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The Dawn of Modern Banking

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HISTORY, SAID JACOB BURCKHARDT, "is the one field of study that does not begin at the beginning." Nobody knows when credit was first used as a lubricant of business—probably in prehistory—but banks of a sort existed in ancient Mesopotamia, Greece, and Rome. Although the technical term *bancus* emerged only in the Middle Ages, it was a Latin translation of the ancient Greek word *trapeza,* meaning essentially the same thing: a bench or table where a professional banker displayed his moneys and his records. The medieval dawn of banking was not the earliest, but rather the latest and most decisive. In the early medieval centuries there was an economic collapse, which did not wholly prevent the transmission of older concepts and practices but gave credit and banking a chance to make a fresh start and move gradually from a marginal to a central position in economic development.

Our knowledge of Greco-Roman banking is hazy. No systematic description of the organization and responsibilities of banks, no archives of individual bankers have survived. In a lawsuit, Demosthenes cited as evidence the records of an Athenian *trapezita*; in his correspondence, Cicero mentioned *trapezitai* transferring funds for him. Roman legal enactments and informal papyri often alluded to *nummularii* (literally, "coin dealers"), *argentarii* ("silversmiths"), and *collectarii* ("collectors"), variously involved in credit and monetary operations. On the basis of such fragmentary information, it has been argued that altogether these specialists performed more or less the same functions as the late medieval bankers: they were petty usurers or substantial lenders, deposit and transfer bankers, money changers, and inspectors of currency. They also engaged in trade, just as traders also extended credit; then as later, commerce and banking tended to overlap.[1]

It would be incautious to fill this tentative outline with details read back from late medieval sources. There is no proof that the techniques and, above all, the economic and political importance of the Greco-Roman bankers came close to those of their medieval and Renaissance counterparts. Their profession could hardly thrive in what was, all appearances notwithstanding, an underdeveloped society striving for security rather than growth, thoroughly agricultural, and biased against lenders. No doubt there were flurries of commercial activity in the major Hellenic and Hellenistic centers, periods of feverish speculation along the path of Roman expansion, but never enough for a real takeoff. Long before Christian ethics denounced the taking of interest as sinful, Greek philosophy had called it unnatural, for coins are not worn out in the use and do not bear fruit as do trees. Roman law did not forbid reasonable interest charges, but fenced them off from "regular" deposit and ordinary loan as optional riders. While recognizing the usefulness of credit and commerce, the government looked down upon them. Senators were told not to compete with lower people eking out their

1. In spite of its many inaccuracies, the monumental *Wirtschaftsgeschichte des Altertums* by Fritz M. Heichelheim (2 vols. Leiden 1938; English trans. *An Ancient Economic History* [2 vols. Leiden 1958–64]) remains the most useful general work dealing with ancient banking. Later additions to its bulky bibliography can be found in Danielle Giry, *A la recherche des traditions bancaires de l'Occident méditerranéen* (Montreal 1963), and in *The Oxford Classical Dictionary* (2nd ed. Oxford 1970) s.v. "Banks." We still want an analysis of the available evidence carried out with specialized knowledge of banking problems and methods.

living by trade. Successful maritime entrepreneurs were advised to retire as soon as they could and seek status as gentlemen farmers.[2]

In 476 the Roman Empire in the West went down, economically as well as militarily bankrupt. It had bled its subjects white through merciless taxation and discredited its coinage through reckless debasement, but, characteristically, had not thought of borrowing what it needed from bankers against the collateral of its immense assets. There followed centuries of deep economic depression, sharp deflation of prices, and sluggish monetary circulation. Professional banking left no clearly identifiable trace in the desperate poverty of early medieval sources. It is true that in Rome around 600 Pope Gregory the Great still availed himself of the services of an *argentarius*—an early indication of what was to be the Holy See's constantly ambivalent policy of approving banking while reproving "usury" (that is, interest charges). But Rome at that time was less Western than Byzantine, and Byzantium continued to support trapezitai in the ancient style, without blanket condemnation of interest but with the traditional slighting of their business. Moreover, the argentarius of Gregory the Great had no known successors until the eleventh century, when the old terms *trapezita* and *nummularius* suddenly reemerged in the reviving economy and documentation of Western Europe.[3]

What happened to banking and credit between the fall of Rome and the rise of Europe? Though the available evidence is fragmentary and often cryptic, the time has come, I believe, to bring all leads together in a tentative general reconstruc-

2. A less sketchy description of the well-known limitations of ancient economic thought may be read in Robert S. Lopez, *The Commercial Revolution of the Middle Ages, 950–1350* (Englewood Cliffs, N.J. 1971), chap. 1.

