Banking history

Goldenballs

Notfornothing was Jacob Fuggerknownas“JacobtheRich”

The Richest Man Who Ever Lived: The

Life and Times of Jacob Fugger. By Greg

Steinmetz. Simon and Schuster; 283

pages; $27.95

A

LBRECHT DÜRER’S portrait of Jacob

Fuggershowsa man with thin lips and

unforgivingeyes. He wearsa fine fur tippet

about his shoulders and a brown cap; for

the time, his dress is strikingly plain. Greg

Steinmetz, formerly a journalist with the

Wall StreetJournaland nowa securitiesan-

alystin NewYork, declaresthathe was the

most influential businessman who ever

lived. He makesa bettercase forthis extrav-

agant claim than for his assertion that

Fuggerwasalso the richestman in history.

A late-medieval banker from Augsburg

in southern Germany, Fugger has never

been as celebrated as Cosimo de Medici

and his Florentine sons and cousins,

whose reputation as bankers was bur-

nished by their excellent taste in Renais-

sance art. ButFuggerwasthe betterbanker.

Were he alive today, he would have cut a

swathe through Wall Street and the City,

and yet his remarkable his-

tory is still little known. Mr

Steinmetz’sprose doesnotal-

ways sparkle and some ar-

cane details of banking his-

tory are fuzzy, but the tale of

Fugger’s aspiration, ruthless-

nessand greed isriveting.

He was born into a family

of well-to-do textile traders

and bankers in Augsburg in

1459. He grewrich and power-

ful by risking his capital and

his reputation to finance the

territorial ambitions of the

Habsburgs. Jacob relished the

relationship, which began

when Frederick III, the Holy

Roman Emperor, was given a

loan by Fugger’s brother in

spite of a dreadful credit rat-

ing. Jacob became principal

banker to his son, Emperor

Maximilian I, who estab-

lished the Austro-Hungarian

Empire, and to Charles V of

Spain, whose victory at the

Battle ofPavia entrenched the

Habsburgs’ hegemony. His

huge loans were backed by

collateral, and his Habsburg

clients frequently paid them

offin kind ratherthan cash.

Fugger was able to obtain

control of commodities such

as silver, from Austria, and

copper, from Hungary. He builta smelter to

refine the copper and traded it himself

quite pitilessly. When he joined a cartel of

copper producers in Venice they agreed to

push up the price bysqueezingthe supply,

butFuggerputpressure on hisco-conspira-

torsand rivalsinstead.

He flooded the market with so much

metal thatthe price collapsed and his com-

petitors were gravely weakened. Subse-

quently, he helped finance a Portuguese

scheme to relocate the pepper and spice

trade to Lisbon, a move so successful thatit

delivered a fatal blow to the commercial

stature of Venice. He also had a thirst for

information about trade and commerce

thatled him to create a networkofcouriers

whose reports to Augsburg were printed

and distributed to clients in the form of a

primitive newspaper. Fuggerhad invented

the world’sfirstnewsservice.

The financierraised fresh capital forhis

bank by exploiting savings accounts,

which were first introduced in Augsburg

and paid 5% a year, thus contravening the

Catholic church’s ban on usury. Fugger

tookhisargumentdirectlyto Pope Leo X(a

Medici, incidentally), who had personally

benefited from his largesse. The pope was

sympathetic and the ban on usury was

conveniently rewritten in 1515, when the

process was redefined as “a profit that is

acquired without labour, cost or risk”.

Taking risks with clients’ savings had

become a legitimate business: “The mod-

ern economy”, Mr Steinmetz writes, “was

underway.”

Fugger’s relationship with

the Vatican was based on an

extensive branch network

through which he could trans-

fer offertory collections from

Germany to Rome (in return

for a 3% commission). But his

most astonishing and unex-

pected historical achieve-

ment, says MrSteinmetz, was

unwittingly lighting the fuse

that started the Reformation.

Fugger teamed up with an-

other Habsburg client, for

whom he had bought the

archbishopric of Mainz, and

the pair began to sell indul-

gences (a forgiveness of sins,

which provided, for a fee, a

short cut to heaven), splitting

the proceeds with Pope Leo,

who used the cash to build St

Peter’s Basilica. In 1517 Martin

Luther was sufficiently out-

raged by this scheme that he

wrote the “95 Theses” that

damned Rome, sparking the

ProtestantReformation.

Ashe aged, Fuggermade a

series of enemies who want-

ed him dead. Firstthe Teuton-

ic Knights, a medieval mili-

tary order, and then the

German peasantry rose up

against exploitation by the

merchant class, of which Fugger was the

figurehead. One leader of the German

Peasants’ Revolt in 1520 was a primitive

communist priest, Thomas Müntzer, who

promised his followers that God would

killFugger.(DuringthecoldwarMüntzer’s

portrait appeared on an East German

stamp, Fugger’s on a West German one.)

But he and his fellow merchants financed

thearmiesthatfoughtoffthethreattotheir

business.Hediedinhisbedin1525.

As a youngman, Fuggervowed that he

would go on making profits for as long as

he could. And so he did. At his death he

was a florin multimillionaire. He lived in

luxury and slept well in a palace in Augs-

burg.WhateverthetruthofMrSteinmetz’s

assertion, Jacob Fugger would have been

delighted to think that he was the richest

manwhoeverlived.