

The informal credit market is nowadays an important part of the financial system of the developing countries. It plays a decisive role in channeling credit to small and poor borrowers in both urban and rural areas. It also constitutes an important source of working capital of all sizes and serves generally to ameliorate inefficiencies in the allocation of formal credit sector. The thesis is absolutely valid also during modern age. Along the whole modern age, informal credit has actually been the most widespread financial method. On the contrary, credit practiced by counters and merchants bankers, especially by means of letters of exchange, was mainly aimed at satisfying crowns, governments, municipal finances, big towns supplies needs. This is the reason why every commercial and manufacturing activity had to resort to un-institutional forms of credit, consisting in a wide range of traditional customs, law institutions and organizations, granting Europe the necessary financial basis from which to develop its own primary and secondary sectors.

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# Informal Credit in the Mediterranean Area

*XVI-XIX Centuries*

*Edited by Antonino Giuffrida, Roberto Rossi, Gaetano Sabatini*



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*Informal credit in the mediterranean area (XVI-XIX centuries)*

A cura di Antonino Giuffrida, Roberto Rossi and Gaetano Sabatini

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In copertina Gaspar van Wittel, Vista del porto di Napoli (1700 c.a.)

INFORMAL CREDIT IN THE  
MEDITERRANEAN AREA  
(XVI-XIX CENTURIES)

Edited By  
Antonino Giuffrida, Roberto Rossi and Gaetano Sabatini



In memory of Paola Vismara



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# *General Introduction*



## General Introduction

ANTONINO GIUFFRIDA, ROBERTO ROSSI AND GAETANO SABATINI

At the end of the last century 90s, Ruggiero Romano, with a successful collection of studies on the money circulation in '700 Mexico, gave a fundamental critical contribution to the prevailing institutional interpretation of the economic phenomena of past and present times<sup>1</sup>. In opposition to an interpretation of the exchange processes in the pre-industrial age, merely depending on codified ways of credit exercises and formally established and recognized financial instruments, Romano, starting from the New Spain affair, documented how, in pre-capitalistic systems, money economy was accompanied by a wide range of natural economy, showing in the most varied ways - self consumption, exchange, wages paid or credit paid in kind - without ever resorting to money circulation.

According to that model, the two different economies - the monetary and the natural one - were not monads at all, but rather interacting realities, converging into an overall sole system of production and exchange, within a definite territory<sup>2</sup>. Understanding that model implies considering some specific aspects:

- the practice of informal credit, overlapping or even replacing the one allocated by bankers;
- the practice of accountancy: heritage of the merchants' technical culture, which enabled a constant control over the interaction between the two economies;

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<sup>1</sup> Romano 1998.

<sup>2</sup> On the origins of the dichotomy between natural and money economy in the classical judicial culture see: Romano 1986.

## Introduction

- the use of the money of account, representing the effective connection between the two economies.<sup>3</sup>

Further surveys have analysed in detail important aspects of the dialectic relationship between money and natural economy with reference to retail as a point of contact, overlapping and fusion of the practices going back to the two ways in which pre-industrial and pre-capitalistic systems worked <sup>4</sup>. At the same time, the establishment and functioning of commercial systems has been, over the last decades, thoroughly analysed by a vast literature. In the modern age, these systems have managed, by overcoming territorial, ethnic, and religious limits, to reinforce the sense of confidence among their own members, thus reducing the risks resulting from long distance trades. Thanks to informal economic policies based on mutual confidence and self-regulation techniques, they also granted the contracts to be respected, leading to the establishment of informal merchants' associations, whose practices, mainly supported by family or confessional ties, enabled greater autonomy than institutionalized companies did<sup>5</sup>.

The project of carrying on a study on modern age informal credit within the Mediterranean area, starting point for the essays contained in the current volume, originates from the desire to resume the original Ruggiero Romano's intuition, though taking into account the following historical researches, especially those concerning the above mentioned sectors of analysis, firmly considering informal credit as the key to define the relationship between natural and money economy.

Along the whole modern age, informal credit has actually been the most widespread financial method. On the contrary, credit practiced by counters and bank merchants, especially by means of letters of exchange, was mainly aimed at satisfying crowns, governments, municipal finances, big towns supplies needs. This is the reason

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<sup>3</sup> As also underlined in the always valid essay of synthesis by Day 1983, 340-61.

<sup>4</sup> With this regard see the outcome of Istituto Datini week of studies, edited by Nigro 2015.

<sup>5</sup> To classical studies by Curtin 1984, and Subrahmanyam 1996, have recently added various works dealing with the question of commercial networks carrying out informal economic dynamics, among the others see as a synthesis Owens 2011, 159-82; Halevi 2014; Crivelli, Sabatini 2015, 257-71.

why every commercial and manufacturing activity had to resort to un-institutional forms of credit, consisting in a wide range of traditional customs, law institutions and organizations, granting Europe the necessary financial basis from which to develop its own primary and secondary sectors. Even 'Monti di Pietà', promoted from the 2<sup>nd</sup> half of XV century by Franciscan predication, turned more and more into institutional bodies, though, by their own nature, still mainly but not exclusively devoting to those classes left out from other forms of credit<sup>6</sup>.

Furthermore, the complexity of ancient regime situations explains indeed the presence of informal forms of credit, destined to a wide range of the population's consumptions, besides credit destined to big financial circuits or productive activities. This category includes, among the others, either individuals or groups of people owning not mainly credit aims, but rather mutual and jointly liable purposes (associations, guilds, confraternities, etc.)<sup>7</sup> and ecclesiastical bodies<sup>8</sup>. In particular, groups organized on a mutual and welfare basis were, during the modern age, a key element in the management of local communities, affecting the most varied sectors of social, health, welfare, manufacturing and religious life. Based on common links, ranging from family, social to professional or confessional ties, those groups organized to share part of their own resources and create a credit basis to sponge on in case of need. The examples mentioned in the research concern religious confraternities or corporations using part of their funds deriving from alms or credit activities surplus<sup>9</sup>.

The variety of pre-industrial and pre-capitalistic systems flowing into informal credit has forced to work out a definition as accurate as possible. More precisely, the shift was at first from the rather generic concept of lender, relating to a wide range of possible subjects, to that of unorganized finance, pointing out the existing differences with or-

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<sup>6</sup> Monti di Pietà institutionalization process is very clearly explained by Muzzarelli 2000, 2001; see also Vismara 2004.

<sup>7</sup> This aspect has been thoroughly analysed within a recent, deeper consideration on the themes of modern age corporations economy: see Guenzi, Moioli and Massa 1999.

<sup>8</sup> See, as an example, the interesting hints contained in Landi 2003.

<sup>9</sup> Moioli, Massa 2004.

## Introduction

ganized financial institutions, as the banks were. More recently, the concept of unorganized finance – not very precise in describing complex and not totally void of an internal organization phenomena, has been replaced by that of non-institutional finance: a far more appropriate definition, based on possibly objective features, such as indeed the absence of an institutional structure. Furthermore, the definition of a concept of informal finance, finally adopted by the researchers, seems by far more precise, implying the whole set of financial transactions, not regulated by a central monetary authority or a central financial market<sup>10</sup>.

Thus, informal credit is mainly characterized by the absence of pre-established, legally regulated conditions, being an authorization or a special guarantee to carry on the activity not necessary. Rules and conditions of allotment and access to credit are rather defined by the actors themselves, thus possibly very different within the same community. These features indeed highlight the role historically played over the last decades in the development of studies on informal credit by the parallel experience of microcredit on the one hand and, as far as welfare economy is concerned, Amartya Sen's theories on the other<sup>11</sup>.

Further analysing the definition of informal finance, the most outstanding feature, relating to the lack of pre-established conditions, is certainly the absence – or the weak presence – of control by institutions, confining these activities into a sort of normative 'niche'; the total or partial lack of external or public control has also the significant consequence of frequently hindering taxation on profits deriving from the activities. A second aspect typical of informal finance is its capillarity, evident not only in the main places, centres of commercial transactions – markets, fairs, harbours, towns – but even in rural and not easy to be reached areas, apart from the formal credit and financial systems level of development. Informal finance is further characterised by its accessibility to every social class, thus removing, from a certain point of view, the typical fiscal restrictions of bank credit, formalized during the modern age. This did not mean a "proletari-

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<sup>10</sup> Lelart 2005, 83-88.

<sup>11</sup> Sen 1987, 1992, 1999.

anization” of credit, resulting instead into a double-level credit activity: the informal one destined to lower classes, and the formal one to nobles and upper classes. As shown in the surveys presented in the volume, informal credit has always concerned both poorer categories (artisans, labourers, small merchants, etc...) and upper-middle social classes and very different socio-economic backgrounds.<sup>12</sup>

The variety of social classes interested in informal credit is well represented by the wide, mixed range of subjects involved in this peculiar market, composed by people who occasionally or regularly loan their resources or collect savings and deposits: non-professional lenders, traders, money depositaries, agents specialized in loans, pawnbrokers, etc<sup>13</sup>.

The group of non-professional lenders is the largest and most diffused one. It generally includes subjects carrying on not commercial credit activities and, still nowadays, so widespread and strongly rooted, they play an important role in the most backward financial systems. Traders represent in the modern age the backbone of the credit system being, among the other things, the source of origin of the real formal bank system. These figures combine trade and lendings, using their own capital deriving from their trading activities. Lending performed by merchants has been object of the most heated arguments both in historiography and contemporary literature, having this activity somewhat overlapped with usury. A lot of cases have been recorded and researchers refer to informal credit practises based not only on money, but also on landed property and its exploitation or the sale of commercial products. Generally, loans were linked to the purchase or sale of commodities, thanks to payment delays.

Money depositaries belong to the special category of subjects devoted to informal credit, since their role can be mistaken with that of real credit agents, as bankers were. And yet, in the very early stages of the credit market, keepers, depositaries, but even trading business insurance agents or taxes collectors, who accepted deposits by providing a safe place for funds stock – mainly deriving from daily trading activity – have played a fundamental role in the increase of credit

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<sup>12</sup> Fontaine 2008.

<sup>13</sup> Fontaine 1993, 100-12.

## Introduction

volumes and the finding of money in case of shortage. As shown in the surveys contained in the volume, the above figures represented an advanced layer of credit actors, performing in a well-known market they were fully acquainted with. Different is the case of pawnbrokers, the most ancient form of informal finance, often carried out in an irregular or occasional way, even adopting more organized procedures, comparable to formal credit ones. It's evident how pawnbrokers were a figure apart, especially since they did not need any information on the debtor's activity, owning the good delivered as a pledge for the loan.

Thoroughly analysing all the different aspects marking informal credit is the object of the present volume, divided into three sections. The first one concerns the religious and political aspects of credit exchange, analysing in detail the relationship between religion and credit, restoring the debate existing within the Catholic church; it also deals with informal credit activities performed by clerical bodies, such as aspects linking political choices and strategies to credit activities performed by different groups. A second section is devoted to non-banking credit and analyses activities carried out by different kinds of subjects, such as *Monti di Pietà*, pawnshops and confraternities. The last section, about credit to agricultural and manufacturing productions, analyses the close bond between economic activities and their funding.

The volume aims at highlighting common or similar, from one geographic area to the other, research problems and at verifying the use of research instruments, either specific or borrowed from other branches, in order to pave the way for the creation of a common research platform. With this view, the objectives considered to be common to the three macrothemes have been the setting of terms for the credit measurement, the methods of definition of a real, though informal, credit circuit, overlapping the formal one, and the identification of the moment of contact between the two.

## Thanks

The present volume is the outcome of the debate developed on the occasion of a workshop organized in Rome in October 2013 at ABI ‘*Associazione Bancaria Italia*’ (Italy Bank Association), with the support of the Arts Department – Cultural Studies of Palermo University, Economic and Statistical Sciences of Salerno University and Philosophy and Communication and Entertainment Department of Roma Tre University, coordinated by Antonino Giuffrida, Roberto Rossi and Gaetano Sabatini, as part of the research activities arranged within the project “*Futuro in Ricerca 2012 Frontiere marittime nel Mediterraneo: quale permeabilità? Scambi, controllo, respingimenti (XVI-XXI secolo)*”.



*Informal credit in the  
Mediterranean area*

### Abbreviations:

A. Li = Archivio Litta (Litta Archives)

ADDDBR = Archives Départementales des Bouches-du-Rhône (Departmental Archives of Bouches-du-Rhône)

ADGG = Archivio Durazzo Giustiniani di Genova (Durazzo Giustiniani Archives of Genova)

AOMM = Archivio dell'ospedale Maggiore di Milano (Major Hospital Archives of Milan)

AHN = Madrid National Historical Archive

AOMM = Archivio dell'ospedale Maggiore di Milano (Major Hospital Archives of Milan)

ARCHV = Archivo de la Real Chancillería de Valladolid (Real Chancillería Archives of Valladolid)

ASB = Archivio di Stato di Bologna (State Archives of Bologna)

ASBS = Archivio di Stato di Brescia (State Archives of Brescia)

ASCBS = Archivio storico civico di Brescia (Historical-Civic Archives of Brescia)

ASCCA = Archivio storico della Congrega della Carità Apostolica (Historic Archives of Apostolic Charity's Congregation)

ASCG = Archivio Storico del Comune di Genova (State Archives of Genova)

ASFG = Archivio di Stato di Foggia (State Archives of Foggia)

ASG = Archivio di Stato di Genova (State Archives of Genova)

ASMI = Archivio di Stato di Milano (State Archives of Milan)

ASMPB = Archivio storico dei Monti di Pietà di Bologna (Pawnshops Historical Archives of Bologna)

ASPD = Archivio di Stato di Padova (State Archives of Padova)

ASPA = Archivio di Stato di Palermo (State Archives of Palermo)

Rm = Tribunale di Regia Monarchia (Royal Monarchy Court)

ASR = Archivio di Stato di Roma (State Archives of Rome)

ASS = Archivio di Stato di Savona (State Archives of Savona)

SASSR = Sezione di Archivio di Stato di Sanremo (State Archives Division of Sanremo)

# Heads or tails – different sides of coins and credits in 1800s Gotheburg

LILI-ANNÈ ALDMAN AND PER HALLÉN

## 1. Introduction

Internationally, informal credit has been the interest of a number of studies in recent decades. Commonly, the assumption is that the informal market lessened in significance and was almost completely erased as more and more modern banks were established. That this was not the case has been hinted at in several lesser studies. These have mostly focused on smaller towns and the countryside. Even though there are a small number of studies today, the conditions in trading towns are still largely unknown.

Also, there is surprisingly little research for the Swedish credit market during the 1800s. This is remarkable as the country went through a massive change, from an agrarian to an industrialised nation. The studies of this time have mostly been concerned with the formal side of credit and the development of banks. Some studies have been done on the informal credit market but these only cover the countryside or small towns. In other words, no study of informal credit has been conducted in either of the two major trading towns in the country, Stockholm and Gothenburg. Hence, there is a significant gap in Swedish research, first and foremost concerning the significance of informal credit during the 1800s.

The purpose of this article is to present the first results from our study of the credit market in Gothenburg during the 1800s. We have, however, chosen to focus on the results concerning the informal credit market. Aside from a short research background, methods and definitions, the results are divided between results from probate

inventories and bankruptcy records. The article finishes with a final discussion in which the results of both are discussed.

