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CREDIT IN MEDIEVAL TRADE[1]

The extent to which medieval trade was based on credit does not figure among the favourite problems of economic history. Not that it has been entirely neglected, since the economic theorists have been busy over it for more than seventy-five years: it is the historian who is guilty of neglect. In his absence the field has been entirely appropriated by the economic theorist; and the latter, unsupported and unrestrained by research, inevitably produced notions unrelated to historical facts. These notions spring from the source whence have originated so many current preconceptions about the economic nature of medieval civilisation – namely, speculations as to the 'stages' of economic development. In the nineteenth century sociologists and economists regarded their age as biologists regard the *homo sapiens*, as the culmination of an evolutionary process. To them epochs of history were successive stages in the uninterrupted ascent of mankind from the crude primitivity of prehistory to the complex perfection of their own age. In accordance with this view, the economists have constructed a number of hypothetical models of the evolutionary ladder, in which every step differed from the one which followed in that it did not contain one or other element of the modern economic system, or else contained it in a less developed and a more imperfect form. As credit, especially in its alliance with trade, in fact constitutes an essential principle of our present economic system it was inevitably drawn into the schemes of economic progress. The argument was simple. If mercantile credit was one of the basic principles of our economic civilisation, then every successive stage of economic revolution made some contribution towards it, and therefore the further back we went the less important the function of credit became, until we reached a time when there was very little credit or none at all. Hence the prevailing notions of the absence or the undeveloped state of credit in the Middle Ages.

This view was given its clearest and sharpest expression by Bruno

[1] This paper first appeared in *Economic History Review*, I, 1928. The following abbreviations have been used: E. Ch. Pr.=Public Record Office, Early Chancery Proceedings; M.R.=Public Record Office, K.R. Exchequer Memoranda Rolls; A.V.=Public Record Office, K.R. Exchequer, Accounts Various; L.B.=Calendars of Letter Books (ed. Sharpe); P.M. Rolls=Plea and Memoranda Rolls at the Guildhall; *V.S.W.G.=Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte.*

Hildebrand, one of the fathers of the 'historical' school of political economy. He believed that the only differences between epoch and epoch which furnished principles of evolutionary classification were those relating to the methods of exchange. And from the point of view of the methods of exchange there were three main stages of economic development: the prehistorical and early medieval stage of natural economy when goods were exchanged against other goods; the later medieval stage of 'cash' (money) economy, when goods were bought for ready money; and the modern stage of credit economy when commercial exchange was based on credit.[2] The form in which Hildebrand expressed this view of the Middle Ages as the pre-credit era was too simple and straightforward to find general acceptance among historical economists. Karl Bücher, who on this question had a greater influence than any other of Hildebrand's successors, knew more about the Middle Ages and was careful not to make the presence or absence of credit the sole *differentia* between the various stages of economic development. But, in regarding the institutions of our civilisation as the product of a growth extending over the whole of European history, he was bound to assume that in the earlier stages credit could play only a minor part in economic life. There was some miscellaneous borrowing and lending in the Middle Ages, but it did not testify to the economic importance of credit. Medieval loans were always disguised into, or regarded as species of, other transactions with which the Middle Ages were more familiar, especially those of purchase and sale. Moreover, they were used not for production, but for consumption. 'It may even be doubted whether in medieval trade credit operations can be spoken of at all. Early exchange is based on ready payment. Nothing is given except where a tendered equivalent can be directly received.'[3]

Bücher's general theory of economic evolution now forms one of the axiomatic assumptions of historical research; and his views on credit were naturally adopted by historians with the rest of his theory. In England Dr Cunningham set out to describe the 'growth' of English industry and trade: the story of how England's economic power steadily waxed from the early Middle Ages. On the question of medieval credit he believed that only at the close of the Middle Ages did English foreign trade become important enough to afford an opportunity for the use of credit. Until then, notably in the thirteenth and the fourteenth centuries, the volume of English trade was modest and its methods primitive: the capital employed in it was very small, and there was hardly any room in it for credit. 'The demand for money for commercial and industrial purposes, at

[2] 'Natural-, Geld- und Creditwirtschaft' in *Jahrb. Nationalökonomie* (1864). For the theoretical criticism of Hildebrand's scheme, see Gustav Cohn, *System der Nationalökonomie* (1885), I, 454–5.

[3] *Economic Evolution* (English trans. by Wickett), 1901, pp. 128 seq. Restated in *Grundriss der Sozialökonomie*, I, part i (1924).

the only rates at which men were accustomed to lend, was practically nil'; 'money-lending had nothing to do with commerce; wealthy men borrowed in emergency, or to equip for a war'; 'it is very probable that even in emergency merchants did not often have recourse to borrowing, as the gild merchants made arrangements which enabled them, in some cases at all events, to get temporary aid'. As to 'credit as a basis for transactions of other kinds', 'there is a striking difference between those times and ours', as 'transactions were carried on in bullion; men bought with coin and sold for coin' – in other words, 'dealing for credit was little developed, and dealing in credit was unknown'.[4] These views are still common.[5]

There cannot be many topics in the economic history of the Middle Ages on which the evidence is as copious as on credit. The bulk of the evidence consists of records of debts. Most numerous of all are the records of 'recognisances' – i.e., debts acknowledged before judicial tribunals and entered upon their rolls. After the passing of the Statute of Burnell, 1283, the entries began to be concentrated on special rolls kept by the authorities empowered by the Act to receive recognisances. But before 1283, and to some extent after, recognisances were also entered on various official registers: the Letter Books of London, the registers of other municipalities, the Memoranda Rolls of the exchequer, and occasionally on the Close Rolls and the other chancery enrolments, or the rolls of the king's courts. The number which has survived amounts to several scores of thousands. The second class of references to debts consists of entries and documents relating to pleas of debt. Of these especially important are the petitions on debts among the early chancery proceedings at the Public Record Office; next come references to cases of debts brought before the municipal authorities for trial, execution, or other purposes, and recorded in various municipal registers, and above all on the Plea and Memoranda Rolls at the Guildhall. Of considerable importance also are the numerous Patent Roll entries of pardons for outlawry for not appearing before the royal justices on plaints of debt and finally comes the uncharted sea of the Plea Rolls and the various local court rolls.[6] The third class is composed of documents dealing with debts and credits, but not in connection with their recording, enforcement, or adjudication. To this class, in the first instance, belong the valuable inventories of debts and goods of foreign merchants, or lists of their transactions, compiled on several occasions in the thirteenth and the fourteenth centuries and now grouped together in the 'accounts various' of the exchequer at the Public Record

[4] I, 362–4, 463.

[5] There are, of course, exceptions. See Thorold Rogers, *Industrial and Commercial History* (1892), 69; E. Lipson, *Economic History* (1915), I, 528 seq.

[6] Strictly speaking, to this class of judicial records belong also the statute staple certificates at the Public Record Office – a multitude of documents judicial in purpose, but identical with ordinary recognisances in content.

Office. To these one must add the various collections of non-official documents, illustrating the financial transactions of medieval merchants, such as the Cely accounts in the chancery files[7] and their letters in the volumes 53 and 59 of the 'ancient correspondence' at the Public Record Office; a ledger of a fourteenth-century merchant, a day book of a fifteenth-century scrivener[8] and a vast number of other miscellaneous documents at the Public Record Office showing the medieval merchants in their dealings with each other. Lastly, there are numerous references to debts and credit in the more general sources such as the parliamentary rolls, Statutes of the Realm, Rymer's *Fœdera*.

