designed by Vingboons. Its architect replaced it with a 'modern', appealing facade. No one seemed to deplore the loss of this highlight of Dutch classicist architecture.

The *Amsterdamsche Bank* followed a similar approach. In 1871 the bank bought impressive Herengracht 597. In 1880 the company succeeded in acquiring the neighbouring property on nr. 599 for 50,000 guilders. In 1902 the bank occupied Herengracht 597–603.

In that year the bank management decided to clear the front of these premises.

<sup>23</sup> Rogge, 1948, pp. 388–89.

<sup>24</sup> Gedenkboek NIB.

<sup>25</sup> 50 years Incassobank, 1941, pp. 12 ff.

Table 2. Merchant banks with Amsterdam head office, 1876 – 1914.

	1876				1900				1914			
	est	%	prem	%	est	%	prem	%	est	%	prem	%
canals	24	83	25	83	31	7.5	35	74	29	67	58	66
city	5	17	5	17	8	20	11	23	14	33	30	34
rest	0	0	0	0	1	2.5	1	1	0	0	0	0
total	29	100	30	100	40	100	47	100	43	99	88	100

Source: note <sup>26</sup>. Legenda: see map 1. Rest = 1 adress on Sarphatistraat; Est = establishments; prem = premises.

Ed. Cuypers designed the new facade in a rather bizarre, neo-gothical style. All this was only an overture to more drastic interventions in the built environment. In 1926 yet another expansion claimed some 20 houses.<sup>27</sup>

Table 2 illustrates how strongly banks were oriented on the central area.

Banks demonstrated a marked preference for an establishment along the main canals, although that proportion shows a relative decline. The number of premises occupied by banks increased in absolute terms (it more than doubled), despite a relative decline. The inner city gained considerably, both proportionally and in absolute numbers.

The territorial expansion of the banking sector is remarkable. In 1876 the number of establishments and occupied premises almost coincide. In 1914 the number of premises more than doubles the number of individual banks. These shapes on the ground properly illustrate the increasing scale of financial services.

An additional reason for this territorial expansion was the absence of high-rise developments. Although technically feasible, such an option was considered incompatible with the 'corporate identity' of the world of banking. Lateral expansion and impressive, neo-classical facades were more in line with the monumental heritage of the canal belt. Besides, it was seen as more appropriate for a sector which fostered an image of solidity and trustworthiness which was traditionally identified with the stately canal belt.

Regrettably, a comparable office reconstruction failed for the world of stockbrokers. Brokers were organised in small firms, occupying modest floorspaces. Often they occupied part of a residence. Most work was concentrated on the trading floor. Sources do not provide information on exclusionary office practices. They do make clear, however, that the Union of Stockbrokers's first members did

<sup>26</sup> The banks were selected on the basis of the *Statistische cahiers van De Nederlandsche Bank* nr. 2. Amsterdam 1986. Four banks mentioned in this publication were left out as they were more of a trading nature than purely financial institutions (Crone, van Eyck, Hamburger, Mähler & Co.). A few other minor banks could not be traced in the Amsterdam directories. The table lists *all* Amsterdam-based banks, both private and plc-banks and is therefore longer than the list presented in Appendix 1.

<sup>27</sup> Brouwer, 1946, pp. 83, 85, 285 – 286.



not distinguish themselves from banks in their pronounced preference for a location in the CBD.<sup>28</sup>

### *Clustering in the CBD: backgrounds and interpretations*

Contemporaries did not fail to notice the conquest of central urban areas by the office sector. What were the reasons for that remarkable concentration?

Why was it that banks, stockbrokers and related financial agents aimed at such a tight concentration? And why did they prefer downtown areas, where land prices were far above the urban average?

The ambition for spatial clustering was motivated by the need for frequent consultation of councillors, experts and colleagues. In the 19th century, 'face-to-face'-contacts involved not only the management level. For the lower echelons, where work was of a more routine character, proximity was imperative as well. Communication was maintained by errand boys and telegram runners. The absence of an efficient giro system required a dense network of collections clerks. In general one could say that '... most central offices would find it inefficient – if not impossible – to staff themselves internally with all of the specialized personnel and services that they must call upon from time to time to solve their problems. (...) The complex and subtle nature of the problem often precludes the use of the telephone. All of these considerations dictate a concentration of offices in the tight cluster near each other and near their 'suppliers'.<sup>29</sup> Such considerations were, of course, even more compelling given the absence of a modern telecommunication network.

And why this almost exclusive orientation on central areas? First, because quite some banks were the professional offspring of long-established private capitalists, who were, as Diederiks' paper makes clear, traditionally housed along the main canals. Second, because the banking sector's major business partners were established in the central area. Contacts with these partners were frequent and vital. Proximity to DNB, the Bank of the Netherlands, was imperative. The Bank was involved in all major financial transactions, which often required the presence of the merchant banks' staff. They cooperated closely with DNB settling the national bank rate. Major clearance operations required thorough preparations. Foreign loans could not be floated without an arrangement with the Central Bank.

Although DNB tried to delegate clearance and discount activities more and more to commercial banks, '... until 1910 it was quite common for small businessmen to massively show up at the Oude Turfmarkt (DNB's address, MW), where their solid reputation was as good as money'. DNB still provided services to wealthy private

<sup>28</sup> De Vries, 1976, pp. 280 – 283.

<sup>29</sup> Lichtenberger quoted in ter Hart, 1986, p. 183.

clients like offering safe deposits and securities management. Again, frequent contacts were indispensable.<sup>30</sup>

Proximity to the Stock Exchange was vital as well. The discussion about the new Exchange demonstrated clearly that traders and dealers only approved of the most central location, near Dam Square. There, it would be within close distance of the new Telegraph Office, major banks and the Central Railway Station.

Essentially, proximity meant: within walking distance. It determined the range of errand boys and delivery men just as much as that of consultants, bankers and security traders. Together, they constituted the tight network woven around the main financial institutions, communication centres and informal meeting places like clubs, caf es and restaurants. The office sector was perfectly suited in the densely built, congested inner city because '... the common element of the tertiary or service activities of cities is information, an intangible and therefore bulkless commodity that manifests itself mainly in the act of being transferred or exchanged. Town centers were the natural location where those trafficking in knowledge congregated, and they displaced not only residents but also most activities dealing with visible commodities'.<sup>31</sup>

The office sector was the protagonist in the transformation of the city centre into the central business district. It attracted other services as well. Any communication exceeding 3 copies had to be put in print. Restaurants catered to increasingly popular business lunches. The department store, a 19th century invention, was firmly implanted in the central area as well. It benefitted not only from the cbd's accessibility but from its growing workforce as well. Lunch break and the end of a workday provided peak shopping hours.

### **The domain of the 'haute finance'**

Where did the bankers reside? To reconstruct their residential domain I traced the names of the management of Amsterdam-based corporate merchant banks. Added to these were the members of the Board of Trustees of these banks. I then pursued the address of those who collected 2 or more of these functions. The results indicate that in the years 1882 – 1914 the overwhelming majority of the Dutch 'Haute Finance' resided in Amsterdam. In 1882 70% of this group (numbering 10 persons) lived on one of the main canals, with a marked preference for the Herengracht. Only two top bankers preferred prestigious new housing on the urban fringe. One banker's address could not be identified.

Thus, all residential addresses were within walking distance of the financial

<sup>30</sup> Prominent in these discount activities were the *Credietvereniging*, *Twentsche Bank*, *Amsterdamsche Bank* and *Incassobank*, all established in Amsterdam. Amongst the non-banking clients the Amsterdam Trading Corp. (a leading colonial merchant firm) and Bunge & Co. stood out, together with major manufacturers like Ketjen & Co., which operated one of Amsterdam's largest chemical plants. See de Jong, 1967, pp. 263, pp. 398 ff.

<sup>31</sup> Hohenberg & Lees, 1985, p. 299.

cluster. Two gentlemen, Pierson and Beels, both directors of the Central Bank, illustrate the general pattern. Both lived at distances of 1,1 and 0,5 kilometres from their job. Even trustees lived close to the main banks, although the frequency of their meetings did not require such proximity. C.P. van Eeghen, managing director of a leading trading firm at Herengracht 464, lived at Herengracht 495. William Borski who had accumulated most functions in 1882 lived at Keizersgracht 566. His private banking firm was around the corner.

Around 1900 the situation was almost the same. Of the 22 top bankers 63% lived at the canals, whereas 18% preferred housing at the urban fringe. Two bankers resided outside Amsterdam, one of whom in suburban Bussum. Two others could not be located.

Again, the majority lived within walking distance of their offices. A. Roelvink was one of the few who lived at almost 2 kilometres from his office, the *Twentsche Bank* at the Spuistraat. That distance could comfortably be covered by public transport, which operated tramways to the new and elegant south-western quarters.

But his case was exceptional. The situation of M.C. van Hall was more typical. He lived at Herengracht 475, from where he walked to his office, the *Banque de Paris et des Pays-Bas* at Herengracht 539. On his way he passed several neighbours at the opposite side of the canal: bankers like van Eeghen, Luden, van Tienhoven and Heldring. Besides, he met them frequently at Board of Trustee-councils. What was more, many of them were kinsfolk. Thus, they constituted not only a tight economic and spatial cluster, but were involved in a social and cultural network as well.<sup>32</sup>

In 1914 the residential attraction of the canals had slightly diminished. Still, the majority of top bankers (62.5%) preferred to live in this area. The fashionable new quarters have increased their popularity as 4 top bankers took up residence here. Their addresses were still within walking distance of their offices. Modern public transport was an attractive alternative.

This is a surprising result. Many of these bankers owned country estates or villas in rustic Kennemerland and Gooi. From the 1870's both areas were linked with Amsterdam by railway lines. The two regions were transformed into elegant suburbs. At the eve of World War I, commuting to Amsterdam was considerable.

Why didn't the financial elite join the suburbanites? Obviously an Amsterdam address was highly valued. Even newcomers to this rather closed group preferred an urban residence as C.J.K. van Aalst demonstrates. Born in Hoorn of humble descent, van Aalst became managing director of the *NHM*, the nation's largest and most powerful colonial trading company. He preferred to live in monumental Herengracht 502, although he owned a lavish estate in Beverwijk (Kennemerland), within easy reach of Amsterdam.

<sup>32</sup> Van Hall, 1961.

## Epilogue: Amsterdam from a comparative perspective

As a city of finance the case of Amsterdam is not exceptional when compared with Anglo-Saxon cities. In Amsterdam, just like financial capitals in Great-Brittain and the USA, financial and commercial services demonstrated a marked preference for a central location. To realise that aim they succeeded in replacing residential land users. Thus was created a classical central business district, where financial institutions were joined by the printing industry, department stores, restaurants and bars.

But Amsterdam presents some interesting dissimilarities as well. Its central areas were not completely depopulated. Even in the 1960's, when the central business district reached its maximum size, residential land use occupied a far greater proportion of the downtown area than in German cities of finance, the city of London or London-central area.<sup>33</sup>

What was more, the expanding CBD did not cause any significant 'downgrading' of remaining housing stock. Of course residential land-use declined. That explains why a minority of the financial elite moved to more peripheral high-quality neighbourhoods. After 1918 they were attracted to suburbia as well. But even in the years between the two wars the canal zone maintained its status as the elite's domain.<sup>34</sup>

For this peculiar situation I have two tentative explanations. First, although Amsterdam was granted the status of 'capital of the Netherlands', it did not become the seat of political power, which was the natural prerogative of cities like London, Paris or Brussels. And although Amsterdam was the unmatched national financial centre, pressure on the local land market was less intense than in the other European capitals, which were combined centres of political and financial power. Consequently, depopulation of the central areas was far less dramatical in Amsterdam.

Second, the members of the city's financial elite were closely committed to local social and cultural affairs. They participated in voluntary organisations, in charity and learned societies. Such activities were organised in the evening hours and therefore hard to combine with a suburban residence.

After 1918 train schedules improved substantially. An increasing number of bankers opted for a country villa. Despite their exodus the canals maintained their exclusive residential status. That result can only be explained by the high quality of 17th century urban design, of which the canal belt was one of the highlights.

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<sup>33</sup> Wagenaar, 1990, p. 199.

<sup>34</sup> Engelsdorp Gastelaars, R. van & M. Wagenaar, 1985, pp. 471 - 485.

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## The Financial District of the City of London: continuity and change, 1300 – 1871

*There never was so much borrowed money collected in the world as is now collected in London.*

*I venture to call this Essay 'Lombard Street' and not the 'Money Market' or any such phrase because I wish to deal, and to show that I mean to deal in concrete realities...the Money Market is as concrete and real as anything else.*

*In this constant and chronic borrowing Lombard Street is the great go-between. ... Why particular trades settled in particular places it is often difficult to say; but one thing is certain, that when a trade has settled in any one spot it is very difficult to oust it.<sup>1</sup>*

By 1870, when Walter Bagehot began to write his classic analysis of the London money market, there had emerged at the heart of the city that distinctive neighbourhood later to be labelled as the Central Financial District.<sup>2</sup> It was a compact area, nowhere more than 375 metres across, and taking less than ten minutes to traverse on foot. It extended, more or less as it still did in 1980, from just beyond the Bank of England on the west to Gracechurch Street on the east (fig. 3). Here the city's traditional intermixture of dwelling houses, shops, warehouses, and counting houses had given way to a landscape dominated by the office in its many different forms. Work rather than domestic residence now supplied the underlying social framework for the area. There was a vast daily influx of workers in banking, insurance and other financial services, as well as of brokers, jobbers and other dealers. The Bank of England alone employed more than 800 clerks,<sup>3</sup> and in 1871 some 500 stockbrokers had offices in the area.<sup>4</sup> The loss of the residential population was all too obvious. By night, in 1871, the total resident population within the line of the ancient city walls was only 44 per cent of what it had been in 1801, and 40 per cent of the total in 1695, when the number of inhabitants within the walls was not far short of the total on the eve of the Great Fire of 1666, the maximum ever achieved.<sup>5</sup> The loss was even more marked in the parishes of the financial district, where the

<sup>1</sup> Bagehot (1912), 1, 11, 17.