3. See especially G. Mickwitz, "Un problème d'influence: Byzance et l'économie de l'Occident médiéval," *Annales d'Histoire Economique et Sociale* 8 (1936) 21–28, a suggestive presentation of ideas which the author did not live to develop into a book.

tion. It is obvious enough that the economic crisis of the barbarian West tended to dry out all channels for banking activity except loansharking, which was not a specialized profession and could be practiced by anyone who had money to spare. Money changing, which might otherwise have benefited by the shift from a single imperial currency to a variety of royal and local coinages, was in fact undercut by the spreading use of payments in kind. As more and more moneyed people hoarded their coins and precious metals or wore them as jewelry, deposit and transfer operations were scarcely in demand. Gregory of Tours's account of King Thierry I's lending his own cash to the bishop of Verdun for distribution to the impoverished merchants of the city seems to imply that commercial loans were no longer available.

On the other hand, one often hears of extortionate consumption loans extended to the needy by profiteers. French, Spanish, and, less frequently, Italian church councils kept hurling ineffective thunderbolts at unnamed usurers; Lombard law strove to shield minors from interest accumulations on their fathers' debts; Carolingian capitularies denounced but did not deter those wealthy ecclesiastic and lay landowners who grabbed the harvests and the land of their defaulting debtors. The latter were not always small people: in the famine year 1096 the Belgian abbot of Gembloux bought at bargain prices the estates of noblemen who had mortgaged them to loansharks at 100% interest. Under these circumstances it is not surprising that a blanket condemnation of moneylending in any form accompanied the first efforts of the reform movement led by Pope Leo IX: "No cleric or layman should be a usurer," stated the Council of Reims in 1049.[4]

Now let us look at the other side of the picture. There is no denying that in the first centuries of the Middle Ages commerce was reduced to a trickle, and money, the lifeblood of banking, to a nonessential role in a thoroughly countrified economy. But neither commerce nor money totally disappeared: they just became rarer, and rarity had a value of its own. A large number of documents, not all of which need be quoted here, strongly suggest that the contracting opportunities for banking were gradually taken over by a more tightly knit organization, that of the moneyers. Two comparatively late statements explicitly say so. In 1037, the count of Anjou reactivated his mint in Saintes by inviting "trapezetas, id est monetarios," who were sworn in, struck coins, and carried out exchange operations. In the early twelfth century, William of Malmesbury translated for his readers what had become an obsolete word: "the *trapezitae*, popularly called *monetarios*"; that the English minters also acted as money changers we know from slightly older Anglo-Saxon laws. Still older Italian texts refer to mint regulations observed in the tenth century and probably originated as early as the seventh: the "mysteries" of sworn monetarii in Pavia, Milan, and other centers had both the exclusive right and the duty of producing coins, changing money, and collecting gold. Lending, deposit, and transfer are not specifically mentioned there, but clues can be found in the eleventh century pamphlets of two proimperial writers who threw back at Hildebrand (the future Gregory VII) his charges of corruption in the church. The self-righteous reformer, they claimed, "has joined the *monetarii* in the money business"; he "has filled his coffers and befriended the son of a baptized Jew, still a practicing *nummularius*, in order to entrust the money to him."

The allusion was so transparent that it can still be seen through today. The maligned supporter of Hildebrand was Leone, son of Benedetto Cristiano (formerly Baruch the Jew) and ancestor of the Pierleoni family, to which another jaundiced writer applied a definition of Ovid: "Queen Money lends to them nobility and beauty: by intermarriage they surround themselves with all the nobles in town." They did more than that: in 1130 Leone's grandson was elected pope

4. Hans van Werveke, "Économie-Nature et Économie-Argent," *Annales d'Histoire Économique et Sociale* 3 (1931) 428–40 (with a note of Marc Bloch); Heinrich Fichtenau, *The Carolingian Empire,* trans. Peter Munz (Oxford 1957); *Cambridge Economic History of Europe* 2 (Cambridge 1952) chap. 5, with bibliography.

by a majority of the cardinals (but not "by the better part" according to St. Bernard, whose questionable judgment demoted him to antipope); in 1144 Giordano Pierleoni got even by becoming the lay leader of the revolutionary Roman commune. The spectacular progress of the Pierleoni family over five generations was not as fast, however, as the personal career of Eloi of Limoges, a seventh century apprentice who had risen to moneyer, adviser of Merovingian kings, bishop of Noyon, and, after death, patron saint of the goldsmiths. The collective climb of the whole profession was perhaps even more stunning. Sweated laborers in the mass-producing mints of the Roman Empire, the moneyers stepped up as soon as money became a rare commodity. Virtually the sole producers, holders, lenders, and spenders of ready cash, they used it as a trump card to acquire land, status, and power. Eventually many of them made their way into the feudal nobility or the urban ruling class—and promptly turned their back on ungentlemanly business. Others continued to strike coins and do some money changing and lending on the side, but played a shrinking role in the Commercial Revolution of the later Middle Ages, which unfroze hoarded metals and made credit the catalyzer of economic growth.[5]