It would be possible to enumerate other documents where medieval borrowing or lending is recorded, mentioned, or described. Not all these references to debts relate to mercantile credit, but the proportion of the latter is very high. Many debts were never enrolled or officially recorded, especially in the earlier centuries when the tally was still the commonest financial instrument, and in the later Middle Ages when various forms of informal bonds came into use. It was in the second half of the thirteenth and the first half of the fourteenth century that official enrolments in the shape of recognisances were most commonly used for the recording of debts; and it is in the recognisances of the thirteenth and early fourteenth centuries that the prevalence of mercantile debts is most clearly marked. The preamble to the Statute Burnell, introducing that system of recognisances which prevailed all through the later centuries, expressly stated that the new order was instituted for the benefit of the merchants. That this remained the avowed object of the reformed recognisance was declared or implied in all the subsequent measures dealing with this financial instrument. Some non-mercantile debts found their way into the recognisance rolls, whereupon the Ordainers commanded in 1311 that the Statute Burnell should not hold 'except between merchant and merchant, and of merchandise sold between them'.[9] The ordinance remained in force only until 1326, but even a cursory review of the rolls will show that for a number of years after 1326 they continued to deal chiefly with debts between merchants, which presumably arose out of ordinary mercantile transactions. It is only in the second half of the fourteenth century that a change came over the character of the entries in the Recognisance Rolls – a change reflecting not the evolution of credit itself, but a certain new departure in the nature of financial instruments.[10]

The conclusions to be drawn from this evidence are obvious. The abundance of mercantile debts clearly demonstrates that credit commonly

[7] Public Record Office, Chancery Miscellania, bundle 37.
[8] A.V. 509/19 and 128/37.
[9] Edw. II, c. 33; L.B.E., pp. 53, 213; *Rot. Parl.*, I, 457.
[10] This and other questions relating to the employment of financial instruments in the Middle Ages lie outside the present article

entered into the commercial practice of the Middle Ages. At the same time it must not be taken to imply the rare use of cash payments, since debts were recorded while cash transactions were not. It affords, therefore, no indication as to the relative importance of credit in the total volume of medieval trade, or as to its part in the turnover of individual merchants. Nor does it solve any of the problems essential for the correct understanding of the nature and function of mercantile credit. Granted that credit transactions were frequent, does it necessarily follow that there was an organic connection between credit and trade? Did credit enter into the ordinary commercial routine, and was it equally common in every branch and at every stage of business? Was it adapted to the multifarious needs of commerce? Did it fulfil the various functions which mercantile credit is theoretically supposed to fulfil? And was there any connection between its functions, its forms, and its methods? The problems are many, and no attempt will be made here to exhaust them all; neither will it be possible to deal with any of them separately. All it is proposed to do here is to review the chief forms of medieval credit in the hope that this will in itself throw light on the problems enumerated.

SALE CREDITS

'Sale credits' – that is, credits in the shape of deferred payments for goods sold or advances for future delivery – enter into the actual exchange of goods more directly than loans of money; and it was sale credits, rather than loans, that Hildebrand and his followers had in mind when denying the existence of mercantile credit in the Middle Ages. Fortunately no other form of credit is better served by the surviving evidence, so that even a summary treatment of facts will demonstrate clearly enough the extent to which sale credits were common in the different branches of medieval trade.

We may begin with the trade in goods retailed, as some of the fullest and earliest collections of recognisances, notably those recorded in the early Letter Books and Recognisance Rolls of London, consist largely of debts for goods intended for consumption in this country. Some of these goods, whether imported from abroad or produced here, were sold directly to the consumer; but most of them to other merchants. German historians have debated whether the Middle Ages possessed a class of traders who could be labelled as wholesalers. One point, however, is not disputed. Whether a separate class of wholesalers existed or not, wholesale trade was common throughout the Middle Ages. Goods were often handled in bulk and sold, not to the final consumers, but to other merchants, and often changed hands several times before being retailed. Now, the evidence of debts makes it clear that credit was demanded and allowed at every stage through which the goods passed from importer or producer to consumer.

Of the foreign commodities retailed in this country, wine seems to have lent itself best to handling *en gros* and to successive sales on credit. The trade in wine, like that in wool and cloth, attracted a large amount of capital, and was apparently open to all – vintners, cordwainers, drapers, curriers, saddlers, mercers, even princes, nobles, and ecclesiastics. Some bought for retail, others for resale to merchants. And whenever wine changed hands an opportunity for credit arose. To begin with, wine was often, though not always, bought on credit from wine growers and wine merchants in Gascony and Poitou. Then the importers, whether English or foreign, sold it on credit to retailers or wholesale merchants in England. The transactions recorded in London recognisances show wealthy vintners of the thirteenth or the early fourteenth centuries, like William Barache, Simon of Farnham, Allan of Suffolk, and others, regularly buying wine on credit from importers and reselling it again to taverners and smaller vintners. Occasionally they formed partnerships with taverners, who retailed their wine for a share in the profits. But often the chain between the importer and the retailer consisted of several links; there was more than one middleman, and consequently more than one credit transaction.[11]

Similarly in other commodities. Goods in common demand, like corn, leather, woad, etc., whether imported from abroad or produced here, and whether sold at fairs or distributed from the larger towns, changed hands several times before reaching the consumer, and every time they changed hands credit could be demanded and conceded.[12]

The terms of payment in the principal export trades were similar to those in the internal trade. Exporters of cloth in the later fourteenth and fifteenth centuries made almost exactly the same use of sale credits, and offered the same scope for them, as the wine traders. In its passage from producer to foreign consumer cloth went through several stages, at each of which credit invariably appeared as the governing principle of the transaction. Clothiers would, as a rule, deliver cloth to drapers and other merchants for export or internal sale on several months' credit. Sometimes an additional middleman would intervene: a wandering chapman who had bought the cloth on his circuit, or a big wholesaler, or, what

[11] See L.B.A., p. 6 (Falco), *The Red Register of Lynn*, I, 33; Letter Books A, B, and C, and Guildhall Recognisance Rolls 1–4, *passim*; F. Sargeant in Unwin, *Finance and Trade under Edward III*.

[12] The early Letter Books and Recognisance Rolls at the Guildhall abound with references to chaloners, cordwainers, and leathersellers buying leather, yarn and other commodities from foreign importers. For credit in the fourteenth and fifteenth centuries between wholesalers and country retailers, see the very numerous references in the Patent Rolls (Pardons for Outlawry), also E. Ch. Pr. 6/20, 7/122, 9/382, 26/272, 46/144.

seems to have been quite usual, occasional speculators drawn from various trades and occupations. A Chancery petition of the beginning of the fifteenth century tells an interesting story of a quantity of blankets bought by 'certeyn chapmen', resold by them to two vintners, who in their turn resold it *in solido* to someone else. At each stage, except the first, of which we are told nothing, the cloth was sold on credit. And this was apparently quite an ordinary transaction.[13] Nothing can demonstrate better the dependence of the English cloth trade on the system of postponed payments than the failure of the Act of 1430 as to credit sales to foreigners. It was enacted then that no Englishman should sell his goods to aliens except for ready money and goods. A year later, however, the Commons petitioned and Parliament enacted that it should be lawful to sell cloth to aliens 'per apprest de paiement . . . de 6 mois a 6 mois', as otherwise the cloth 'could not be uttered or sold'.[14] But even in this form the statute could not be enforced. Goods other than cloth continued to be sold to foreigners on credit, while in the sales of cloth the terms often did not conform to the legal 'de 6 mois a 6 mois', and credit was allowed for a period of one, two, and even three years.[15]

It remains to show how this system of sale credits was applied to the wool trade, the oldest and the most important branch of English export trade. The financial methods of the English wool trade in the second half of the fifteenth century have recently been described by Dr Power,[16] whose account is largely based on the Cely accounts and correspondence. The Celys bought the greater part of their wool on credit from wool merchants in the Cotswolds, and in turn sold it on credit to foreigners abroad. This chain of credits, however, commenced before the Celys received the wool, for we know that at least one of their Cotswold woolmen, William Midwinter, himself bought his goods from local men on credit. Neither did the chain come to its end as the wool passed into the hands of wool merchants and clothiers in foreign towns. In other words, from the wool grower in the Cotswolds to the buyer of Dutch cloth in Poland or Spain there was one uninterrupted succession of credit sales. This practice was not confined to Celys, and it was certainly not a fifteenth-century invention. However different may have been the scope and technique of the wool trade in earlier centuries, the methods of payments remained very largely the same. As far back as we can trace the activities of the English exporters on the foreign wool markets, the transactions were commonly based on credit. That in the second half of the

[13] E. Ch. Pr. 20/2; the other references are too many to be enumerated.

[14] 8 Hen. VI, c. 24; 9 Hen. VI, c. 2; *Rot. Parl*, IV, 377, 509.

[15] Abundantly shown by the cases in the M.R. for 37 and 38 Henry VI, when the court of exchequer happened to obtain information about the credit transactions of a number of foreigners.

[16] *Cambridge Hist. Journal*, 1926.