## 2. Background

Informal credit is still a pervasive phenomenon in the entire world and something that in developing countries is seen as a great challenge to their financial and social politics<sup>1</sup>. These countries are at a similar economic level to that of Sweden in the 1800s. However, theoretical understanding is still lagging behind when it comes to the causes and effects of a transition to formal credit<sup>2</sup>. According to Straub, the best way to shrink the informal credit market is to reduce the “agents” need for informal credit. Malik, however, shows that even with a liberalisation of the financial market, the informal credit market will not be eliminated. Furthermore, he maintains that the effectiveness of a transition from informal to formal credit depends on the size of the administrative interest: the lower the interest the better the effect. He also writes that while a low level of interest increases the opportunity for an expanding formal credit market, the effect is seldom obvious, as the informal sector may remain unchanged<sup>3</sup>.

Internationally, there is also research that analyses the credit market from early modern time or the period when the banking systems developed. However, it is rare that the people studying the development of banks also discuss the transition from informal to formal credit other than in a macro perspective where banks are the focus. Most seem to, implicitly or explicitly, assume that informal credit is detrimental and hinders the development or growth of the modern industry. For them, it is also only the introduction of formal credit and the starting of banks that drive the development of the community forward<sup>4</sup>.

However, Gelderblom’s and Jonker’s article on the process towards a more formalised financial sector during the 1600s and 1700s

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<sup>1</sup> Straub 2005, 299-321.

<sup>2</sup> Sneider 2003, 77-114.

<sup>3</sup> Straub 2005, 299-321; Malik 2007, 706-30.

<sup>4</sup> Palsi 1996, 117-37; Da Rin 1996, 29-47.

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is part of the background of our project<sup>5</sup>. Similarities with the early financial market in Gothenburg are clear. The church, poorhouses, orphanages and seamen houses were important both socially and as lenders. The comparison by Sylla between Great Britain and the USA 1790-1830 is also part of the project background<sup>6</sup>.

The interplay between public and private actors in the handling of large number of claimants is often a neglected aspect of the older history of the credit market. In Sweden, previous research has often viewed private and public granting of credit as separate phenomena but they benefit from being seen in interplay. More recently, Hoffman et al have shown, in particular, the huge significance public notaries in Paris had in ensuring that the private credit market worked. The notaries helped the 1690-1840 Paris credit market to, among other things, stabilise credit networks by applying particularly strict regulations governing public loans<sup>7</sup>.

The institution of the notary did not have the same impact in Sweden and the rest of Scandinavia as it did in Italy, France and Germany. However, the system was institutionalised with the notary public (Notarius Publicus) for handling protests. For instance the Bills of Exchange Act of 1748 expressly stipulated that objections to Bills of Exchange (BoE) should be set down in writing by way of a notary public<sup>8</sup>. This had previously been dealt with by Rikets ständers bank while loan and bill by the court. In other words, only the objections to BoEs were to be handled by the Notarius publicus, something that very likely has influenced the perception of the institution as less effective than in other countries.

Researchers also point out that the reform of the institution of bankruptcy played a crucial role in the development of the financial market and in the increase of supply of capital during the period of early industrialisation. They suggest that public financial institutions, such as the notary institution in southern Europe, reduced risk by supporting private financial networks during the transition from ear-

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<sup>5</sup> Gelderblom and Jonker 2009, 71-99.

<sup>6</sup> Sylla 2009.

<sup>7</sup> Hoffman, Postel-Vinay and Rosenthal 1992, 256-84.

<sup>8</sup> Hayen, Jakobsson and Nyberg 2012.

ly-modern to modern times<sup>9</sup>. In Sweden, from the 1600s onwards, these tasks were performed by so called town-brokers (stadsmäklare).

There are also studies that, either directly or indirectly, discuss the informal credit market. These can roughly be separated into four groups. The first group studies consumption credits and/or credits for investments in land. The second group deals with credits regarding the household economy, the significance of systems for loans against collateral (pawnbrokers) or economic integration between regions<sup>10</sup>. The third group deals with the credit market, but mostly sees it as the development of capitalism from different perspectives, economic growth or risk management. Finally the fourth group, the one closest to us, deals with credits during the middle ages or transition to early modern times as well as those dealing with trade or the development of industry. These almost always include what we in our project call informal credit<sup>11</sup>.

More and more research today emphasises the importance of the informal credit market when it comes to development<sup>12</sup>. Studies on, among other things, small Swedish towns have shown that there was both a formal and an informal credit market during the entire 1800s. Whether this was true in Gothenburg is, as previously mentioned, still unknown. This is despite the size of the town and the international connections it has, which is paradoxical, as it was during this century that Gothenburg grew from a small countryside town to a leading town in foreign trade and modern industry.

Formal credit was hard to get if you were outside the economic elite. Most people relied on informal credit in the form of promissory notes (PN). To get credit, you could turn to an “informal banker” with local knowledge about the supply of capital. It was also possible to use the town-brokers (stadsmäklare), who worked as intermediaries. These were, according to previous research, also an important part of the credit system. The town’s authority approved the profession and they had to deliver their materials to the town court (Rådhusrätten).

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<sup>9</sup> Hoffman, Postel-Vinay and Rosenthal 1992, 293-306.

<sup>10</sup> Caskey 1991, 85-99; Lyon 2003, 231-35; McCants 2007, 213-38.

<sup>11</sup> Pagett and McLean 2011, 1-47; Puga and Trefler 2013; Smail 2003, 299-325; Postan 1973, 28-64; Finn 2003, 25-63, 278-316.

<sup>12</sup> Decker 2011, 71-90.

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For this reason, town-brokers were treated as part of the formal credit system. No larger studies of the town-brokers in Gothenburg have previously been conducted<sup>13</sup>. In other words, by the informal credit market we mean all transactions not dealt with by those that, according to the law, were formal institutions; that is banks, guilds and other types of foundations, insurance companies, limited corporations, town-brokers as well as from the 1880s - pawnbrokers. The domestic BOEs, however, are considered here as formal credits only if the BOE was written by a bank or was discounted. Furthermore, we have considered foreign currency and loans as formal as it is impossible to determine whether these were dealt with through a bank.

The structure of the informal credit market is uncharted territory in the large trading towns of Sweden. This study aims to give the first insights into this part of the economy.

### 3. Sources and methods to researching the informal credit market

Credit relations between people that do not leave behind any bookkeeping are hard to track and there are only a few sources where these transactions become visible. One of these sources is probate inventories. The other we have used here is bankruptcy records. As previously mentioned, there are some Swedish studies that deal with the informal credit market; however, these are only based on probate inventories, or else on nobles' personal accounting records. Probate inventories have there by been discussed among other researchers. Here, we only mention what concerns our specific study.

There is also quite a bit of research that has used bankruptcy records but these studies are usually from a completely different perspective, e.g. on network theory, dowries or distribution. Alternatively, bankruptcy records are used to study the development of the legal system, e.g. the introduction of *Notarius publicus* or the effect of lessened time from *Proclama* until verdict<sup>14</sup>. In economic history research, bankruptcy records have been used to analyse specific com-

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<sup>13</sup> Attman 1963, 232; Algot 1963, 2-5.

<sup>14</sup> Ågren 1992; Lundquist 2008; Hayen, Jakobsson and Nyberg 2012.

panies, putting in systems, the guilds' foundations or the courts' discrimination of certain debtors<sup>15</sup>. In other words, none of these studies touch on the informal market as a whole. The research closest to our study on the informal credit market is Bertil Andersson's study on the economic activities of traders in Gothenburg<sup>16</sup>.

In other words, at least as far as we know, no one in Sweden has as yet used bankruptcy records in order to study the transition from informal to formal credit among business owners, which is the focus of this study.

The study, both in regards to the probate inventories as well as the bankruptcy records, analyses the town of Gothenburg as well as the suburb of Majorna, every 20 years. Below, just some of these years are presented.

The credit information in probate inventories is usually noted as the most trustworthy part of this source. In recent years, probate inventories have been used to study informal credit networks in, for instance, Falun and Kalmar as well as some countryside parishes<sup>17</sup>. The conditions in Gothenburg have never before been systematically studied, despite multiple researchers pointing out the significance of the informal credit system<sup>18</sup>.

The study makes it possible to identify key individuals in the informal credit system. Were there informal bankers in Gothenburg? Can informal capital be traced to larger loan givers, for example to merchant houses?

According to the law of 1734, probate inventories were to be made for all adults after their deaths. In reality there were, however, many exceptions where no probate inventories were created<sup>19</sup>. In this study, this lapse is a minor problem as claims and credits were important to monitor and guaranteed that a probate inventory with inventories of household goods and credits was done in accordance with the law, this

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<sup>15</sup> Attman 1953; Magnusson 1988, 234-47; Hildebrand 1992, 97-108; Axelsson 2006; Hallén and Olsson 2010.

<sup>16</sup> Andersson 1988.

<sup>17</sup> Lindgren 2002, 810-83; Lilja 2004; Perlinge 2005; Svensson 2004.

<sup>18</sup> Attman 1963, 232-52; Nygren 1987.

<sup>19</sup> Several researchers have discussed the strength and weaknesses of Probate inventories, (Jones 1980; Bringéus 1977; Gadd 1983; Perlinge 2005; Hallén 2009).

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since there were more people than just the immediate family who had an interest in the property and credit relations being documented.

The registration of probate inventories has been done with the help of a database consisting of two parts. The probate inventory and the information that has been deemed necessary have been put into one, which represents the probate inventory. In a separate database all debts and credits are recorded. Each item is linked to the main database. This creates a system where it is possible to study credits, debts and individuals for whom a probate inventory has been done, individually or as part of a whole. Furthermore, it is possible to encode the contents so that connections between lenders and borrowers who are registered as debtors or creditors can be traced.

An important part of the method is to transform the results from the probate inventory study into an estimate of the total informal credit market among the living population. The probate inventories have, of course, a “distorted” age distribution where there are more old people than in the living population. In order to solve this problem most Swedish probate inventory researchers<sup>20</sup> have followed Alice Hanson Jones’ model from 1970<sup>21</sup>. This model has the living population divided into age groups; 15-19, 20-34, 35-49, 50-64 as well as 65 and above. The number of dead in each age group is divided with the living population in the same age group and this value is inverted. The size of the debts and credits in the probate inventory study is multiplied by the inverted mortality rate.

Tabel 1 - Total numbers of probate inventories and items in Gothenburg for each year of resarch years

	1800	1820	1840	1860	1880	1900	Total
Numbers of bankruptcy records	100	138	104	214	256	270	1,082
Number of items	732	895	1,355	1,715	2,445	3,318	10,460

Sources: Gotheburg Landsarchive (GLA): Rådhusrätt och Magistrat before 1900 (RR & Mag): EIIIa: 1800, 1820, 1840, 1880, 1900.

<sup>20</sup> Lindgren 2002, 810-32; Perlinge 2005.

<sup>21</sup> Hanson Jones 1970, i-172.

In this paper, the results of the probate inventory study for the years 1800 and 1900 are presented. The first research year consists of 100 probate inventories while 1900 consists of 270. In the table below, we have also recorded how many probate inventories are included in the other research years.

Why bankruptcy records? Probate inventories have the advantage that they cover a range of individuals. A problem, however, is that corporations with more than one owner are missing from this source. These types of corporations are relatively frequent in towns like Gothenburg and with industrialisation this type becomes even more common. Certainly trade books could have been used, but these are few and those that can be found are from the large trade-corporations. Therefore, in order to get a better picture of the credit market for different types of companies, from small artisan businesses to large limited corporations, there only is one source: bankruptcy records. As a bankruptcy per se entails that the company has become insolvent, the choice might seem precarious. In Sweden, however, they are treated under the same legal institution as legal division of joint property between spouses or business partners. This means that the sources consist of a large number of cases that were really about legal division of joint property, but also those businesses that only had a short term lack of liquid means. A clear example of the latter is the pub owner Brita Brink's application. The reason for her application was a momentary shortage of liquid means, when one of her creditors demanded his debt be paid ahead of time<sup>22</sup>. These types trials, however, always ended before proclama, but they are useful to the study as they contain the same kind of information as all the other cases we have recorded.

For us, the law of 1734 is the base, as most parts of this apply throughout the 1800s. Among other things, it is referred to at the proceedings of so called prioritised debts in the year 1900. As opposed to, for instance, France, where private loans were not accepted in court if they were not registered with a Notary Public, in Sweden, any signed loan document was accepted as well as cash loans. However, different forms of loans were given different priorities when the assets were divided in connection with bankruptcy. Long-term debts and PN/

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<sup>22</sup> GLA: EVIa: vol. 198: akt 42/1820.

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BoE were prioritised second to taxes, salaries and rent debts, while cash-loans were prioritised last<sup>23</sup>. The change in law added during the 1800s was first and foremost aimed at lessening the time between application and verdict. Hence it does not affect the study.

Bankruptcy records were created when an individual or business that initiated a judicial proceeding in order to settle their debts alternatively applied for legal division of property. The procedure was that all creditors with an interest in the bankruptcy were required to come before the court and present the witness accounts of their claims at the Day of Proclamation (Proclama). All creditors were also required to take an extensive oath before their claims were accepted. The debtor had then already sworn the oath before the application was turned in<sup>24</sup>. Thus, the bankruptcy records consist of the minutes of the court proceedings, the debtor's description of his assets and credits, and the witness accounts of the creditors' claims. The latter meant that the evidence from the creditors complemented the debtor's records. At least when it comes to the credits, the records can hence be considered very reliable.

However, there is no evidence in regards to the debtors' claims towards individuals or companies. This means that we almost always have to trust the debtor's own papers on his or her own claims against others, which may seem uncertain. However, we believe that there are clear indications that even these claims are mostly correct, since it was rare for the deacons to have requested a new look through the debtor's assets. The function of the deacons was to manage assets and they were always appointed from the debtor's creditors. They therefore had a financial interest in recovering all claims because the more capital that came in, the smaller the loss for the creditors. Furthermore, the debtors also had a financial incentive to show all their assets because the smaller the difference between assets and debts, the greater the possibility of reaching a settlement. A settlement meant that the debtors would no longer be liable for paying the debts that were part of the bankruptcy.

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<sup>23</sup> *Sveriges rikets lag gillad och antagen på riksdagen åhr 1734*. Handelsbalken IX Cap. XV. Cap. 1,6 & 13.

<sup>24</sup> *Kongl. Maj:ts förnyade Stadga, angående Afträdes- och Förmåns- sammt Boskillnads- och Urrafwa mål*. Dat. Then 26 augusti [1773], Stockholm. § 1-2 and § 6-8.

Of the records studied, the deacons only demanded that the assets be reviewed twice, which happened 3-6 months after the debtor had drawn up his account. Hence, there is a discrepancy between these accounts. The number of the debtor's previously claimed debts and credits are missing, while new ones have been added. In these cases, we had to choose and the choice was to only add those that arose prior to Proclama to the database.

In other words, we maintain that both the claims and credits noted can be trusted. However, a larger problem is that the terms used in the debtor's papers are sometimes unverifiable or impossible to study in detail. This applies partially to the debtor's claims, partially as the creditors rescinded their claims. Normally, the terminology makes it possible to distinguish between different types of credits, but in practice it is apparent that the debtors, especially those of foreign heritage, seem to use terminology inconsistently. This only applies to PN, which is a short-term credit while COI/IOU are long-term credits. This means that PN, at least when it comes to claims, will probably be overestimated.

Methodologically, this study has been treated in the same way as discussed in regards to the probate inventories. However, the first periods of this study are based on broader periods of time, so that the number of records included would be a sufficient basis for the town's credit markets, that is, at least 1,500 transactions per studied decade would be included.