<sup>2</sup> Cf. Bowden (1975).

<sup>3</sup> Morier Evans (1852), 7.

<sup>4</sup> Collingridge (1871).

<sup>5</sup> Census totals for 1801 and 1871: see Page (1911). For 1695, see Jones and Judges (1935–6). For issues concerning the population trend in the seventeenth century, see Harding (1990). For the general picture in the nineteenth century, see Grytzell (1969).

total of residents in 1871 represented 34 per cent of that in 1801 and 27 per cent of the 7,500 or so persons who had lived there in 1695.<sup>6</sup> By contrast, the 170,000 persons who in 1866 were 'residing, occupied or employed' during working hours in the City each day were more than twice as numerous as the dwindling total of night-time residents. The streets were fuller than ever before, so that in 1822 it was claimed that 200,000 people a day passed the corner of the Royal Exchange, while in 1866 549,613 people were counted as entering the city over a 12-hour day.<sup>7</sup>

What the financial district had lost in domesticity it gained in a new monumental aspect. 'The Roman Corso, The Neapolitan Toledo or even the glories of the Rue de Rivoli...', wrote an enthusiastic critic in 1866, 'will be overtopped and out-vied by the continuous line of merchant palaces in Cornhill, and Lombard-street, and Bishopsgate-street, and Cheapside', streets which would be even more monumental and picturesque than the 'once matchless streets of the grandest old German towns or even the glorious canal-ways of Venice herself'.<sup>8</sup>

The financial district was but one of several central neighbourhoods of the city to have been transformed in this way, although the architectural expression of that change was less grandiose elsewhere. To the south and east, centring on Mincing Lane, was a specialized district associated with the market in 'colonial goods'; to the west, around Wood Street, was an area dominated by the warehouses and offices of textile dealers and manufacturers; and to the north east, in Old Broad Street, there was a lesser concentration of the establishments of 'general merchants'. All those areas were characterized by new, large-scale buildings, often in a plain but inventive style, and by a loss of the resident population.<sup>9</sup> The financial district lay at the centre of a network of specialization, both physically and in terms of the services it provided to other districts and to the world at large. These specialized districts grew naturally out of patterns of residence and trading which had existed in the city for many centuries. They arose from the growth of London's business as the dominant national market place, as an international centre for maritime trade and commodity markets, as the focus of government finance, as a machine for recycling savings and rural rent, and as a general provider of banking, insurance, and other services. The process of transformation and localized specialization was not fundamentally different from that which had characterised earlier phases in the city's growth. It was distinguished, rather, by the great scale and rate of physical and social change, which was notable from the late seventeenth century onwards and became dramatically frenetic during the two decades before 1870. The

<sup>6</sup> For sources, see previous note. The parish units for which figures are available do not correspond exactly with the study area defined in fig. 3. The parishes used for the comparison are: All Hallows Lombard Street, St Bartholomew by the Exchange, St Benet Fink, St Benet Gracechurch, St Christopher le Stocks, St Edmund the King and Martyr, St Margaret Lothbury, St Martin Outwich, St. Mary Woolnoth, St Michael Cornhill, and St Peter Cornhill.

<sup>7</sup> Local Government and Taxation Committee of the City of London (1881), 8; Leigh (1822), 240.

<sup>8</sup> Olsen (1986), 27, quoting *The Builder* 24 (1866), 810.

<sup>9</sup> I'Anson (1864–5).

pace of change directly reflected underlying trends in business, and some legislative innovations which facilitated new types of activity in the City.

Above all, the Napoleonic Wars mark the period in which London rose to undisputed prominence as an international as well a national centre of business and finance. From then on, despite the slumps which followed the booms, the market carved out for itself an exclusive space at the heart of the City, at a pace which matched the increasing quantity of money and its rate of circulation. For the purposes of this paper the root causes of change at each historical stage should be taken as given.<sup>10</sup> Instead, the paper focuses on the complex and highly-concentrated physical environment within which business was done, that concrete reality which Bagehot identified as an essential feature of the market in money.

Lombard Street was not the city's original focal point for trade and finance. That lay in the wide market street of Cheapside which extended east from St. Paul's Cathedral towards Lombard Street and Cornhill (figs 1 and 2).<sup>11</sup> The money and bullion market seems originally to have been located among the goldsmiths at the western end of Cheapside near St Paul's, but by 1300 had moved away, as is indicated by the local place-name 'Old Change'.<sup>12</sup> The new focus was just to the east of Cheapside, in a district notable at that time for its group of large houses known as 'wardrobes'. Landed magnates used the wardrobes as city bases for managing both their financial affairs and the supplies of luxury goods which they purchased in London.<sup>13</sup> Some of the wardrobes had once belonged to wealthy Jewish families before their expulsion in 1290.<sup>14</sup> Others had belonged to Italian ('Lombard') merchants, came subsequently into Italian hands, or were managed on behalf of their owners by Italians, who towards the end of the thirteenth century became prominent as traders in London, providing both magnates and the king with banking and commercial services as well as luxury goods.<sup>15</sup> One of the largest of those establishments belonged to the society of the Bardi of Florence. For a while in the mid fourteenth century it was used by the king as his Great Wardrobe in London; the site was subsequently occupied by the Pope's Head Tavern which lay in the heart of the Lombard Street banking district.<sup>16</sup> The Italians were drawn to this neighbourhood in the later thirteenth century, possibly by a money market associated with the Jews and with earlier goldsmiths, more likely by business connected with the wardrobes, and certainly by their interest in the trade in spices and luxury textiles, which was long-established in the vicinity.<sup>17</sup>

By the 1340s the king's exchange, where bullion and foreign coin were changed

<sup>10</sup> For guidance as to these underlying trends, see Buchinsky and Polak (1993); Daunton (1992); Dawson (1990); Dickinson (1967); Earle (1989); Kerridge (1988); Kynaston (1994); Melton (1986), (1987); Neal (1990); Pressnell (1956); Richards (1929); Riley (1980); Supple (1970); Trebilcock (1985).

<sup>11</sup> Keene (1985).

<sup>12</sup> Challis (1992), 95, 114; Ekwall (1965), 197–8.

<sup>13</sup> Keene and Harding (1987), nos. 95/8–12; Keene, (1989); Keene (1987), no. 156/12.

<sup>14</sup> For the localities associated with the Jewish community, see Hillaby (1990–2).

<sup>15</sup> Fryde (1951); Kaeuper (1973), 17, 31.

<sup>16</sup> Kingsford, (1917), 70–3; Tout (1928), 395, 401–5.

<sup>17</sup> Keene (1985); Nightingale (1985); Dempsey (1993).



Fig. 1. The City of London c.1550. From Braun and Hogenberg's *Civitates Orbis Terrarum* (photograph copyright, The Museum of London). The site of the future Royal Exchange is marked ●.

for coins of the realm, was being held in Bucklersbury, a lane leading off the east end of Cheapside. By 1378, however, it had been moved to Lombard Street, perhaps on account of the Bardi who had been involved from time to time in running it.<sup>18</sup> In the fifteenth century the exchange was unified with the mint at the Tower of London, but these developments appear to have been sufficient for Lombard Street to become established as the nucleus of the city's money market, and for goldsmiths to be attracted there from elsewhere. Certainly, there appear to have been

<sup>18</sup> Reddaway (1967).

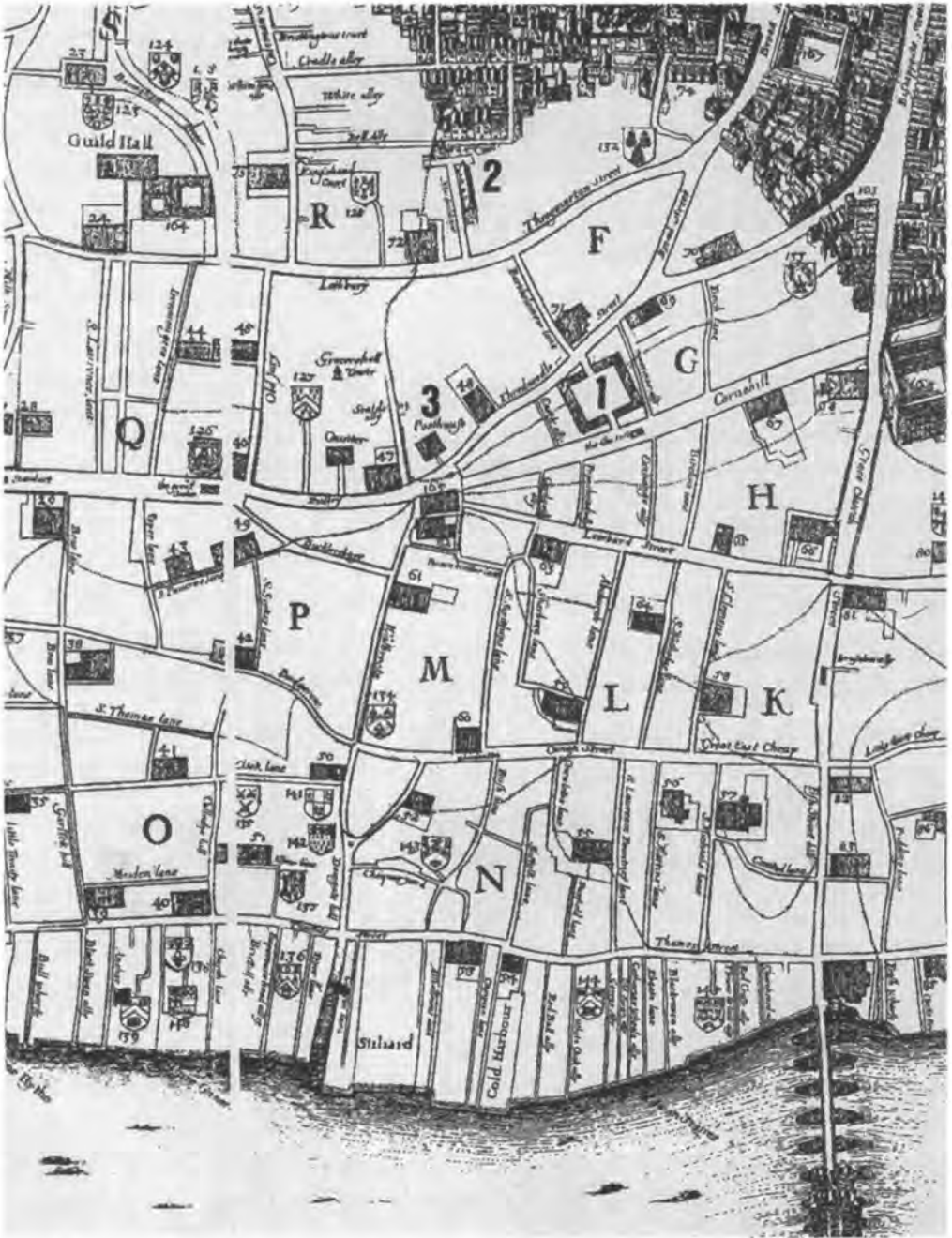


Fig. 2. The river, London Bridge, and the Royal Exchange after the Great Fire of 1666. From the 'Exact survey of the streets, lanes and churches contained within the ruins of the city of London' made by John Leake *et al.* and engraved by Wenceslas Hollar, 1667. 1 denotes the site of the first Royal Exchange, 2 that of Inigo Jones's office for the issue of tokens, and 3 that of the Post Office established in 1660.



no goldsmiths in the street before the Italians and the exchange came to it.<sup>19</sup> It was in Lombard Street that rates of exchange with foreign currencies were publicly known, where bills of exchange facilitating the city's overseas trade (especially with the international markets in the Low Countries) could be encashed, and where merchants engaged in that trade could exchange news and be confident of finding others whose business was relevant to them. The street served as a more or less direct link to the Place de la Bourse in Bruges, and thence to the money markets of the Mediterranean. In the sixteenth century, if not before, Lombard Street was also the site for ship broking, where merchants could find ships to carry their wares to the ports they wished.<sup>20</sup> A distinctive location had been established in which finance, overseas commodity trade, and commercial information flowed together, and which was to play a crucial role in the city's future development as an international centre.

The meetings of merchants and brokers in Lombard Street, which acquired the character of regular and predictable assemblies, were open to the weather and took place in a narrow street where there was a steady flow of traffic. By the 1530s the disadvantages of this arrangement were apparent, especially by comparison with the protected environment provided, from 1531, by the bourse at Antwerp, now the principal destination for the city's overseas trade. In 1534 it was proposed to establish a London bourse at Leadenhall, a magnificent and very suitable fifteenth-century market building with a courtyard plan just five minutes away from Lombard Street and already having some connection with the money market. The merchants were so attached to their established gathering place, however, that it was deemed inadvisable to move them. Richard Gresham's proposal in 1538 to purchase houses in Lombard Street (on the site of the former Great Wardrobe and probably including some of its fabric) for use as a bourse also came to nothing. The eventual outcome, arising from the initiative of Gresham's son Thomas, was the foundation, on a site in the angle between Lombard Street and Cornhill, of the Royal Exchange, opened in 1570. Closely modelled on the Antwerp bourse and financed partly by civic funds and partly by private benefaction, the Royal Exchange afforded traders an open courtyard secluded from the street and surrounded by an arcaded gallery offering protection from the weather. Above the gallery were shops selling the luxury items which might appeal to the merchants below, and which were intended to generate a rental income, while beneath there were vaults for storing merchandise.<sup>21</sup>

The Royal Exchange retained very much this form through successive rebuildings after the Great Fire of 1666 and another fire in 1838. Both the first construction, with which an Antwerp builder was associated, and its successor, impressed

<sup>19</sup> This is contrary to the view expressed by Reddaway (1967). For the concentration of the city's goldsmiths at the western end of Cheapside, and their absence from the Lombard Street area in 1319, see Ekwall (1951).

<sup>20</sup> Burgon (1839) i, 261; Hanham (1985), 352, 401, 405; Jenks (1991); de Roover (1948), 17; *Statute 32 Henry VIII c. 14*, section 8.

