ECO 301Y1
Economic History of Later Medieval and Early Modern Europe, 1250 - 1750

Topic no. 5 (7): The Church, the Usury Question, and Banking Institutions in Late-Medieval Europe

READINGS: arranged, by topic section, in the chronological order of original publication. The more important are indicated by asterisks *

A. The Church and its Economic Doctrines and Philosophies: Usury and Just Price

1. Eugen von Böhm Bawerk, Capital and Interest: A Critical History of Economical Theory, trans. William Smart (London: MacMillan, 1890). An analysis of the development of the theory of interest from earliest times, through the medieval usury doctrine, to the 19th century. See also:


* 31. John Gilchrist, The Church and Economic Activity in the Middle Ages (New York, 1969), in particular chapters 4-6, pp. 48-121, but especially pp. 62-75. Somewhat outdated; and I do not agree with all of his views on the usury question.


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110. Mark Koyama, ‘Evading the “Taint of Usury”: The Usury Prohibition as a Barrier to Entry’, Explorations in Economic History, 47:4 (October 2010), 420-42.


Note: The following section also contains articles on the usury question and other scholastic economic doctrines.

B. Medieval Banking: The Publications of Raymond de Roover


4. Raymond de Roover, ‘Early Accounting Problems of Foreign Exchange’, Accounting


* 16. Raymond de Roover, The Rise and Decline of the Medici Bank, 1397-1494 (Cambridge, Mass. 1963), especially chapters II (pp. 9-34) and VI (pp. 108-41).


18. Raymond de Roover, San Bernardino of Siena and Sant'Antonino of Florence: The Two Great Economic Thinkers of the Middle Ages (Boston, 1967).


C. Other Studies on Late-Medieval Banking and Credit: Private and Public Finance

1. Gerolamo Biscaro, ‘Il banco Filippo Borromei e compagni di Londra (1436 - 1439)’, *Archivio storico Lombardo*, 40 (1913), 302-.


(a) Werner Sombart, ‘Medieval and Modern Commercial Enterprise’, pp. 25-40.

(b) Gino Luzzatto, ‘Small and Great Merchants in the Italian Cities of the Renaissance’, pp. 41-52.

(c) Armando Saporri, ‘The Culture of the Medieval Italian Merchant’, pp. 53-65.


   (a) Raymond de Roover, ‘Organization of Trade’, pp. 42-118.
   (b) Charles Verlinden, ‘Markets and Fairs’, pp. 119-150.


31. Frederic C. Lane, Venice and History: Collected Papers (Baltimore, 1966). In particular the following:
   (a) ‘Family Partnerships and Joint Ventures in the Venetian Republic’, pp. 36-55.
(b) ‘Investment and Usury’, pp. 56-68.
(c) ‘Venetian Bankers, 1496-1533’, pp. 69-86.


36. Abraham Udovitch, Partnership and Profit in Medieval Islam (Princeton, 1970), especially chapters IV (Hanafi Limited Investment Partnership) and VI (The Commenda).


(c) Thomas Blomquist, ‘The Dawn of Banking in an Italian Commune’, pp. 53-76.

(d) Michael Prestwich, ‘Italian Merchants in Late Thirteenth and Early Fourteenth Century England’, pp. 77-104.

(e) Jean-Francois Bergier, ‘From the Fifteenth Century in Italy to the Sixteenth Century in Germany: A New Banking Concept?’ pp. 105-30.


** Warning:** Spufford offers the fallacious argument that, because the bill of exchange served the dual functions of an investment contract and a remittance/transfer instrument, there were two sets of exchange rates, according to which function was being served. That error was based upon the faulty calculation of Venetian exchange rates with London, as demonstrated in the article by Reinhold Mueller (1995), listed below, as no. 100.


(a) ‘Money and Credit in Medieval and Renaissance Italy’, pp. 141-61. [Translated from the original Italian, in no. 35 above.]

(b) ‘Medieval Merchants and Financiers’, pp. 162-84. [Translated from the original Italian in a forthcoming publication]


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72. Eric Kerridge, Trade and Banking in Early Modern England (Manchester University Press, 1988). Though chiefly early-modern (and thus for next term's topic on credit and banking) there is some important material on the later-medieval developments.

73. Michael North, ed., Geldumlauf, Währungssysteme und Zahlungsverkehr in Nordwesteuropa, 1300 - 1800: Beiträge zur Geldgeschichte der späten Hansezeit, Quellen und Darstellungen zur hansischen Geschichte, new series, vol. 35 (Cologne-Vienna, 1989). See in particular:


(h) Henryk Samsonowicz, ‘Die Rolle des Kredits im Wirtschaftsleben des mittelalterlichen Polen’, pp. 159 - 70.