By the time the Pierleoni had completed their social ascent, the new banking was already dawning in Italy under the impulsion of trade. Its ultimate shape has been admirably described by Enrico Besta, Gino Luzzatto, Yves Renouard, Raymond de Roover, Armando Sapori, and Heinrich Sieveking (to mention only a few pathfinders), who used the voluminous documentation available from the last years of the thirteenth century on: account books, private correspondence, personal memoirs, financial records, manuals of business practice. At that time, three classes of credit agents were distinguishable: the pawnbrokers, the money changers and deposit bankers, and the merchant bankers. The latter were the new elite of the profession, unprecedented in antiquity and in the early Middle Ages. Wealthy commercial and industrial entrepreneurs, uncrowned governors of their city-states, lenders to monarchs, relatives of popes, they were in no way embarrassed by canonical strictures. At the opposite level of the profession, the pawnbrokers were degraded successors of the early medieval usurers. Indispensable but malodorous, they were deliberate public sinners, likened to prostitutes, and hence tolerated on earth but earmarked for hell unless they repented and made full restitution of their accursed gains. At the middle level, the money changers and deposit bankers, splintered away from the moneyers, formed the core of the profession. They owed their respectability to manual changing, which did not involve credit: they converted on sight one currency into another, and for that service they charged a legitimate fee. No doubt it was an open secret that in long-distance exchange, entailing a delay for transportation, a premium would be worked in by doctoring up the rate of conversion; it was equally obvious that the changer's stock in trade would be largely borrowed and lent at interest rates not openly declared. But these lapses were not public sins, and most changers lightened their guilt by including in their will a token bequest to a charity and calling it restitution of any "ill-gotten" money.[6]

Did this tripartite structure originate in the period of dawn of the new banking or, still farther back, in the earlier development of those Italian cities that awoke before dawn? I think the seeds were planted farther back. What made the new banking different from the old was its shift from an agrarian to a commercial orientation and from an antagonistic to a collaborative attitude of borrowers and lenders. This leads us first

5. Robert S. Lopez, "An Aristocracy of Money in the Early Middle Ages," *Speculum* 28 (1953) 1–43, with bibliography, brought up to date in my "Discorso inaugurale," *Artigianato e tecnica nella società dell'alto medioevo occidentale* (Spoleto 1970).

6. Raymond de Roover, "The Organization of Trade," *Cambridge Economic History of Europe* 3 (Cambridge 1963) 42–118, gives the clearest description of the three classes of credit agents—perhaps even too clear, because there never was a sharp, water-tight separation between classes—and offers an excellent guide to further study in his bibliography.

to Venice and Amalfi about 700, then to Pisa and Genoa two or three hundred years later. Here the triangular trade connecting Byzantium and the Islamic countries with the underdeveloped West created a fresh demand for credit to be extended mainly on personal trust, in the hope that higher profits would compensate for higher risks. By the tenth century, trade and the demand for credit on trust also began to expand in several centers of the interior, especially in northern Italy and Tuscany. In overland trade, chances for extraordinary profits were somewhat lower, but so were the risks. Even so, this type of investment would hardly appeal to professional lenders accustomed to secure their loans on mortgages and pawns.

Especially at the start, merchants had to rely chiefly on each other, pooling commodities rather than cash, and often acting in turn as borrowers and lenders. They resorted to ordinary interest-bearing loans whenever they found them convenient, but close mutual acquaintance and the necessity of going literally "in the same boat" (or caravan) inclined them to basic agreements mixing credit with partnership, such as the *commenda* and the *compagnia*. The appearance of these contracts, partly derived from Greco-Roman law but strongly influenced by medieval customs overriding political and religious boundaries, was the first result of the commercial revival and the first chance for banking in a new key. One finds the oldest mentions in Byzantine and Islamic sources around 700; in Western sources the earliest unmistakable allusions go no further back than the tenth century, but there is a probable hint in a document of 829. That memorable document is the will of a Venetian doge, Giustiniano Partecipazio, the first Italian nobleman and landowner known to have staked in commercial ventures at sea a considerable part of his wealth.[7]

7. Examples of the medieval commercial contracts in translation, with introductory critical essays and bibliography, can be found in Robert S. Lopez and Irving W. Raymond, *Medieval Trade in the Mediterranean World* (New York and London 1955); the essays are brought up to date in Robert S. Lopez, "Les méthodes commerciales des marchands occidentaux en Asie," reprinted in my *Su e giù per la storia di Genova* (Genoa 1975). One of the contracts has recently been discussed in J. H. Pryor, "The Origins of the Commenda Contract," *Speculum* 52 (1977) 5–34.

In the following centuries, as commercial capital grew faster and faster through its own profits and by attracting investments from Italian noblemen and landowners, agrarian credit and consumption loans receded into the back streets of business, not so much because of religious scruples as through economic competition. They still could serve as a start for better things, but only on condition that the lender or his descendants convert either to landowning or to commerce proper as soon as they had the means to do it. The despised class of pawnbrokers was formed by people who had lingered too long in the old tracks, either by choice or, if they were Jewish, because they were forcibly confined to them. Merchants had the best chances to take the lead in banking, but for a long time most of them, especially in the maritime cities, kept the bulk of their capital invested in commodity trade, using credit only or mainly as an accessory to that trade. When, later, some of them, especially in cities of the interior, shifted a substantial part of their investments to moneylending for its own sake, they operated on a larger scale than other lenders, thanks to their commercial resources and connections. These merchant bankers, however, were less attracted to the daily routine of small and medium credit transactions that formed the core of exchange, deposit, and transfer banking. Such transactions, no longer carried out in Italy by moneyers as a subsidiary activity of the mints, had a new spurt as commerce multiplied the occasions for them, and as credit on trust disengaged them from hard cash and solid mortgages. They gave rise to a new class of "money changers" (*cambiatores, campsores,* or *bancherii*), who from generally humble beginnings grew into the largest and most versatile group of late medieval credit agents. Not without reason has the word *banker* become the all-embracing professional term.