<sup>21</sup> Burgon (1839) i, 31–3; Challis (1978), 60–1; Saunders (1991), 1–16; Maitland (1756), 1002; for the fifteenth-century buildings at Leadenhall, see Samuel (1989).

visitors with their scale and elegance. The vaults came to be used for the goods of the East India Company. In the eighteenth century the shops above gave way to office uses, although there continued to be a brisk trade in expensive consumer goods in the shops surrounding the Exchange. In the courtyard and galleries, which remained open to the sky until they were roofed over in the 1880s, merchants, factors, and brokers assembled to do business twice a day, in the late morning and early evening. By the early eighteenth century, when the city's overseas trade was well advanced in its expansion and a market in government and other stocks had been established, merchants in the Exchange had recognized places or 'walks' where they gathered according to the commodities or countries with which they dealt. Thus it was possible readily to do business with the Hamburg or the Jamaica merchants, with the clothiers, with the brokers of stocks, or with the small number of Jews, who like other brokers were licensed by the city authorities.<sup>22</sup> Ship-broking and other maritime business rapidly became established at the Exchange, and the shops round about sold the books, maps, and scientific instruments essential to those engaged in maritime affairs. These trading practices continued well into the nineteenth century, despite the proliferation of other, more specialized places for doing business.<sup>23</sup> Even in the 1850s, when the Exchange had 'no longer the prominence as a place for the meeting of merchants it once had',<sup>24</sup> the Rothschilds used to appear there daily to deal in bills of exchange, while a few minutes away at their offices in St Swithin's Lane a band of clerks handled the essential but more routine record-keeping aspects of the business.<sup>25</sup>

The foundation of the Royal Exchange reinforced the existing trend towards the concentration of financial and mercantile business away from Cheapside, but even in the later sixteenth century the Cheapside goldsmiths were more numerous and on the whole more prosperous than their fellows in Lombard Street. The importance of Lombard Street as a centre for the bullion market, however, is clear from the residence there of the very wealthy goldsmith Martin Bowes (d. 1566–7), who for twenty-five years controlled the operation of the mint at the Tower.<sup>26</sup> In the seventeenth century the position was reversed. Goldsmiths evolved into 'goldsmith-bankers', and moved away from Cheapside into Lombard Street. They began to give interest on deposits and to provide facilities for credit transfers between London and the provinces. The London goldsmiths who issued notes were said to keep 'running cashes', and according to a list of them published in 1677 twenty-eight had addresses in or close to Lombard Street, while only three had addresses

<sup>22</sup> Morgan and Thomas (1962), 65.

<sup>23</sup> Earle (1989), 40–1; Maitland (1756), 898–902; Quarrell and More (1934), 15, 124. Saunders (1991); *The Royal Exchange: Extracts from the Records of the City of London ... respecting the Royal Exchange and the Gresham Trusts, 1564–1825* (London, c. 1825), 46 (for regulations concerning the hours of assembly).

<sup>24</sup> *A New Survey of London* (London, 1853) i, 377.

<sup>25</sup> Morier Evans (1852), 99; Davis (1983), 35, 47–8, 135.

<sup>26</sup> Reddaway (1963), 181–206; Challis (1978), 31.

in Cheapside. City goldsmith bankers might expect, for example, to provide facilities for the merchants who assembled at the Royal Exchange.<sup>27</sup>

The 1677 list reveals a further feature of London's financial geography. Eleven of the goldsmiths who kept running cashes had addresses in Fleet Street or The Strand, close to the legal quarter and to the fashionable and expanding residential districts to the west of the city later to be known as the West End. Ready access to legal services and to a market in mortgaged properties, either for investment or as security for loans, could be important for a banker's business. Moreover, the scrivener, who seem to have been the immediate predecessors of the goldsmiths in London banking, were a part of the legal world, drawing up documents, negotiating loans, and managing property.<sup>28</sup> The bankers also provided credit services for the landowners who periodically resided in the West End for the 'Season' or parliamentary sessions, thus providing a crucial link between landed income and commercial investment.<sup>29</sup> This pattern persisted, and in the 1820s, and even in the 1870s, London bankers were distributed in a very similar way between Lombard Street and the West End. The effect of these two distinct types of demand, the fashionable or landowning on the one hand and the mercantile on the other, is also evident in the London addresses of the insurance companies which proliferated during the eighteenth and nineteenth centuries. Since their business concerned buildings and lives, as well as commercial goods and shippings the insurance offices were more evenly distributed between the two localities, and often a single firm had offices in both.<sup>30</sup> It was the great concentration of banking, finance, and commodity markets, and the circulation of money arising from that association, which distinguished the business life of the city from that of the West End.

At the end of the seventeenth century, when London was poised to assume a leading role as a world centre of commerce, the district surrounding the Royal Exchange is clearly recognizable as the centre of the city's financial and commercial life. To an extent, with the notable exception of the goldsmiths in Lombard Street, it retained some of its earlier diversity. Cornhill was still dominated by linendrapers, as it had been in the past, but was in addition noted for luxury trades, which by 1750 were coming more to the fore. Further north, but evidently closely related to the needs of a financial district, was a zone where scrivener and attorneys were especially numerous.<sup>31</sup> A distinctive feature of the district was its numerous places of entertainment, serving those who had business at the Royal Exchange and elsewhere. The taverns, relatively spacious establishments, and often containing stylish and imposing rooms where public meetings, auctions, and concerts were held, had performed this role since the Middle Ages and continued to do so into the nineteenth century. Pontack's Tavern in Abchurch Lane, for example, was known in 1756

<sup>27</sup> Kerridge (1988), 70–1, 76–8; Earle (1989), 48–9; *A Collection of the Names of the Merchants Living in and about the City of London* (1677).

<sup>28</sup> Earle (1989), 48–9; Richards (1929), 15.

<sup>29</sup> Davies (1971), 15–36.

<sup>30</sup> This pattern is clearly apparent from: Critchett and Woods (1815); Pigot & Co (1827); Collingridge (1871).

<sup>31</sup> Characterization based on Alexander, 1989a, 1989b, 1992; see also Maitland (1756), 897.

for its 'elegance in entertainments' and was used both 'by rich merchants and by persons of quality from the Court End of town'. From the 1650s onwards the taverns were joined by the newly-fashionable coffee houses, which, unlike the taverns, were distinctively concentrated near the Royal Exchange, notably in Exchange Alley, Pope's Head Alley, and other lanes off Lombard Street and Cornhill. Here brokers, merchants, monied men, ship owners, and agents assembled and 'could be spoken to' outside the hours of 'Change. The widely-perceived importance of this dense network of places for the exchange and legitimization of information is apparent from the way in which the coffee houses served also as places for promoting philosophical and mechanical demonstrations. There was no attempt to restrict business to the Exchange, and so taverns and coffee houses were widely advertised as places where stocks were available. They came to be centres for speculation, and traders set up deals there before going on 'Change. Just as the 'walks', associated with specialized trade, evolved in Exchange itself, so individual coffee houses came to be associated with particular groups of dealers – Lloyd's with marine insurance, Jonathan's with stockbrokers, and so on. As the eighteenth century progressed, so too did the mercantile specialization of the coffee houses, and names such as 'The Virginia and Baltic' or 'The Jamaica' proclaimed the interests of their users.<sup>32</sup>

The high demand for this type of informal trading space promoted intensive use of the buildings in the immediate vicinity of the Exchange. That is apparent in the distinct shift in the concentration of high land values within the city from Cheapside to this neighbourhood which took place between the 1630s and the 1690s.<sup>33</sup> The dense network of alleys itself reflected the need for ease of communication among the participants in this 'grand market for buying and selling stocks, lottery tickets, etc.', as Exchange Alley was described in 1756. As an observer unsympathetic to speculation had remarked earlier in the century, 'the center of the Jobbing is in the kingdom of Exchange Alley and its adjacencies: the limits are easily surrounded in about a minute and a half'.<sup>34</sup> Face-to-face contact, the facility to identify people who specialized in particular types of business and to establish their credibility, and above all speed of communication emerge as essential to the operation of a complex system, which even today in its preoccupations and language remains mystifying and impenetrable to outsiders.<sup>35</sup>

The provision and circulation of news was one of the key services in the district. When the General Post Office was set up in 1660, it occupied a house in Threadneedle Street, and after the Great Fire, when it developed an important role as source of commercial information, maintaining packet boats to Spain, the West Indies and elsewhere, it moved to a site in Lombard Street, directly opposite Pope's

<sup>32</sup> Lillywhite (1963), 23, 282–6, 305–9, 330–5, 626–7; Morgan and Thomas (1962), 20–1, 35–6; Maitland (1756), 898, 996. Stewart (1992) is the most vivid demonstration of the vitality and significance of the network.

<sup>33</sup> Most readily apparent in the comparison of property values per acre in 1638, derived from Dale (1931) with those in the 1690s: Alexander 1989a; see also Spence (1995). See also Jones (1980) for the 1638 material.

<sup>34</sup> Maitland (1756), 898; Morgan and Thomas (1962), 37.

<sup>35</sup> Attard (1994).



Head Alley. By the 1680s the Office had made arrangements with coffee houses nearby for the deposit and collection of letters, and it was almost certainly the value of easy access to shipping information, available via the Post Office, which in 1691 caused Edward Lloyd to move his coffee house to Lombard Street from a site near the Custom House on the river, where the city's commerce was most tangibly manifest.<sup>36</sup> Coffee houses also attracted customers by providing information in the form of specialized journals and newspapers from overseas.<sup>37</sup> That practice continued into the 1850s, although by then other types of reading room and information services had begun to be provided. Julius Reuter's decision in the 1840s to establish his office in Royal Exchange Buildings was thus entirely consistent with established practice, although it presaged radical changes in the methods and speed of communication. In 1848 a capacious and imposing 'Central Telegraph Station', connected to the new railway termini, was erected immediately behind the Bank of England.<sup>38</sup> Throughout the period proximity to the key central sites for business and information was regarded as essential to the success of an enterprise. As with Amsterdam in an earlier period, the single most important function of the district was probably as an information exchange.<sup>39</sup> Even government institutions were affected. It was, for example, conscious policy until 1848 to maintain the Excise Office, which administered the duties on inland trade, close to the heart of the city, both for the convenience of the merchants who congregated there and for ready access to warehouses and the Custom House.<sup>40</sup> Sale notices for properties suitable for domestic or commercial occupation by merchants, brokers or lawyers stressed the value of their location for those who 'require immediate intercourse with the Royal Exchange, Bank, Stock Exchange, Post Office, India House or other places of commercial resort', as an advertisement of 1806 put it.<sup>41</sup>

Indeed, in attempting to understand the development of this area it may be best to characterize it as a market place, accommodated within a complex framework inherited from the medieval city, where trading in paper interests, information and services steadily drove out first the direct trade in material goods, and then the residential population. In the 1690s we find that merchants engaged in overseas trade, who would have attended the Royal Exchange and the coffee-houses, resided not within the area but just beyond its limits, where there was space for their dwellings to include warehousing, a pattern evident in earlier centuries in relation to other market centres in the city.<sup>42</sup> In the seventeenth and eighteenth centuries the headquarters of new trading associations such as the East India Company and the South Sea Company, occupied similar positions on the margins of the district dominated by the Royal Exchange. Those headquarters were notable for their size,

<sup>36</sup> Defoe (1962), i, 341; Maitland (1756), 997–8; Lillywhite (1963) 18–20; Gibb (1957), 6–7.

<sup>37</sup> *A New Survey of London* (1853) i, 378.

<sup>38</sup> Barty-King (1977), 95.

<sup>39</sup> Smith (1984).

<sup>40</sup> Imray (1991), 257–71; *The Royal Exchange: Extracts from the Records of the City of London ... respecting the Royal Exchange and the Gresham Trusts, 1564–1825*, 55–6.

<sup>41</sup> Bodleian Library, Gough Additional Folios A261, no. 160.

<sup>42</sup> Alexander 1989a, 1989b; Keene (1993).



and incorporated extensive provision for the storage of goods and for sale rooms, as well as administrative offices.<sup>43</sup>

The distinctive geography of the financial district and the institutions associated with it was already apparent to contemporaries by 1666, for Christopher Wren's proposal for replanning London after the Great Fire included the provision in that neighbourhood of a central piazza which was to contain the Royal Exchange, with the Excise Office, the Post Office, the Mint, and the shops of the goldsmiths fronting on to it.<sup>44</sup> But this was not to be, and, with the exception of the Royal Exchange itself, the development of the area after the Fire was characterized by the adaptation of existing, essentially domestic, buildings for use by commercial and other institutions. Thus the Post Office in 1678 came to occupy the large private house of Robert Vyner, a goldsmith banker, and was to remain there until 1820s, when it was finally decided that such a setting was no longer 'worthy of its role and of British opulence'.<sup>45</sup> The East India Company occupied a warren of former private houses, and the South Sea Company had similar accommodation, while the Excise Office occupied the former dwelling of Sir John Frederick. Shortly after its foundation in 1694, the Bank of England moved into the hall of the Grocers' Company (a fraternal craft guild of medieval origin), which in fact provided the Bank with spacious, efficient and central accommodation for its business.<sup>46</sup> All these establishments, like the great merchant houses of the past, were set back from the street, where they made no distinctive architectural statement. This landscape reflects the *ad hoc* development of institutions, the relative shortage of resources for building after the Great Fire, and perhaps the discretion of the post-Restoration monarchy.

Apart from the Royal Exchange, the first specialized business building in the area to make a coherent architectural statement was Inigo Jones's little known, but striking and probably influential, office for the issue of tokens, erected in Lothbury at the end of the 1630s.<sup>47</sup> It is possible that the Token House, used as offices for only a brief period, contributed in the long term to the slow but steadily-increasing trend towards monumentality which can be detected in the financial district from the time of the Great Fire onwards. The new Royal Exchange, for example, was significantly more obvious to passers by than its predecessor.<sup>48</sup> The next specialized business buildings were associated with the trading companies. In the 1720s the South Sea Company and the East India Company each erected large-scale headquarters buildings with imposing, if clumsy, facades to the street. Far more truly Palladian and impressive were the Bank of England's new headquarters erected in 1732–34. They were soon joined by the Mansion House, the Lord Mayor's official

<sup>43</sup> Defoe (1962) i, 339–40; Maitland (1756), 848–53, 997, 1003.