(a) Rondo Cameron, ‘International Private Banking from the Late Middle Ages to the Mid-Nineteenth Century’, pp. 17 - 34.
(d) Umberto Santarelli, ‘«Maxima fuit Florentiae altercatio»: l'usura e i «montes»’, pp. 81 - 94.
(f) Geoffrey T. Mills, ‘Early Accounting in Northern Italy: the Role of Commercial Development and the Printing Press in the Expansion of Double-Entry in

(g) Jürgen Schneider, ‘Messen, Banken und Börsen (15. - 18. Jahrhundert)’, pp. 133 - 70.

(h) Marcello De Cecco, ‘Nascita e sviluppi del sistema monetario internazionale’, pp. 171 - 80.

(i) Mark Steele, ‘Bankruptcy and Insolvency: Bank Failure and its Control in Preindustrial Europe’, pp. 181 - 204.


(m) Felipe Ruiz Martín, ‘La banca genovesa en España durante el siglo XVII’, pp. 265 - 74.

(n) Reinhold C. Mueller, ‘«Quando i banchi no' ha' fede, la terra no' ha credito». Bank Loans to the Venetian State in the Fifteenth Century’, pp. 275 - 308.


(q) Michele Cassandro, ‘Caratteri dell'attività bancaria fiorentina nei secoli XV e XVI’, pp. 341 - 66.


(u) Fausto Piola Caselli, ‘Banchi privati e debito pubblico pontificio a Roma tra Cinquecento e Seicento’, pp. 461 - 96.


Paul Soetaert, ‘Gestion, technique de prêt et signification économoc-sociale des monts-de-piété aux Pays-Bas méridionaux (XVIIe - XVIIIe siècles)’, pp. 789 - 798.

Helma Houtman-De Smedt, ‘Les banques et le système bancaire aux Pays-Bas autrichiens au XVIIIe siècle’, pp. 797 - 808.


Esteban Hernandez Esteve, ‘Aspectos organizativos, operativos, administrativos y
contables del proyecto de erarios publicos. Contribución al estudio de la banca pública en España durante la baja Edad Media y comienzos de la Moderna’, pp. 963 - 1032.


(uu) Santiago Tinoco Rubiales, ‘Banca privada y poder municipal en la ciudad de Sevilla (siglo XVI)’, pp. 1051 - 34.

(vv) Valentin Vazquez De Prada, ‘Cambistas, mercaderes y teologos en Castilla, a mediados del siglo XVI’, pp. 1135 - 56.

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See especially chapters 2 (‘The Italian Exchange Bankers and the World of Fairs’, pp. 17-42) and 4 (‘The European Area of Exchange by Bills’, pp. 66-103). Though chiefly concerning the following period, it does offer some useful perspectives on the late-medieval era.


b) P. Racine, ‘‘Homme d’affairs ou “Lombards”: le cas de Gandoufle d’Arcelles’, pp.


g) T. Pazmandy, ‘Le crédit comtal à travers les comptes des trésoriers généraux de Savoie (1383-1386)’, pp. 81-92.

h) Denis Clauzel, ‘“Vivre à crédit ou payer l’impôt”? L’exemple de Lille (1320-1520)’, pp. 93-112.


l) P. LaFargue, ‘Bourgeois et crédit: les Bonivard et les ducs de Savoie (XIVe-XVe siècles)’, pp. 165-86.


p) S. Loraisse, ‘Un exemple d’utilisation des sources notariales dans l’analyse du crédit: le cas de Nancy et de Saint-Nicolas-de-Port (1480-1540)’, pp. 243-60.

q) A. Vandenbulcke, ‘Fonction publique et crédit au prince (1re moitié du XVIe siècle)’, pp. 261-70.


Fausto Piola Caselli, ‘Public Debt, State Revenue and Town Consumption in Rome (16th - 18th Centuries)’, pp. 93-105.


Denis Morsa, ‘La dette de la ville de Huy au 17e siècle’, pp. 149-62.


Martijn van der Burg and Marjolein ‘t Hart, ‘Renteniers and the Recovery of Amsterdam’s Credit (1578-1605)’, pp. 197-216.


Transactions from the Antiquity to 1914, Beiträge zur Wirtschafts-und Sozialgeschichte, no. 114 (Stuttgart: Steiner Verlag, 2008), pp. 153-94.