So far I have kept to generalizations, which had to be hazy because sources prior to the late thirteenth century remain fragmentary and often elusive. The rest of this essay will be devoted to a closer examination of individual bankers and banks as they can be perceived in that light of dawn. Probably the first visible lark is one Paul *cambiator*, showing up in a Roman contract of 1083 whereby he lends money to the church of St. Peter at 20% interest, under a mortgage on real estate. There is nothing new in mortgages, but the moderate interest rate indicates a transition from consumption to commercial loan. In 1120 some unnamed "Romans" lent at the same rate to Genoese ambassadors a sum of money which the ambassadors spent to buy supporters at the papal court in a litigation about the jurisdiction of the Genoese and Pisan archbishops over the Corsican church. The investment was profitable: Pope Calixtus II ruled in favor of Genoa.[8]

Neither Rome nor Genoa became banking leaders in the following medieval centuries, but Genoa happens to preserve the earliest notarial minute books that have survived (from 1154 on), and these books are the first source that contains a fairly large number of documents showing bankers at work. Indeed, nearly all their entries concerned trade and involved credit transactions, but only a minority were drafted by or for bankers, who recorded routine operations in their own books and resorted to notaries only for special contracts. Moreover, Genoa was primarily a city of sea merchants. A large proportion of the bancherii who lived and worked there were of foreign extraction, mostly from two cities of the Italian interior—Asti and Piacenza—with a sprinkling of Provençals. Most or all of them did not personally own their bank but rented it from Genoese capitalists who in turn had bought the

8. L. Schiaparelli, "*Le carte antiche* dell'archivio capitolare di S. Pietro in Vaticano," *Archivio della Società Romana di Storia Patria* 24 (1901) 492–93; Robert S. Lopez, *Storia delle colonie genovesi nel Mediterraneo* (Bologna 1938) 106–09.

permit from their commune and did not choose to practice as bankers.[9]

It appears from the notarial minutes and official records that the tenants of a *banchus, tabula cambii*, or *mensa nummularia* were responsible to the Genoese government for converting domestic and foreign currencies into one another as the market required, ferreting out forged or forbidden coins, and generally watching over the circulation. The government soon required them to keep their cash and records available for inspection, and to obtain guarantors who would be answerable for their outstanding debts up to a certain amount. In return for these restrictions, the government backed the bankers' credibility: it recognized entries in their books as legal proof of transactions carried out through them. Somewhat later, it ordered guardians of minors to deposit the wards' money in a bank. This gave the bancherii an advantage over ordinary merchants in conservative investments and small savings. Most citizens found it convenient to deposit some of their money in a bank account and receive a moderate interest (often camouflaged as an optional bonus) while using the account for receiving and making payments by written transfer in the banker's book. A reliable depositor was often allowed to overdraw his account within certain limits. The banker, in turn, was entitled to invest in his own trade the deposits of his clients.

In the late twelfth century the bankers who resided in Genoa had not yet risen much above mediocrity. Their cash reserve was so modest that some of them took it home in a box every night for safekeeping. Most of their transactions involved small sums, seldom exceeding a hundred pounds at a time.

9. A concise but excellent discussion of banking in Genoa around 1200 can be found in Raymond de Roover, "New Interpretations of the History of Banking," reprinted in *Business, Banking, and Economic Thought in Late Medieval and Early Modern Europe: Selected Studies of Raymond de Roover*, ed. Julius Kirshner (Chicago and London 1974) 200–38, with bibliography. A few additional details, drawn from municipal charters, are quoted in Robert S. Lopez, *La prima crisi della banca di Genova (1250–1259)* (Milan 1956) 23–25.