<sup>44</sup> Reddaway (1940), 51–67; Saunders (1991), 19; Wren (1750), 269–71.

<sup>45</sup> Harben (1918), 483; Leigh (1822), 248.

<sup>46</sup> Defoe (1962) i, 336, 339–40; Imray (1991), 262–71.

<sup>47</sup> For Jones's designs, generally considered not to have been built, see Harris and Higgott (1990), 256–7. The site came to be known as Tokenhouse Yard, and it is clear that at least the long range of offices or warehouses was built and survived the Great Fire: Ruding (1840) i, 389, 398–400; Leake (1667), relevant portion reproduced as fig. 2; Maitland (1756), 840.

<sup>48</sup> Cf. Saunders (1991), figs 16, 17; Harding and Metcalf (1986), 82–3.

residence, built near by between 1739 and 1752 on the site of a former provision market and making a distinctive, if oblique, contribution to the dignity of the area. In its scale and layout, however, the Bank's new building was distinctly traditional. It did not require the storage and trading space of East India House, and so could be accommodated within the relatively narrow limits of the site of a former merchant's house. In functional terms its plan, with a hall set back from the street, and offices behind, resembled that of the premises at Grocers' Hall.<sup>49</sup>

While regretting its confined situation in Threadneedle Street, contemporaries recognized the quality of the Bank's new building, and its drawing power as a centre of business close to the Royal Exchange. Over the following century the needs of the Bank constituted the main force in the physical transformation of the district. Three principal requirements can be identified: the need to accommodate the expanding business of the Bank, which was largely associated with government finance, and to provide more light and air for its clerks; the need to protect the Bank from fire and disorder in the taverns, alleys, and streets which adjoined it; and the need for a more dignified and spacious approach for pedestrians and carriages. From 1764 onwards this led to the steady enlargement of the area occupied by the Bank; to the creation of Bank Buildings (1766–7), a group of private houses and offices to the west of the Royal Exchange and on either side of a new approach to the Bank; and to the laying out of Prince's Street (1808), flanked by Soane's curtain wall.<sup>50</sup> The culmination of this process came with the rebuilding of the Royal Exchange after the fire of 1838: the new structure was given a grand portico facing on to the new open space in front of the Bank where Bank Buildings had stood, in a conscious expression of the acknowledged role of finance and commerce in city life. A more general programme of street improvements enhanced the centrality of that space, eased movement within the district, and improved communications with residential areas which now lay at some distance from the city. In the eighteenth century three parish churches had made a distinctive visual contribution to the immediate neighbourhood of the Bank and the Exchange, demonstrating its historic residential character.<sup>51</sup> By the mid 1840s they had gone, and the architectural landscape was dominated by the palatial monuments of finance (fig. 3).

Meanwhile, other businesses, principally the insurance companies, private bankers, brokers, merchants, and lawyers continued to occupy private houses more or less modified for business purposes. The insurance company buildings were the most purely commercial in function. In the eighteenth century many of them acquired elaborate facades, a process facilitated by rebuilding after two fires in Cornhill, where the companies congregated. One insurance company leased more specialized premises in the Royal Exchange from the 1720s onwards, and the Sun

<sup>49</sup> Colvin, (1978), 248, 355, 450, 711; Harding and Metcalf, 94–5, 123–6; S. Jeffery (1993); Marston Acres (1931) i, 47 and Plate xvii; Maitland (1756), 846, 848, 1003.

<sup>50</sup> Marston Acres (1931) i, 190–1, 194, 197–8, 397, 402–3; Colvin (1978), 816.

<sup>51</sup> The churches of St Bartholomew by the Exchange, St Benet Fink, and St Christopher le Stocks, removed in 1840–1, 1781, and 1842–4, respectively; Harben (1918), s.n. For the contribution of the churches to the landscape, cf. Harding and Metcalf (1986), 82–3 and Marston Acres (1931), Plates xxviii, liii.

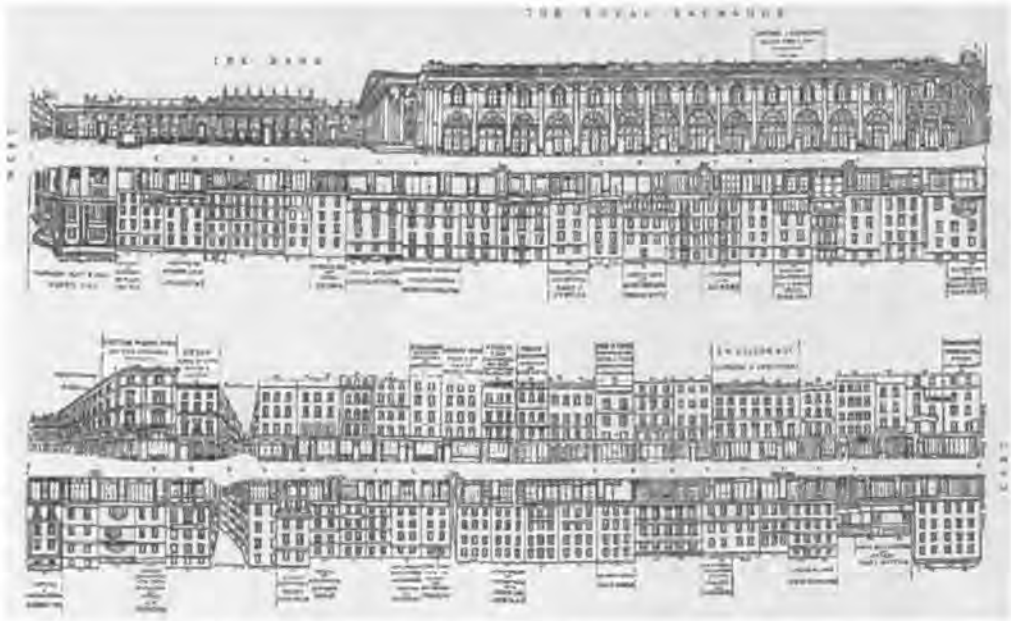


Fig. 3. Cornhill in 1847. From *Tallis's Street Views and Pictorial Directory* (London, 1847). The palatial character of the Bank of England, the Royal Exchange, and some of the insurance company headquarters contrasts with the domestic scale of most of the other buildings, many of which still included the shops of retailers or small manufacturers. Tallis's views have been rearranged so as to produce a panorama extending along Cornhill from the Bank on the west to Gracechurch Street and Bishopsgate Street on the east (cf. fig. 4).

Fire Office (along with at least one banking business) moved to Bank Buildings soon after their completion.<sup>52</sup>

Contemporaries also noted the high quality of the houses occupied by bankers in Lombard Street. One of them, Charles Asgill, in about 1756 employed the rising architect, Robert Taylor, later to become his friend and Surveyor to the Bank of England, to design him a 'banking house' there (later occupied by an insurance company), along with a country villa at Richmond 22km. from the city.<sup>53</sup> Asgill was following the practice, established for centuries among leading city men, of maintaining two places of residence, one at his place of business and the other a 'retiring house' an hour or two out of town. From about this time on, however, it became increasingly common for city merchants to travel daily to their work from a house in one of the newly-expanding suburbs or from a semi-rural location such as Hackney. Even so, many banking houses in the city retained a domestic character up to the mid nineteenth century, with well-appointed living rooms upstairs,

<sup>52</sup> Supple (1970), 19, 34; Hughson (1805) i, 412 and ii, 115, 119, 123, 140–1; Marston Acres (1931), 197–8.

<sup>53</sup> Colvin (1978), 815–17; Hughson (1805) ii, 534–8; Maitland (1756), 996.

and the 'shop' as it continued to be called, on the ground floor where bank business was done. Often it fell to the younger partners to reside in the city. Thus, on census night in 1851 the banking house of Barnard, Barnard and Dimsdale in Cornhill was inhabited by the junior partner, his wife, his three young children, and six domestic servants, along with two clerks and a bank messenger in their early twenties. At Martin, Stone and Martin's bank in Lombard Street James Martin, an unmarried partner who also had lodgings at Camden outside the city, was dwelling with his clerks and servants, while his elder brother, the senior partner, and his younger brother both lived with their families in fashionable new houses in the West End.<sup>54</sup> By the 1850s it was more common for the domestic rooms at banking houses to be occupied by senior clerks and their families, or by groups of unmarried clerks under the eye of a housekeeper. Even the managers of the banks tended to live outside the city.

Up to the early decades of the nineteenth century the insurance and private banking premises were relatively small in scale and were generally contained within a pattern of house and plot boundaries inherited from the medieval city. A growing business was often accommodated by extending the building over the yard at the rear. That created the gloomy, cramped environment typical of much of the nineteenth- and twentieth-century city, where architects had to exercise great ingenuity in providing light wells and ventilation shafts.<sup>55</sup> Even so, up to about 1820 most of the houses in the financial district were valued equally as residences and as commercial premises. Sale notices continued to stress the comfort and splendour of the domestic accommodation, and even after Princes Street had been laid out (1808) family houses for professional men were being built across the street from the Bank of England.<sup>56</sup> A 'mercantile residence' in Warnford Court, 'within three minutes walk of the Royall Exchange' was in 1805 described in terms of its domestic accommodation, but with the suggestion that the 'handsome dining and drawing rooms' might be converted to counting houses. In the more crowded conditions of Pope's Head Alley, a house offered for sale in 1806 was subject to slightly different expectations: potential occupiers identified included not only the merchant or broker (apparently as residents), but also the 'office-keeper', presumably one who made his living by renting out office space.<sup>57</sup> Evidently it was already an established practice to let out rooms in houses as offices, and even to split entire houses into office units, for the use of those who, unlike banks and insurance companies, needed only a room or two as a working base. As business demand grew, the attractions of letting out rooms for offices became correspondingly great, and so prosperous families sought houses elsewhere. The construction of Finsbury Circus just beyond the line of the former city wall in 1815<sup>58</sup> demonstrates the demand for

<sup>54</sup> Census enumerators' returns for 49–50 Cornhill and 68 Lombard Street; *Post Office Directory* (1851); Martin (1892), 102, 226–8, 275; cf. Kynaston (1994), 61.

<sup>55</sup> I'Anson (1864–5); Martin (1892), 226–8.

<sup>56</sup> Marston Acres (1931) ii, 402–3.

<sup>57</sup> Bodleian Library, Gough Additional Folios A261, no. 160, and A262, no. 223.

<sup>58</sup> Colvin (1978), 249, 563.



grand houses within a few minutes walk of the Bank. Improvements in transport, however, meant that those working in the city could more readily live elsewhere. Thus the opening of Blackfriars Bridge in 1768, and more especially of Southwark Bridge in 1819 and of Broad Street railway station in 1861 brought new territories within reach and changed perceptions of the city and its surroundings. As a commentator on the city's depopulation put it in 1872: 'the citizen may now live in a suburban villa or even in a Belgravian or Tyburnian mansion, upon the rent he obtains for the drawing-room floor of the house wherein his ancestors lived for generations'.<sup>59</sup>

From 1820 onwards, but especially from 1840 'stacks of offices', purpose-built structures occupying narrow house sites, became more and more common.<sup>60</sup> Their origin, and the early stages in the spread of small-scale office buildings, are far from clear. An important stage in the development may have been in the later eighteenth century, when buildings described as 'chambers' began to appear in the area.<sup>61</sup> They may have been modelled on the lawyers' chambers at the Inns of Court, and were perhaps originally intended as residential accommodation for bachelor merchants. Such rooms soon came to be used for business. Dickens, in *A Christmas Carol* (1843), tells us that Scrooge 'lived in chambers, ... a gloomy suite of rooms, in a towering pile of building up a yard ... nobody lived in it now but Scrooge, the other rooms being all let out as offices'. By that date, substantial, purpose-built blocks of offices were being built. Among the most obvious of them was Royal Exchange Buildings (1842), on a new street opened as part of the replanning of the area which followed the fire at the Exchange.<sup>62</sup>

As the eighteenth century progressed and business grew, the informal dealing and associations in the coffee houses led to the emergence of new institutional forms. That was accompanied by a growing perception among specialized groups of traders that they should control the space in which they made their markets. The common trading space, such as that at the Royal Exchange, or the informal, multi-purpose environment provided by the coffee house had no long-term future. Even within the coffee house it became the practice to restrict use of parts of the establishment to specialised groups of subscribers. In the 1760s the 150 or so brokers who dealt in government stocks and company shares at Jonathan's coffee house formed an association and rented a room there where they ran their market for three hours a day. In 1773 they acquired independent premises at the corner of Sweetings Alley, and in 1801 moved to more spacious purpose-built premises at Capel Court, the direct ancestor of the present Stock Exchange.<sup>63</sup> In the 1770s the 71 merchants, brokers and marine insurance underwriters meeting at Lloyd's coffee house likewise formed a society with the intent of building their own premises, for which Robert Adam prepared magnificent designs. In the event, they leased rooms

<sup>59</sup> l'Anson (1872–3), 40.

<sup>60</sup> l'Anson (1864–5).

<sup>61</sup> Harben (1918), 181, 430.

<sup>62</sup> Harben (1918), 513; l'Anson (1864–5), 25, 29.