Tabel 2 - Total numbers of bankruptcy records and transactions in Gothenburg for each year of resarch years

	1800	1820	1840	1860	1880	1900*	Total
Numbers of bankruptcy records	52	65	52	59	57	75	360
Number of transactions	2,670	2,229	2,807	2,097	4,382	5,584	19,769

Sources: GLA: RR & Mag; EVIA: vol. 74-6, 98-103, 194-98, 276-85, 393-97, 527-33, 661-69; Selections of companies from vol. 71-3, 152, 154-58, 162-64, 168-69,171, 173-76, 186-93;; Sävedalens härad FIV:vol. 4, 16, 24-5, 31-22 & -40. Riksarchive: Justiterevisionen: Revisionsakter: 1804: April 26:II, April 26:9, 1821:September 20: act 29; Högsta Domstolen: 1826:2

Remark: Observed that for 1900 the database are not finished yeat and the analyze in this article are based on fewer records as only companies are.

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In this paper, however, only business owners' bankruptcy records are discussed for the years 1800 and 1900. This means that only 36 files for the year 1800 and 54 for the year 1900 are included in this study. Also, the results are un-weighted.

Before the result, we need to clarify a few things. For instance, we use the terms *claims* and *credits*, and not *debt*, to indicate who owes whom money.

One of the difficulties in approaching these sources is that there are three different kinds of valid currency until 1873. These are Riksdaler Specie (RS), Riksdaler Banco (RB) and Riksdaler riksgäldsmünt (Rgs). The exchange rate between these were such that 1 RS = 2 2/3 RB = 4 Rgs. After 1873, Kronor (Kr) is the only valid currency. During the currency reform, the exchange rate was selected as 1 kr = 1 Rgs.

In the year 1800, there were no banks in the modern sense in Gothenburg, only discount banks. These have not, however, been present in the studied probate inventories. It is therefore not very surprising that loans between people and from businesses/craftsmen to private individuals completely dominated. As seen from the probate inventories, in the town of Gothenburg it was written agreements in the form of PN and Certificates of Debt (COD/IOU) that were the basis of the credit market (Table 3). This was an expected result. In studies of the Swedish countryside during the first part of the 1800s, these kinds of contracts played a fairly insignificant part. There, the dominant form was cash loans, i.e. loans without formally signed papers. In a trade town like Gothenburg one should, however, be able to expect the credit market to be better arranged, and the initial results point in that direction.

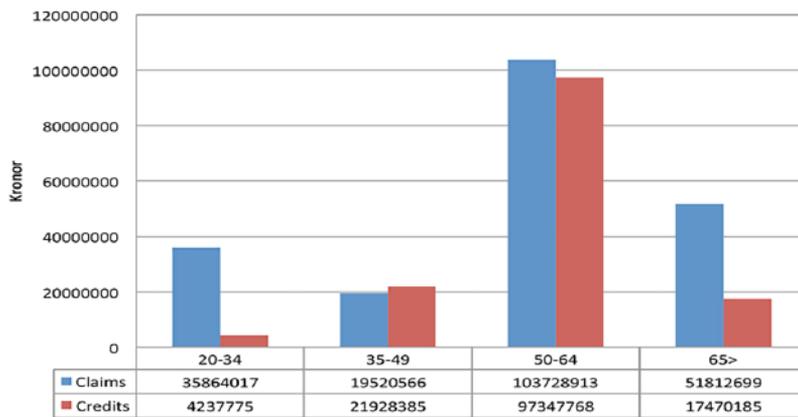
Table 3 - Weighted results (estimated) for claims in form of PN/COD/IOU and cash loans in 1800 (in RB)

	PN//COD/IOU	Cash loans
15-19 year		
20-34 year	3,380	1,279
35-49 year	3,346,091	2,400
50-60 year	473,665	
≥65 year	231,794	2 945

Source: GLA: RR& Mag: EIIa:38 (1799-1800), pp. 945-91

The age group 35-49 years dominates when it comes to claims in the form of PN and COD/IOUs; within the age group 50-64, this kind of credit connection is completely missing. This is not a basis for any firm conclusions, only that there seem to be less differences between age groups when it comes to cash loans than in the case of PN/COD/IOU

Graphic 1 - The credits in 1900, divided into age groups . The weighted [estimated] sum in Kr.



Sources: GLA: RR & Mag: EIIIa: 141 (1900-1900)

The credit market in 1900 was, of course, a completely different world from a hundred years before. Gothenburg, like Sweden as a whole, had gone through rapid and thorough industrialisation and had thus had a rapidly increasing need for credits. Several new savings and business banks had been established. The established “truth” has been that the banks had completely taken over and formalised the credit market at the end of the 1800s, but the results from probate inventories show that this was not the whole truth.

The study of probate inventories in 1900 shows that it was people over the age of 50 who dominated the informal credit market. The youngest and oldest also emerge as groups with relatively large claims in the diagram below; we have also added the volume of credits.

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This shift in behaviour in the age group 50-64 is also found in other Swedish studies<sup>25</sup>. Similarities can also be found with Lilja’s studies of debts during a life cycle, where the “peak” is in a person’s 50s<sup>26</sup>.

Table 4 - The weighted (estimated) sum of claims in 1900, divided into PN/COD/IOU, cash loans and bank deposits, in Kr.

Claims	PN/COD/IOU	Cash loans	Bank deposits
20-34	485,877	34,000,471	1,377,669
35-49	11,396,974	628,108	7,495,484
50-64	70,365,549	21,578,492	11,784,871
≥ 65	35,539,122	3,834,471	14,439,107
Sum:	115,787,522	60,041,542	35,097,131

Source: GLA: RR & Mag: EIIIa:141 (1900-1900)

For the youngest age group, loans without written obligations dominate (Table 4). This kind of asset decreases significantly with the group 35-49, to then reappear in those older than 50. Informal claims in the form of PN/COD/IOU and cash loans completely dominate the probate inventory materials for 1900. Some adjustments may be needed when we take into account other institutional lenders, like, for instance, insurance companies. It is, however, already possible to make the assessment that roughly 80 percent of the claims between individuals and smaller businesses consisted of informal credits at the turn of the 20<sup>th</sup> century.

The institutional claims between different age groups indicate increased savings with age.

As seen in Table 5, the group aged 50-64 also dominates the credit side. PN and cash loans are important but there are also a lot of debts to banks. The youngest and oldest in the study have the lowest connections with the formal sector, which is not unexpected.

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<sup>25</sup> Perlinge 2005, 80-1.

<sup>26</sup> Lilja 2004, 172.

Table 5 - The weighted (estimated) sum of credits in 1900, divided into PN-COD/IOU, cash loans and bank deposits, in Kr.

Credits	PN/COD/IOU	Cash loans	Bank deposits
20-34	2,340,225	1,024,371	873,188
35-49	15,465,050	2,230,426	4,232,909
50-64	60,857,721	14,230,426	22,475,226
≥ 65	15,628,361	720,179	1,121,645
Sum:	94,291,358	17,989,786	28,702,969

Source: GLA: RR & Mag: EIIIa:141 (1900-1900)

The weighted results for 1900 provide a truly remarkable result. For private individuals, the informal credit market was still entirely dominant. An entire 80 per cent of claims were in the form of PN or cash loans; only 20 per cent had some connection to bank credits.

The growth of the banks during the 1800s is not in doubt, but their operation seems mainly to have been directed at big industry and investments in infrastructure. The results from this, and other previous probate inventory studies, show emphatically that informal credits were important and cannot be overlooked in a study of the credit market of the 1800s.

How did the informal market work when it comes to credits? In order to get somewhat closer to the actors, the probate inventories with ten or more claims that apply to people outside their own family have been chosen for the years 1800 and 1900. This provides an opportunity to review those who were big actors in the informal credit market, people we refer to as *informal bankers*.

Nils Svensson died on 29th April, 1800. At the time of his death, he owned no real-estate, which is somewhat intriguing since he was a trader. It seems as if he had, instead, been renting both his place of business and his place of residence. In his probate inventory, his inventory of goods is accounted for, which shows that Svensson traded in tobacco, hides and, to a lesser extent, tea. His credits were only 508,10 Rgs while the claims were 5732,80 Rgs.

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The money Svensson had lent was in the form of PN. Among the certain claims were the lenders Mr. Johan Fälling, who had borrowed 3000, and hawker Peter Gabrielsson, who had borrowed 1000 Rgs. In addition, there were three minor loans between 10 and 50 Rgs where the largest had gone to järnbärare Sven Wetterberg. (“Järnbärare” transported pig iron between “The Scale” and the boats.)

Table 6 - Nils Svensson’s claims of PN/COD/IOU 1800 and day of transaction, in RS.

Claims	Amount	Day of transaction
Mr Johan Fälling	3,000	Not stated
Hawker Peter Gabrielsson	1,000	Not stated
Järnbärare Sven Wetterberg	50	Not stated
Mr. Jacob Svensson	20	1799-01-17
Michael Daag	10	1800-03-23
Abraham Svensson	404,16 <sup>1</sup>	1790-10-16
And. Boetius	285,95 <sup>1</sup>	1795-11-16
B: U Gravander	363,91 <sup>1</sup>	1789-01-12
Book keeper Christopher Swensson	582,06 <sup>2</sup>	1794-02-05
Johan Wedgren	16,66	1796-07-26

Sources: GLA: RR & Mag: EIIIa: 138 (1799-1800) pp. 945-91

Not 1 These claims are so called uncertain claims. Not 2 The claim is uncertain, however, has a town court verdict.

Nils Svensson was, therefore, a rather significant creditor in 1800, and his case illustrates well that it was not only the large, established merchant houses that were significant for the informal credit system. Minor actors within the trade were also important.

Another interesting example of an informal banker in Gothenburg in 1900 is Captain Johan Frans Skantze from the east part of Haga. The credit network extending from the Captain’s home did not just encompass the town but also areas outside town.

Table 7 - Johan Frans Skatze's total assets, claims and credits in 1900, in Kr.

Total assests	311,739,68
Claims	156,565,58
Credits	99,908,36

Sources: GLA: RR & Mag: EIIIa:140 (1900-1900)

Skantze owned real estate and had mortgaged these. Whether it was from these loans that he drew capital for his extensive lending still cannot be determined. However, as seen in Table 8, he had divided his claims in the forms of PN/COD/IOU, between a lot of people. However, some of his claims stand out. The first of these are three claims on Bror Hertz, which together amounted to 43,600 Kr. The others are both the claim on AW Ekamn and the claim on Captain Dannberg. To lend such large amounts to a few people was normally risky. It is therefore possibly that this was some form of collateral as security. Based on the size of the loan, it is likely that the collateral was real estate.

Table 8 - Johan Frans Skatze's claims of PN/COD/IOU, in Kr.

Claims	Amount	Interest
Bror Hertz	25,000	17,36
Bror Hertz	8,600	5,94
Bror Hertz	10,000	6,94
Sea-captain (Sjökapten) Dannberg	20,000	200
AW Ekman	40,000	27,77
Victor E Stranne	700	53,47
AP Johansson i Sätinge	130	6,86
HP Kallhange	800	43,78
Vicar (Pastor) VS Lundberg	1,400	141,35
Ivar L. Stenberg	200	20,74
S. Stranne, Smögen	500	12,01

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Claims	Amount	Interest
S. Stranne, Smögen	1,000	29,72
First mate (styrman) L. Öberg	250	2,08
Erik L. Skantze	3,000	90
Wallda & Ysby	500	11,32
Anders Petter Börjesson i Töleby	50	2,29
MC Hansson i Töleby	400	38,5
Knut Dahlman	1,000	19,17
OE Hansson i Täteinge	460	21,08
JA Rydberg	300	3,75
E Thorson	2,000	
Aron Svahn, Kungsbacka	2,500	24,35
Adolf Jakobsson, Almedahl	500	4,35
Carl M Matsson, Skårby	5,000	298,61
Carl M Matsson, Skårby	3,000	
Anna Brita Hansson, Skällared, Onsala	132,32	
Birger Hammrén, Eklanda	4,000	75,55
Widow (Enkefru) Charlotta Berglund	150	

Sources: GLA: RR & Mag: EIIIa:140 (1900-1900)

Of the companies in Gothenburg, the share that filed for bankruptcy or legal division of joint property was around 0.5% - 4% per year. These contributed to the Gothenburg credit market by around 0,5 million Rgs in 1800 and, in 1900, about 0,4 million Kr. In return, during the same years, they borrowed about 2,5 million Rgs and 1,9 million Kr respectively.

That formal claims among bankruptcy records would be relatively low at the start of the period (Table 9) was to be expected, as was the expectation that during the period they would increase. When look-

ing at the claims for businesses, then, somewhat surprisingly, despite the establishment of banks, and especially the business banks of the 1870s, the informal market among businesses still made up more than 80% of the credit market in the year 1900, whilst in the same year, around 98.7% of the formal claims came from limited corporations and merchants trading in iron and wood. The others had only formal claims in different kinds of foundations, insurance or pawnbrokers.

Table 9 - Formal and informal claims' share (percentage) 1800 and 1900

	1800	1900
Formal claims	4,8	18,1
Informal claims	95,2	81,9

Source: GLA: RR & Mag: EVIA: vol. 71-76 & 6661-667: GLA: Sävedals härad FIV vol. 4:

Riksarchive: Justitierevisionen: Revisionsakter: 1804: April:26:!! 9 & 1826:3

Table 10 - Informal claims' share (percentage) of different claims 1800 and 1900

	1800	1900
Long term claims COD/IOU	11,9	30,7
Loans against surety or collateral	12,8	3,1
Short term claims PN or BOE	9,7	5,6
Domestic bills	50,8	40,5
Foreing claims for unpaid goods	3,3	0,5
Cash loans	0,1	0,4
Interest	<0,001	0,1
Unknown	6,6	1,0
Total	95,2	81,9

Source: GLA: RR & Mag: EVIA: vol. 71-76 & 6661-667: GLA: Sävedals härad FIV vol. 4:

Riksarchive: Justitierevisionen: Revisionsakter: 1804: April:26:!! 9 & 1826:3

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That bills would dominate the claims was expected, but the drop in 1900 was unexpected, since more and more people no longer got their salary in kind as before (Table 10). However, it was not bills to customers that dropped: instead it was bills for unpaid goods that decreased. This was because BoEs were, to an increasing extent, being used instead of the earlier accounts receivable. The same applies within the foreign trade, which therefore explains the decrease in bills of foreign claims. Also, with the growing use of domestic BoEs, the share of PN also decreased markedly until 1900, as the BoEs made up over 90% of these kinds of short-term claims.

Something that is indicated by the share of long term claims on the informal market is that old tradition seems, mainly, to have lived on.

Even if a certain increase can be seen (Table 11) in the year 1900, as seen from the credits in the bankruptcy records, it could be claimed that formal credits were relatively stable during the period, since in the formal credit market, about 97% of the banks' contribution to the credit market was utilised by limited corporations and merchants trading in iron and wood. To other businesses, banks almost exclusively offered no forms of loan other than bank overdraft (kassakredit). These credits were given against surety in 1900 and were always given with the limitation that they was only to be used to discount BoEs. The only bank that gave loans to smaller businesses was "Folkbanken" and then against surety, most commonly in the form of the company's bankbook, that is, their previous savings. The loans from "Folkbanken", however, never exceeded 300 Kr.

Table 11 - Formal and informal credits' share (percentage) 1800 and 1900

	1800	1900
Formal claims	15,3	19,4
Informal claims	84,7	80,6

Source: GLA: RR & Mag: EVIA: vol. 71-76 & 6661-667; GLA: Sävedals härad FIV vol. 4;

Riksarchive: Justitierevisionen: Revisionsakter: 1804: April:26:!! 9 & 1826:3

Among the credits, it is clear that informal credits for investments had decreased in 1900 (Table 12). On the other hand, if the loans against surety or collateral with a mortgage time of 1 year or more are included, the changes between 1800 and 1900 slightly increase. Also, in 1900, it can be seen that, as with the claims, short-term credit this year was dominated by domestic BoEs. PN only appeared when a private individual had given a short-term credit, which seldom exceeded 100 Kr.