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thirteenth century English exporters were in the habit of selling their wool on credit is illustrated by a document in the archives of Ypres recording a debt owed by Boidin, son of Walter de Gaunt, to John Ludlow, an English wool exporter, for wool bought in July, 1291. Desmarez, who prints this bond, mentions also a number of other similar documents among the thirteenth-century obligations. One Nicolas Ludlow, of Salisbury, figures often in them: in 1277 he appears as creditor for £34 1*s* 6*d*; in 1279 he sells wool on credit to the value of £234.[17] In the fourteenth century the experiments with the Staple system several times threatened completely to disorganise the trade; yet so long as the English continued to export their wool, they regularly sold it on credit.

This close dependence of the wool trade at foreign marts on the smooth working of the machinery of sale credits was at times clear even to the blundering governments of the fifteenth century. But what the governments admitted only occasionally, the merchants demanded all the time. We find them in 1410 petitioning the Crown to put an end to the English piracy against the Flemings in the interests of the English merchants who 'have communication in the feat of merchandise with the inhabitants of the said country of Flanders, appresting them "selon la cours de la monde" their wool and merchandise, which cannot and never could be delivered at their true value to the common profit of the whole Realm without that they be apprested in instalments'.[18] And declarations of a similar nature occur over and over again in the fifteenth century in connection with the frequent interruptions of trade by war or the equally frequent anti-credit measures of the Crown. The failure of these measures, more than anything else, reveals the extent to which credit permeated the sale of wool abroad. The attempts to regulate credit in the wool trade of Calais had a greater chance of success than in other trades, since wool sales abroad were centralised and rigidly controlled through the machinery of the Staple. Yet here, as in the cloth trade, the official policy came to grief through the reluctance and inability of the merchants to carry it out. The so-called Ordinance of Partition of Wool of 1430, which introduced a rigid system of control over the transactions of individual merchants, provided that payments for wool should be in cash, and that the bullion be brought without delay to the mint at Calais to the amount of some 75 per cent of the value of wool sold.[19] The Ordinance could hardly have been obeyed to the letter; still it was effective enough to provide the merchants with a grievance.[20] In 1442 it was enacted upon a

[17] G. Desmarez, *Lettres des Foires*, no. 157.

[18] L. Gilliodts van Severen, *Le Cotton Manuscrit Galba B.*1 (Brussels, 1896), no. 101. See also ibid., nos. 127, 133, 135, 168.

[19] 8 Hen. VI, c. 17, 18. (Re-enacted for another three years in 1433, 11 Hen. VI, c. 13) *Rot. Parl.*, IV, 358–9.

[20] Ibid., IV, 490, 509.

petition of the Commons that the Staplers should bring to the mint only one-third of the bullion,[21] which virtually legalised the 'lending' of the remaining two-thirds of the cost of wool. But even this milder regulation was found to be unenforceable, and when in October of the same year the Crown approached the Company of the Staple for a loan, it was confronted by the demand that the 'merchants English mygt selle their wolles withoute that they shold to be arted to take the thirde part in bullion'. The question came up for discussion before the Council and the conditions of the Staplers were vigorously opposed by Cardinal Beaufort on the ground that their acceptance would be equivalent to a Flemish victory on this issue, as 'yif they could feele that the kyng for necessitee sholde thus dispense with the statute of bringing in of bullion . . . he sulde never hereafter by constreint make hem bringe in any bullion'. The Cardinal on this occasion was less of a business man than usual. He failed to recognise that the law could not be executed. When the Council met a few days later it had before it the statement of the Mayor of the Staple to the effect that it was impossible to bring in the third part in bullion, and that the Staple had 'of ther owne auctoritee . . . dispensed' with the Act of 1442.[22] Thus ended the endeavour of the Lancastrian government to restrict the credit in the wool sales,[23] in the interests of its bullionist policy. An attempt to revive the policy was made under Edward IV in 1463, when it was enacted that no merchant of the Staple should sell wool at Calais without that he 'take ready payment', of which one-half he must bring in bullion or English coin to England within three months following the sale. This Act sounded more formidable than it actually was, for in spite of its general prohibition of credit sales merchants could allow the buyer three months' credit on one-half of the price and unlimited credit on the rest.[24] But whatever the provisions of the law meant, they could not be of great importance, since the Staplers continued to sell as they thought best: the contemporary business of wool sales in Calais abounds with references to sales on credit; and in 1473 the legal restrictions of credit were swept away.[25]

So much for the foreign end of the trade. The issue becomes somewhat more complicated as we pass to the trade on this side of the Channel. What is striking about the sale credits in the English wool trade abroad is not only their frequency, but also their uniform 'direction'. As in other branches of trade, it was commonly the seller who gave credit: goods were sold for deferred payments, and the 'flow' of credit was from the seller to the buyer. The practice was not quite so regular and uniform in the wool

[21] Ibid., v, 64; 20 Hen. VI, c. 12.
[22] *Proceedings of the Privy Councils*, v, 216–19.
[23] For a fruitless attempt to revive the policy, see *Rot. Parl.*, vi, 256–76.
[24] 3 Edw. IV, c. 1.
[25] *Rot. Parl.*, vi, 60.

trade at home. The sales on credit were at least as common as in the foreign wool marts, but the direction of credit was not invariably the same. In the transactions between the exporters and the merchants who supplied them with wool deferred payments apparently formed the rule;[26] so much so that the very fact that the Italians paid *au comptant* more frequently than the English was regarded as an unfair advantage over the native merchant.[27] This rule, however, does not seem to have applied to every wool sale in England irrespective of who were the contracting parties. Mr Bond and Mr Whitwell have shown that in the thirteenth century the Italians, in their dealings with the monasteries, commonly paid for the wool before it was shorn or collected.[28] They advanced to the monasteries sums of money as payment, full or partial, for wool to be delivered in the course of one or several following 'seasons'. Transactions of this type were even older than the thirteenth century. The unique roll of debts to William Cade, a twelfth-century financier, records several advance payments for wool. 'Monaci de Parco de Luda debent 70 marcas quas receperunt de lana sua quam Willelmus debuit habere 6 annis post mortem Teobaldi archiepiscopi.'[29] The Curia Regis Rolls report what seems to be a similar transaction for the closing years of the twelfth century between William, son of Robert, and the Prior of Swine.[30] References of this kind become very common in the thirteenth century. The accounts of Flemish merchants whose goods and debts were arrested by Edward I teem with entries of sums owed to them on account of advances made to monasteries and others for wool of future growth. But it was the great Italian houses of the thirteenth and fourteenth centuries – the Riccardi, the Peruzzi, the Bardi, and others – which made a common practice of these transactions. The exact terms varied with each contract. Sometimes only the next year's wool was sold, sometimes the sale was made for four, six, and even twelve years ahead. Sometimes the advance payment formed only a part of the price, and the transaction was then commonly described as one of wool sale. Sometimes the payment represented the full value of the wool, or occasionally even exceeded it, and then the transaction could be described as a loan repayable wholly or partly in wool. But whatever were the forms in which these contracts were expressed, they all represented one and the same type of commercial

[26] Letter Books A and B, and Recognisance Rolls 1–3, *passim*; Cal. P. M. Rolls, p. 9, 262; Guildhall Plea and Mem. Rolls, A 23 m. 6 dorso, R 84 m. 5, etc.; E. Ch. Pr. 26/395, etc.

[27] *Rot. Parl.*, v, 334 (1455): a complaint against the Italians, who obtain their wool cheaper than the English because they pay for it in ready money, but wool sales to Italians on credit were frequent.

[28] *Archaeologica*, xxviii, 221–2; *V.S.W.G.* (1913).

[29] Jenkinson, 'William Cade', in *English Hist. Review* (1913), 209 seq.

[30] Cal. Curia Regis Rolls, i, 144; iii, 27, 177.

transaction. They were credit deals in which not the seller but the buyer gave credit.[31] This variation in the direction of credit is a fact of considerable interest for the study of medieval economy, but it does not affect the conclusion that, whether the seller or buyer figured as debtor, sales credits entered into every stage of the wool trade.

LOANS AND INVESTMENTS

Sale credits by no means exhaust the forms of mercantile credit. Short-time loans and investments are at present likely to be regarded as equally common, if not the commoner, forms of alliance between trade and credit; and no description of a system of mercantile credit is complete which leaves them out of account.