<sup>63</sup> Colvin (1978), 628; Cope (1975–7); Morgan and Thomas (1962), 71.



at the Royal Exchange, and after the fire of 1838 the provision of rooms for Lloyds was a major element in the design for the new Exchange.<sup>64</sup> A similar initiative, by surveyors and auctioneers, led to the building, in 1808–9, of the Auction Mart, an impressive structure described as a 'national edifice' close to the Stock Exchange, which, by contrast, was plainer and more concealed from view. The Auction Mart, which did not develop the institutionalized, regulatory role of the Stock Exchange or Lloyds and so ultimately faded away, accommodated sales of landed estates and works of art, and a reading room where the prospectuses of canal and railway companies were to be found.<sup>65</sup>

The provision of exchanges for particular markets had been anticipated in the commodity trading areas outside the financial district by the Corn Exchange and the Coal Exchange, first built in 1747 and 1769, respectively, and both of some architectural pretension. The Commercial Hall, erected by subscription in Mincing Lane in 1811, provided spacious and elegant accommodation for the sale of colonial goods.<sup>66</sup> The process continued. In 1858, for example, South Sea House was converted to accommodate the Baltic Exchange, run by an association of traders in Baltic and Russian goods who had previously met at the Virginia and Baltic coffee house and had traded in the Royal Exchange.<sup>67</sup> The most ambitious of the exchanges in the financial district was the private enterprise by a biscuit baker (one of the distinctive service trades of the area), Edward Moxhay. His 'Hall of Commerce' of the early 1840s was intended to capture trade displaced from the destroyed Royal Exchange, and probably also to provide a market for industrial goods. Industrial marketing, however, developed in a different way, and the Hall of Commerce was ultimately a failure. It became reading rooms, and provided accommodation for those 'who had no office of their own', before being taken over in about 1855 as the headquarters of a bank.<sup>68</sup>

The exchanges were competing enterprises, offering space for fluid and highly-volatile markets. From its construction in 1765–70 the Rotunda in the Bank of England housed a lively market in government stocks, which persisted into the 1830s, despite growing competition from the Stock Exchange.<sup>69</sup> During the railway boom of 1845 trading in railway shares was conducted in the Stock Exchange, at the Royal Exchange, in the Auction Mart, at the Hall of Commerce, and in coffee houses and the street; but that business, much of it conducted by disreputable 'stags' and 'alley men', quickly faded away.<sup>70</sup> Such rapid flows of dealing beyond the conventional spatial limits, followed by equally rapid ebbs, have continued to be

<sup>64</sup> Harding and Metcalf (1986), 85–94, 99–103.

<sup>65</sup> Auction Mart (1809); Colvin (1978), 864; Leigh (1822), 241; *A New Survey of London* i, 378. For views of the Auction Mart, see Kynaston (1991), following p. 96.

<sup>66</sup> *London and its Environs Described* (1761), s.n. 'Corn Exchange'; Britten (1826), 144; Colvin (1978), 913; Leigh (1822), 251; Smith (1961), 84–7.

<sup>67</sup> Barty King (1977), 35–61, 89–128.

<sup>68</sup> Barty King (1977), 90–1; Lillywhite (1963), 257–8; *A New Survey of London* i, 378; *The Illustrated London News*, 30 July 1842, 180, 17 Dec 1842, 500, 29 Dec 1855, 700; *The Illustrated London News* 22 Jan 1848, 34–6.

<sup>69</sup> Leigh (1822), 236; Marston Acres (1931) i, 216–17; Morgan and Thomas (1962), 52–4.

<sup>70</sup> Morgan and Thomas (1962), 108–9; *A New Survey of London* (1853) i, 378.

characteristic of city business, even in the more regulated and constrained environment of the twentieth century.

The new exchanges were few in number, but during the 1830s and 1840s there was a more widespread rebuilding of the headquarters of banks and insurance offices. This reflected both a sharp increase in insurance business and the legislative changes of 1826 and 1833 which enabled joint-stock banks to come into being and to establish themselves in the city.<sup>71</sup> The new insurance buildings, larger and architecturally more ambitious than their predecessors, were especially prominent, and spread beyond the limits of Cornhill and its environs, into Cheapside and beyond.<sup>72</sup> On the other hand, the leading banks had developed a clearing system, requiring a daily interchange of papers at the Clearing House in Lombard Street,<sup>73</sup> and that restricted them almost entirely to the central district (fig. 4). In the same period the West End witnessed an extensive rebuilding both of the insurance company headquarters located there and of the offices of the non-clearing banks.<sup>74</sup>

A forerunner of future developments in the central district was provided by the headquarters of the newly-formed joint-stock bank, the London and Westminster Bank, erected in Lothbury, behind the Bank of England, between 1837 and 1839. This capital rich institution, intent on establishing its reputation, acquired a block of several private properties on which was erected a large-scale building designed by the leading architects of the day. Its imposing facade stood in sharp contrast to the smaller-scale and traditional buildings of the private bankers, Jones Loyd and Company, which stood next door and had been rebuilt as recently as 1808, incorporating residential accommodation for a partner.<sup>75</sup> During the 1850s and 1860s there was a sharp rise in the demand for new, large-scale sites on prime frontages to be occupied by the headquarters buildings of banks (especially the growing number of joint-stock banks), insurance companies, and the finance and discount companies which proliferated after the Companies Act of 1856 (cf. fig. 5). Cheap money facilitated rapid change. Investment in building now underpinned as well as accommodated a business. As *The Builder* wrote of the new National Provincial Bank building of 1865, adjoining the Baltic Exchange, 'architectural effect... in the case of a bank can ... help the impression of stability of the concern'.<sup>76</sup>

Many of the new headquarters buildings, like some of their public counterparts, included lettable office space on upper floors – a source of income which would help finance the development, and a reserve of space to accommodate future growth in the organisation. Yet equally typical of the last decades of the period, and a measure of increasing demand, was the large-scale speculative office block. Significantly, some of the key developers of such premises began their careers in the conversion of domestic buildings to multiple office use.<sup>77</sup>

<sup>71</sup> Pressnell (1956), 507–10; Richards (1929), 196–9; Supple (1970), 112.

<sup>72</sup> Summerson (1977).

<sup>73</sup> Knight (1851), 639–40.

<sup>74</sup> Colvin (1978), 61, 103, 224, 318, 329, 387, 434, 730, 743.

<sup>75</sup> Gregory (1936), 100, 165.

<sup>76</sup> Olsen (1986), 27, 29.

<sup>77</sup> For these general developments, see Summerson (1973).



Fig. 4. The financial district of the city of London in 1873. The study area, defined in terms of administrative units, is shown in heavy outline on the Ordnance Survey map of 1873. It corresponds closely to the financial district at that date.

- the Royal Exchange as rebuilt after 1838.
- clearing banks (both joint-stock and private): all the clearing banks are shown.
- finance and discount companies: all those recorded in contemporary directories.
- insurance company offices: only those within the study area.

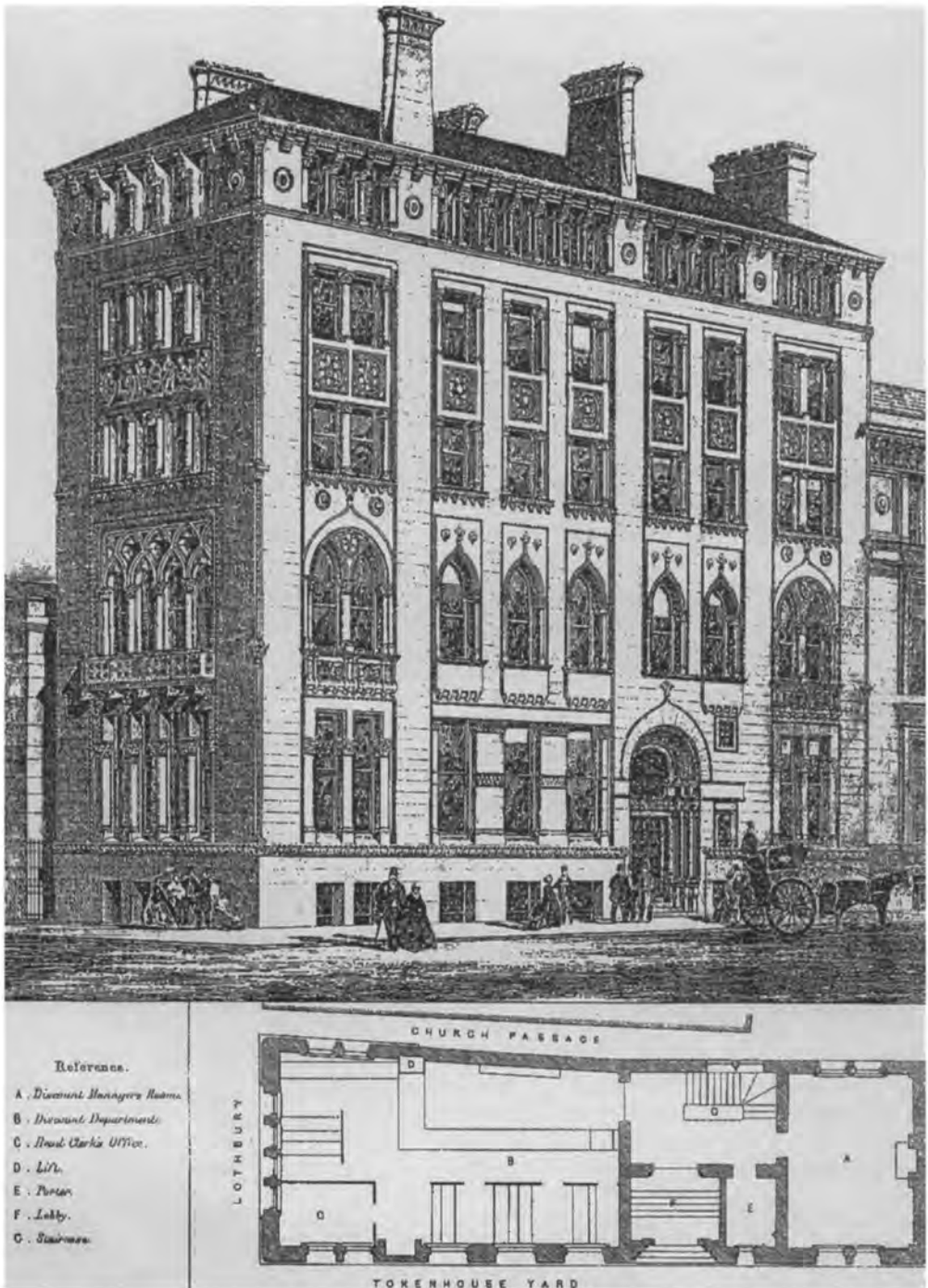


Fig. 5. The Lothbury offices of the General Credit and Discount Company, 1868. From a sale notice. A striking example, in the Venetian style, of the imposing office buildings erected during the building boom of the 1860s.



Table 1. Numbers of properties and total rental values for selected parts of London's financial district. (index values 1693 – 1871).

Date	Bank <sup>1</sup>	Cornhill <sup>2</sup>	Lombard Str. west	Lombard Str. east
<b>1693</b>				
properties	100	100	100	100
value	100	100	100	100
<b>1817</b>				
properties	67	82	79	105
value	158	138	128	119
<b>1851</b>				
properties	45	63	44	89
value	368	273	185	184
<b>1871</b>				
properties	30	46	34	60
value	965	760	593	570

*Sources:* For 1693: Corporation of London Records Office, Four Shillings in the Pound Tax (totals supplied by J. Alexander); Ogilby and Morgan (1676); for other years: Guildhall Library, MSS 2137 – 8 (Sewer and Consolidated Rate valuations). Notes to table: 1. Excluding site of Bank and Royal Exchange; 2. Excluding site of Royal Exchange.

These dramatic changes were obvious to observers at the time. Historians of the eighteenth- and nineteenth-century city have the opportunity of measuring their impact more precisely in terms of the numbers and values of properties assessed for local taxation, of the businesses carried on there, and of the resident population (Table 1). A study of the central financial district<sup>78</sup> reveals that change was decidedly uneven across the area, although by 1870 it had been transformed entirely. Over the eighteenth century (between 1693 and 1817) the rate of change was greatest in the immediate neighbourhood of the Bank of England, even if we discount that part of the area which came to be occupied by the Bank itself. Here houses, banks, and other business buildings (including the Auction Mart and the Stock Exchange) were altered or rebuilt on a larger scale than elsewhere, as revealed by the reduction in the number of separately-assessed properties and the increase in their mean rental value. The increase in the total rental value of the neighbourhood was not so great as that of the area immediately to the east (containing South Sea House), because several properties close to the Bank had been removed in the course of street improvements. By contrast, some parts of the district, most notably at the eastern end of Lombard Street towards the commodity trading area, hardly changed at all. In two parishes, again in the south eastern quarter of the district, populations actually increased between 1695 and 1801.<sup>79</sup> That perhaps was caused

<sup>78</sup> See end note.

<sup>79</sup> The index value for the entire district in 1801, taking the 1695 population total as 100, was 79; the index values for All Hallows Lombard Street and St Benet Gracechurch were 106 and 108, respectively.



by a displacement of poorer residents from the more central areas, combined with a rise in the demand for their services as porters and servants. By 1811, however, the populations of even those parishes had begun to fall.

Between 1817 and 1851 all parts of the district experienced a reduction in the number of properties and an increase in property values. The increase in mean, as well as total, values was most marked near the Bank of England, with Cornhill in second place, and seems clearly to reflect the demand for new bank and insurance premises, and the changes associated with the rebuilding of the Royal Exchange. Once again the south eastern quarter, represented by the eastern part of Lombard Street, experienced the lowest rate of change.

By 1851 few financiers or merchants remained resident in the area, which was by now the most depopulated part of the city. On the other hand, large numbers of the resident population were still, as in the eighteenth century, employed in retailing and small-scale production, mostly at their places of residence (31 per cent of resident adults with a given occupation). It seems that many of the shopkeeping families of this type were able to continue living in the area, despite increasing rents and land values, because they could sub-let rooms in their houses for use as offices. Characteristically, the small businesses carried on in such offices were those of agencies associated with the stock market, shipping, insurance, and merchandising, the trades whose growth was transforming the city. The second largest occupational group among the residents serviced the office sector as office keepers, housekeepers, messengers or porters. They represented 18 per cent of the resident working population overall, rising to 31 per cent in the neighbourhood of the Bank of England, where change was most advanced. The employed company messenger, carrying letters and bills from office to office within the area, was an important development of the period, replacing the casual 'ticket porters' of earlier times.<sup>80</sup> Resident messengers were often married to female 'housekeepers' (although housekeepers could also be men), and it was the couple's job to look after the office building in the garret of which they lived.