Table 12 - Informal credits' share (percentage) of different of credits 1800 and 1900

	1800	1900
Long term claims COD/IOU	14,6	10,2
Loans against surety or collateral	13,4	9,9
Short term claims PN or BOE	2,1	33,6
Domestic bills	8,5	20,4
Foreing claims for unpaid goods	20,8	4,9
Cash loans	<0,1	0,2
Interest	0,5	1
Unknown	24,8	0,4
Total	84,7	80,6

Source: GLA: RR & Mag: EVIA: vol. 71-76 & 6661-667: GLA: Sävedals härad FIV vol. 4:  
Riksarchive: Justitierevisionen: Revisionsakter: 1804: April:26:!! 9 & 1826:3

The ability of businesses to use the possibility of discounting their BoEs at a bank is an explanation for these increases. That the banks' bank overdraft limit could only be used for BoEs probably contributed to the fact that many used BoEs as payment. Another contributing factor to the increasing use of BoEs, even between business owners in Gothenburg, is probably the new opportunity to buy booklets containing ready-made BoEs. In other words, it was quicker to write a BoE than a hand-written PN.

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Surprisingly, despite the town's increased foreign trade, foreign credits decreased during the period, which can be at least partly explained by the increased use of BoEs in foreign trade. Another reasonable cause would be that the town's merchants undertook import and export to a greater degree than before. Previously, smaller actors had also been involved in foreign trade.

Since the sources deal with bankruptcies, it was expected that the cash loans would add up to more than the claims. It turns out, however, that even among the credits, cash loans were relatively rare. This also means that these results differ greatly from earlier research in Sweden. However, this part of the study shows that the cash-loans and loans against surety mostly arose in the months before the application got to court and only among those businesses whose assets could not cover their credits.

Except that the share of loans against surety and cash-loans was higher among the businesses that really were insolvent, the results show that there are no significant differences outside of these compared to other businesses. This applies regardless of the company's line of business. However, there was a difference in the size of the companies. That limited corporations and the large trade companies would utilise the largest share of formal credits was expected. However, it was expected that the remaining companies would have increased their share with a number of banks in the year 1900. It turned out, however, that the limited corporations and large trade companies utilised more than 97% of the formal credits during both years. If the other companies had formal credits, it was first with different foundations, insurance companies or pawnbrokers. Furthermore, small loans with "Folkbanken" occurred as previously described and even though it was rare, some had bank overdrafts with other banks. In other words, it can be maintained that the banks in the region hardly contributed to economic growth among small and medium sized businesses. Certainly banks could, theoretically, have made an indirect contribution through their loans to limited corporations and trading companies. It is, however, clear that these companies and their owners seldom appear as creditors with other companies. When they are found, it is usually in connection with delivery of goods. It seems as if the growth of banks neither directly nor indirectly contributed to the small and medium businesses' credit market. Instead,

these types of businesses' investments were limited to what the informal market could offer with loans from informal bankers, family and friends.

The study of the credit market in Gothenburg during the 1800s has partially changed our view of how the market worked in the second largest trade town in Sweden. Even if it has not been conclusively proven here, what have been most surprising are the strong connections with Stockholm, something that previous research has not shown to be of any significance. Additionally, despite the town's extensive international trade connections, the international credit market does not seem to leave many traces in either probate inventories or bankruptcy records, which previous research had assumed.

It also turns out that loans without any written agreements were quite rare in Gothenburg, which deviates significantly from earlier Swedish research. On the other hand, it does match well with our expected view that a trade town would have a better structure even when it came to non-formal credits. In the Swedish countryside, cash loans were very common without any written obligation. There, researchers have reasoned that these loans would be "cultural" and meant to connect relatives, families or even communities. Such an interpretation cannot, therefore, be made for the urban environment. Additionally, the long-term loans that were found in probate inventories and bankruptcies had to do with concrete needs for loans, such as for investments, consumption and real estate purchases.

We have shown that the informal credit market in Gothenburg was extensive and important for a large part of the town's inhabitants both as private individuals and from most of the town's businesses. As shown, large companies are missing as creditors for small and medium companies. For these businesses there were, however, others who acted as large moneylenders and, in our sources, some "informal bankers" appear. These bankers were from many different professional groups and sometimes specialised in lending to their own profession, but this was nowhere near universal. Both sources clearly show that in 1900, the informal credit market still supplied over 80% of the credits for individuals and businesses.

Compared to the study of probate inventories, which is based on weighted results, the results from the bankruptcy study were presented un-weighted and only based on businesses. There are howev-

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er, through the creditors' verifications, strong indications that most of the town's businesses had a similar structure of lending and borrowing as individuals. However, it certainly is likely that others also had bank savings, which thus have been underestimated here. Despite everything, it is reasonable to assume that someone in debt tried to claim their claims first and foremost, which would be why bank savings were missing. However, the study indicates that the companies that had a temporary shortage of liquid means or went through a legal division of joint property also lacked savings in banks. It would be worth mentioning, however, that the banks in Sweden had a policy that those who borrowed money and had bank savings had to use their deposits as collateral for the loan.

The informal credit market compared to the formal, i.e. loans from banks, insurance etc., which has only indirectly been included here, will, however, be a part of our project. The banks' growth is undeniable. On the other hand, we can already declare that both sides of the credit market grew during the 1800s. The informal credit market became ever more important for private individuals and the town's traditional businesses and smaller industries, while the banks mainly seem to have financed the large industrial business and infrastructure of the new times. Private individuals, traditional businesses and new, smaller businesses had to settle for small short-term loans. Mostly, these could be used for others to discount the business owners' BoEs.



# Financing the woollen industry during the sixteenth and seventeenth century: cases from the Republic of Venice

ANDREA CARACAUSI AND EDOARDO DEMO

For the whole of the early modern and modern age, financing manufacturing activities was a key element in the correct functioning of productive and trading systems. The availability of capital and access to credit were crucial factors in keeping the production cycle going in an era in which resorting to the banking system was an option but not the dominant one<sup>1</sup>. Making raw materials, semi-worked products and salaries available; payments in kind or by bill of exchange; recourse to payment in instalments with concessions by creditors to more or less long term conditions to debtors: these were just a few of the methods commonly used to obviate the need for bank loans.

Although a great deal has now been written on the subject of the merchant trading companies involved in long distance trade (just think of the work on consortiums, cartels and share holding companies)<sup>2</sup>, the specific research done on the way pre-industrial manufacturing was financed is still lacking in detailed research on specific areas or sectors<sup>3</sup>. To this end, our objectives are as follows. Firstly, to analyse the way such activities were financed with reference to non-banking methods. Secondly, to understand - including in the inter-sectoral context - the links between geography and type of finance in manufacturing sectors. Thirdly, to observe the consequences of a

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<sup>1</sup> Comito 2002.

<sup>2</sup> The bibliography is endless. See (Luzzatto 1936, 62-6; Gelderblom and Jonker 2004, 641-72; Chaudhuri 1978; Trivellato 2009).

<sup>3</sup> For the wool sector: (Zell 1996, 667-91; De Luca 1996).

specific finance structure for manufacturing. We will seek to introduce a central issue in this next section: the link between family structure and business capitalisation above all for financiers and merchant entrepreneurs. As in the case of trading companies, in fact, family structures (in the general sense of domestic groups or aggregates) influenced the availability of finance to a considerable extent in light of the fact that the constraints imposed on family assets (dowries, inheritance, entails) could limit the availability of capital for a range of companies. Moreover, all these factors set a further element in motion - the spatial circulation of capital including in a trans-local context.

In order to achieve these objectives we will focus on one specific sector and area, wool cloth manufacturing in the Venetian Republic<sup>4</sup>. This is not a random choice. Wool production was one of the most dynamic sectors in the pre-industrial economy and mobilised enormous quantities of capital, developing complex industrial networks based on sub-contracting and centralised and decentralised manufacturing linking various parts of the world together and involving great segments of the urban and rural population. From a comparative perspective, the Republic's wool towns were highly diversified not only in the manufacturing sector itself but also in terms of the various players involved in it. Venice was a large centre (with a population of 100-150,000 in the period considered here) and wool manufacture was one of the most important economic sectors, employing tens of thousands of people per year, with an estimated production of 10-30,000 pieces per year. It was a transition period from manufacturing centred around high quality, heavy cloth weaving to all-encompassing mixed cloth of lower quality. The same changes were under way in Padua too with a lower population than the capital (25-35,000 inhabitants) and a much smaller wool sector (3-4,000 pieces produced) and a workforce of around 10,000. In Vicenza, where the population was somewhere in the region of 20-30,000 inhabitants in the period considered here, the sector was similar to Padua's (3-4,000 lengths of fine cloth per year) but with a few marked differences. The area produced a large quantity of medium quality cloth ("an infinite num-

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<sup>4</sup> A very large amount has now been written about the Veneto wool workshops. (Panciera 1996; Demo 2001; Id. 2012; Mozzato 2002; Vianello 2004; Caracausi 2008).

ber", as the sources say) and possessed a merchant and managerial elite involved in a great deal of trade of great international importance, above all linked to the production and sale in the whole of Europe of a wide range of silk products. By contrast, Verona's wool manufacturing capacity was higher (with a population which varied between 40,000 and 45,000 inhabitants), around 7,000 cloths a year in the mid sixteenth century. In Verona, like Padua, a further segment of the wool sector developed - knitted wool - capable of producing hundreds of products destined, for the most part, for the central and southern Italian markets.

Moreover, more recent studies on the Venetian Republic have highlighted the considerable tenacity of the wool sector in certain areas and its displacement in others, above all rural or mountain foothill areas, during the modern age<sup>5</sup>. Theories of its progressive decline in relation to the triumphant northwestern economies as a result of the textile industries have now been widely questioned. Revisionism of this kind is closely linked to an approach which binds together the dynamics of the capital city's economy with the mainland economies which were previously considered merely a workforce basin focusing solely on primary activities. Venice's loss of its role as an international hub between Asia and Europe during the early seventeenth century coincided with a shift in trade towards other areas (Central and Eastern Europe), a phenomenon which in turn prompted a shift in manufacturing choices by the main economic players, not only in the wool sector but also in silk and other sectors. An analysis of finance methods can thus supply the insights needed for new interpretations<sup>6</sup>.

To achieve the objectives set out thus far, this essay is structured as follows. The first section examines investment diversification by merchant entrepreneurs, a fundamental element in understanding the nature of the family and socio-economic context into which such activities fitted. The role of merchant entrepreneurs in the wool manufacturing cycle was in fact of predominant importance, on the one hand, for operations co-ordination, which was difficult to achieve by any single individual without capital or managerial ability and, on

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<sup>5</sup> For an overview see (Fontana 2004, 161-218; Lanaro 2006, 19-69; Zannini 2010, 137-71; Demo and Vianello 2011, 27-50).

<sup>6</sup> For a few preliminary considerations see (Caracausi 2014, 201-22).

the other, because such merchants could also figure as financiers of business managed by other merchants (labour masters or agents). Such merchants were, moreover, sometimes also buyers of the cloth produced when it was sold on the market. The second section analyses the characteristics of the wool produced from putting out to the various forms of decentralisation, throwing light on the diversity of the tools available to merchant entrepreneurs and the impact that the sector itself had on the type of finance available. The third section looks at a fundamental aspect linked to the purchase of the raw material - wool - on both local and international markets. Finally, the last section compares the urban systems analysed with reference also to other sectors and silk in particular. We thus attempt to throw light on certain more generic elements of finance in modern era manufacturing activities.

## 1. Merchant wool makers and investment diversification

Throughout the modern era, a central feature of the merchants working in the wool sector was a marked partiality for investment diversification. This attitude depended not only on a lack of professional specialisation in the economic players of the day but was also an indication of the great economic rationality of medieval and modern merchants. It was thanks to this strategy, in fact, that merchants divided up investment risk in assets which were not solely earmarked for trade and manufacturing but also for immoveable goods ownership and lending money to public and private bodies<sup>7</sup>. Diversifying investments by buying immoveable goods was also of fundamental importance to their ability to access future loans. Investing in the real estate sector, in fact, was not simply a question of acquiring back-up assets or resorting to what has been defined as “petrifying capital” but it was also a prerequisite for accessing credit subsequently. A quick overview of some of the merchants working in the Venetian mainland urban wool workshops can bring us to a better understanding of this situation. We will not look into the situation in Venice in

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<sup>7</sup> Sapori 1983, 42.

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any further depth as the patriciate and its many economic activities have already been the subject of a great many studies<sup>8</sup>.

In many Venetian towns, wool workshops were frequented by a highly heterogeneous entrepreneurial group with diverse interests. Such merchants were highly diversified, not only in terms of where they came from and their social class, but also in terms of the capital they employed, the various ways they acted in the market, their financial interests and the trading networks they managed to set up. It was a group which acted at a range of different levels and not only in the wool sector but also in building, leather tanning, metalworking, trading intermediation and public and private finance.

In Padua, for example, a great many local aristocratic families turned their hands to cloth manufacturing or wool trading (such as the Papafava, Capodivacca, Borromeo, Campolongo, Conti, Orsato, BarbòSoncini and Negri families), often making use of agents or labour masters and combining such activities with trading, building and public (tax tender) and private finance<sup>9</sup>. These companies functioned within a “family” company system whose purpose was to locate capital for related activities<sup>10</sup>. Many Venetian aristocrats (Gradenigo, Contarini, Priuli, Sanudo, Morosini) were present and active in nearby Padua in both financing and co-ordinating wool sector activities and combining them with finance, insurance and trade in the lagoon area<sup>11</sup>.

This propensity for diversification was also a feature of non-aristocratic families. At the end of the sixteenth and beginning of the seventeenth centuries, the Zambelli family, originally from Bergamo, boasted a company system which encompassed manufacturing (3 textile companies split into three distinct branches), local (2 food-stuffs companies) and international trade (import-export hardware companies between Carinthia and the Kingdom of Naples as well as a

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<sup>8</sup> Luzzatto 1937, 25-57; Gullino 1985, 403-51; Lanaro 2008, 62-82.

<sup>9</sup> Archivio di Stato di Padova (from now on ASPD), *Notarile* (from now on N), b. 2838, c. 466r; b. 2837, c. 253r-v; b. 2939, c. 156r, b. 2939, c. 446r; b. 2946, c. 7r-v; b. 4094, c. 503v; b. 4095, c. 65r; b. 2939, c. 446r; b. 2946, c. 7r-v.

<sup>10</sup> See the case of the Borromeo family in ASPD, N, b. 2948, c. 216r; b. 2938, c. 550r, c. 574.

<sup>11</sup> ASPD, b. 331, cc. 2v-5v, 31v, 54v; b. 189, cc. 251r-279r; b. 373; *Estimi Miscellanea*, b. 22, “traffichi”, *ad vocem* Andrea Sanudo; b. 350, c. 93r; b. 8, 1598-1607; b. 68, c. 143r.

number of partnerships in maritime insurance companies), and public (company contractors or financiers for direct and indirect tax collection) or private finance (giving loans to public or private bodies). By supplying loans they could build up considerable property (and thus invest in the primary sector) and immoveable assets<sup>12</sup>. This was the sort of strategy used in the mid seventeenth century by merchant entrepreneur Franco Giupponi, son of Franco, native to Bergamo but resident in Padua from the 1620s to the 1670s. Investment diversification from the 1630s onwards meant that at a certain point, Giupponi owned a grand total of four manufacturing sector companies (2 silk workshops, 1 wool workshop, 1 cotton workshop), two trading companies (local sale and international intermediation), one international finance company (with an exchange company working in the Bisenzone and Bolzano fairs) and a number of companies working in public tax collection, private lending and acquiring a large number of land estates in the area<sup>13</sup>.