The margin between the premium they offered to depositors and the interest they charged to borrowers (in one known instance, respectively 10 and 20% annually) was too small to bear comparison with the risky profits of successful merchants (in one known instance, 200% in less than three years). But if around 1200 commerce still was the leading propeller of economic growth, banking already played a significant role at the grass roots, offering a reward to the shyest investor, bringing credit within reach of the petty trader and craftsman, and making mere entries in books of account a flexible substitute for disbursements of cash. In the course of the thirteenth century, the cleavage between bankers and merchants tended to disappear: on the one hand, risks and profits of commercial investments were lowered by better organization and increased competition; on the other hand, risks and profits of banking were heightened as bankers broadened the scope of their operations and relied more on fractional reserves. The ground was prepared for the emergence of the compagnia or partnership of merchant bankers, which combined the methods and the investments of both branches, much as modern corporations tend to diversify their activities in order to balance their risks and get a finger in every pie. The great scholars I have mentioned concentrated their attention on the merchant bankers of the fourteenth and fifteenth centuries; but a study of the dawn of late medieval banking must conclude with a description of one of the earliest partnerships whose main features may be reconstructed from the Genoese records: the Leccacorvo company, which rose and fell in the course of a business cycle between 1244 and 1259.[10]

10. From now on, the documentation of the present paper will be drawn almost entirely from two of my earlier works, *La prima crisi*, cited in the preceding note, and *Settecento anni fa: Il ritorno all'oro nell'Occidente duecentesco* (Naples 1955), with the only addition a few documents published or quoted in Franco Guerello, "La crisi bancaria del piacentino Guglielmo Leccacorvo," *Rivista Storica Italiana* 71 (1959) 292–311, and in *Corpus statutorum mercatorum Placentiae*, ed. Piero Castignoli and Pierre Racine (Milan 1967), especially in Racine's introduction. It would be pointless to accumulate here references that are

Officially licensed as a *societas banchi* or *tabula nummularia*, the firm was informally called "the bank of William (Guglielmo) Leccacorvo and partners." Under the law, all partners' names had to be registered with the financial department of the Genoese commune; the notarial minutes identify only a few, all of them citizens of Piacenza though resident in Genoa and belonging to distinguished families. Five of Guglielmo's ancestors had been elected consuls (i.e. chief executives) of the Placentine commune for one, two, or three annual terms. William's father was almost certainly a Stefano Leccacorvo, *miles* (i.e. knight; but commoners were often knighted in the Italian communes), who attached himself in 1221 to the service of Cardinal Ugolino of Segni, later Pope Gregory IX. Another Stefano (William's son?) was invited to head the commune of Perugia in 1259, as captain of the people; Uberto Leccacorvo was appointed high justice (*juge mage*) of the commune of Marseille in 1254. Exactly a hundred years earlier, the first known member of the family had been one of the notables who attested that Genoa had paid off a debt contracted with Placentine lenders. His Christian name is unknown; documents just call him Leccacorvo ("lick a raven"), probably a bizarre and possibly an obscene nickname which stuck as the family name of his descendants. A later list of Placentine consuls (he was one of them) dubs him "Viscount Leccacorvi," but this may have been another nickname rather than a vicecomital title.

It was not unusual for a Placentine to move from his landlocked city to Genoa, the nearest and friendliest seaport, but there must have been special reasons for a descendant of five consuls to quit his home forever. As a matter of fact, for over

easily available in my earlier books, which in turn have served as references for all later works where the Leccacorvo bank is mentioned; only the tidbits of information that have come to my notice during the last twenty years will henceforth be singled out in notes. No historical essay, however, is definitive, least of all to its author. As I was trying to condense hundreds of pages into less than a dozen, I revised my views and modified some of my comments, so that the new pages are really new.

thirty years an "association of the knights of Piacenza," unwilling to put up with the "popular" government which had seized control of the city, chose to live in exile. Several members of the Leccacorvo were prominent and pugnacious members of the association. William, who apparently had a quieter temperament—he was nicknamed "the Fat"—just settled in Genoa and started a new business: a banker needs no political feuds; anyway, the all-Italian two-party system (Guelphs and Ghibellines), which had been stretched to cover local interests and family quarrels, was breaking down. He did not sever all relations with the Ghibelline government of Piacenza, which availed itself of his bank for some important transactions, but utilized the connections of the Placentine exiles with the Guelph government of Genoa, and with any prominent family in that city. His earliest extant contract is of 5 March 1244; only a few notarial minutes of 1243 have survived. In 1243 the most powerful Guelph family of Genoa (the Fieschi) had seen one of its members elevated to the papal chair; this may have been an additional reason for Leccacorvo's moving, since Innocent IV, his relatives, and his allies were to have intensive if stormy business relations with him and his bank.

Whether by choice or by accident, the timing could not have been better. Genoa, allied with Innocent IV, was gradually beginning to get the upper hand in an uphill struggle against Emperor Frederick II and a number of Genoese exiles. The death of Frederick in 1250 sealed the triumph of the Genoese Guelphs, who felt strong enough to call back the exiles (but an attempt at bringing about a similar reconciliation in Piacenza, with Uberto Leccacorvo as the principal negotiator, failed). Far from stymieing economic development, the war had multiplied opportunities for private gain, most spectacularly in naval construction, simultaneously stimulated by another war, St. Louis's crusade of 1248. By freeing obstructed routes and releasing military budgets, the return to peace added drive and scope to economic growth, with fresh emphasis on expensive consumption goods and long-distance trade, but with considerable progress in humbler local crafts

as well. Nor was Genoa alone in riding the tide of the Commercial Revolution, then nearing its peak almost everywhere in Western Europe. Never before had the average standard of living improved so rapidly, or the self-confidence of businessmen been so great. The boom called for an accelerated expansion of credit; as hard commercial credit threatened to fall behind the demand, soft credit through overdrafts or "dry" contracts of exchange became more attractive. By allowing a depositor to overdraw his account, a banker created credit at no greater inconvenience than an additional strain on his fractional reserve. By charging a banker (or, for that matter, another merchant) with supplying foreign exchange in a foreign place, while agreeing overtly or covertly that he would waive repayment abroad in order to receive postponed payment in the currency and place of origin, a merchant (or another banker) created feedback credit. These and other gimmicks uplifted the banks from a subordinate to a leading role in economic development and eventually promoted the transformation of the most powerful among them into "companies of merchant bankers."