The ordinary short-time loan had for its object to satisfy immediate want of cash. Sudden liabilities which could not be met from the regular resources of the business, payments impending before the corresponding receipts fell due, promptitude of creditors and procrastination of debtors – in short, all the maladjustments of the regular systems of sale credits – would create a demand for short loans. In a sense these maladjustments could be described as emergencies, but in so far as selling and buying was generally based on credit, they were both frequent and inevitable, and the 'emergencies' were therefore part of the ordinary commercial routine. The Celys borrowed and lent money for terms of two, three, and six months whenever they were either short of ready money or had a surplus, and they were regularly short of money on the eve of the payments to the woolmen, just as they always had a surplus of cash immediately after the payments at the great Brabant fairs. These loans were probably even more numerous and certainly less uniform than direct reference in our records to the *mutuum*, or loan, would lead us to think. Apart from the fact that a great many mercantile debts remained unrecorded, they often appeared in such forms as would leave no traces, or else very misleading ones, in the records of debts. A very obvious instance of this are the 'loans by sale'. Loans of money between merchant and merchant were sometimes disguised in the shape of ordinary sales. This was often done to conceal the charging of interest, as in those cases of 'false chevisance' which came before the city tribunals of the fifteenth century. On 26 June 1421, one John Sadiller, vintner, was attached to answer in several prosecutions for 'feigned sale'. It was alleged that he had sold on credit Spanish

[31] A.V., Foreign Merchants, 127/3, etc. G. Espinas, John Boine Broke in *V.S.W.G.* (1904), pp. 95, 221 seq. Espinas, *La vie urbaine de Douai*, III., no. 860. For the deals of Italian merchants see the Recognisances on the L.T.R. and K.R. Memoranda Rolls. Rose Graham, 'The Finance of Malton Priory, 1247–1257', (*Trans. Royal Hist. Soc.*, 1904), 148 seq.

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iron for £25 4*s*, to one Richard Trogonold, and then repurchased it for £23 10*s* in ready money; and that to John Lawney, John Bernard, Robert Haxton, and even to Sigismund, the King of the Romans, he had lent money in a similar way.[32] If a fictitious sale of this kind could easily be distinguished from a legitimate commercial bargain, it had to be but slightly modified to become absolutely indistinguishable from a genuine sale. How could anybody detect the real nature of similar transactions when they were carried out by three parties instead of two, when goods were bought on credit from one man and sold for cash to another?[33] The raising of funds by means of a three-cornered sale was common both in this country and abroad. It was employed by Bruges, Leiden, and other continental towns, and by English kings, notably Edward III, in their transactions with wool.[34] There are on the whole surprisingly few references in English records to this method of raising loans; but the fact that these transactions were seldom recorded is less a sign of their rarity than of their identity with ordinary buying and selling. Every merchant who had bought goods on credit, and then, when in need of money, sold them possibly at a lower price than he had stipulated to pay for them, would be raising a loan 'by the means of a sale'.

Arguing from the very few instances that are to be found in the records, it would seem as if the concealment of interest was not always the only motive for the employment of this type of loan. Quite often goods were 'chevised' because they happened to be more readily available than money. This was certainly the reason why the English Crown and the foreign municipalities had recourse to this type of transaction, and this was the avowed motive of a number of private 'chevisances by sale'. Thus apart from their employment for the disguising of interest, they also had a legitimate and independent economic function, which distinguished them from ordinary money loans.

The 'loan by sale' has been described at length, not so much for the intrinsic importance of the transaction, but for its interest as a characteristic example. Other types of medieval loan, like 'chevisances by sale', often remained unrecorded or 'misrecorded' among the ordinary entries of debts. These different types of loan were therefore even commoner than the numerous references to them would suggest. What is still more important, every one of them, just as the 'loan by sale', or even more so, had a distinct economic function of its own to fulfil in medieval trade.

32 Guildhall, P.M. Rolls, A 49 mm. 8–10; other cases, ibid. A 63 m. 7 seq. Thomas, *Cal. of the Plea and Mem. Rolls*, 270–80 (1364), etc.

33 In 1390 a City ordinance made such sales punishable when they were carried out by two partners, one selling and the other buying: *Liber Albus*, III, 162.

34 I am indebted to Dr Power for material throwing light upon Edward's transactions with wool merchants. For chevisances of wool by Henry VI's government see *Proceedings of the Privy Council*, IV, 291–3.

This will become clear from even a cursory review of the main types of loan.

A type of loan very common in foreign trade, especially in the fourteenth and fifteenth centuries, was the so-called 'loan on exchange'. The London members of the Cely family, when short of money, 'took up' from London merchants certain sums in pounds sterling and undertook to repay them in several months abroad in a foreign currency at an agreed rate of exchange. Similarly, the man who represented them abroad – George or William Cely – would periodically 'give out' to other English merchants sums he had received from his customers to be repaid in England in pounds sterling.[35] Transactions of this type seem to have been a part of the business routine of Staplers and English importers, notably the mercers of London, and references to them are very abundant.[36] These exchanges were essentially credit transactions, and would probably be classified by medieval legists as 'fictitious exchange'. We must not, however, take this description at its face value. It is true that the carrying out of an exchange was seldom the sole object of a transaction of this type. Nevertheless, it was not a 'fictitious exchange' in the sense of ordinary loans disguised as exchanges; it was more often a genuine exchange transaction employed for the purpose of credit. The difference is certainly only one of emphasis, but it is worth noting. The Celys and their other contemporaries did not adopt this method of borrowing money merely in order to disguise interest charges; and this was certainly not the only form of short loan which they employed. Over and over again we find them contracting ordinary loans repayable in this country, which they describe as 'lones', 'prestes', or 'chevisances'. It was only when the repayment of the loan really involved a transfer of money from one place to another, or manipulations with several currencies, that the loan was contracted in the form of exchanges. The only type of exchange loan which in all justice could be described as a 'feigned exchange' (*cambio fittizio*)[37] was the 'dry' exchange – a contract of loan which stipulated repayment in the same place and in the same currency in which it was contracted. The references to these 'dry' exchanges, however, are very few; they were apparently infrequent in medieval England, and the bulk of the exchange loans mentioned in the English records belong to the same type of transaction as those described in the Cely papers. The whole class of transaction as it figures in the medieval practice in this country was specially adapted to, and used in

35 Cely Papers and Accounts, *passim*.

36 E. Ch. Pr. 58/291, 64/614, 29/161, etc. Gilliodts van Severen, *Cartulaire*, II, 6, 12, 712. Guildhall P.M. Rolls, A 74, m. 2 and 4; A 43, m. 70; A 61, m. 3; A 57, m. 6; A 41, m. 76; A 54, m. 1, etc.

37 For the medieval classification of 'cambio' and the meaning of 'cambio fittizio' see Tawney, *Discourse*, 72–8; Frendt, *Wechselrecht*, I, 1–5.

connection with, financial dealings between merchants in different countries.[38]

No financial transaction has attracted so much attention as the so-called sale of rent. Rents were sold commonly either for life or for a certain number of years in every country and all through the Middle Ages; in some of the continental towns they formed the basis of municipal finance. It is generally held that the buying and selling of rents was common, for the simple reason that it was a convenient method of disguising the interest on loans. Here, again, we have a case of misplaced emphasis. It is probably true that the selling and buying of rents was stimulated by anti-usury legislation. It would, however, be entirely wrong to ascribe the constancy with which the rents circulated in the Middle Ages entirely and chiefly to the evasion of the usury laws. The real significance of the rent sales and the explanation of their popularity in the Middle Ages lies in the fact that they had a place to fill in medieval economy which was very important and, in a sense, entirely their own. Their function was related not to the ordinary borrowing and lending, but to the mobilisation and demobilisation of capital, and was fulfilled by a group of transactions, all of which were connected with real property.