This same propensity to investment diversification was to be found in Vicenza. Marco Antonio Cogollo, a first rank merchant aristocrat in Palladio's Vicenza, was possessed of a marked propensity to diversification. He features as a moneylender, property and land buyer, landowner, art patron, customs collection tender contractor and foreign merchant procurer (in Germany in particular). He produced and sold wool cloth and silk goods and also took an interest in exchange activities. He also set up a great many trading companies (with significant capital sums, some of which were over 30,000 ducats) and sources show that he kept contacts with merchants in central-south Italy, the German speaking area, Flanders, France and even England<sup>14</sup>.

And Verona was no different. Ambrogio and Gian Battista Cerminatidalla Luna with their partner Odorico Cerota set up a company with capital of 9,000 ducats which flooded east-central Europe (Bolzano, Vienna, Ljubljana, Prague, Krakow, Krems, Frankfurt, Leipzig and Nuremberg are just a few of the many places in which they worked), with dozens and dozens of different types of product

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<sup>12</sup> Caracausi 2007, 285.

<sup>13</sup> *Ibidem*.

<sup>14</sup> For Cogollo, see (Demo 2012, 45, 49, 51-6, 60, 68, 129-30).

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for more than 14 years: wool cloth, hats, semi-worked silk and cloth which they themselves made in Verona and also leather goods, weaponry, medicines, spices and wine<sup>15</sup>. Moreover, the case of the Murari family, who made their presence felt on the international scene above all from the 1560s onwards, is even more interesting. On the basis of a balance sheet drawn up in 1571, the family invested more than 100,000 ducats in a range of merchant activities (wool and silk manufacture, leather tanning, timber cutting, etc.) involving a range of European locations. Their business expanded over the next decade with a seven-year company, a large capital of 50,000 ducats and an increasingly European scenario<sup>16</sup>.

Such cases of diversification by Veneto town wool makers give us a number of clues to the financing of wool activities. Firstly, such finance fitted into a wider range of activities in which wool making was only one - sometimes the main activity, at other times a secondary one - of the many sectors of interest. Secondly, investing in "merchandise" did not rule out investment in other activities including finance and the specific company forms these took did not always relegate them to external roles. In fact, if merchants entrusted the necessary capital for activities to their agents and devolved company management to them they also maintained the right to make certain choices in the way the capital itself was used and the company's working methods. In some cases, moreover, elevation to aristocratic or managerial status did not lead to immediate abandonment of such activities as these were linked to more complex dynamics due, for example, to generational change or a specific urban context. The factors influencing such processes included the company "life cycle" which was closely tied to the age of the owner and his potential for passing business onto descendants or to the merchant's stable presence in a specific urban context. In many cases, moreover, it appears that diversification, in manufacturing in particular, began with the second generation of merchants resident in a given town or area.

The nature of the bond between the characteristics of the sector and the availability of capital requires further exploration. For an un-

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<sup>15</sup> Ibidem, 115-25.

<sup>16</sup> Ibidem, 69-70.

derstanding of this aspect we first need to observe the forms companies, business contracts and wool manufacturing cycles took.

## 2. Setting up a company: flexibility in company forms and manufacturing cycles

The wool manufacturing process - in traditional cloth making - was split into around 25-30 operations which could in turn be grouped into five fundamental phases: wool preparation, spinning, warping, weaving, finishing and dyeing.

There was thus considerable division of labour in the wool manufacturing process. In analysing this manufacturing process, economic historians have often resorted to the concept of decentralised or scattered manufacturing, the putting out system (or *Verlagsystem* in German). This is the appropriate term to highlight the nature of dispersion in the working process and above all the dislocation by merchant-entrepreneurs of many wool-working phases into the homes and workshops of artisans sometimes with work tools owned by the former. Recent additional research has shown increasingly frequent cases of centralisation of one or more manufacturing processes to the extent that references have been made to centralised or proto-industrial manufacturing. A case in point here is Vicenza wool maker Antonio Pelo, who claimed to have at his disposal a building in which 113 “of his own employees made cloth” at the same time in the 1560s<sup>17</sup>. This dichotomy highlights a distinguishing feature of business forms during the early modern period, namely their extreme adaptability to different circumstances, markets or manufacturing factors. In this paragraph we will attempt to throw light on these various situations, showing the potential repercussions of these elements from the perspective of finance<sup>18</sup>.

The wool manufacturing system enabled merchants to centralise one or more manufacturing processes on the one hand - in cases of centralised or proto-industrial manufacturing - whilst maintaining maximum dispersion on the other, devolving all manufacturing

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<sup>17</sup> Demo 2012, 24.

<sup>18</sup> The bibliography is endless. (Demo 2003, 251-62; Franceschi 2003, 232-33).

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phases to external agents or even entrusting the entire process to a third party. This same organisational elasticity is to be found in the dislocation of work processes which, whatever the limitations imposed by the law, could be done in both town and countryside.

The predominant company structure was the partnership («compagnia» or «società di negozio») generally made up of two individuals (sometimes from the same family) with a duration which varied according to the wool “seasons” or years. Company contracts had to encompass the quantity, nature and consignment method of the capital invested, management norms, regulation of debts and credits, the sharing of profits and losses, clauses relating to goods, tools and any fixed employees. The latter included labour masters and apprentices whose task it was to supervise and maintain contact with the labour force working from home<sup>19</sup>.

Within companies, we can make out the figure of the “financier” who contributed the capital and the “entrepreneur” making his expertise available while the division of profits and losses varied from case to case. The first fundamental point in company contracts was the object of trade. It is important to note that companies sometimes dealt not only in correlated sectors (cloth-hats, cloth-hats-dyeing, wool-silk, silk-foodstuffs) but also in non-correlated manufacturing activities, including trade and finance.

A comparison of the various Veneto cities leads to a number of central points.

The first is linked to the general character of the capital in question. This varied widely between a minimum of 200 ducats and a maximum of 3,000. On average, 1,000-1,500 ducats were more than sufficient. Only in Venice has it been possible to find “giants” with upwards of 20,000 ducats invested<sup>20</sup>. Capital was mainly transferred in cash or partly in cash and partly in raw materials (or semi-worked or finished products). The sources do not always tell us where these

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<sup>19</sup> ASPD, b. 59, c. 28r. An extremely large amount of work has been done on companies and merchant companies. In general: (McKendrick 1991, 77-94). For the Veneto region (Pancierà 2000).

<sup>20</sup> For fifteenth century Vicenza alone, 344 company contracts in the wool working sector have been found; see (Demo 2001, 110-16); for a more in-depth study, see (Demo 2004, 106-18); Demo 2012, 70.

have come from. In many cases, credits contracted with earlier companies were transferred to the new one and external loans were sometimes taken out - in both loan and redeemable lease forms. In many cases, however, self-funding was the preferred method with capital being reinvested or moved by merchants from one company to another<sup>21</sup>.

The second point relates to the methods used to widen the scope of business in a significant way<sup>22</sup>. The most commonly used and widespread methods were: self-funding with the assistance of other family members, the use of bills of exchange, the redeemable lease method, credit granted by religious institutions (primarily monasteries) or members of the local aristocracy, recourse to private Venetian banks or *Monti di Pietà* and the use of dowries. Deposits from outside investors - "sopracorpo" - rewarded with fixed annual interest and in any case commensurate to the cost of money and if necessary acquired directly on foreign markets, were also extremely important<sup>23</sup>.

Company duration and variable structure - which in many cases figured as purely financial investments or establishing a credit balance with previously contracted credits - was the outcome of the limited availability of what might, in modern terminology, be called fixed capital (buildings, tools and equipment) and the greater importance of liquid capital (necessary for purchases of raw materials, salary advances or acquiring credit on sales). The larger buildings such as mills, fulling mills and scouring mills, in fact, were rarely owned personally by merchant entrepreneurs and were frequently the property of ecclesiastical bodies, aristocratic families or guilds who divided up the management costs between their members.

The limited importance of fixed capital and the greater importance of liquid capital (above all wool, as we will see) impacted on a key element in modern era wool companies - the extreme variability of production levels, including from one year to the next.

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<sup>21</sup> ASPD, N, b. 2944, c. 216r; b. 3181, c. 7r; b. 4090, c. 298r; 2950, cc. 101r-102v; b. 2951, 20<sup>th</sup> July 1550; ASPD, N, 2950, c. 334r; ASPD, N, 2950, cc. 445r-446v.

<sup>22</sup> Vianello 2004, 191.

<sup>23</sup> For a large number of case studies and considerations on them see (Demo 2014, 113-23).

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Table 1 - Trends in “fine cloth” production in the largest wool companies

Merchant	1573	1574	1577	1578	1580	1581	1583*	1584	1591	1592	1595	1596
Zambelli	102	95	59	89	122	203	367	200	112	139	176	180
Sanudo			116	99	153	103		181	142	135	163	136
Manzoni		70	49	57	72	41	141	81	51	63	44	51
Braga	64	119.5	64.5	66	99			17	28	32.5	27	20
Verdabio	84	83	81	101	72	82						
Belfante	98	138	211									
Verdabio	30	33	34	25	50	26	42	32	32	28	13	13
Marsolletto	61			23		63	26	53	34			
Bombardino				136	89							
Mersi							58	88				

Sources: ASPD, b. 349 (1573), 350 (1574, 1581, 1583, 1584), 137 (1577, 1578, 1580), 183 (1591, 1592, 1595, 1596). \*Data refers to the 1582-1583 two-year period.

This annual variance is well represented in Table 1, which shows figures for the largest Padua wool companies but can easily also be applied to Venice (where variance was extremely high, observing the trends of the “scouring mill”), Verona and Vicenza (with years in which production was respectively 7,000 and 3,000 fine cloths and others in which production levels were much lower). This element impacted on the production capacities of individual companies which were able to move from making just a few dozen cloths a year to more than 200 pieces in a single year if market demand required it<sup>24</sup>.

Zero production years can be explained in two ways. Firstly, that merchants effectively produced nothing in these years and secondly, that they had to devolve their production to third parties. In any event, raw material availability played a fundamental role. In the mid seventeenth century, Padua merchant Paolo Liviero declared that he “makes 100 in some years, 120 in other years and sometimes 90 or 40 when wool is expensive”. Merchant Bartolomeo Fantinato di Giuseppe was of the same opinion and made “one hundred cloths a

<sup>24</sup> Demo 2001, 116, 175-93.

year whilst when wool is more expensive I make less and when it is cheap more”.

These considerations of raw materials indicate the significance of carefully examining the impact of raw material purchases on the whole manufacturing cycle, including from the point of view of business finance.

### 3. Wool, a strategic resource

An individual company’s high production levels (sometimes even 200-250 cloths) are indications of powerful capitalisation requirements, which led a range of players to control raw material production. It was wool which effectively impacted to the greatest extent on final costs.

Table 2 - Impact of the individual manufacturing phases on final costs (percentages)

Processes	Padua fine cloth (1620 ca.) <sup>1</sup>	Florentine cloth (1556-8) <sup>2</sup>	Florentine serge (1580) <sup>3</sup>	Veronese «fine» cloth From 62 (1460 ca.) <sup>4</sup>
Raw material	55.7	39.5	52.4	52.2
Wool staple working	17.6	11.7	7.3	16.3
Spinning	10.4	27.9	20.2	15.7
Warping and weaving	6.7	16.6	16.4	7.8
Finishing	9.6	4.3	3.8	7.9
Total	100.0	100.0	100.0	100.0

Sources<sup>1</sup>: ASPD, b. 277, c. 63v<sup>2</sup>; De Roover 1941, 33<sup>3</sup>; Goldthwaite 2003, 553<sup>4</sup>; Demo 2001, 204.

Whilst such comparisons are problematic, the greater weight that the “raw material” element had on the other production phases for Padua and Verona is evident. Buying raw materials thus became a strategic matter. Focusing on these aspects is a chance to throw light

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on the differences between the various contexts and the way the finance channels were controlled.

Let's look at the case of Venice, for example. The wool supply system, above all the Spanish one, was highly significant<sup>25</sup>. Transactions for product sales on the local market were done in the form of sales on credit with payment in full usually within a year or two, though there are certainly examples of longer time frames. Wool trading was thus turned into a veritable financing system for companies who paid up in a number of different ways at the end of the production cycle on the strength of sales profits. As far as the largest suppliers - Genoese merchants - were concerned, commission to local producers was payable after one or two years but sometimes as many as three. There are many examples of this, showing the crucial role of Genoese and Florentine middlemen in Spain and Venice. It was by means of wool trading, then, that close relationships were created between Genoese and Florentine merchants and Venetian wool makers, which had presumably to last at least five years or the whole life of the company. Raw material purchases were paid for in finished products with the objective of reducing cash flows and this bound raw material suppliers and Venetian wool makers even more closely together. In the case of the Florentines, such forms of credit served to generate stronger ties between the wool makers of the two towns.

It was, however, a system with powerfully negative consequences. As many Spanish merchants in Florence complained, a full-blown business finance system was absent in the Venetian marketplace and this limited the movements of many wool makers (and the smaller scale companies in particular) and weakened the manufacturing system<sup>26</sup>.

The Padua wool workshop context was very different from the Venetian context. Purchases of Spanish wool did take place but to a much lesser extent than in the Venetian lagoon. The Padua woolmakers depended on local raw material purchases, either from Padua's shepherds or from mountain shepherds who came down to the town

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<sup>25</sup> On this system, see (Caracausi 2014).

<sup>26</sup> *Ibidem*.

for the winter. The different territorial context had a range of consequences on production finance. Let's look at why.

Firstly, some wool makers had their own flocks of sheep or put up travelling shepherds in their villas over the winter. In this way, they were able to control the manufacturing process right from the raw material supply phase, thus avoiding certain finance complications<sup>27</sup>.

Secondly, this different context gave rise to a different institutional system for regulating local raw material purchase and sale, a system which was a harbinger of conflicts both within the local guild and between the guild and other bodies. The Padua wool guild (*Università della lana*) had set up a rigorous system to supervise wool purchases, including censuses of the sheep and supervision of the arrival of wool in the town. In some cases they started legal actions (inquisitions, trials and sentences) against those contravening the rules. Once the wool arrived in the town, the regulations involved price fixing and controlled sale under the supervision of six experts appointed by the guild. A fundamental element in this was the ban on purchasing wool in order to stockpile it and then sell it on and speculating on the price<sup>28</sup>.

Despite the appearance of a regulated market, there were many problems associated with this and they went well beyond obedience of the law or otherwise. By exploiting certain norms, a small and tight group of merchants managed to delay the wool valuing time frame and consequent purchase at the expense of the shepherds, who were obliged to give in to avoid remaining in the town for long periods, incurring board and lodging expenses. Such problems were difficult to resolve but they clearly show the strategy used by the guild's wool maker group to control raw material supplies and thus reduce finance costs, namely wool purchases. However, the negative repercussions of this system were not only felt by the shepherds but also by some merchants within the sector. This strategy was, in fact, only available to the larger scale merchants (who produced high quality cloth) at the expense of smaller producers (of mixed, lower quality

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<sup>27</sup> Panciera 1994, 371-82; the Venetian Republic never developed a system of state regulation of transhumance in the style of the Spanish Mesta and the Puglia Capitanata on which subject see (Marino 1990; Rossi 2007).

<sup>28</sup> Caracausi 2008.

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or knitted wool cloth) who were obliged to purchase raw materials at higher prices<sup>29</sup>.