The bank of William Leccacorvo and partners was one of the first that presented some of these characteristics. It had fewer employees than the Bardi and Peruzzi banks of the fourteenth century and bore no resemblance to a holding company as did the Medici bank of the fifteenth; in the history of medieval banking, Leccacorvo's time was past dawn but not yet high noon. If we had at least one of his "cartularies" (bank books), to which the notarial books frequently refer, we would probably see that they were not kept in double entry accounting, the first extant, fragmentary examples of which are half a century later; but they must have been in good order, for the Genoese commune was very exacting in that respect. From nearly two hundred randomly preserved minutes concerning the bank, we can, however, get a fairly clear idea of its internal organization, its assets, and its activities. As compared with later companies of merchant bankers, where senior partnership was tightly determined by seniority in a single family tree, while the rank and tasks of all other members were sharply defined by contract, the Leccacorvo bank looks quite unstructured and informal. Nobody by the name of Leccacorvo but William is ever mentioned as attached to the partnership in any way.

Next to him, the most influential partner was Leonardo Rozo, whose pedigree included two former consuls of Piacenza: he countersigned most of the contracts and, after William's death, took over the direction of the already bankrupt company. Only one document also lists Vacario Rozo (Leonardo's brother or cousin?), Alberto Diano, "and other partners." It is impossible to tell whether Rozo Rozi, Guglielmo Rozi (Vacario's son), Giacomo Diano, Bulgarino Pegoraria, and Stabile Mussadibove, who at different times were given unlimited proxies, were partners or salaried employees. Curiously, Leonardo Rozo himself could not make up his mind in a contract as to whether Iacobino Pegoraria should be called a "partner or agent" of his. The bank does not seem to have established any permanent branch outside Genoa, although it occasionally appointed temporary agents to look after its extensive interests in one or another foreign place. Leccacorvo himself did not hesitate to do business on his own, independently of his bank, especially on behalf of a commercial association formed by three close relatives of Innocent IV—Obizzo, Nicola, and Tedisio Fieschi—for a value of 1,400 pounds in 1253. By the early fourteenth century such a separate action would have been regarded as a conflict of interests.

The organization was loose, almost rudimentary, but its business was not. There is no question that the basic activities of the Leccacorvo company were in the field of exchange and deposit banking. Long-distance contracts of exchange are the most frequent item in the series of notarial minutes concerning that company. The majority provided for "dry" exchange, with the fairs of Champagne as the first and fictitious destination and the option of postponed reimbursement in Genoa, but a few embodied a bona fide transfer of funds needed abroad; one of them, a notarized letter, looks like the missing link between contracts and bills of exchange. Transfers

through entries in the bank books, mostly entailing overdrafts, are mentioned almost as often—just mentioned, because a notarial certification of an entry in a banker's book was hardly ever needed. Notarial contracts usually were instruments of credit for people of means: the Leccacorvo bank did most of its business with established merchants, bankers, and government officials, including the communes of Genoa and Piacenza, Louis IX of France, and the pope. With craftsmen and other small fry, it used the traditional "free and loving loan" (*mutuum gratis et amore*)—that is, actually, a loan with concealed interest built in. The rate did not have to be exorbitant: prosperity was around the corner, and an enterprising woolmaker could be a good risk.

The notarial minutes also show that the bank was steadily expanding its investments in the direction of trade. Some of them may look whimsical: at least once in his life, William Leccacorvo, the "fat" banker from the flat city of Piacenza, decided to get a taste of the life of the sea captains and merchants who surrounded him in Genoa. He embarked for Sicily as the traveling party of a commenda (a popular contract mixing loan with partnership), carrying along a batch of cheap German and Lombard cloth borrowed from a Placentine fellow-banker. Another time he bought a flock of goats, for what purpose we cannot guess. The other known investments were of the usual kind: fine French cloth, Oriental silk, spices, furs, cotton goods, wool for the growing local industry, salt for universal consumption—all this through the usual commercial contracts of sea loan or commenda. The destinations, too, were not unusual—Genoa, other Italian cities, France, the Levant, the African ports of the Mediterranean—except one. In 1253 Leccacorvo invested some Fieschi money in a commenda for Safi, a Moroccan port on the Atlantic coast and a terminus for caravans bringing gold dust from the interior. Preceding by a few days another commenda by another investor for the same destination, this is the earliest extant evidence that the Genoese were pushing that far south along the route that would eventually take Vasco da Gama to India. It also is one of several pieces of circumstantial evidence suggesting that the Leccacorvo company may have been involved in a decision of great and durable historical importance: the return of Western Europe to gold coinage as the best remedy against money shortage and rampant inflation.[11]