Recent investigators have been struck by the frequency with which medieval merchants bought and sold land. Whether mercantile capital in the Middle Ages originated in the profits of agriculture and the accumulated ground rent of urban landlords, which is Sombart's view, or whether it was drawn from various sources, including trade, which is the view of most historians, the fact remains that every merchant of substance was also a landlord. John of Northampton, the famous Mayor of London, possessed in 1384 – the year of his disgrace – over ninety tenements in the city to the annual value of over £150. William Eynsham, a wealthy wool exporter and cloth merchant of Edward III's reign, owned in London over seventy tenements to the annual value of *c.* £110. Stephen of Cornhill, one of the rulers of the City of London, a draper and an important exporter of wool, possessed at his death in 1295 some twenty-five rents in London to the annual value of £36 4*s*, and lands in various places outside

[38] Closely allied to the exchange loans were the so-called 'sea loans' (*foenus nauticum, Seedarlehn*). (E. Ch. Pr., 26/193, 11/38, Cely Accounts, chancery miscellanea, bundle 37, file 13, fo. 31; Year Book 21 Edw. IV, Pasch., pl. 23.) This was a loan to a merchant or a master of a ship proceeding to another port. The loan was commonly payable in the place of the boat's destination and in the coin current there; it was therefore very similar in function to the exchange loans (J. Goldschmidt, *Universalgeschichte des Handelsrechts*, 354, 413 seq.). But in so far as the risk was borne by the lender, it often served the purposes of maritime insurance. We shall also see that it was sometimes merely a modified type of an ordinary investment.

London; and he had sold, shortly before his death, a number of messuages and rents in the city to the annual value of £33 18*s* 8*d*.[39]

All these men were of course, magnates of the city; but their possessions differed from those of the other wealthy merchants in quantity rather than in kind. There was hardly a merchant of substance in the city who would not possess a certain amount of real property, including leases and rents, and there was certainly no merchant of substance who would not, from time to time, engage in transactions with real property, be it buying, selling, pledging, or letting it. There was a constant movement of mercantile capital out of and into real property; the pace of the movement may have changed from generation to generation, but it never ceased, and always claimed the attention of municipal administrators.

The motives which prompted the flow of investments into real property were many and various. Rural estates were often bought for no other purpose than social advancement. More than one city family of the fourteenth and fifteenth centuries ended in this way its connections with the city and entered the coveted circle of country gentry. The bulk of the investments, however, had a purely economic end in view, and served the same purposes to which investments into 'safe' and regular sources of income are now put: annuities for widows and orphans, dowries, endowments for charitable or religious purposes. And just as non-speculative securities are nowadays employed by merchants as one of the methods of holding reserves or temporary unemployed capital, so also in the Middle Ages the investment in landed property and rents was often merely a way of holding unemployed capital in readiness for needs to come.[40] Now, if the buying of lands or rents meant locking up for a time a certain amount of liquid capital, the selling or pledging of rents, like the selling and pledging of the land itself, was one of the ways in which capital, immobilized by investment into real property, could be released. It is therefore wrong to lump the 'rent sale' with all the different forms of loan and describe it as one of the many methods of disguising the interest. There were several varieties of rent sale, and only one of them could, with some stretching, be classified as a loan – namely, the sale of a newly constituted rent. A German or Flemish municipality could raise a loan repayable by annual instalments, and these instalments would often represent, not the rent levied upon property before the loan had been contracted, but entirely new charges upon it. The moment, however, the

[39] Northampton, Parliamentary and Council Proceedings, Roll 15; Eynsham, P.R.O. Rentals and Surveys, Portfolio 1/21; Cornhill, ibid. Roll. 797.

[40] R. Davidsohn has shown that the landed property of the great houses of Florence was in their hands merely one form of their mercantile capital: *Forschungen zur Geschichte von Florenz*, IV, 272–3. The same can be demonstrated for at least a dozen English merchants of the thirteenth, fourteenth, and fifteenth centuries.

'new' rent was sold and entered into the market of the town, its future sales were merely successive mobilisations and immobilisations of capital. In public borrowing today it is only the issuing of the stock, and not its subsequent sales by one holder to another, that constitutes a loan; similarly in the Middle Ages every sale of an 'old' rent, be it municipal or private, was not a loan, but a transfer of capital from a smaller to a greater liquidity.[41] In other words, the sale of rents had a function of its own in the economic life of the Middle Ages, and from the point of view of this function it resembled other transactions with real property and not loans. If it had any relation at all to the financing of trade, it represented the financing of a merchant's trade out of his own resources. It is the financing of trade out of the capital resources of other persons that constitutes a commercial loan.

Next to the rent sales the type of financial transaction in the Middle Ages most popular with the historian is the *societas*. Partnerships loom large in the records of medieval trade, and there is no wonder that they have attracted so much attention. Their abundance, however, called for explanation, and attempts have been made to find causes sufficiently medieval to account for the popularity of the partnership in the Middle Ages. Hence the view of the *societas* as one of the methods adopted by medieval merchants in order to circumvent the prohibition of interest. It has, however, been pointed out by both Ashley and Cunningham[42] that medieval partnerships were not merely devices for the concealment of interest on loans; they had a function of their own to play in medieval trade, for it was by means of partnerships that capital was commonly invested in commercial undertakings. With this conclusion every student of medieval finance will concur. The medieval partnerships, or, to be more exact, the institutions which were regarded as such in the Middle Ages, had a double function to perform. One was related to the financing of medieval trade, the other to its organisation. Like every association, the medieval partnership had its *raison d'être* in carrying out such tasks as were beyond the powers of a single person. A commercial undertaking would require greater capital than one person was able or willing to bestow upon it, or would require an amount or a type of personal service

[41] Even this distinction must not be carried too far. From the point of view of the economic process embodied in it, the constitution and the sale of a 'new' rent, representing a real profit of the land, and not a mere promise to make certain annual payments, was as much a 'liquefaction' of capital as the sale of an old rent. Then, as Desmarez and Génestal point out, even when sales of rents were employed for purposes of loan they differed from ordinary loans in that they did not entail the return of the principal, and were often contracted for a long or an indefinite term: R. Génestal, *Le rôle des monastères comme établissements de crédit*, p. x; G. Desmarez, *Etude sur la propriété foncière*, 339. But the difference was not so clearly marked as Desmarez thinks.

[42] Ashley, *English Economic History*, part II, 42; Cunningham, 364 seq.

which he himself could not give. Partnerships would therefore be employed to overcome either or both of these difficulties. A person possessing the capital, but unable to conduct the trade or do it alone, could associate with a partner who would contribute his services. A person able to do the work, but not to contribute the capital, or at least the whole of it, could associate with others ready to make the required investment. Thus theoretically it is possible to distinguish three types of partnership: (1) one in which the capitalist hired the services of a trader; (2) another in which the trader hired capital (the 'financial partnership' proper); (3) the 'complete' or 'real' partnership (*vera societas*), in which all the members contributed both capital and services, and which in its pure form was nothing else but a 'joint business', or a union of several undertakings.[43]

The distinctions are not easy to apply. The question as to who hires whom – whether the merchant hires his capital, or capital hires its merchant – cannot be decided by any general rule, and no single principle of classification would enable us to group finance partnerships separately from the rest.[44] The whole combination of circumstances must be taken into account whenever we try to discover the economic nature of a partnership. When a merchant received a 'stock' in goods or money 'to merchandise withal', and the stock was obviously too small to constitute in itself a complete business undertaking, or where we know that it merely formed a part of the capital employed, we may safely assume that we have before us, not the contract of service, but one of investment. We can assume the same in most partnerships in which the user of the capital is known to have been an important merchant, and the owner of the capital was a widow, an orphan, or a person otherwise prevented from engaging in trade – a prince, a lord, an ecclesiastic.

[43] In some cases the finance partnership bore a strong resemblance to the 'complete' one, since investors often could, and sometimes did, engage in management of the business.

[44] The classification to which most historians adhere is that which the Italian and the German writers have borrowed from the history of the Italian *societas*. Ashley, *Economic History*, part II, 411–16, and Mitchell, *An Essay on the Early History of the Law Merchant* (1904), 126, 138, contain the best accounts of this classification. Attempts have been made to treat the various classes of *societas* as 'labour' partnerships and 'capital' partnerships respectively (cf. Lastig in *Zeitschr. f. d. ges. Handelsr.*, vol. XXXIV, and his *Accomendatio* (1909), Introduction, and pp. 41 seq.; also A. Lattes, *Diritto Commerciale* (1884), 154). These attempts, however, were bound to end in failure. The principle by which partnerships are classified in the medieval sources is not that of 'economic function'; therefore partnerships fulfilling either the function of organisation or that of finance, or both, will be found in each of the traditional classes of *societas*: Silberschmidt, *Teilhaberschaft und Beteilung*, 12–13; also his *Kommenda*, 103 seq.). In England neither the law nor the terminology made any of the distinctions we see in Italy, so that the Italian classification into *commenda*, *collegantia*, and *compagna* not only fails to provide the key for the separation of the financial partnerships from the others, but is altogether inapplicable.