D. **The Role of the Jews and Muslims in Medieval Banking and Finance: and the ‘Usury Question’**


QUESTIONS:

1. What is meant by Usury; and how had the Church's Usury doctrine evolved by the 14th century?

2. Why did the medieval campaign against usury, both ecclesiastical and secular, intensify from the end of the 12th, beginning of the 13th century? What influence did the following have in both developing the usury doctrine and in fomenting greater hostility against usury:
   a) the reintroduction of Aristotle's writings into the Christian West
   b) the legal and theological refinements of the concepts of commutative justice and natural law
   c) the development of codified canon law, from Gratian's Decretum of ca. 1140 (Bologna).
   d) the application of Roman Law principles to the usury question; the rediscovery of Justinian's Institutes at Bologna.
   e) Lateran Councils III (1179) and IV (1215); and the papacy of Innocent III (1198-1216)
   f) the revival of popular preaching: the rise of the preaching and mendicant Orders (Franciscans and Dominicans)
   g) the developing concept of Purgatory

3. Under what conditions might an interest charge be legitimately requested on a loan of money, according to canon and civil law? What does the term interesse mean, and how is it distinguished from 'usury'? What 'exceptions' to the usury doctrine remained in dispute in the late Middle Ages? Discuss and define the concepts of mora, poena, damnum emergens, and lucrum cessans.

4. What distinction did the Church and canon law make between interest (usury) and profit; between profit and 'avarice'? What commercial contracts involving profit were legitimate under canon law? Explain the commenda, collegantia, and compagnia contracts. Why was it both licit and legal to receive rent for the loan of physical property, to receive a profit from the investment of capital in an enterprise (by either partnership or commenda contracts), but neither licit nor legal to receive interest (as usury) on a loan, apart from any exceptions mentioned above in no. 3.

5. What role did the Jews play in late-medieval European banking, finance, and trade? How were they affected by the anti-usury legislation? How and why did they serve, in particular, as licenced pawn-brokers and money lenders?

6. What is the medieval bill of exchange contract; and how did it evolve by the 14th century? Could interest be charged on a loan of money through a bill of exchange contract? Were interest charges 'disguised' in the exchange rates of a bill of exchange? Was the 'return' on a bill of exchange contract interest or profit?

7. What other functions, other than serving as a loan contract, did the Bill of Exchange serve?

8. What is the difference between bills-of-exchange banking and commercial deposit banking in the late Middle Ages? Did each have separate origins; and were each handled by separate merchants?

9. Why did the Italians dominate late-medieval banking and finance? Why in particular were Venice and Florence the centres of medieval banking, especially mercantile or bills banking?

10. What were the other forms of credit instruments in late-medieval trade and industry?

11. Compare and contrast credit and banking instruments used in Northern Europe -- the Low Countries and England in particular -- with those of Italy in the late Middle Ages. In particular, how did English 'letters obligatory' differ from Italian bills of exchange? How was northern trade financed?

12. What innovations in credit instruments occurred in the 15th century? In particular, what are the origins of endorsement and discounting? Why was the late-medieval Italian bill of exchange not 'discounted'?
A. CONTRACTS

1. Loan Contract, Genoa, 1161:

I, Embrone, have taken in loan from you, Salvo of Piacenza, £100 Genoese, for which I shall pay you or your messenger ... £120 within one year; but if I wish to pay you the aforesaid £100 and accrued interest before the next Feast of Purification, you must accept them.

2. Exchange-Loan Contract, Genoa, 1190:

We, Guglielmo Riccuomo and Egidio de Uxel, have received from you, Rufo, banker, and Bernardo, banker, an amount of exchange (‘cambiam’) Pavese by mid-Lent. Otherwise we promise you the penalty of the double, both of us liable for the whole amount.’

3. Petition Concerning Usurious Contract, Lucca, 1220:

Ugolino and Arduino, sons of the late Idebrandino, feeling weighed down by usuries which Genovese, recently deceased, had extracted from them, therefore appealed to the Supreme Pontiff asking that Filippo, priest and rector of the Church of San Piebo Somaldi, must not bury him before they are satisfied in regard to the usuries which they had asked him to return.

4. Exchange-Loan Contract, Genoa, 1292:

I, Bonifacino Malocello, acknowledge to you, Guglielmo of Augusta, that I have received from you £72 Genoese ... I promise to give and to pay you or your messenger ... by reason of exchange, 150 gold deniers Genoese of good and lawful weight in Tabriz -- namely, those coins which are worth 10 silver shillings Genoese apiece....

5. Loan Contract, Dijon, 1381:

Jehan le Joliet, burgher of Dijon and draper, acknowledges that ... he owes Giovanni Bernieri of Chieu, his brother Francesco, and Tommasso della Rochetta, all Lombards, residing in Dijon, 312 1/2 gold francs, by virtue of a loan actually made. For this loan and for these 312 1/2 gold francs, Philippe Griffon, burgher of Dijon, has constituted himself security and principal debtor ... The debt is to be paid within the next six months. And in addition to this, once the said six months have passed, for each of the gold francs not paid 2 deniers Tournois will be due as increment each week...

6. Bill of Exchange Contract, Bruges, 1399:

In the name of God, 18 December 1399: you will pay by this letter, at usance, Brunacio di Grudo the sum of £472.10s.0d. of Barcelona; the aforesaid £472.10s.0d. are worth 900 écus, at 10s.6d. per écu, which have been lent to me here by Riccardo degli Alberti and Company. Pay them in good and due form, and place them for my account. May God keep you.