The long and intricate story of the transition from the age of the silver denier to that of the gold genoin, florin, and ducat can only be summarized here. For half a millenium, nearly everywhere in Western Europe, deniers had been virtually the only coins struck by the mints; if gold coins were desired, they had to be imported from the Byzantine and Muslim world. As time went by, the growth of the population, the increase in monetary transactions, and the price inflation that often goes along with economic expansion caused the supply of deniers to be chronically inadequate. No matter how much the mines and the mints accelerated their production, there was always too little cash at hand. This encouraged the ever-present temptation for governments to multiply the currency by adding copper to the alloy and eroding the weight of their deniers; to little avail, for debasement was easily recognizable, and the purchasing power of a denier was not determined by its nominal value but by its actual silver content. Credit, for those who could get it, rose to every emergency to fill the gap; still, hard cash was indispensable at some point, and the lack of a stable monetary unit greatly

11. My interpretation of the monetary reform of 1252, assigning to the gold genoin a slight priority over the gold florin, was further elaborated in two papers of mine, "Back to Gold, 1252," *Economic History Review* 2nd ser. 9 (1956) 219–40, and "Prima del ritorno all'oro nell'Occidente duecentesco," reprinted in my *Su e giù* (n. 7 above) 305–12. I do not know whether they have convinced Philip Grierson, who had expressed some skepticism in a review of *Il ritorno all'oro* (n. 10 above); otherwise my thesis seems to have been generally accepted, except in Genoa (*nemo propheta in patria!*). A number of Genoese scholars still hold to the thesis that the gold genoin was first struck in the early thirteenth century; see lastly Giovanni Pesce and Giuseppe Felloni, *Le monete genovesi* (Genoa 1975). Their interpretation, which has found no support outside of Genoa (Grierson's doubts concerned a possible priority of the gold florin), leaves me unconvinced; but this is not the proper place for a detailed discussion.

embarrassed all people—bankers and bookkeepers more than anybody else. Responding to pressure at long last, one government after another introduced at the side of the debased coins a "strong" or "groat" denier with a better weight and alloy. This, however, provided only a partial solution, for the gap between supply and demand began in the mines. The groat was dragged into the same pattern of debasement as the "petty" denier, which had been degraded to the role of fractional currency.

By the mid-thirteenth century the monetary confusion had reached nightmarish proportions. Each Italian commune and foreign state used its own system of weights and alloys; each of them kept going two series of differently debased deniers, old deniers circulated simultaneously with younger ones of a worse kind. Bookkeepers had to reckon with innumerable systems of account, pegged to deniers of different quality; businessmen had to juggle with coins of unpredictable quality; mints had to do the best they could with whatever silver they received. In a contract of 1253 the Leccacorvo bank defined a cash payment in the following terms: "£2,053 10s. 8d. Genoese . . . for which we promise to give . . . as much silver in old Genoese or Venetian groats, at the rate of £5 8s. 8d. per pound of silver, as will make up that sum." Bankers who found it difficult to get hold of exactly the number and type of groat they needed tried to acquire control of a mint. In 1253, the Leccacorvo bank tried to activate a mint near Genoa and strike groats of the best Genoese standard, through a partnership with Giacomo Fieschi and the Bonsignori bank of Siena, but the plan apparently failed to obtain the required authorization of the Genoese commune. Undeterred, in 1258 the bank bought its way into the mint of Cuneo, which produced "strong" deniers.

By that time, however, the importance of the groat had been reduced by the success of a more radical reform. The gold genoin, issued in 1252, a few months before Florence followed suit by issuing the gold florin, had placed at the disposal of business the stable coin it needed; gold had been mobilized to supplement the output of silver. The official

Genoese annals recorded the event tersely, without fanfare and with no mention of the people behind the reform; the plain, unassuming appearance of the genoin indicates that it was not meant to be a political symbol or an artistic feat but primarily an economic tool. Who were the promoters? The coin was launched precisely at the moment when the gold-silver ratio hit its lowest point in many centuries; as soon as gold became a metal for minting, its price in terms of silver jumped. Only a shrewd handler of money could have thought of that and turned it to his profit. The fact that Leccacorvo responded to the reform by trying to strike silver and to get close to African gold dust would be no proof that he was one of its authors. That he invested Fieschi money in both operations at a time when the Fieschi were all-powerful in Genoa may also be irrelevant. There is, however, stronger if circumstantial evidence: Perugia, after Genoa and Florence the third city to plan the adoption of gold coinage, in 1259, was then governed by Stefano Leccacorvo.