This is not the place to enter into the merits of the problems linked to a guild monopsony but it is useful to look at its consequences in terms of finance for production because - as we have now seen repeatedly - wool was an element of some importance in this context. The first point is that some of the main offenders were precisely some of the members of the Padua wool guild and the largest in particular (Zambelli, Sanudo, Mersi). Secondly, price fixing was often done solely by the guild's experts or experts bribed by the merchants, which clearly led to lower prices to the advantage of the larger merchants and at the expense of the shepherds and the smaller scale merchants. The establishment of a regulated market in the hands of the guild had thus led to the narrowing of finance channels or worse, to the dependence of the smaller producers on the larger, richer and more influential ones who were able to control raw material supplies.

#### 4. Manufacturing systems and corporate finance

The previous pages have allowed us to throw light on certain basic mechanisms of modern age manufacturing activities. Recourse to bank credit or bills of exchange was certainly an option though not the most common. This gave companies the chance to use additional methods for starting up in business. The ways in which such alternative methods were used (or with which these instruments were combined with recourse to private bankers) depended on a series of elements, which had repercussions in turn on the manufacturing system. An understanding of these is useful in order to take into account a number of financial system mechanisms and their links to manufacturing activities.

The first of these was the need to include corporate finance in family investment strategies. The lion's share of such activities, and those of the larger companies in particular, was done by family groups in which manufacturing was just one - and not always the principal - form of investment. Certainly as the early modern age wore on, mer-

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<sup>29</sup> Ibidem.

chant wool makers started to take an increasingly significant role in manufacturing itself, not solely in their capacity as process co-ordinators but also as full blown building managers with a direct role in production. These merchants were capable of acting at a number of levels and of mobilising large quantities of capital thanks to a marked propensity towards risk, a natural predisposition to invest, interest diversification and an ability to build trading networks which went well beyond the narrow urban or regional context.

Investment diversification certainly enabled merchants to access the capital they needed from a range of channels but it does not alone explain the wool sector's choices and finance structure.

A second point to consider in any analysis of the credit system is the link between the characteristics of the manufacturing sector and finance methods. Wool workshop manufacture was highly flexible and depended entirely on raw material availability perhaps even more than it did on access to end markets. These factors also combined with production working on a seasonal cycle, which stimulated the arrival of labour from other towns or regions in the Venetian Republic requiring salary advances and board and lodging expenses.

This manufacturing flexibility, also bound to raw material availability, the seasonal production cycle and the relative scarcity of long-term investment also impacted on the financial structure itself. A comparison with the silk sector is revealing. The needs of the silk sector's merchant entrepreneurs were very different, in fact. The silk production cycle was longer and capital requirements higher (paying advances to peasants for cocoons, sending the most prized goods to far-off markets) and finance had to be concentrated into a single solution to avoid drastic fluctuations in capital supply and consequent increases in interest rates<sup>30</sup>. Silk sector companies had considerably greater capital than wool companies did. Variations were considerable but ranged from a minimum of 1,000 ducats to a maximum of more than 65,000 ducats with an average above 10,000 ducats<sup>31</sup>. In some cases, corporate finance was similar to limited responsibility

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<sup>30</sup> De Luca 1996, 161.

<sup>31</sup> ASPD, N, b. 4219, c. 17r; b. 1011, b. 1930, cc. 45r-47v, b. 1015, c. 261r; M, b. 12, c. 180r-v, cc. 184r-186r; b. 66, c. 19r-22v; b. 83, c. 1r; c. 167r; Demo 2012, 47-59.

Financing the woollen industry during the sixteenth and seventeenth century

partnership (*accomandita*) with profits for financiers between 5% and 30% per year on the capital invested<sup>32</sup>.

In addition to entrepreneurial strategies and the characteristics of the sector, a third aspect needs to be added to the issue of manufacturing corporate finance - the distinction between the various contexts within which production developed. In a town like Venice the bulk of wool production was incorporated, as far as raw materials are concerned, into a manufacturing chain that was international in character and controlled by players (Genoese and Florentine then Portuguese or Dutch) who were largely external to the local merchant manufacturing group. This system did not exist in Padua, where most of the raw materials used were local and the producer cartel attempted to control wool supplies to reduce manufacturing costs. On the other hand, however, in both situations, certain groups of merchants were able to act on raw material supply channels (and thus business finance) by applying pressure to the institutions under their control. These market bottlenecks had serious repercussions for the sector's production capacity and its productivity and competitiveness. It is thus necessary to analyse the way members of this institution acted in greater depth rather than studying the institutions in themselves. An analysis combining family investment, the investment sector and geo-institutional contexts has the potential to increase our understanding of the way that today's banking systems work<sup>33</sup>.

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<sup>32</sup> ASPD, N, b. 1015, c. 251r-v, 20<sup>th</sup> August 1645. As a more sophisticated version of the bilateral *commenda* of medieval times, the *accomandita* included a clause limiting responsibility for each investor. Profits were normally shared in proportion to the monetary and work contributions of each party see (Trivellato 2009, 124). The subject of commandite companies in the Veneto area is a complex one. For a few notes on the case of the Veneto region see (Pancieria 2001, 27) and subs. On the parallels with Milan: (De Luca 1996). On the profits of the Giupponi-Sala company in Padua, see ASPD, M, b. 150, c. 27r.

<sup>33</sup> Translated by Isabelle Johnson



## Disciplining credit: lending to the poor, lending to the affluent in early modern Bologna

MAURO CARBONI

The evolution of successful *Monti di pietà* in the 17<sup>th</sup> and 18<sup>th</sup> centuries has induced historians to focus on two related issues: the expansion of banking and financial services and closer ties to the affluent classes. It has been traditionally emphasised that progress in either direction threatened the original mission of the institution as lender of last resort to the working poor. Although there is no shortage of examples of institutions failing in their mission, this is far from a foregone conclusion. The example of the *Monte* of Bologna, the development of which is discussed in this essay, indicates that wider financial operations and dealings with an affluent clientele were not necessarily curses but could actually provide lucrative opportunities and lead to the availability of more abundant and cheaper credit services to the working poor<sup>1</sup>.

Recent studies have revealed that loans underpinned most levels of early modern societies and that borrowing was a key strategy in working families, whose finances were precarious at the best of times. Households were both vulnerable and cash poor. Durable goods were valuable assets precisely because of their versatility. Jewellery, linen and pots were bought with an eye to the future and served as an alternative means of liquidity which greased the wheels in a wide spectrum of debt practices. In times of distress men and women pawned either personal property or household items to raise money

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<sup>1</sup> A number of early modern *Monti* ended up serving credit functions different from those for which they have been conceived. An updated overview of the historiography is provided by (Barile 2012, 85-114). See also (Lanaro 2001, 89-105).

to meet immediate needs or to tide them over a bad patch<sup>2</sup>. Women's trousseau seems to have been a peculiarly frequent source of poor families' emergency loans<sup>3</sup>. In the main, insecurity nurtured credit dependence and the *Monte* provided a trusted venue for the temporary liquidation of non-monetary forms of wealth. Need and habit succeeded in forging a nexus between the *Monte* and its clientele: in the "Poor's lament"<sup>4</sup>, a poem written at the outset of the 17<sup>th</sup> century, Giulio Cesare Croce, the gifted and prolific master of Bolognese story telling, advised that whoever was strapped for cash should take something of value to the *Monte*, where he could expect a fair deal (*a portarlo tosto al Monte, che t'havran compassion*).

From the early decades of the 16<sup>th</sup> century the activities of the Bolognese *Monte* soared in a spectacular fashion. The increase in frequentation is the most obvious phenomenon and is completely measurable. The upsurge in pledges throughout the 16<sup>th</sup> century seems unstoppable: between 1504 and 1519, the number of items pledged to the *Monte* boomed from about 5,000 to nearly 20,000 per year. By mid-century, on average, the number of operations doubled, crossing the threshold of over 40,000 per year. By the end of the 16<sup>th</sup> century, the number of items pledged to the *Monte* nearly doubled again to over 70,000 per year. During the first half of the 17<sup>th</sup> century, the number of pawns taken annually to the *Monte* surpassed 100,000 and it hovered around this annual figure in subsequent decades (Fig. 1). Measured against the backdrop of the city's population (ranging roughly between 60,000 and 70,000 people), *Monte's* pawn operations grew substantially, moving from about one in every two inhabitants to 1.5 per inhabitant<sup>5</sup>.

The financial scale of *Monte* operations followed an even steeper upward trend: during the second half of the 16<sup>th</sup> century, the flow of money lent against pledges on a yearly basis jumped nearly fivefold from 100,000 lire to almost 500,000 lire. By the mid 17<sup>th</sup> century, the capital mobilised through pawn operations was twice as large, and it reached 1.5 millions by the outset of the 18<sup>th</sup> century (Fig. 1). To put

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<sup>2</sup> Ferrières 2004; Ago 2006, 5-6; Hardwick 2009, 129-49.

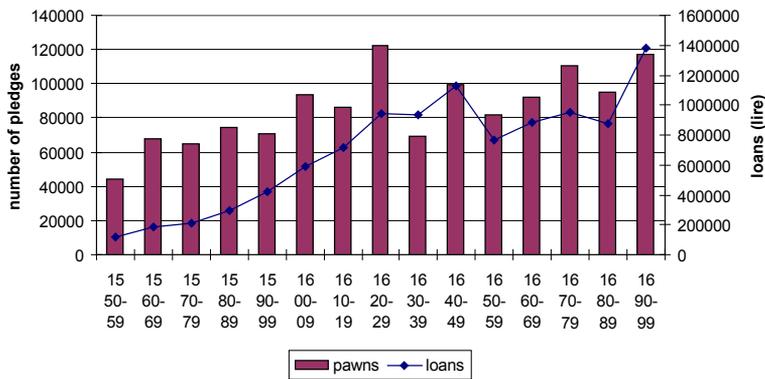
<sup>3</sup> Allegra 2003, 65-74.

<sup>4</sup> Croce 1617.

<sup>5</sup> Fornasari 1993, 350-56; Carboni 2014, 86-92.

things into perspective it might be useful to compare *Monte's* lending activities to the city's annual income: financial means mobilised by the *Monte's* - measured against the city fiscal income - soared from a ratio of 1:5 in the 1550s to a ratio of 2:3 in the 1590s, to a ratio of 3:2 by the mid 17<sup>th</sup> century<sup>6</sup>.

Fig. 1 - Pawns taken to the Monte and sums loaned, 1550-1700<sup>7</sup> (ten-year average)



Accepting a wide array of goods as collateral on loans, a *Monte* facilitated the conversion into cash of just about every kind of valuable asset. In practice it provided a key service for the liquidation of capital tied up in objects. In the process, it expanded consumption credit and performed a major countercyclical function at times of economic distress. Once again, Croce's "Poor's Lament" provides a vivid depiction of the bewildering variety of the goods that were brought in, from coats to bedsheets, from stockings to chairs, from jackets to wedding rings:

<sup>6</sup> Bolognese revenues yielded over 280,000 lire per year in the 1550s, over 720,000 lire in the 1590s and around 750,000 lire in the 1650s. Cfr. (Carboni 2008, 743-48).

<sup>7</sup> My elaboration based on Archivio Storico del Monte di Pietà di Bologna (from now on Asmpb), Campioni, *Libri Mastri*, F, G, H, I, L, M, N, P, Q, R, S, T, V, X, Y, Z, ++, AA, BB, CC, DD, EE, FF, GG, HH, II.

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*Chi ha impegnato il ferraiuolo,  
Chi la cappa, chi il lenzuolo,  
chi l'anel della mogliera,  
chi ha venduto la lettiera,  
chi il giuppone e le calzette,  
le banzole e le cassette,  
le carieghe e i credenzon. Mala cosa<sup>8</sup>.*

As we have seen, as *Monte's* pawn operations expanded so too did the capital that was mobilised and the sums that were handed out, but the custody of pawns and the sums loaned did not proceed at an even pace (Fig. 2). As a matter of fact, while the average number of pawns moving in and out of the *Monte's* warehouses every year roughly doubled between the central decades of the 16<sup>th</sup> century and the end of the 17<sup>th</sup> century, the sums that *Monte's* officials were able to lend on a yearly basis increased ten times over the same period of time. Unsurprisingly, the average value of pawns bridged the difference: in fact, the average amount of money lent per pawn increased from 3.8 lire (1550-1600) to an average of 9.3 lire (1601-1650) to 11.3 lire (1651-1700). It is quite obvious that this trend underscored a growing flow of precious pledges of higher value - and of loans issued on such collateral - brought in by an active clientele of professional and upper class people.

As available financial means mushroomed, pawnbroking services became more sophisticated and capital was used for much more than small distress loans. Such expansion was openly encouraged at the outset of the 17<sup>th</sup> century by Pompeo Vizzani, a leading intellectual and an influential member of the *Monte's* board from 1597 to 1601. According to Vizzani, *Monte's* lending practices required considerable updating to overcome "*la distinzione fra nobili e plebei*"<sup>9</sup>. He argued that while "poor plebeian deserved compassionate treatment", so did "needy noblemen ... and their troubles"<sup>10</sup>. As a result, access

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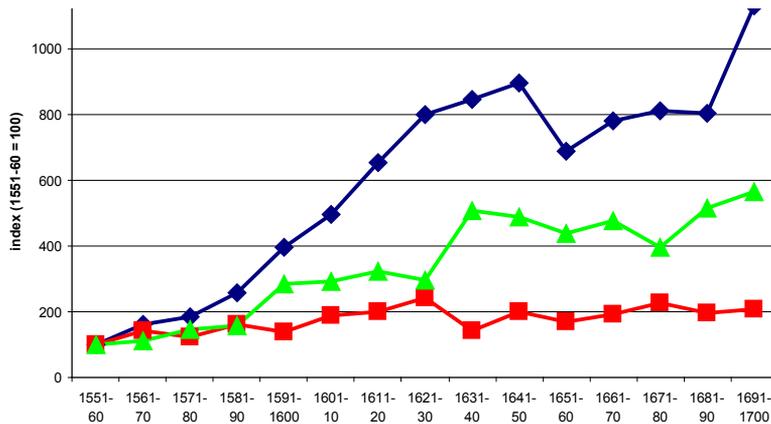
<sup>8</sup> "One has pawned the mantle, one the coat one the bed-sheet, one has pawned his wife wedding ring, one has pledged the bed, one the suit and the stockings, one has pledged the benches and the drawers, one the chairs and the cupboard. Bad thing" (Croce 1617).

<sup>9</sup> ASMPB, *Decretorum et partitorum*, 1598-1602, cc. 91-93.

<sup>10</sup> "*I nobili caduti in necessità ... meritano che sia avuto riguardo ai travagli loro*". Ibidem.

to the *Monte* was slowly eased to accommodate a wider clientele and lending practices had to be tailored to accommodate heterogeneous needs.

Fig. 2 - Loans, number of pawns and loan per pawn 1550-1700 (compared index based on ten-year averages)



In the main, during the 17<sup>th</sup> century, lending activities expanded and were *de facto* divided into three separate sections, subject to different rules and charges: distress loans, ordinary loans and high-end loans. Costs were tailored to fit customers' varying needs and abilities to pay. At the lower end, the *Monte* offered small distress loans free of charge on the security of objects of little value: in the mid 16<sup>th</sup> century petty loans on items valued at less than one and a half lira were exempted from any *elemosina*. The size of these interest-free loans were gradually upgraded to 5 lire (1612), 10 lire (1651), then 15 lire (1657) and reached 30 lire by the early 1690s - a substantial sum, roughly the equivalent of a two month wage of a labourer (Tab. II). To prevent fraud, however, pledges could not be broken up in order to qualify for exemption and nobody could bring in more than one item per day<sup>11</sup>.