Financial partnerships so identified will probably be found in every class of *societas* recorded in the English sources. They were apparently quite numerous among the commonest and simplest type of English partnership – namely, in the occasional partnerships of 'joint purchase and sale', where two or more merchants associated to carry out an isolated transaction. John Croche, a petitioner in the chancery, was asked by one John Ellys, who had bargained with one Richard, a mercer of London, for £24 worth of merchandise, to be partners with him in the same, and 'to be bounde jointly with hym to the same Richard', and he became Ellys's partner in this bargain.[45] In this particular case it is clear that the arrangement was purely financial: Ellys wanted someone to shoulder a part of the financial responsibility involved in the transaction. But in the majority of the occasional partnerships our information is too scanty for the purely financial arrangements to be singled out, and it is difficult to say how far this practice of investment in the form of separate transactions was general.

The distinction becomes more marked when we pass to partnerships of a more continuous nature, founded on a more or less permanent 'joint stock', or where one partner delivered to the other a certain sum in money or goods to be employed in his business. Financial partnerships of this type were common in medieval Europe from the earliest days, and references to them abound in the earliest collections of commercial laws and records.[46] In this country William Cade, the first financier to figure in English official records, apparently was in the habit of investing different sums in the undertakings of merchants.[47] This practice, known to Cade in the twelfth century, was apparently common throughout the Middle Ages. There were *societas*-like investments of varying magnitudes and types; and investors could be drawn from every class and station. On occasions they were orphans, widows, princes, ecclesiastics, nobles; while foreigners figured both among investors and recipients of investments. But most of the financial partnerships on record represent transactions of English merchants with each other. A fifteenth-century case in the chancery describes a partnership between Nicholas Mylle and Richard West, both tailors of London, by which West invested in Mylle's business £400 and £900.[48] The counter-petitions, rejoinders, and replications in this case make it one of the completest records of financial partnership in existence, but similar transactions more scantily reported occur in the English records over and over again.

There is nothing surprising in the fact that investments were so

[45] E. Ch. Pr. 48/154.

[46] The 'continuous' partnership was sometimes, though not very often, merely a series of occasional ones – e.g., E. Ch. Pr. 46/238.

[47] *English Hist. Review*, 1913, p. 730.

[48] E. Ch. Pr. 59/160–5.

commonly made through the medium of partnerships. Investment, connecting as it does the interest of the lender with the fortunes of the business, is by its very nature not a loan, but a special form of association. It was always regarded as such, and it constantly found a congenial embodiment in the contract of partnership. As Ashley correctly observed,[49] modern investments in industry and trade also take, as a rule, the form, not of loans for fixed interest, but that of shares in joint-stock companies. Of course, the identification of investments with partnerships must not be carried too far: not every partnership represented an investment, and not every investment took the form of partnership. Yet there is little doubt that the bulk of investments were embodied in *societas*-like arrangements; and even investments which were treated as loans were often, probably, nothing else than partnerships miscalled or modified. The type of *societas*-like investment corresponding to the Italian *commenda* or *implicita*, where the investor 'entrusted' a stock to a merchant for a specified length of time, was often hard to distinguish from an ordinary loan. Whatever distinction existed was subtle enough to permit of conflicting interpretations of the same arrangements by the very people concerned in them.[50] Hence we find instances of investments, described as ordinary loans, which in reality were *commenda*-like contracts. To take an instance. A friar, John Woderowe, warden of the house of Deptford, sought to recover 'certain moneys lent to John Chynle, mercer, and his partner Ralph Knyghton, who had traded and profited by the money'.[51] Can we really be certain that this was an ordinary loan, and not a financial *societas?*

It was chiefly by the method of remuneration that the financial partnership was commonly distinguished from an ordinary loan. It was therefore sufficient for the contract of partnership to adopt a fixed rate of profit to become almost completely indistinguishable from ordinary loans, and it was not unusual for the medieval *commenda* to adopt these conventional rates of interest instead of fluctuating shares in profits. Weber has shown that the *fœnus nauticus* with fixed rates of interest was nothing else than a modification of the ordinary *commenda* resulting from the greater certainty of trade in the Western Mediterranean and the possibility of calculating the average rate of profits.[52] Sometimes this conventional rate of profits was the result of official action, as in the case of the rate fixed in the investments of wards' funds in London, which in all other respects preserved the traces of their *commenda*-like nature and origin.

[49] *Economic History*, part I, 435–7.
[50] Several such cases are recorded in the Early Chancery Proceedings – e.g., 46/306.
[51] Guildhall P.M. Rolls, A 13, m. 1, 1367. Cf. Year Books, 12 Hen. VI, Pasch. pl. 3.
[52] M. Weber, *Zur Geschichte der Handelsgesellschaften*, 109–10.

The investment of wards' funds was a practice frequent and important enough to deserve special consideration. If there was in the Middle Ages any fund that could claim to be the source from which the mercantile community drew its investment credits, it was the orphans' funds, and especially those administered by the municipalities. In most of the towns of Northern Europe the funds left to orphans were employed by the municipal authorities either as public loans or given out on long terms to private merchants. The London practice in the Middle Ages did not differ much from that of continental towns. The City of London claimed a number of rights with regard to the administration of the goods of orphans, especially when their parents died intestate. Guardians were appointed by the Mayor and Chamberlains of the city, and were accountable to them for the discharge of their duty to the orphans. A child could be committed to a guardian with or without its goods, but usually the former was the case, so that the acceptance of a ward became a financial transaction, the funds being handled like ordinary investments. The goods, and sometimes even the charge of the orphan's 'body', could change hands several times during the period of minority; on a number of occasions the goods were from the outset committed for a period obviously related, not to the duration of the child's minority, but to the financial exigencies of the borrower's business.[53]

Sir William Ashley has pointed out that these investments were a variety of *commenda*-like agreements.[54] It was very usual in Western Europe throughout the Middle Ages to 'commend' dowries and patrimonies to merchants for employment in trade,[55] and of this *commenda* the investments of wards' funds described above were merely a variant. In one respect, however, these transactions did differ from the ordinary *societas* – namely, in the fixed rate of profits. The distribution of profits was regulated by a reputedly old custom, according to which the average 'mesne' profits were estimated at a flat rate of four shillings per pound per year, of which the guardian had one-half and the ward the other half, minus the cost of his maintenance and education.[56] Thus, in spite of the fact

[53] The chief source of evidence is the Guildhall Letter Books. A few isolated entries of orphans' goods committed to merchants occur in the first two letter books among the miscellaneous recognisances (L.B.A., 177, 188; L.B.B., 38); in letter books G and H, belonging to the second half of the fourteenth century, they become common; in letter books I, K, and L, belonging to the fifteenth century, they fill more than two-thirds of the contents.

[54] *Economic History*, part II, 417–18.

[55] For an early Italian instance see Lastig, *Accomendatio*, 72. For English instances see *Testamenta Eboracensia* (Surtees Society), IV, 207–10; Sharpe, *Calendar of Wills*, 393; E. Ch. Pr. 65/149.

[56] Riley, *Memorials of the City of London*, 378, 446; P.M. Rolls, A 19, m. 8 dorso; Letter Book G (MS.), 132, 169, 323, etc. Occasionally funds were entrusted *sine proficuo*. In the second half of the fifteenth century the references to profits in the entries become less frequent.

that the fixed rate of profits had converted it into ordinary annual interest of 10 per cent, the fiction of division of profits was still maintained to bear witness to the origin and economic essence of the transaction.[57]

To conclude: the use of partnership in medieval finance was determined by the same principles as governed all the other forms of loan discussed here. The choice of the appropriate form was in every case determined not by mere whim, fortuitous chance, or an incorrigible desire to cheat, but by the economic essence of the contemplated deal. Loans on exchange, rent sales, sea loans, partnerships, were not various devices indiscriminately employed by the medieval merchant in order to disguise his ordinary loans. Each of them embodied a type of financial transaction distinct from others both in purpose and method; each of them had an economic function of its own to perform.