Ghuglielmo Barberi
Salute de Bruges.

N.B.: 1 pound (£) = 20 shillings; and 1 shilling (s.) = 12 pence (d.) If the period of usance is 90 days and the nominal interest charge is 5%, then the annual rate of interest = 365/90 x 5% = 20% (approximately).
The écu here is not the famous French gold coin, but a Flemish silver-based money of account: 1 écu = 1s. 10d. or 22d. gros. If this écu had been worth in fact 10s. 0d. Barcelonese, instead of 10s.6d., how much ‘interest’ would be hidden in this contract?

B. WRITINGS OF THEOLOGIANS, CANON LAWYERS, JURISTS AND COURTS ON USURY

1. Episcopal Court of Toulouse - 1215.

‘And when the attorney of the Hospital admitted that the said money, namely 60 shillings of Toulouse, had been paid as usury, we ... condemned the attorney of the said Hospital to pay Raymond Augier the said 60 shillings from the properties of the deceased Pons David.’

2. Court of Provence - 1235

‘Likewise, it is decreed and established that no usury shall be taken in the sale of any good; and should anyone presume to do this, he shall be punished at the discretion of the court.’

3. Stephen of Bourbon - ca. 1220

‘Since they sell nothing but the expectation of money, which is time, they sell the day and the night. But the day is the time of light and the night of rest, and so consequently they sell light and rest. Therefore, it is not right that they should have eternal light and rest.’

4. Albertus Magnus - ca. 1200 - 1280

‘A lender may without sin enter an agreement with the borrower for compensation of the loss he incurs of something he ought to have, for this is not to sell the use of money, but to avoid a loss.’

5. Hostiensis (Henry of Susa) - ca. 1200 - 1271

‘If some merchant, who is accustomed to pursue trade and the commerce of fairs, and there profit from, has, out of charity to me, who needs it badly, lent money with which he would have done business, I remain obliged to his interesse, provided that nothing is done in fraud of usury... and provided that said merchant will not have been accustomed to give his money in such a way to usury.’

6. St. Thomas Aquinas - ca. 1225 - 1274

(a) ‘Purchase and sale are seen to have been introduced for the common utility of both parties, since one needs the goods of the other. But what was introduced for the common good ought not to be more of a burden on the one than on the other; and so the contract between them ought to be established according to an equality.’

(b) ‘All other things from themselves have some utility; not so, however, money. But it is the measure of utility of other things, as is clear according to the Philosopher [Aristotle] in the Ethics V:9. And therefore the use of money does not have the measure of its utility from this money itself, but from the things which are measured by money according to the different persons who exchange money for goods. Whence to receive more money for less seems nothing other than to diversify the measure in giving and receiving, which manifestly contains iniquity.’

(c) ‘In those things whose use is their consumption, the use is none other than the thing itself;
whence to whomever is conceded the use of such things, is conceded the ownership of those things, and conversely. When, therefore, someone lends money under this agreement that the money be integrally restored to him, and further, for the use of the money wishes to have a definite price, it is manifest that he sells separately the use of the money and the very substance of the money. The use of money, however, as it is said, is not other than its substance: whence, either he sells that which is not, or he sells the same thing twice, to wit, the money itself, whose use is its consumption; and this is manifestly against the nature of natural justice.

(d) I answer: that to receive usury for money lent is in itself unjust since it is the sale of what does not exist; whereby, inequality results, which is contrary to justice.'

(e) ‘It is said that the lender of money transfers the ownership of money to the borrower; so that the borrower holds it intact: hence, the lender should not exact more. But he often entrusts his money to a merchant or craftsman, by means of some kind of partnership, and does not transfer the ownership of his money to the latter, but it remains with him; so that the merchant trades with it or the craftsman uses it at the owner's risk; hence, he may lawfully claim a part of the gain, therefore, as being from his own property.’

7. **Giles de Lessius - 1278**

‘Future things over a period are not estimated to be of such value as things collected in an instant, nor do they bear such a great possible utility.’

8. **Nicholas Oresme** (1320 - 1382) from his *De Moneta*, ca. 1360:

‘It seems to me that there are three ways in which profit may be made from money, without laying it out for its natural purpose; one is the art of money-changing, banking or exchange, another is usury, a third is the alteration of the coinage. The first way is contemptible, the second bad, and the third worse. Aristotle mentioned the first two, but not the third, because in his times such wickedness had not yet been invented.’

9. **Laurentius de Ridolfis** - (Florentine civil jurist, from the *Tractatus de usuris*, written in 1404):

‘And if it is said that this money is not the principal cause of profit, but the industry of man, say that rather it is sufficiently the principal cause or fact, or at any rate the equally principal cause, since without money there occurs no place for gain.’