<sup>11</sup> ASMPB, *Decretorum et partitorum*, 1654-1658, c. 189.

Most transactions fell into the first two categories: distress and ordinary loans. The ceiling for individual loans was gradually lifted from just a few lire in the mid-16<sup>th</sup> century to 20 lire in 1588, 25 lire (1612) and to 50 lire by the early 1650s. This was moving loans beyond the needs of the poor alone, but the upward trend accelerated dramatically in the second half of the 17<sup>th</sup> century, as limits on loans were raised to 150 lire (1664), 200 lire (1674) and reached 400 lire in 1705 (Tab. I). This maximum was substantially higher than anything associated with distress loans to the worthy poor since 400 lire was more than most labourers could earn in two years. At the same time the *Monte* ventured into what we have termed high-end pawnbroking: lending against the collateral of jewels and silverware (*pegni graziosi*). From the early decades of the 17<sup>th</sup> century, limits and restrictions to large loans against collateral were gradually loosened. In addition, the *priore* (chair) enjoyed the privilege of granting larger sums (up to 1,500 lire by 1705) and the board of the *presidenti* could and did license much bigger loans, provided that applications were made in advance for discussion and a unanimous decision could be reached<sup>12</sup>.

Tab. I - Maximum amount of loan available at the Monte according to board deliberations, 1570-1705

year	Max loan per pawn by <i>massaro</i> (lire)	Max loan per pawn by <i>priore</i> (lire)
1570	6	
1588	20	
1612	25	50
1651	50	150
1664	150	
1674	200	
1705	400	1,500

The *pegni graziosi* were the fastest growing segment of the pawn business in the second half of the 17<sup>th</sup> century. By 1683, over one third

<sup>12</sup> Carboni 2012, 73-78.

of loans were handed out against these high-value pledges. Five years later, in 1688, the percentage had grown to 40% and it kept climbing steadily. In 1695, large loans backed by *pegni graziosi* made up about one fifth of all pledges but counted for about two thirds of loans handed out by the *Monte*. In 1704, three-quarters of the *Monte's* capital was lent out in large loans backed by precious items.

Obviously it was not poor clients who were borrowing these sums and leaving gold, jewels and silverware as collateral. It was mostly institutions as well as a wealthy clientele of professionals and aristocrats who stood to benefit the most from loans backed by *pegni graziosi*. Their borrowing might have been driven by distress, and many of these pawns were never redeemed. For instance in 1695, the *Monte* held a lottery sale of 124 unclaimed lots of precious items, valued at 261,760 lire. With the exception of a few simple gold and silver jewels - valued up to 100 lire - that could be within the reach of people of moderate means, the sale included spectacular suits with scores of rubies, pearls and diamonds, ranging from several hundred to a few thousand lire. On average each lot had a worth of over 2,100 lire, clearly the preserve of either professional goldsmiths or affluent urbanites<sup>13</sup>.

While the *Monte* opened its doors wide to a wealthier class of customers in the 17<sup>th</sup> century, it did so without overturning the institution's main mission of providing affordable loans to the working poor. Indeed larger loans to the affluent did not deplete the coffers of the *Monte*, so large loans to the rich actually meant more affordable credit to the poor. The *elemosina*, that is, the cost born by the loan was graduated according to the value of the pledged collateral in a way that we may label as socially responsible: charges were in direct - rather than inverse - correlation to the amount lent (Tab. II). Loans on petty pledges enjoyed complete exemption, while all others were charged at a progressively higher rate. For instance, the provisions licensed in 1651 decreed that pledges up to 12 lire were not to be charged. Pledges assessed between 12 and 50 lire paid 3%. Pledges valued over 50 lire paid 4%. Jewels of a value of 200 lire and above paid 6%<sup>14</sup>. In 1693,

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<sup>13</sup> ASMPB, *Decretorum et Partitorum*, 1695-1697, cc. 2-4.

<sup>14</sup> ASMPB, *Decretorum et partitorum*, 1648-1654, cc. 132, 136.

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all pawns assessed below 30 lire paid no fee, pledges valued up to 4,000 lire were charged at 2.5%, while pawns exceeding 4,000 lire paid 4%<sup>15</sup>. Operating at a high level of pawnbroking, the *Monte* reached a wealthier clientele and lent capital upward, yet did so in a way that was not detrimental to the cause of poor and middling households. In providing a service to upper class citizens for the liquidation of capital tied up in luxury items, the *Monte* was able to reduce the cost of credit services granted to less well off clients thanks to the higher fees collected at the upper end of the pawnmarket. For instance the *elemosina* due on precious pledges in 1683 (26,000 lire) was about two-thirds of the overall charges collected on stocked up pawns that year.

Tab. II - Elemosina charged on loans according to Monte's board deliberations, 1569-1693

year	Loan (lire)	charge	Loan (lire)		Loan (lire)	
1562	1,5 lira	free	1,5 >	5%		
1612	5 lire	free	5 >	5%		
1650	10 lire	free	10-100	5%	100 >	6%
1651	12 lire	free	12-50	3%	100 >	6%
			50-100	4%		
1657	15 lire	free	15-25	3%	100 >	5%
			25-100	4%		
1671	15 lire	free	15-25	3%	100 >	4.5%
			25-100	4%		
1679	18 lire	free	18 >	4%		
1692	30 lire	free	30-1,000	2.5%	1,000-1,500	3%
					1,500 >	4%
1693	30 lire	free	30-4,000	2.5%	4,000 >	4%

There is little doubt that in early modern Bologna the *Monte* continued to be the focal point of benevolence that extended credit to poor residents (*pauperibus et egenis incolis civitatis Bononiae*), provided that

<sup>15</sup> ASMPB, *Decretorum et Partitorum*, 1693-1695, c. 40.

loans were not put to bad or improper use (*non ludi aut negociationis causa*) as mandated by the original licensing papal bull<sup>16</sup>. To catch a glimpse of the crowd of people who flocked daily to the *Monte* gates is far from easy. Most borrowers were working men but evidence is admittedly limited. Although the loss of the books of pawns means that we cannot clearly chart the numbers and statuses of customers, legal proceedings dealing with the loss or mishandling of pawned goods reveal that the bulk of the clientele must have hardly changed: the majority were artisans, shopkeepers, servants, apprentices and low skilled labourers. For instance the trial of 1610 brought to the fore a small crowd of 64 people: 14 women and 50 men, mostly youngsters from a wide range of professional backgrounds - 10 porters, 10 tailors, 6 servants, 4 barbers, 4 shoemakers, 2 smiths and so on. Interestingly, though, over two-thirds of pledges (215 out of 309 recorded) were brought in by just 12 people, who acted as intermediaries on behalf of others, exposing the workings of a network of brokers and subcontractors dealing with pawn tickets and second hand goods in a sort of informal secondary market<sup>17</sup>.

As the *Monte* expanded the reach of its services and raised the loans issued on collateral, its clientele moved beyond the working poor *milieu* to include foreign dignitaries, agencies, professional and upper class people. The duke of Mirandola raised almost 63,000 lire between 1648 and 1653 by pledging several suits of pearls, diamonds and gold items<sup>18</sup>. In 1702, pawns brought in by unnamed clients based in nearby Modena and Parma amounted to over 227,000 lire. Loans were routinely granted to local noblemen and businessmen against collateral of gold and silver wares<sup>19</sup>. Despite complaining at regular intervals about excessive charges, goldsmiths and upper class citizens were not infrequent visitors to the *Monte*. It is just impossible to know whether these loans to better off customers went toward investment

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<sup>16</sup> Sacco 1775, 100.

<sup>17</sup> Archivio di Stato di Bologna (ASB), *Tribunale del Torrione*, Registro n. 4233; (Poli and Giannantoni 2001).

<sup>18</sup> Over the span of five years, the Duke of Mirandola pawned two sets of 475 pearls, 78 golden fabrics with diamonds rubies and pearls, a gold necklace with diamonds, 198 gold buttons. ASMPB, *Campioni*, Mastro AA, cc. 456, 533.

<sup>19</sup> ASMPB, *Decretorum et partitorum*, 1654-1658, cc. 162, 167-168.

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or, more likely, to finance intrafamily transactions (such as dowries or dowry restitution), conspicuous consumption or to smooth over a difficult period.

As the *Monte* matured as a financial institution it started to act as a *de facto* public bank, becoming increasingly integrated into the machinery of the city's finances. Its large liquidity made it an attractive partner to communal authorities frequently strapped for cash. Recourse to the *Monte* offered local authorities a welcome low-cost borrowing option. In the second half of the 17<sup>th</sup> century, closer financial cooperation between *Monte* and city officials is underlined by the fact that civic agencies were able to secure no less than 13 different loans, for an overall amount of over 1,2 million lire. Although adequate collateral was required, these lines of credit were granted at a reduced charge - about half the regular business rate - or even free of charge (Tab. III). For instance, in 1663 the *Assunteria d'Abbondanza*, the civic agency in charge of the provision of corn at times of bad harvest, was able to secure a loan of 200,000 lire at a rate of just 2%. In 1693 and 1695, the same agency secured a credit line of 250,000 lire at no cost. Interestingly, senators had to supply adequate private collateral to secure a public loan.

Tab. III - Main loans granted to civic agencies on collateral of pegni graziosi, 1650-1695

year	client	loan issued (lire)	Collateral	Fee
1651	Ass. Abbondanza	130,000	Jewels and silverware	No charge
1652	Ass. Abbondanza	65,000	Jewels and silverware	No charge for one year
1656	Ass. Abbondanza	100,000	Jewels and pearls	No charge
1658	Ass. Abbondanza	14,473	Jewels	No charge
1661	Ass. Acque	30,000	Jewels	3%
1663	Ass. Abbondanza	200,000	Jewels	2%
1671	Ass. Abbondanza	194,455	Jewels and silverware	No charge for one year

## Disciplining credit

year	client	loan issued (lire)	Collateral	Fee
1673	Ass. Abbondanza	40,000	Jewels	No charge for one year
1677	Ass. Abbondanza	100,000	Jewels	No charge
1678	Ass. Abbondanza	50,000	Jewels	No charge
1693	Ass. Abbondanza	100,000	Jewels	No charge
1694	Ass. Abbondanza	16,000	Jewels	2.5%
1695	Ass. Abbondanza	150,000	Jewels	No charge

The case of the Bolognese *Monte* was far from an isolated one. There is little doubt that in their evolution through the period of the Ancien Regime Italy's *Monti di Pietà* pawnbanks went far beyond their original mission of lending petty sums against collateral to poor and middling households. The *Monti* ventured in new directions well beyond "ethical" pawnbroking to assist the working poor. The example of Bologna further indicates that such evolution could mean an updating and even an expansion of the original mission of helping those who had fallen behind. On the one hand, by extending lending to local authorities the Bolognese *Monte* not only allowed a more orderly management of the city financial affairs but also assisted in the funding of services that went to benefit the poor. On the other hand, attracting a wider and better off clientele did not subvert the mission of providing affordable and accessible credit to the working poor. On the contrary, finding new business opportunities and lending to a more affluent clientele at higher rates provided a solid financial base that other institutions lacked and actually led to cheaper credit services to those in serious need.



# Managing credits in commercial companies: the case of a Milanese company in the Iberian Peninsula during the sixteenth century

BENEDETTA CRIVELLI

“Dico, adunque, che chi mette in compagnia dieci mila ducati, non gli mette come quando uno li gettasse nel pozzo ma mette il rischio di quei dieci mila, e da materia di poter trafficare e mercatantare”

Tomas Mercado, *De negotiis et contractis de mercanti, et de negotiantis*, Brescia, 1591.

## 1. Premise

Paolo Prodi, in a well-known work, identified “the unprecedented rhythm allowed by the financial and commercial operations in the accumulation of wealth”<sup>1</sup> as one of the fundamental elements that represents the transition to modernity.

A capitalist organisation of finances took over during the early modern era. The great international trade companies interfered in the financial sphere, also assuming a crucial role in financing and supporting the government. The merchant-bankers developed their professional activities, combining trade strategies with political issues<sup>2</sup>.

During the XVI century, Milan underwent this rapid transformation: the static society, anchored to its traditional value, was overpowered by new social classes, whose activities produced unexpected gains<sup>3</sup>. The financial services sector replaced the traditional

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<sup>1</sup> Prodi 2009, 72.

<sup>2</sup> Da Silva 2011, 161.

<sup>3</sup> Prodi 2009, 72.

manufactories as a major source of employment and trade became the most profitable activity. The position of the Duchy of Milan within the Spanish empire offered new opportunities for merchants from Lombardy. Speculative activity, also facilitated by the division of labour between countryside and cities, helped define a new shape for the Lombardy economy. Public debt and the alienation of revenues played an important role in this new tendency towards the service sector as they ensured higher profits than any other investment, therefore contributing to the growth of consolidated debt<sup>4</sup>. In the 1570s, the lending activities, payment system and market for public debt started to become part of an integrated financial system, in which information and trust circulated through formal and informal channels<sup>5</sup>.

Trade was establishing itself progressively as a form of art and, as such, it could not be vicious. Being an art, it had objective rules that allowed the definition of the value of traded goods and services. The market served as collective arbiter, defying the rules of action recognised by the whole community. The merchant's job was to make supply meet demand, meaning that he would buy goods where they exceeded and take them where they lacked. In this sense, his profit was justified not only by the expertise and the risk he underwent, but also by playing an essential function in the life of the community<sup>6</sup>.

This discovery of the market's positive function, which defined objectively what would have otherwise relied only on individuals' lives and passions, brought scholars to reflect on just what is legitimate in the market<sup>7</sup>. In this sense, during the first centuries of the modern era, jurists and theologians tried to deal with the issue of the rules and the violations of the rules by the market, not just to define

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<sup>4</sup> D'Amico 2012.

<sup>5</sup> De Luca 1996; Id. 2011, 327-28.

<sup>6</sup> The dignity of the merchant and his social recognition are a product of the considerations on the rule of profits and trade as an essential element of the life of the community, that arose during the XVI century. On these issues, see (Maifreda 2012, 57) e passim; (Alloza Aparicio and Gea 2009, 15-41).

<sup>7</sup> Tomas Mercado, in the dedication of his work *De'negotii, et contratti de mercanti*, affirms: «mi è parso negligenza grande, che non solo il Collegi di Siviglia, ma ne di Burgos, ne di Medina, ne di Lisbona non abbiano ancor mai fatto chiarire da qualche università di Theologi quello, che sia lecito, e illecito nei negocij, che più si frequentano infra di loro». (Mercado 1591).

economic theory but rather to defend and ensure the survival of the market it self<sup>8</sup>.

Buying goods represented the pulse of civil life and, therefore, trading goods with foreign merchants was, according to Bartolomeo de Albornóz, the “most natural contract that exists in humanity”<sup>9</sup>. The *nova negotia*, especially in relation to commerce, gave birth to a range of contracts hitherto unknown and collected them in some kind of mercantile right that came out of daily practice, which was then consolidated in legal frameworks. The importance of the contract, as Prodi underlines, leads to a consideration of the “pact” as a relationship between individuals. The contract became the keystone on which the relationships between men are built, so that Dutch theologian Leonard Lessio included every agreement between men, every commitment, in the various forms of contracts, even if for free<sup>10</sup>.

The relationships between individuals, especially those of credit, implied an obligation that was not founded on social inequality (actually, the trade of goods and money helped overcome the hierarchical barriers of modern societies) but rather on the mutuality of rights<sup>11</sup>. Scholars who first became committed to the systematisation of contractual theory contributed to the birth of modern market theory, which tried to find a synthesis between the natural and the divine right and the human legislation that actualises it<sup>12</sup>.