CREDIT AND CASH

What has been said as to the ubiquity and variety of medieval credit does not yet solve the purely quantitative aspect of the problem – that is, the question as to the relative importance of credit transactions in the total volume of medieval trade, or in the turnover of individual merchants. For an inquiry of this kind we are singularly ill-equipped, as the surviving evidence consists chiefly of records of debts. Nevertheless, in several isolated instances the evidence of debts supplemented by other sources can be made to yield not merely a vague impression of abundance, but also something approaching a quantitative statement. For some individual merchants the records of debts are, or can be, so grouped as to throw a great deal of light on the relative importance of credit in their transactions. For some merchants we are given or are able to compile something like inventories of their debts, which can then be compared with what we know or can guess of the total volume of their trade. These instances, of course, are few, but their importance is heightened by the fact that they all tell the same tale. The Celys, who were apparently an average fifteenth-century Staplers' firm, sold wool on credit in eleven out of every twelve transactions recorded in their letters and accounts. Some of George Cely's notes about his financial transactions at the fairs of Antwerp and Bergen-op-Zoom show that he never had much ready money on his hands, and most of the firm's capital consisted of wool not

57 There was much in common between the commitment of the wards' funds to guardians and the financial transactions accompanying the contract of apprenticeship. See G. Desmarez, 'L'apprentisage à Ypres' in *Revue de Nord* (1911), 41 seq.; also Epinas and Pirenne, *Documents*, etc., III, nos. 854, 855, 857, 864, 870; II, nos. 470, 482. Cf. also the employment of funds of gilds for the purposes of investment.

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yet fully paid for, and of debts owing to them. The state of George's account in winter, 1482, was as follows: £50 in cash, £200 in goods, £663 in debts maturing in May, and £234 8*s* 3*d* in more recent debts.[58] In this state of account there was nothing extraordinary or exceptional. In 1424 the executors of William Lynn, a wealthy Stapler, submitted to the city authorities an account of his movables. The total amount left was £4842 7*s* 2*d*, of which about £965 was in coin, about £811 in merchandise, and about £39 in plate and utensils. The rest, about £3027, was in debts owing to him from various persons in England and abroad. In his turn, he owed various men £1637 1*s* 4*d* – that is, about as much as he had in cash and merchandise.[59] A day book of John Thorp, a London scrivener (1458–60), supplies somewhat similar information about the credit transactions of a number of English wholesale clothiers and pewterers.[60] Thomas Dounton, a cloth merchant of London, figures in the book twenty-six times between September 1458 and May 1460 as creditor of various German merchants for cloth bought from him. The total amount of debts is £1359 4*s* 5*d*, while the value of cloth was apparently in the vicinity of £1700.[61] It would, therefore, seem that these credit sales represented the bulk of Dounton's business, as he was not a city magnate and his annual turnover could not very much exceed £1000.

Instances of this kind are not confined to the fifteenth century, and certainly not to Englishmen alone. The transactions of foreign importers trading to England are well illustrated by the inventories of their debts made on several occasions during the later thirteenth century in connection with the arrests of their goods by the Crown. At the time of the royal confiscation, the firm of Burnettus, Johann Vanne and partners, merchants of Lombardy and dealers in mercery, had a sum of over £1100 owing to them for goods sold on credit to various English merchants. The other possessions of the firms in England ('bona et mercimonia') were estimated by the assessors at £1400.[62] A similar use of credit would probably be revealed by an analysis of the transactions of the better-known merchants of the thirteenth and early fourteenth centuries, English and foreign alike, such as Gregory de Rokesle, William Servat, Philip Tailor, William Trente, John of Burford, William of Done-

58 Cely Papers and Accounts, *passim*, and Chancery Misc., bundle 37, file 12, fols. 38–9.

59 Guildhall Letter Book K (MS.), fo. 16. The account shows the relation of credit to Lynn's turnover and not to his capital. As will be shown in another place, Lynn's real property, or most of it, would have to be included in his business capital.

60 A.V. 128/37. I am indebted to Mr Hilary Jenkinson for the identification of Thorp.

61 This statement is based on the assumption that an instalment, commonly one-quarter or one-third of the price, was as a rule paid at the time of the purchase.

62 A.V. 126/6.

castre, Richard of Resham, William Hauteyn, John Boine Broke,[63] Wautier Pied d'Argent, the several Betoins, Basings, Blunds, etc., not to mention the de la Poles and other commercial magnates associated with Edward III's transactions. These individual instances, however, must not be misunderstood. Significant as they are, they do not prove the absence or the rarity of transactions for ready money, as merchants often paid for their goods 'on the spot', or even in advance, and there were also persons who seldom sold on credit. All they prove is that the medieval merchant displayed no preference for any particular financial method. His choice between purchase on credit or for ready money was not determined by any 'medieval' dislike or ignorance of credit, as Bücher suggests, nor by any special liking for it, as a hasty deduction from the evidence here presented might suggest, but by a very obvious economic factor which is as little medieval as it is modern. This factor was the amount of the available capital. It was the relative abundance or scarcity of capital at the disposal of an individual merchant that determined the employment of credit in selling and buying. An ordinary medieval merchant, a vintner like William Barache, or a Stapler like Richard Cely, obtained his goods on credit, and could therefore afford to wait for payment from his own customer. In its ideal form this type of trade needed very little capital. But the shorter and smaller the credit which the merchant received relative to the length and amount of credit he himself allowed, the greater had to be the capital engaged in trade, and the greater the capital at the disposal of the merchant, the more he was able – given the same turnover – to dispense with credit in buying, or even to pay for his goods in advance. Similarly, a wealthy seller was able to allow credit to his customers, while a needy one would require full payment or even pre-payment.

The sales of wool for future delivery described above[64] are a case in point. In seeking to explain why sale credit changed its usual direction in these particular transactions we may easily be led astray by the fact that they took place mainly in the late thirteenth and early fourteenth centuries; and that the debtors were chiefly monasteries and the creditors Italians. The temptation thus arises to explain everything by what we know of the financial domination of the Italians in the thirteenth century, their advanced commercial methods, and their pioneering work in the English wool trade; or else by the peculiarities of manorial economy which made it easier to collect monastic debts and papal dues in kind. Either explanation contains a grain of truth: neither contains the whole

[63] Accounts of Boine Broke's and Servat's activities are contained in the Articles of G. Espinas in *V.S.W.G.*, 1904; F. Arens, ibid., 1904, and Edmonde Albe, *Bull. de la Société des Etudes du Dep. du Cot*, 1908 (according to the latter there were two William Servats at the end of the thirteenth century).

[64] Above, pp. 10 seq.

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of it. That the advance sales of wool were not peculiar to the thirteenth century is shown by the Statute of 1465 enacting that 'come per subtile bargains faitz en achater des laines devaunt que les berbizes, que ceo portent soient tondrez', none except spinners and cloth-makers shall be allowed for the next two years to buy 'unshorn' wools in the eighteen principal wool-growing countries.[65] Nor, again, can the transaction be described as exclusively Italian. While Italians often bought wool for advance payment or ready money, they were not the only merchants to do so. We find Flemings like Boine Broke and others buying wool from monasteries in the same fashion; and there is no doubt that some of the English merchants followed a similar practice.[66] Still less can this type of transaction be regarded as a peculiarity of monastic trade. First of all, there are numerous instances of similar advances made to laymen,[67] secondly, there was hardly a wool-growing monastery in England which would not at one time or another sell its wool for deferred payments. Frequently, monasteries combined both methods of payment, receiving a part of the price in advance and the rest some time after the delivery of the wool.[68] The real explanation lies in the buyer's abundance of capital or the seller's shortage of it. If the Italians made the widest use of the method of advance payment, this was merely because in the later thirteenth and early fourteenth century they were better provided with capital than most other wool exporters, while the monasteries at this period frequently found themselves in financial difficulties.[69] In other words, in a trade where demand was always keen, and supplies were more or less fixed, buyers who were powerful capitalists came into contact with sellers who were poor. Advance payments came as naturally, both before and after the thirteenth century, between lay sellers and non-Italian buyers, whenever the same conditions were re-enacted.