The rate of change reached a new peak in the 1850s and 1860s. In all parts of the area property values rose at a far higher rate than before. The rate of increase was now greatest in the south-eastern quarter, which came finally to be transformed by the construction of banks and office blocks. In that area, the relatively poor working-class families who in 1851 had lived in acutely overcrowded houses in a maze of courts and alleys just a few paces from Lombard Street were displaced. So too were the resident retailers and small-scale producers (tailors, watchmakers, etc.), who were unable to resist the pressures and lures of the property market. In 1871 resident heads of household in that category represented no more than 9 per cent of the total. The housekeepers and messengers, however, had risen to 35 per cent of the

<sup>80</sup> Stern (1960), 178–85; Morier Evans (1852), 167–8.

resident population, and despite a 40 per cent decline in that total between 1851 and 1871,<sup>81</sup> the number of housekeepers and office keepers actually rose from 216 to 261.

Despite the huge capital assets and public visibility of the banks, insurance companies, and finance houses, the business life of the district was dominated by the numerous small-scale concerns within the world of broking and merchanting. In 1871 the area contained 2,128 businesses with office addresses, an increase of 18 per cent since 1851, and of 70 per cent since 1817. By far the greatest part of the increase was accounted for by the small businesses, and in 1871 the banks and other large concerns represented only about 3 per cent of the total. There were distinct geographical patterns in the distribution of the smaller businesses. The stock-brokers, for example, were by far the largest single group, and 63 per cent of them had offices in buildings almost immediately adjacent to the Stock Exchange. Insurance brokers were to be found along Cornhill, and shipping agents, general merchants and company agents in the new stacks of offices along Gracechurch Street and Bishopsgate on the eastern edge of the area. They were the sort of people who might once have used a coffee house as an address but whose scale of business now demanded an office, and ledgers as well as a pocket book.

To a large extent the patterns in the distribution of businesses reflected the need for access to particular markets, or to more than one market, as in the case of the merchants in Gracechurch Street who might require banking, insurance and shipping services, as well as access to the 'colonial goods' area to the east. It seems likely, however, that closer analysis of spatial patterns will reveal more complex relationships within the highly concentrated nexus of businesses which made up the financial district. Those relationships probably arose from the interdependence of numerous separate, small-scale specialized enterprises which provided services to each other and to outsiders on a flexible basis. Combinations of different types of enterprise – accountants, civil engineers, and company agents, provide one example – within the highly-localised environment of the alley or office block, are likely to have been just as significant in the working life of the district as an exclusive concentration like that of the stockbrokers. Such forms of personal and business association, reinforced by membership of clubs, livery companies, and vestries, were an essential attribute of patterns of work and enterprise in the city.

The distinctive feature of London's financial district was the combination of services it provided: in commodity, share and stock markets; in finance; in insurance; in shipping, and in information. Crown or government interests were also present, both in the continual need for loans and in the form of institutions such as the Exchange and Wardrobe in the Middle Ages and the Post Office and Excise Office in later times. That conjunction of markets, facilities, and power, which in many significant respects resembled that present in Wall Street during the nineteenth century,<sup>82</sup> made the area central to the economic life of the city, and for while to that of a world financial system. Bagehot's implicit question as to why the

<sup>81</sup> The index value for the population of the whole area in 1871 was 27.

<sup>82</sup> Werner and Smith (1991).

money market came to be established where it did is to be answered in terms of an accumulation of causes which explain why it settled *neither* in the original main market place of the city *nor* in the riverside district which was the focus of its overseas trade. In that respect, the market was less concrete than Bagehot's terminology implies: fundamentally, it was an occasion or performance, involving sets of ideas and assumptions common to the actors involved, which on account of its complexity and very intangibility could only function within a universally-recognised and well-defined space where many networks intersected. With hindsight, it is possible to see how the interests of high finance, luxury consumption, the recycling of rent, and long-distance trade converged in an area which hitherto had been peripheral to the city's main centres of business. The gradual establishment of public institutions and buildings consolidated the area's role and identity, but informal habits of association among merchants and others were also a powerful force for continuity. By 1666 the monumental potential of the financial district was recognised by some, but adaptation within existing structures and topographical frameworks was to remain the predominant means by which the area accommodated its growing and increasingly specialized business.

Up to the nineteenth century the Bank of England and the Royal Exchange were the only major structures which expressed the financial character of the district, although overall the density and scale of building was increasing. New exchanges and the headquarters of insurance companies and banks followed; there was also a steady increase in the demand for office space by brokers, agents and other small businessmen, and a corresponding decrease in the use of the facilities provided by coffee houses and taverns. Those stages paralleled and expressed ones in the organisation of business. The destruction of the Royal Exchange in 1838 provided an opportunity for localized redevelopment, but overall the amalgamation of sites and the physical transformation of the area proceeded fairly slowly until the 1850s and 1860s. Even in the mid nineteenth century, when the availability of capital and the head of demand for large prime sites and lettable office space had built up to unprecedented heights, rebuilding on a large scale could be a protracted business. A powerful force inhibiting change was the extreme fragmentation and heterogeneity in the ownership and tenure of both land and buildings, which had characterized the city for many centuries. In the 1860s, for example, the City Offices Company undertook a large scale office development in the south eastern quarter of the district and had to acquire twenty-three separate properties, freehold and leasehold, at a cost of £ 70,000 down and £ 653,000 over 99 years, before spending £ 70,000 on building.<sup>83</sup> Even then the company could not buy out all the existing interests, and was forced to adjust the plan of its new buildings accordingly. Only after 1830 or so was it possible for private or joint-stock, rather than civic or semi-public, enterprises to undertake such comprehensive transformations of the fabric in this central district.

<sup>83</sup> City Offices Company (1866); *Building News*, 26 January 1866. The number of properties to be acquired is indicated by the rate lists of 1851: Guildhall Library, MSS 2137 - 8. These processes and problems are well-described in City of London Real Property Company (1964).

Study of the physical evolution of the financial district thus aids interpretation of its economic fortunes over the long term, and can facilitate an understanding of its role and image in the wider world. Likewise, geographical analysis provides indications of the ways in which the internal business life of the city was organised, information which is all the more valuable since few detailed records of the small-scale enterprises which dominated that life have survived for historians to study. This paper has provided no more than a sketch, but the agenda for future investigation, analysis, and comparison with other cities is clear.

*Note:*

In part this paper arises from the research project 'From Counting House to Office', funded by the Economic and Social Research Council (grant no. R000231022) and based at the Centre for Metropolitan History. Using rating lists, street- and business-directories, and census returns, the project traced in detail the pattern of change within the study area shown on fig. 3, mainly from 1800 onwards. I am very grateful to Jon Lawrence, researcher on the project, and to Martin Daunton, my co-supervisor of it, for supplying information and ideas, especially concerning the nineteenth century. Parts of this paper are derived from one drafted by Jon Lawrence, and destined for separate publication.

## **The Geography of Finance in a Semi-colonial Metropolis: The Shanghai Bund (1842 – 1943)**

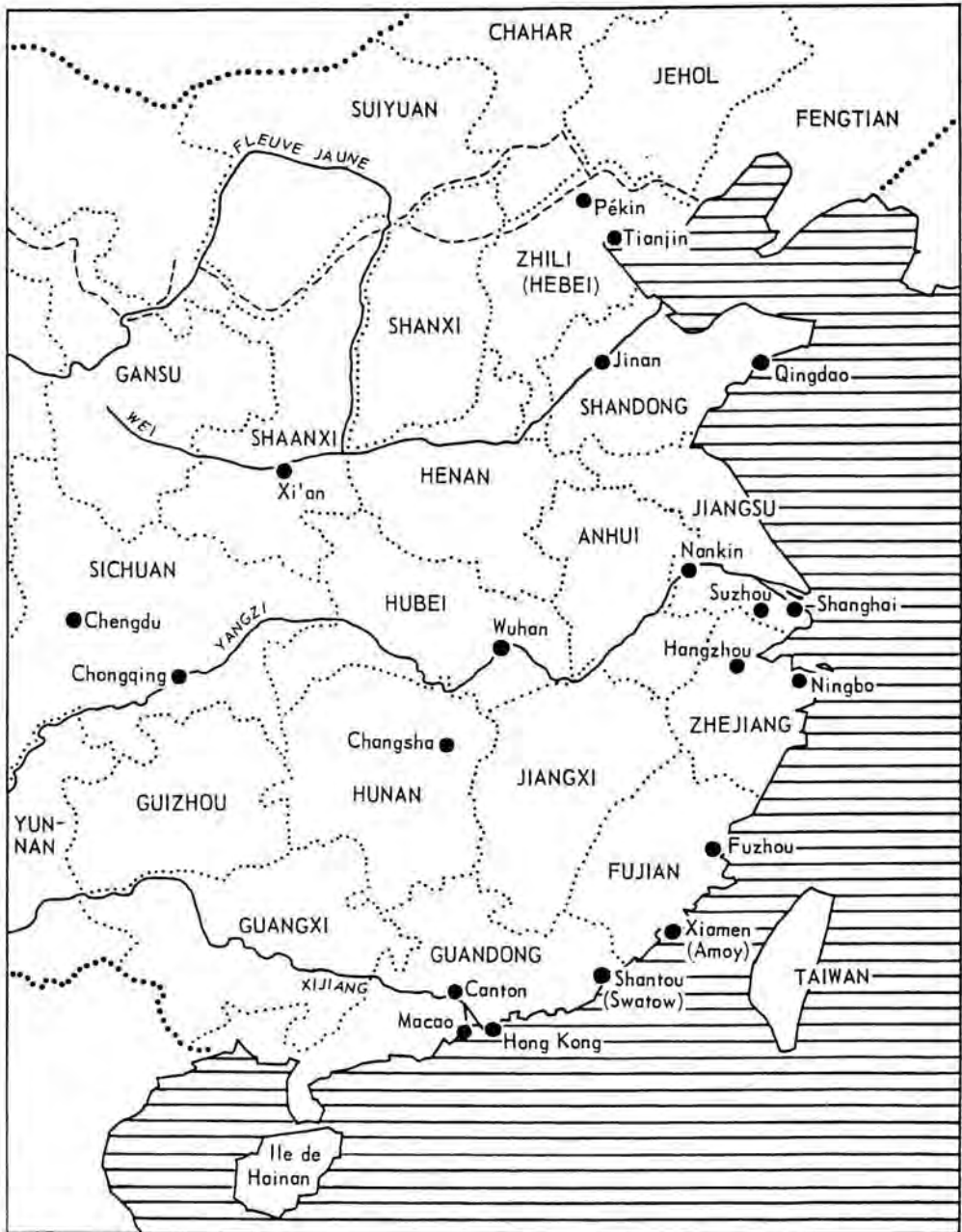
In 19th century Europe and North America, the industrial revolution stimulated urbanization. The new industrial city appeared as the locus of change and progress. This bias toward urban-centered change incited Europeans and Americans to promote modernization through urbanization in the less developed world and to transplant their forms of urban civilization into their colonies, in Asia, Africa and Latin America. Although China was not a colony, by mid 19th century the treaty system created treaty-ports opened to foreigners and to a large extent managed by them. Their main function, at first, was to collect, store and distribute goods for international trade. For a century, from the Nanjing treaty of 1842 until the abolition of its foreign settlements in 1943, Shanghai was the largest and the most important of these treaty-ports, as well as the first financial center of China, whose influence was felt through the whole Far East. At that time the prosperity of Shanghai was built upon integration with the world market and partial submission to foreign administration.

Shanghai held an exceptionally favourable geographical position at the mouth of the Yangzi river (cf. map. 1). Its importance as a center of interregional trade grew as the Yangzi shipping developed : by the 17th – 18th centuries junk-borne trade between upstream provinces and the delta region had become very active. Shanghai at that time played also an important role in the north-south domestic trade, and to a less extent in commercial exchanges with Japan. But Shanghai owed its growth into China's financial and economic metropolis to the opening of foreign trade in 1843.

No political overall project presided over the development of Shanghai. The city developed along with the growth of domestic and international trade, thanks to the initiative of its residents, both Chinese and foreign. The flow of Western capital and technology stimulated its development, and aroused the competitive spirit of local entrepreneurs.

How did this transplant from the West evolve in the Chinese context, or in other words what was the nature of 'treaty-ports' ? Many Chinese and some Western historians have considered treaty ports – and specifically Shanghai – as foreign enclaves cut off from China. For others, (J.K. Fairbank) Shanghai was a sino-foreign base, governed by a condominium ('synarchy') through the cooperation between Western administration and Chinese bureaucracy and characterized by a





- ..... Limite de province
- ..... Limite d'Etat
- - - Grande Muraille

Map I. Les provinces chinoises à l'époque républicaine.

partial fusion of the values and practices of both local and foreign communities. This of course is a complex debate which will remain open for a long time to come.

In my view, and to put it briefly, the success story of Shanghai metropolis cannot be considered only as 'the triumph of West'. Even though foreign influence was dominant in many branches of economic activity, the cohesion and flexibility of the traditional system enabled Chinese entrepreneurs to take an important part in the development of their city. The permanence of old commercial and financial structures allowed them to keep control over the collection and distribution of most products inside China, and over trade flowing between inland provinces and Shanghai. In fact, the opening of foreign trade stimulated the growth of the indigenous commercial and over all financial structures, which foreigners could not control. And thereafter two separate systems of business and financial enterprises coexisted. Some individuals (compradors) and institutions (various banking firms) bridged the gap and built interconnections between these two systems. This unique blend gave birth to the 'Shanghai phenomenon'.

This complex history was reflected in the urban setting of Shanghai. Like its Western counterparts, Shanghai had its financial center, the Bund, stretched along the left bank of the Huangpu river (a tributary of the Yangzi). After the first world war, the Bund's skyline, with its high rise buildings – those of the Hong Kong and Shanghai Bank or of the Bank of China – became the symbol of the Far Eastern metropolis. European or American travellers who discovered this landscape felt at home. The Bund and its neo-classical buildings adorned with columns and pediments undoubtedly were parts of the Western world. But some hundred meters from the river bank, behind the Bund, was Ningbo street, lined on each side with rows of one-storied wooden-built houses, each one the seat of an old-style native bank (*qianzhuang*).