The year 1259, however, was ill-starred for the Leccacorvo family. Perugia did not succeed in carrying out the monetary reform. In Genoa the Leccacorvo bank suddenly crashed. Shortly after (some time between 28 July and 4 August), Guglielmo Leccacorvo died. A writer of historical fiction might suggest that a prolonged illness of Guglielmo caused panic among his creditors and deprived Stefano, his son(?), of backing for the minting of gold. But an economic historian cannot indulge in such guesses and does not actually need them. The failure of the bank is not surprising in view of the dramatic economic and political changes in Genoa from 1254 on. The postwar boom had spent its impetus. Shipbuilding, banking, and the crafts had overexpanded. Military successes against Pisa had been offset by serious reverses in Sicily and the Levant. With the arrogance of power, the dominant Guelph families had appropriated the spoils of war, turned the financial difficulties of the commune to their personal gain, antagonized the lower classes, and yielded to papal pressure against religious dissenters. In 1255 and 1256 several woolmakers and at least two banks failed, while governmental

corruption was becoming an open scandal. In 1257 a popular revolution with support from prominent Ghibelline families delivered full powers to a wealthy bourgeois, Guglielmo Boccanegra, who began putting public finances in order, assisting the unemployed with a program of public works, and aiding tottering businessmen as best he could. Under his stern, careful administration the economy gradually improved, but the lingering slackness of the market caused a number of additional failures. A favorable treaty with the Byzantine Empire in 1261 brought prosperity back, but its commercial and political dividends came home only the following year—too late for Boccanegra, who was ousted by a Guelph counterrevolution. Seven years up, seven years down between 1248 and 1261: that, according to extant sources, was the span of the business cycle.

Why did the mighty Leccacorvo bank succumb to a conjuncture which, unfavorable as it was, spared many of its smaller rivals? No doubt because its persistent fortune lured it into overexpansion. In an interesting paper, published on the seven-hundredth anniversary of the crash, Franco Guerello pointed out that the company had an earlier close call in February 1250, but escaped bankruptcy because its guarantors and friends pledged to raise at short notice £13,500 in Genoa and £5,500 in Piacenza, a very considerable sum for that period.[12] That prowess could not be duplicated nine years later, when Leccacorvo and his partners came again to grief after spreading their commitments steadily through boom and bust. In 1258 they were still reaching for control of the mint of Cuneo; by January 1259 they had already been pronounced bankrupt, with more than a hundred creditors, including a cross-section of the Genoese upper class (both Guelph and Ghibelline) and many foreign merchants living in Genoa. All that their guarantors could do in their behalf was to agree with the creditors on a 10% rebate on the debts, and to have them honorably confined under guard in a counting house instead of the debtors' jail, significantly dubbed Malapaga

12. See n. 10 above.

("bad payment"). Even the latter concession, which made it easier for the disgraced bankers to trace and reclaim their outstanding credits, was begrudged by that Giacomo Fieschi who not long before had joined Leccacorvo in a plan for striking silver groats: apparently he had not objected as long as his former partner was alive, but shortly after Guglielmo's death he demanded that the survivors be locked up in a more secure place. Indeed, the Fieschi were impatient creditors: in 1253, when the bank was in its prime, Pope Innocent IV, Giacomo's uncle, had threatened Guglielmo with excommunication unless he completed at once the payment of a sum due to the pontiff.[13]

The story of the Leccacorvo company largely anticipates that of the better-known banks that rose and fell after it—Bonsignori of Siena, Bardi and Peruzzi of Florence, Fugger of Augsburg, and many others. Only one comment seems necessary here. Without minimizing the psychological and practical impact of doctrinal condemnations of interest, I would stress that they never were a major hindrance to the growth of credit institutions. Deep in their hearts, people realized that there was a difference between consumption and business loans; Innocent IV would not have excommunicated Leccacorvo as a usurer but only as a dilatory payer. Men will sin; casuists and traders will find ways to turn obstacles; losing patience with cavils, the Genoese government eventually decreed a stiff penalty for debtors who would invoke canon law to get out of their obligations. The ingrained conviction that credit on trust should always entail punishment on default was a far more serious impediment; prisons for debtors still existed in the nineteenth century. In the Middle Ages, when the recovery of credits was infinitely slower than now, kings like St. Louis being among the worst payers, every bank that soared was sooner or later destroyed by an often unjustified rush of its creditors. There is no indication in the sources that the Leccacorvo company ever tried to evade its responsibilities; though its failure had serious and lasting repercussions, twenty years after the crash another Placentine bank had hired one Gianone Leccacorvo as its agent in the Levant. It did not matter: in 1259 Guglielmo Leccacorvo could not pay all creditors at once, and a bank which really was not incurable had to fail.

13. Guerello's comments on the documents of 1250 which he found and published convince me in all but one respect: I do not believe, as he does, that the loss of support from the Fieschi family had a crucial importance in the failure of 1259. The only ascertainable support they had given in 1250 amounted to one hundred pounds pledged by Giacomo Fieschi; in 1259 he had lost his influence on the government, and his request for a stricter custody of the bankers received a curt answer from the guarantors of the bank, who obviously had no intention of taking action.