Thus far only are we justified in accepting the assertion that advance payments for goods constituted the rule in commercial dealings between agricultural producers and urban capitalists. As a statement of fact the assertion is more or less correct, for in the sales of agricultural produce advance payments were indeed very common, especially on the Continent. But as a scientific generalisation or an attempt at an explanation it

[65] 4 Edw. IV, c. 4.

[66] *Chron. de Melsa*, Rolls Series, III, 84–7, 144. Rec. Roll I, m. I (Basing), etc.

[67] Rec. Roll, I, m. I (Ricardi); A.V. 126/28, m. 2 dorso; Northumberland Pleas, p. 310 (1271); M.R. 52 (6 Edw. I), m. 11, 60 (15 Edw. I), m. 19 dorso and 20 (Holm and Tattershall), etc.

[68] The fifteenth-century views of hosts show a number of abbeys in the West of England selling their wool to Italians, obviously for ready money or deferred payments: A.V. 128/30 and 128/31; Whittaker, Craven, 449 seq.; *Chron. de Melsa*, III, 233, etc.

[69] R. Snape, *English Monastic Finances in the Later Middle Ages*, pp. 120 seq.; R. Graham, *St Gilbert*, pp. 136 seq.

is misleading. In the example already described, that of advance sales of wool, the wool growers frequently allowed credit to some of the buyers; nor were the recipients of advances always wool growers – there were numerous contracts for future delivery of wool between merchant and merchant.[70] But what is still more important is that even wool growers, lay and monastic, often sold not their own wool, but wool bought from others. We find monasteries selling for future delivery quantities of wool out of all proportion to the size of their flocks, and employing the advances received from merchants in buying wool on the local markets. The Cistercian and the Sempringham orders attempted to suppress this practice, as did also on one occasion the Crown, but for a long time their attempts apparently produced no immediate effects.[71] The monasteries continued to buy wool to fulfil their contracts with merchants; and the contracts frequently gave them the right or even made it their duty to supply wool not of their own growth.[72] It is therefore not as producers of wool that monasteries demanded or accepted advances. If agricultural producers and not merchant buyers accepted credit, this was because the latter were, as a rule, well supplied with capital, while the former were commonly short of funds. When these conditions were absent, when the trader was not an important capitalist, and the producer was not impoverished, the credit, if given, was likely to flow in the opposite direction –from the seller to the buyer. The occurrence of cash deals does not, then, constitute an exception to the practice of credit sales. The advances, the deferred payments, and the cash payments did not each represent a different financial principle in medieval trade: they were all various manifestations of one and the same elementary maxim that 'the rich lend, the poor borrow'.

There is yet another reason why 'cash sales', however frequent, cannot be contrasted with the employment of credit – namely, the connection between the different forms of sale credits on the one hand and investments on the other. We have said that the greater the capital at the disposal of the merchant the more credit could he allow in his sales and the less he would need it in his purchases. Now, if we remember that the trading capital of medieval firms often belonged to other people, we shall also understand the connection which sometimes existed between

[70] At Leicester and Northampton it was at one time usual for strangers to entrust money to local merchants, who bought wool on their behalf in the surrounding countries: *Records of Leicester*, I, 88, 91, 93, 186–7, 201–2, etc.; *Records of Northampton*, I, 230–1, cap. xlix. Most of these transactions represented *commenda*-like partnerships, but it was only a short step from them to ordinary advances from big wool merchants to smaller traders who collected wool from the growers: A.V. 126/128 (Bonaventura); M.R. 60; 15 Edw. I, m. 15 (Guidicione); and many other references in the M.R.

[71] Rose Graham in *Trans. Royal Hist. Soc.* (1904), 148; Whitwell, op. cit., 8–10.

[72] M.R. 60, 15 Edw. I, m. 16 d. (Rievaulx), m. 20 (Toteshale), etc.

investments and sale credits. The *Grosse Ravensburger Gesellschaft*, a great South German trading organisation, sold goods on credit, but as a rule bought them for ready money,[73] since it possessed greater capital than was usual in the fifteenth century, its capital being made up of deposits, investments, and special loans received from numerous persons. Thus its cash purchases, credit sales and investments were all parts of the same commercial policy: it preferred to owe money to its partners and depositors rather than to sellers of goods; but – given the same turnover – it would have needed a much smaller capital, and owed much less on account of investments, if it had bought goods on credit. Similarly, if it is true that the Medici, Spinelli, Strozzi, Contarini, and the other Italian merchants of the fifteenth century paid for their wool in cash more frequently than did English merchants, this was the result of, and a testimony to, their possessing larger capitals than the native wool merchants. And in so far as the trading capital of these firms was largely made up of other people's investments, their use of credit was not so very different from that of ordinary wool merchants. They merely borrowed from, and paid interest to, a different set of people. The same applies also to the Italian houses of the thirteenth century, which so commonly paid for the wool in advance.[74] Apart from what is known of the system of investment and deposits which these houses practised in Italy itself, there is also evidence of Italians accepting investments from people in this country. Mathew Paris, writing about the behaviour of the Italian usurers in England, alleges that even after their expulsion by Henry III a large number of them remained in England under the protection of the magnates who had invested their money with them 'after the example of the Roman Curia'.[75] That these investments – at any rate, in the late thirteenth and fourteenth centuries – were not unconnected with the wool transactions of the great Italian houses, and may have formed part of the capital which enabled them to pay for their wool in advance, is shown by an interesting thirteenth-century case relating to a sum delivered on deposit (*tradite fuissent*) by William Servat and another Anglo-French merchant of London to the Riccardi of Lucca, a firm most commonly mentioned as paying in advance for its wool.[76]

[73] A. Schulte, *Geschichte d. Grossen Ravensburger Handelgesellschaft* (1923), I, 123, 301, 458 seq., 472; III, *passim*.

[74] R. Davidsohn, *Geschichte von Florenz*, IV, 202–8; Giovanni Villani, *Cronica*, III (ed. 1844–5), libro xi, cap. lxxxviii, describing the loans of Italian banks to Edward III, says: 'E nota che i detti danari erono la maggior parte di gente che gli aveano dati loro in acomandigia e in deposito, e de più cittadini e forestieri.'

[75] 'Quia magnatum quorundam, quorum, ut dicebatur pecuniam ad multiplicandum seminabant, exemplo Romanae curiae, favore defendebantur' (*Cron. Maj.*, V, 245).

[76] *Rot. Parl.*, I, 43.

It is not always that the connection between investments and sale credits can be established. Theoretically, in most medieval trades, and especially in those in which the turnover of the individual businesses was more elastic than it seems to have been in the wool-trade, the obvious connection was not between investments and sale credits, but between investments and the volume of trade, since the additional capital was more likely to be used for the extension of business than for the modification of the methods of payment. It is therefore impossible to speak of anything in the nature of a general and necessary connection between investments and sale credits. For our present purpose, however, no such general rule is required. It is sufficient to observe that very often a connection of this kind did exist; that the elimination, complete or partial, of credit in buying and selling was likely to be offset by borrowings in other directions; and that consequently 'cash deals', in some of those instances in which they were frequent, signified, not the merchant's dislike or disuse of credit, but merely a different choice between its various forms.

Several aspects of medieval trade have been neglected in this essay. To begin with, of Dr Cunningham's binomial formula – 'dealing for credit was little developed, and dealing in credit was unknown' – only the first element – i.e., the 'dealing for credit' – has been analysed here; the 'dealing in credit' – i.e., the selling and buying of credit and of financial instruments – still awaits examination. Secondly, there is the problem of chronology: the antiquity of medieval credit and its evolution from century to century. Thirdly, there is the question of interest, and of the public attitude towards credit and interest. Finally, no study of medieval credit is complete which does not describe the organisation of credit, the professional standing of the financial agents, and the social standing of the owners of capital. And this in its turn demands a preliminary study of the 'origin' of loanable capital. To these problems the present essay provides merely an introduction. Its purpose has been to show how the economists, and through them also the historians, have underestimated the volume of medieval credit and consequently misunderstood its nature. Sale credits, of which the existence has been generally denied, in reality formed the financial basis of medieval trade. As to the other forms of credit their existence was never doubted, but their function was wrongly interpreted. Because of its ubiquity, medieval credit displayed greater variety than is commonly supposed; and of this variety the multiplicity of forms was merely an outward expression.