Since the end of the 19th century this financial sector – the Bund and the adjoining streets – had become the heart of Shanghai economic activity. This central district, with its clustering of modern and traditional, financial and commercial firms, had grown out of a 'wilderness of marshes', during the first fifty years of the Western presence. The origins of Shanghai, as an administrative center, can be traced back to the 13th century. It was then the capital of a county (*xian*). But when the Westerners arrived, by mid 19th century, they were not allowed to live and work in the old walled city. They had to settle down in specially marked out, uninhabited zones, north of the Chinese town, which were to become the French Concession and the International Settlement. The very complex urban structure of Shanghai resulted from its quite unique administrative organization as well as from the rapid growth of its modern sector : the functional specialization of urban space sometimes followed, sometimes conflicted with, administrative boundaries.

To describe the formation of the Shanghai business and financial center, to explain its location by the river, far from the original urban nucleus, to analyse its various components : traditional/modern, Chinese/Western, we have to take into account both the history of the foreign domination and the characteristics of the Chinese socio-economic context into which Western business institutions and practices were being transplanted.

## I. The urban setting and Shanghai business and financial center

The city of Shanghai consisted of three distinct areas administered by three separate and mutually independent authorities. (cf. map 2). The old Chinese city was rather small, with a population evaluated at 100 000–300 000 by mid-nineteenth century. Like most imperial administrative centers, it was surrounded by walls punctuated by monumental gates. Inside, one could find the usual *yamen* (magistrate's office), temples as well as a confusing pattern of narrow lanes, streets and canals. During the 18th and early 19th centuries, as Shanghai was growing as a port and a center of interregional trade, commercial/financial firms were established in the city, or east and southeast of its walls, near the riverfront.

After the 1911 Revolution, the city walls were destroyed. But the original urban nucleus is still apparent. This old Chinese town, called the walled-city or the southern city remained under the jurisdiction of its magistrate and of the Chinese Imperial – and later, Republican – government.

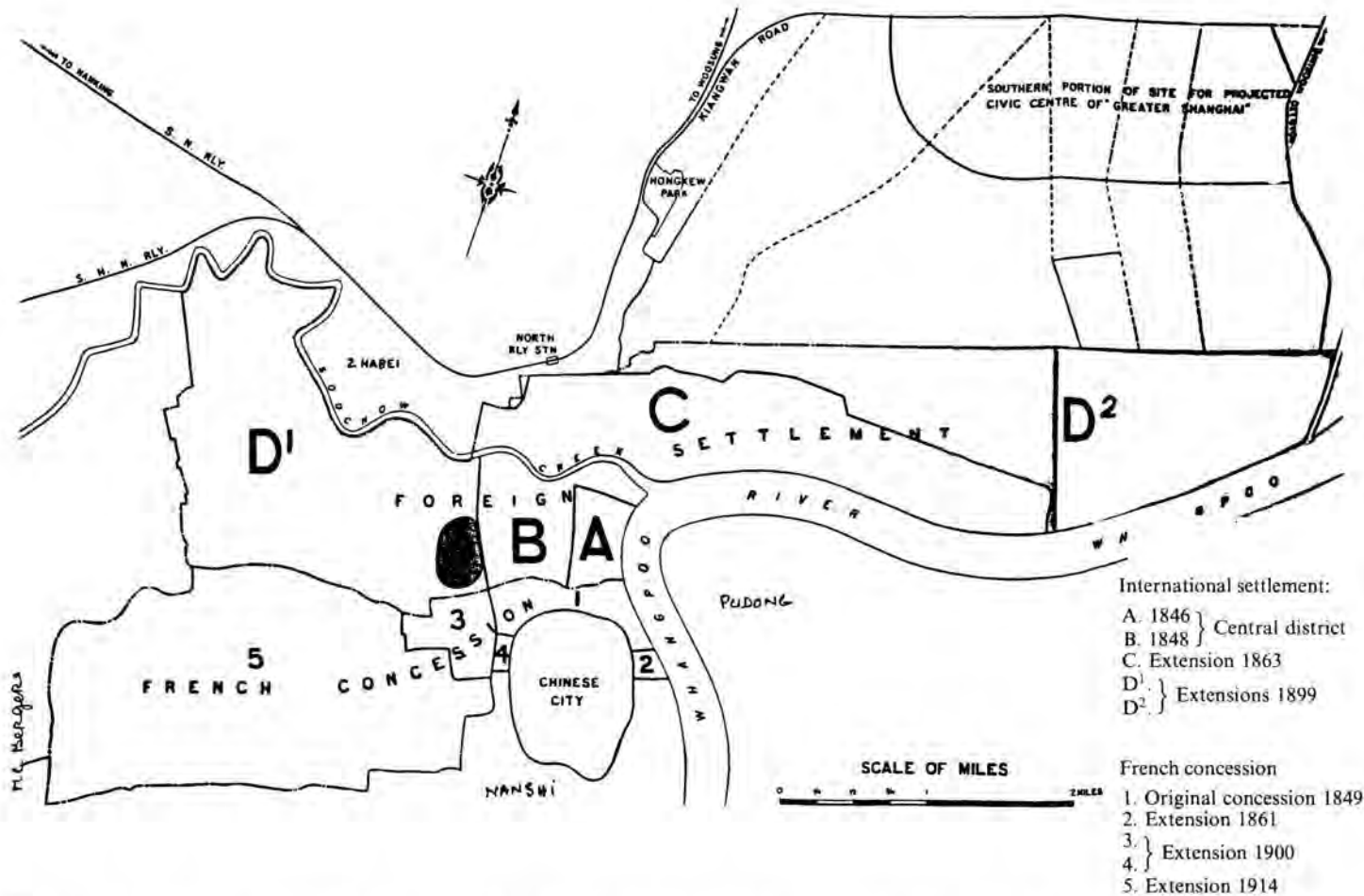
The British Settlement was established in 1846–1848, north of the old Chinese city, along the riverfront, among marshes. This original settlement was to become the Central District of the International Settlement. It was extended in 1863, and again in 1899. In 1869 it incorporated the American settlement and became the International Settlement (I. S.) (cf. map. 2). It was a self-governing entity under the jurisdiction of a Municipal Council, elected by foreign wealthy residents, and which operated under predominant British influence. The French Concession, was originally located along the Huangpu, between the old Chinese city and the British Settlement (cf. map 2). It later extended quite deeply toward the West (in 1861, 1900, 1914). Its elective Conseil Municipal did not exert much authority, and in practice the French Concession was governed by the French consul, under the supervision of the Foreign Ministry in Paris.

After 1914 there was no new extension of foreign settlements. But as the Shanghai economy developed, new urban or half-urban districts appeared and the Chinese city became a large entity, divided in several segments, separated from one another by the existence of the foreign settlements : Nanshi, Zhabei, Pudong... Until 1927 the old Chinese city and these various new Chinese suburbs depended on different and autonomous local authorities. Only under the Guomindang regime, a unified Chinese municipal government was established.

The complexity of this urban administrative structure affected the functional divisions of urban space. And although the existence of a main business and financial center may easily be identified, all financial institutions were not located in this center, and there existed some secondary zones of concentration.

The 1919 edition of the *Shanghai Guide* (*Shanghai Zhinan*)<sup>1</sup> mentions 54 modern (foreign and Chinese) banks. (cf. table 1). Without exception all these establishments were located in the I. S., and 50 of them in the Central district of the I. S. The

<sup>1</sup> *Shanghai zhinan* (Guide to Shanghai), Shanghai 1919. For a more complete study of localisation of various business firms in Shanghai, cf. M.-C. Bergère, *The Golden Age*, pp. 100–123.



Map 2. Administrative structure of Shanghai (early 20th century). The foreign concessions and the Chinese quarters.

Tabel 1. The distribution of businesses in Shanghai in about 1919.

	International Settlement				French Concession	Chinese City	Nanshi	Zhabei	Pudong	Total	Number of establishments
	Centre	N	E	W							
	%	%	%	%	%	%	%	%	%	%	
Modern banks	96	2			2					100	54
<i>Qianzhuang</i>	72	1			1		26			—	96
Traditional banks	100									—	26
Pawnbrokers making loans against security	23	18	13	17	5	13	8	3		—	112
Total of financial establishments	59.7	7.6	5.2	6.6	2.7	5.2	11.8	1	0	—	288
Insurance companies	94	2			4					—	82
Auctioneers	100									—	9
Building societies	83		4	9	4					—	23
Shipping companies	20	20	4		32		24			—	25
Customs offices	47				36		17			—	66
Transport companies	31	44					23	2		—	48
Warehouses	19	37	22	4	10			1	7	—	82
Total number of services	51	17	6	1	13	0	8	1	2	—	335

Source: M.C. Bergère, *The Golden Age of the Chinese Bourgeoisie*, p. 108





Map 3. The International Settlement of Shanghai Central & North districts (1. The Hong Kong & Shanghai bank, 2. Ningbo street).

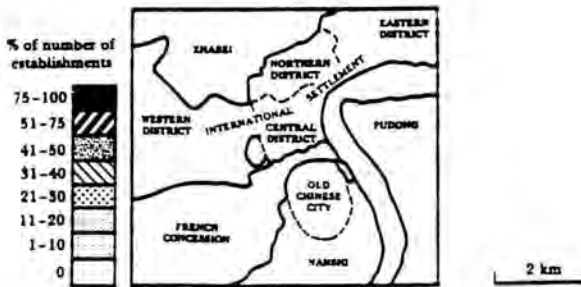
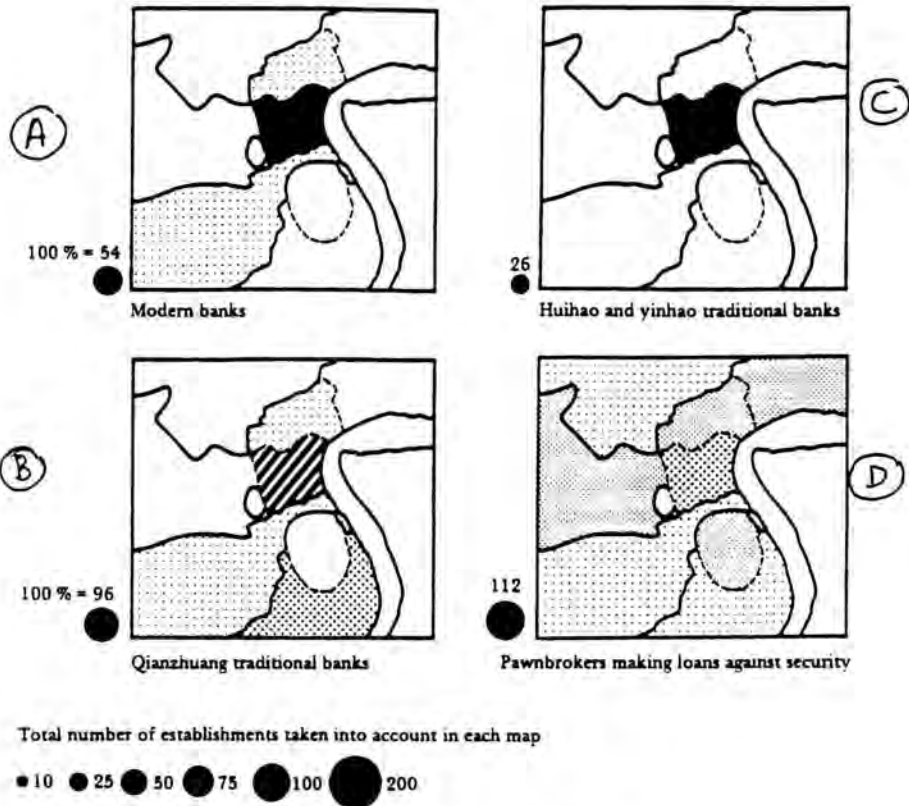


Fig. 1. The distribution of financial establishments in Shanghai, around 1919. Source: M.C. Bergère, *The Golden Age of the Chinese Bourgeoisie*, p. 112.

major foreign banks were to be found on the Bund along the Huangpu. Only 2 Chinese modern banks managed to install themselves on this important thoroughfare. The rest were located in adjoining streets : Ningbo street and Beijing street (cf. figure 1 and map 3).

The traditional Chinese banks (*qianzhuang*), of which there were many more (96

according to the *Shanghai Guide*), were less concentrated : 69 could be found in the Central District of the I. S., 25 in the old Chinese port quarter of Nanshi. Among traditional financial establishments, the most scattered were the 112 pawnbrokers which could be found both in foreign and Chinese quarters. On the whole, 59,7% of Shanghai financial firms were clustered in the Central District of the I. S. (cf. table 1).

Services associated with financial activities were also heavily concentrated in the Central District of the I. S., where 94% of insurances companies and 100% of auctioneers had their offices. Warehouses were scattered, and this brought down to 51% the proportion of services located in the financial heart of the city. Most trading firms (56%) were also located there.

This location of main financial and business enterprises in the Central District of the I. S., directly resulted from the growth of Shanghai (and China) modern economic sector, in which international trade played a dominant role. In Shanghai this financial district did not evolve from the previous existence of a wealthy, central residential quarter. It was a creation of foreign merchants, who organized themselves to carry on their trade. The head offices and the warehouses of their trading firms became the nuclei around which the new business center took shape. But in the process, foreign merchants were joined by Chinese local entrepreneurs. And the development of the Central District of the I. S. was the result of their common effort. This Central District which originally (in the 1840's-1850's) was conceived as a colonial enclave, designed by foreigners to meet their own needs, rapidly shifted part of its activities from financing China's international trade to financing its domestic, interregional trade. This double role found its spatial expression in the juxtaposition of the high-rise buildings on the Bund and the small wooden-built houses of neighbouring streets. With the emergence of China's modern economic sector, a clear pattern of doing business was established, which associated two separate – foreign and Chinese – systems. Both had their own sources of power, their institutions, their tycoons. Foreign entrepreneurs controlled China's international trade, Chinese merchants, China's domestic trade. One system was alien, based upon contractual relationships and could only function in the foreign concessions of the treaty-port. The other system was traditional, personal, highly developed and part of the Chinese socio-political structure.

The Shanghai I. S. – and more precisely its Central District – was the place where these two systems were connected, and brought to operate in close cooperation. This accounts for the preminent role of Shanghai in China's economic development from 1842 to 1943. It also goes far to explain the complex structure of Shanghai business center.

## **II. Shanghai foreign firms and China's international trade**

In China, Western economic activities grew out of the interest of the foreigners in fostering profitable commercial exchanges. Originally foreign trade was their chief concern. Later on, the scope of their activities diversified, including banking, for-

Table 2. Growth of China's and Shanghai foreign trade (values in Haiguan taëls).

	China	Shanghai
1864	94,865	
1867		75,799
1870	118,988	85,966
1880	157,177	92,225
1890	214,238	98,993
1900	370,067	204,129
1910	843,798	373,958
1920	1,303,882	636,042
1930	2,204,599	992,410
1933	1,957,860	1,051,978

*Source:* Statistics of the Chinese Maritime Customs as presented in Hsiao Liang-lin, *China's Foreign Trade Statistics, 1864–1949*, Cambridge, Harvard University Press, 1974. (Table 1, pp. 22–24, Table 7a pp. 175–176).

eign exchange business, insurance, shipping. At first these were subsidiary enterprises of trading firms. But by the end of the 19th century these enterprises developed along their own lines. And once foreign banks had begun to participate in China trade (during the 1860's) they extended their range of activities, supporting Western economic (industrial and commercial) expansion in the country, and playing the role of central banks (issuing notes, floating loans) for the Chinese government.

Thus, the financial preeminence of Shanghai grew out of its preeminent position in foreign trade. From the mid 19th century until the 1930's the Shanghai share of China's total foreign trade oscillated between 50%–75% (c f. table 2). At first this Shanghaiese preeminence rested on the natural location of the port (near silk and tea producing areas) and on the decline of Canton trade, consecutive to the dislocations caused by the Taiping rebellion (1850–1865).

After the abolition of the East India monopoly (in 1834), private trade with China was conducted by British agency houses. These houses seized the opportunities offered by the Nanjing Treaty (1842) and the opening of China. The most powerful among them – Jardine and Matheson, Dent and Company, Butterfield and Swire operated with large resources. They did not limit themselves to commission business (for London, Bombay or Calcutta merchants who consigned goods to them), but also took part in speculative ventures, selling and buying on their own account. This was the era of the 'princely hong's' (1843–1865). Those big merchants (taipan) built large colonial-style houses along the Bund, which they used as offices, residences and warehouses. In the absence of a modern Chinese commercial and banking system, they also had to undertake financial operations required for international trade: import and export credit, exchange and insurance business... These financial services were operated inside the office of the trading firms. Starting in the 1860's, the growing functional specialization led to the establishment of foreign banks. This evolution combined with the rise of cable services

linking China to Europe, with the opening of inland provinces and the diversification of export and import commodities brought about the decline of the princely hong, and the development of commission business. The new generation of foreign traders (at the end of the 19th century and early 20th century) were mostly made of agents who operated with small capital and needed bank credits. So China's international trade expanded along with the development of modern banking activities.

The first modern banks which operated in Shanghai were British (The Oriental Bank corporation, The Chartered Bank of India, Australia and China which opened its Shanghai branch in 1858, the Hong Kong and Shanghai, whose headquarter was in Hong Kong and which opened its Shanghai branch in 1865). Those British banks had few competitors until the 1890's, when other foreign (German, Japanese, Russian, French) establishments were opened, some of them instruments of foreign governments policy more than commercial banks. In the 1930's there were in China 32 foreign banks, which financed 90% of China's international trade. Most of them had their headquarters in Europe or the States, and their main China office in Shanghai.

With this functional specialisation, a new spatial organization emerged. Rich merchants and bankers moved their residences west, to the large villas of the French Concession, along avenues planted with trees (such as Avenue Joffre), or to the Western district of the International Settlement (Bubbling Wells Road). But they kept their offices in the Central District and along the Bund, which became the business center of the city. Along with trading firms and banks, service industries closely connected with commercial and financial activities, also clustered in the Central District : 94% of the 82 insurance companies, and all the nine auctioneers. Many foreign merchants continued to import cotton piece-goods on their own account (rather than as agents), and these piece-goods were disposed of at weekly auctions, the first of which was held in 1873. In 1914, as much as 50% of the piece-goods imported into China was disposed of at auctions (mainly in Shanghai). Import credit extended by foreign banks covered not only the period of transit across the ocean but also a 30–90 day's period, after the arrival of foreign goods, during which Chinese dealers generally operating with small capital (cf. infra), had time to re-sell the imported goods and thus find the money with which to pay for the foreign goods they had purchased. During this 30–90 days period, imported goods were held by banks as securities, placed in special warehouses and released when payments were received. This may account for the rather surprising fact that few warehouses, the construction of which clearly demanded large tracts of lands, were built in the Shanghai suburbs. Although 7 out of 82 could be found in the wastelands of Pudong, the rest (minus 1) were located in the International Settlement, among them, 19 and 37 respectively in the very crowded Central and Northern districts (cf. table. 1). The Hong Kong and Shanghai Bank which occupied one of the choicest sites along the Bund and around the corner of Fuzhou street also kept a godown on its premises, facing Sichuan street (cf. Map. 3).

As leading foreign trading and banking firms competed to be located in the Central district land values soared. A *mu* (equivalent to 0.06 hectare) which had



sold for 30 000 taëls in 1915 (compared with an average 8 281 taëls – in 1911 – in the International Settlement)... sold for 350 000 taëls in 1929. As a consequence, building structures rose higher and higher. After the first world war, the famous view of the Bund took shape. The Hong Kong and Shanghai Bank dominated the Bund physically as it dominated the financial world of Shanghai and China. As the foreign banks monopolised the financing of China's international trade, they constituted the foreign exchange market. At that time China retained the silver standard (until 1933), and fluctuations in the exchange rates on gold standard countries were of major importance. London being the center of the world's silver market and of international finance (until the first world war), British banks dominated foreign exchange business in China, and the daily exchange rate published by the Hong Kong and Shanghai bank was accepted as official rate (until 1935). The new Shanghai office building erected by the Hong Kong and Shanghai Bank in 1923 was the symbol of the leading role of the bank : 'Spare no expense, but dominate the Bund', said chief-manager A.G. Stephen to the architects. The result was an impressive structure built in neo-classical style :

'Approaching the main Bund entrance, one climbed the staircase and passed under one of the three arched entrances topped by a high loggia with paired columns. Two bronze lions... flanked the staircase, one roaring to symbolise protection, the other at rest to symbolise security. Upon entering, one found oneself in a large octagonal entrance hall with a central dome supported by eight Siena marble columns' (King, vol. III, p. 137).

All the marble in the building had been imported from Italy ! But behind the neo-classical façade of the Bund, lived and worked Chinese merchants, cooperating and competing with foreign entrepreneurs.

### **III. Chinese firms : their financment of China's interregional trade and their cooperation with foreign banks**

Before the opening of the foreign trade, Shanghai had already become a center of interregional trade. The Shanghai native banks (*qianzhuang*), which appeared in the 18th century, were important elements of the pre-opening commercial community. Their first guild (Neiyuan) was established in the walled city, under the reign of the Emperor Qianlong (1726 – 1796). These *qianzhuang* were organized along traditional lines. They were rather small enterprises : single proprietorships or partnerships with unlimited responsibility. Family and regional ties were most significant criteria for recruiting partners, managers and employees. Their business was based upon personal interrelations. Loans granted to merchants were not secured by specific pledge : But street runners (*paojie*) were employed by the *qianzhuang* to collect information about the business and financial circumstances of their customers.

*Qianzhuang* operated as commercial banks, making loans, accepting deposits, issuing and discounting bills and remitting funds. When they remitted funds between provinces or cities they also operated as exchange banks. Because of the

condition of China's currency in the 19th and throughout early 20th century, an exchange operation was necessary for nearly all commercial transactions. In the majority of local transactions, copper cash was used for currency. But in more important, interregional transactions, silver was used. It first circulated in ingot form (*sycee*), the unit being the taël which varied in weight (around 550 grains) and fineness. By the second half of the 19th century, the taël had become only a unit of account, actual payments were made in silver dollars imported from various foreign countries, mainly from Mexico. All these dollars were different, but their value (*yangli*) was calculated in terms of taëls, and varied according to the importance of the local stock of silver metal. As there were several kinds of dollars as well as several kinds of taëls, settling accounts between two different trading centers entailed a multiple exchange operation.

This exchange business was very lucrative and many Chinese entrepreneurs moved from trade to banking. Generally speaking, however, Shanghai *qianzhuang* were and remained closely tied to merchant enterprise.

The intricacies of the Chinese currencies, the tight organization of traditional commercial networks, bound up with personal relations, and based upon traditional (familial/regional) solidarities, made it very difficult for outsiders to enter the Chinese business world. Western merchants who controlled China's international trade had to rely upon local dealers to distribute their goods inland or to buy export commodities in the provinces and transport them to Shanghai (or to other treaty-ports). In a very general way, it can be said that foreigners controlled the flow of commodities between treaty ports and Europe (or America) and that Chinese controlled the flow of commodities between treaty ports and inland provinces.

Connection between the two financial/commercial systems was provided by the comprador. Employee (and more often partner) of the foreign firm, the comprador was in charge of all commercial and financial transactions with Chinese dealers. He represented the 'interface' of the foreign firm with the Chinese business world. Shanghai *qianzhuang* were other institutions which linked the Chinese and Western business worlds.

After the opening of Shanghai, the growth of foreign trade stimulated interregional commercial exchanges. As a rule local dealers worked with small capital, on a commission basis. Confronted with the growth of transactions, they needed more important loans, that *qianzhuang* could not give them. On the other hand foreign banks were not prepared to grant them direct loans. They were not familiar with this *clientèle*. And they were not used to making advances on personal credit alone. But they accepted to supply well-established *qianzhuang* with short term loans, the so-called 'chop-loans', on the guarantee of their own compador. The *qianzhuang* in turn loaned this capital to Chinese merchants who controlled trade between Shanghai and the interior of China.

Although they could not participate fully in the Chinese traditional commercial system, foreign merchants nevertheless were interested in the organization of the supply of export goods and of the sale of imported commodities. In many cases the practice was for the foreign merchants to buy export goods (tea, silk) from Chinese dealers in Shanghai, and to dispose of imported products also in Shanghai where

they were bought by Chinese traders (cf. for example the cotton piece-goods sold at weekly auctions). But through 'chop loans' granted to Chinese dealers, via the *qianzhuang*, foreigners were in fact making advances for up-country purchases. And the 30–90 days's credit they gave to Chinese purchasers of imported goods, provided these operators with most of their working capital.

As a result the number of *qianzhuang* increased. At the end of the 18th century they were about 60. In the early 20th century (1906) they were 113. Meanwhile their location changed. And after some decades most of them were to be found in the central district of the I. S.<sup>2</sup> In the 18th century *qianzhuang* were established in the old Chinese city. Their first guild, called *Neiyuan* was built in the compound of a temple. But the new opportunities offered by the opening of Shanghai attracted new *qianzhuang* bankers, most of them coming from the neighbouring province of Zhejiang (Ningbo and Shaoxing districts). In 1858, according to the British newspaper *North-China Herald*, there were already 70 *qianzhuang* in the International Settlement. In traditional China, as in medieval Europe, merchants operating the same kind of business were prone to live and work side by side. In the Central District of the I. S. *qianzhuang* bankers were to be found in Ningbo street, (named after the geographical origin of most of them).

The geographic proximity between Chinese *qianzhuang* and modern foreign banks reflected the dependance of the *qianzhuang* on foreigners for capital, and the close relationships established between *qianzhuang* managers and the compradors of foreign bank.

From 1850 to 1865 the Taiping rebellion, and more specifically the occupation of the old Chinese walled city by the Small Knife Society (a branch of the Triads, a well known secret society) in 1857, accelerated the spatial reorganization of Chinese business. Many *qianzhuang* moved their business into the I. S. to get protection from rebels. Secure from destruction, the I. S. drew to itself large amounts of Chinese capital and business not only from the city but from the neighbouring provinces. Some foreigners had been reticent to open the settlement to Chinese residence and business. But they needed Chinese cooperation as much as the Chinese needed foreign support.

As soon as 1873 the *qianzhuang* located in the Central District became more numerous (73) than those located in the Chinese city (50). Soon after they decided to open up their own guild. The building of the old guild (*Neiyuan*) was preserved, and in a symbolic way all *qianzhuang* bankers held a New year ceremony there. But there after the new guild, which was opened up in 1889 in Xianggang street (Central District), played the leading role. The very powerful Shanghai *qianzhuang* bankers' association which was organized in 1917 grew out of this new guild. And the *qianzhuang* clearing house, the only Chinese financial institution of its kind (through which modern Chinese banks were obliged to operate – through correspondent *qianzhuang* – until 1933) was supervised by the I. S. *qianzhuang*. In Ningbo street these *qianzhuang* were still managed in a very traditional way by

<sup>2</sup> Cf. *Shanghai qianzhuang shiliao*, p. 95.

employees who generally had family or/and regional ties with owners. Employees and managers and their families usually lived together in the compound of the bank, apprentices helped with the cooking and the cleaning.

Chinese modern banks which developed quite late in the 1910's and the 1920's had their activities mainly oriented toward government funding. Until the 1930's they did not displace *qianzhuang* and foreign establishments as commercial and business banks.

The foreign intervention in China both accelerated and biased the process of modernization. Different styles of business, which in the West characterized different historical periods, coexisted in Shanghai and could be traced in the urban landscape, specially in the Central District of the I. S. On the whole, the spatial organization of this Central District, with its high concentration of business firms, conformed to the pattern found in contemporary Europe. But the reasons for this concentration were to be found in political reasons (concern for security) as much as in economic conveniences. On the other hand, inside the Central District, trade was often organized along traditional Chinese lines (which of course were quite similar to Western medieval and classical practice): whole streets were devoted to a single line of business.

More surprising than the juxtaposition of different business styles and worlds, is the cooperation which prevailed between them and upon which the success of Shanghai rested. This suggests that the worn-out debate 'modernization vs tradition', 'imperialists vs national entrepreneurs' should be approached from new angles, and that the complex interactions between local/traditional and foreign/modern lines of business should be probed without ideological a priori.

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