Defining the theory of this contract was essential for these authors, since experience had shown that men can obtain what they do not own “through some contracts”<sup>13</sup>. Francisco Garcia, a Dominican theologian of the School of Salamanca, in his *Trattato di tutti i contratti*, affirms that “donating, buying, selling, renting and bartering are, by their own nature, special contracts that men use”<sup>14</sup>. Given the usefulness of contracts in the everyday relationships between men, Garcia believes that systematic treatment of all contracts is crucial, so as to

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<sup>8</sup> Prodi 2009, 82-4; Todeschini 2003.

<sup>9</sup> De Albornóz 1573, in Chafuen, 2003, 75.

<sup>10</sup> Lessius 1605; Prodi 2009, 235.

<sup>11</sup> Muldrew 1998, 97.

<sup>12</sup> Prodi 2009, 71.

<sup>13</sup> Garcia 1589, 3.

<sup>14</sup> *Ibidem*.

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facilitate, to those in need, all instructions on “integrity and justice of contracts” (rettitudine e giustizia dei contratti) and to avoid offending God or damaging one’s neighbour. According to Francisco Garcia, as well as Tomas Mercado, the Dominican theologian who dedicates his *De negotii et contracti de mercanti* “to the noble and famous consulate of Seville merchants”<sup>15</sup>, privileged interlocutors were those who needed a “true and useful” (vera e utile) doctrine to be able to “measure and adjust the necessary trades”<sup>16</sup> through these laws.

The correct definition of contracts, granted the relationships between individuals, complied with those rules of lawfulness that avoided turning to justice which, in spite of all considerations, was frequent during the modern era. In fact, appealing in front of the Court was not only a signal of the failure of an agreement due to the ambiguity of the contract but also a declaration of defective certification that could be overcome with a call to justice. It often happened that the intervention of the judge was demanded simply as a safeguard of interests rather than as an explicit solicitation for justice. For this reason, a petition to the court does not necessarily have to be considered symptomatic of a widespread lack of certainty or arbitrariness<sup>17</sup>.

## 2. The Giovanni Battista Litta Company (1571-1576): capital, credits and the associates’ status

Trading companies can be formed through private agreements or, more often, be grounded on a real contract signed in front of a notary. The decision to formalise the establishment of a society with a notary

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<sup>15</sup> Mercado 1591. The publications of the Mercado and Garcia books used in this essay were the Italian translations of the original works published in Brescia by Pietro Maria Marchetti. Mercado’s work was written in 1569 and published by Marchetti in 1591, where as that of Garcia was written in 1583 and published in 1589. The Italian editions of the books were dedicated to important members of the ecclesiastic world of the Republic of Venice: Mercado’s treatise was addressed to Lorenzo Priuli, patriarch of Venice; Garcia’s work was dedicated to Don Patritio Spini, Abbot of the San Michele Abbey in Candiana.

<sup>16</sup> Ibidem.

<sup>17</sup> Ago 1998, x-xii.

deed depends on the nature of the associates and on their *status* in the company<sup>18</sup>.

In the modern era, the partnership of members of the same family in a company was common. The presence of a partner was equally important because it allowed not only a possible capital injection but also a sharing of the risks that in many cases were taken by the partner who entered the company, bringing his expertise and *business* abilities instead of money. To the not entirely insignificant starting capitals, high profits corresponded, which attracted new associates and often strengthened friendships that recurred in new ventures. The organisation of the company, which always had a fixed-term, and the role of the associates were regulated in detail by the statute of the society. However, the overlap of the shares of capital stock reinvested from previous companies and confusion over the duties reserved for each partner could generate tensions resulting in legal cases.

Thanks to analysis of the activities of commercial companies, it is possible to see a well-structured framework of how the merchants collected capital and gave credits, how widespread their credit networks were and how they resolved some of the problems related to the management of lending activities. Among these, one of the most relevant questions was about asymmetric information.

In 1571, the establishment of a company between Milanese merchants Giovanni Battista Litta, Geronimo Tavola and Giovanni Battista Rovellasca, was formalised with a notary deed. The aims of this company were to trade goods in Spain and, especially, to negotiate money within the fairs of Medina del Campo and Castile<sup>19</sup>. The society assumed the name of Giovanni Battista Litta, while its governance was delegated to Litta and Geronimo Tavola in Milan and to Giovanni Battista Rovellasca in Spain. Rovellasca, who was in Seville at the time, had to go to Medina del Campo where he would have been helped in his duty by Ludovico Visconte. The company was to last six years, starting from the end of the payments the last fair of May in 1571<sup>20</sup>.

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<sup>18</sup> Ivi. 41.

<sup>19</sup> ARCV, Pl. Civiles, Alonso Rodriguez (D), c. 156, 3, 10 october 1567, cc. nn.

<sup>20</sup> AOMM, A. Li, b. 405, 27, 23 march 1577, cc. nn.

The typology of business that the company intended to conduct was the same as that which the Litta family was used to, since they had previously founded companies to trade within the markets of the Iberian Peninsula<sup>21</sup>. This new society was intended to carry out the activities of a previous company, founded in 1567 for a period of six years. The stipulations with which the former company was born had remained unchanged: profits were divided among the partners based on the quotes of capital that they subscribed to, that is 4/5 for Litta and 1/5 for Geronimo Tavola.

The inventory of properties, which represented the starting capital of the commercial company, had to be recorded, including all goods deposited in the Spanish branches of Littas and Tavola - apart from the main branch of Medina del Campo, there were the Alicante, Seville and Toledo ones - and recorded in a single book, in which all the goods arriving in Spain in 1570 needed to be documented. To this first account, all the operations that were going to be performed for the branch in Medina del Campo had to be added. The administration of this firm was delegated to Giovanni Battista Rovellasca who, together with Ludovico Visconte, was responsible for the custody of the goods. The capital, thus obtained, had to be registered on the accounts of Giovanni Battista Litta and Geronimo Tavola<sup>22</sup>. As administrators, Ludovico Visconte and Giovanni Battista Rovellasca participated in the society *caudal* with amounts of 2,000 and 6,000 ducats respectively.

Moreover, company stipulations suggested that each associate could individually lend only the principal that was not included in the society's capital. All lending operations benefitting only one associate had to be registered on the books, on the personal account of the partner who had conducted the operation<sup>23</sup>.

This clause was crucial to identify which operations had given benefits to the whole company and would therefore have to result in the foundation of a new company as starting capital. The credits entered in the balance sheets of the company that had not been collected by the end of the payments at the fair of May 1571 were going to be

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<sup>21</sup> Mainoni 1982; Navarro Espinach 1985, 155-81.

<sup>22</sup> AOMM, A. Li, b. 405, 27, 23 marzo 1577, cc. nn.

<sup>23</sup> Ivi.

excluded from the accounts and were to be recorded only for Giovanni Battista Litta and Geronimo Tavola. Nevertheless, as administrators, Giovanni Battista Rovellasca and Ludovico Visconte were asked to “do as much as they could to collect the credits as if they were of the companies”<sup>24</sup>.

Even though the terms were agreed and signed by all partners, some litigation arose over the distribution of the proceeds. In 1576, a sentence signed in Madrid by Cristoforo Riva, arbitrator elected by Giovanni Battista Litta, decreed that Geronimo Tavola could consider as his own revenues the profits made from a payment of 272,000 *maravedis* that he made to Giovanni Battista Litta in Milan on behalf of Antonio Vazques, through the intermediation of Miguel Rico<sup>25</sup>. A similar judgment concerned the insurance premium on the life of the Bishop of Seville. On the contrary, the income resulting from the annuity of the vacant sees of the Apostolic Chamber, which belonged to the *hacienda* of Geronimo Tavola e Giovanni Battista Litta, remained as company revenues and therefore could be recorded as principal for the new society that would have to be established<sup>26</sup>.

As we will see later on, the purchase of incomes from the annuity of some important bishoprics of Spain was very important business that ignited a piece of litigation among the company’s partners concerning who the person was that would benefit from those revenues, based on the origin of the amount with which the business was concluded.

The doctrine of contracts defined as fair contract the one in which profits and losses of a company were distributed according to the proportion of equity capital that each associate contributed to the en-

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<sup>24</sup> AOMM, A. Li, b. 405, 27, *Comp.a en el nombre de Sr Dios establecida entre los mag.cos Ju.o Bapt.a Lita Her.mo Tavola y Ju.o Bapt.a Rovelasca*, Medina del Campo, 30 dicembre 1575, (hacer lo que pudieran para cobrar los come si fuessen desta mes.a comp.a).

<sup>25</sup> AOMM, A. Li, b. 405, 27, *Pleito que ante mi pende come juez arbitro e arbitrato entra partes de la una Marco Antonio Bigaroli como procurator de Juan Bautista Lita e Juan Bautista Rovelasca e consortes de la una y Hieronimo Tabola*, Madrid, 30 luglio 1576. Marco Antonio Bigaroli, who was prosecutor of Litta, defended the Litta’s company also in a trial about a sequestration of 340,000 *maravedis* transported across the Spain in 1577.

<sup>26</sup> Ivi.

terprise. This is because a company was seen as a “kind of brotherhood that seeks equality”<sup>27</sup>.

Based on this principle, Geronimo Tavola asked for justice after being damaged by Giovanni Battista Litta, who was accused of not paying the interest on the principal and the profit that had been recorded on the books in his own name. Although the first request was made in Medina del Campo, where the company was located, the litigation was then brought to the attention of the *Universitas Mercatorum* of Milan and was resolved with the intervention of Giovanni Maria Martinello, senator of the Duchy<sup>28</sup>.

The difference between the foreigners who settled in Spain and received the *vecino* status and those who crossed the Iberian Peninsula just to attend to their business also emerged from the preference, of one or the other, to appeal to the court that could better support their interests in the case of litigation<sup>29</sup>. It was noted that the call for justice did not necessarily result in an open conflict but was often a way to affirm the rights between the merchants who had stipulated the contract. Whilst on the one hand, it is evident that the fluidity in the circulating of information allowed continuous relationships between the associates living in Milan and those spreading to different cities of the Iberian Peninsula, and was also embedded in a solid communitarian context, on the other hand it is undeniable that the solution of conflicts over the management of society assets was possible thanks to the establishment of some partners within the community of origin. The fact that the Litta family belonged to a solid merchants' elite, whose political ambitions had been strengthened by the acquisition of aristocratic privilege, made the members of this family part of a

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<sup>27</sup> Garcia 1589, 683.

<sup>28</sup> The *Universitas Mecatorum* exercised the administration of justice through its own forum, whose chair was given to the abbots of the merchants of Milan, helped by a consul, an expert in commercial practice, and two notaries chosen by the council. The authority of the chamber abbots during the trial was unquestionable, both for the proceedings in the first instance and for the appeal process, even if ultimately one could resort to the Senate, the highest authority in Milan. In this case, the abbots had to provide the Senate the names of the merchants to be interrogated to assess the case (Tonelli 2012).

<sup>29</sup> On the complexity of the legal system in Castile during the modern age, see (Heras Santos 1996, 105-39).

non-negligible political and institutional context. At the same time, this social condition was exploited as a sort of safeguard from the risk of insolvency, unavailability or bankruptcy. In fact, in the act drawn up by the notary of the *Universitas mercatorum* of Milan, they talked about Giovanni Battista Litta saying: “*sit in P(orta) O(rientalis) P(arrochia) di S. ti Georgiyadputheusalbus M(ediolani) ...de eius familia cumque interrogasse tre.m statuisset et alia fecisset*”<sup>30</sup>. Indeed, Geronimo Tavola nominated his brother, Giovanni Antonio, as prosecutor and witness.

Tavola’s request for the confirmation of the *asiento* of the company founded by Litta in 1567 fits perfectly with the attempt to find a legal avenue that could better protect the Milanese merchants, supplying rules that are perceived by the whole community. Tavola’s goal was also to maintain his reputation: an asset for which a man would “venture to great deeds and heroic gestures, with the spirit to conclude them” (*si arrischi[a] ad imprese grandi e fatti eroici, [con] animo di condurle alla fine*)<sup>31</sup>.

In 1567, Litta and Tavola founded a new company that was supposed to carry on the activities of those begun in 1561. According to the statute, Geronimo Tavola was to reside in Spain in order to control the society’s operations, at least until he had found someone to entrust the management to. They started the enterprise with capital of 4,000 ecus, turning a profit that could be used for new activities. The amount was lent by Litta to Tavola, who would then take the risk of investing it in the society’s activities. The profits coming from this capital were to be distributed between Litta and Tavola in the proportions of 4/5 for Giovanni Battista and the other 1/5 for Geronimo, deducting all expenditure and participation agreed upon by all the partners. They also decided to give revenue of 1,000 ducats each to Ludovico Visconte and Francesco Bernardino Melzo for their efforts (*travaglio*) within the company. All the operations they were able to implement were to be registered in the account books<sup>32</sup>.

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<sup>30</sup> ARCV, Pl. Civiles, Alonso Rodriguez (D), c. 156, 3, 20 september 1576, cc. nn.

<sup>31</sup> Mercado 1591, 587. Mercado affirms that the hope of obtaining a great reputation pushes men to sail across the oceans. [Pellegrina(re) per paesi stranieri, navigando per questo grande Oceano]. On the theme of reputation and trust in the lending relation (Fontaine 2008).

<sup>32</sup> ARCV, Pl. Civiles, Alonso Rodriguez (D), c. 156, 3, 10 october 1567, cc. nn.

### 3. Credits and goods: the inventory of the company

After this first company, two more were founded: one starting in 1571 as we have seen and another in 1576. The statute of the company continued unchanged and so did the common way of accumulation of starting capital. This was done through a sort of loan<sup>33</sup> funded by earnings from the previous companies. The contribution had to generate profits to be then distributed in proportion with the quote for which each partner had participated in the enterprise.

The company's inventory, edited on 1<sup>st</sup> January 1576, reported the "debitores del libro de menudencias": thirty three individuals were indebted to the company for a total of 206,338 *maravedis*. Large amounts were credits released on the own accounts of the associates or of their relatives. Amongst those are Ferrante and Geronimo Tavola, who owed the company more than 35,000 *maravedis*; Filippo Litta, who lived in Valladolid with his sister Catalina<sup>34</sup>, was indebted for 16,000 *maravedis*. But the greatest were the credits granted to the administrators Ludovico Visconte (around 50,000 *maravedis*) and Giovanni Battista Rovellasca (43,000 *maravedis*).

The majority of the debtors lived in Medina del Campo and most were artisans and shopkeepers who traded in watches, books, metal crafts and hats and who owed the company amounts corresponding to 3,000 *maravedis* for each entry<sup>35</sup>. Buying and selling goods were the main activities. In Milan, Giovanni Battista Litta was responsible for keeping the accounting records and sending goods to Spain for

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<sup>33</sup> There were two most common forms of society in Lombardy: limited partnership, which consisted of an association of two partners in which one put the capital and the other put his ability and the expertise to exploit money into commercial and financial activities; and society *in solidum*, in which each partner was responsible for all of the capital of the company. In both cases, the companies were born within merchants' families who shared various interests in the same market places. They usually established commercial companies to maximize profits and reduce costs, entrusting the administration to individuals who were already familiar with these kinds of activities. Cfr. (Mainoni 1982, 564-68; Alessandrini and Viola 2013, 295-322, 308).

<sup>34</sup> ARCV, Pl. Civiles, Pérez Alonso, c. 1141, 4, 1513-1521.

<sup>35</sup> ARCV, Pl. Civiles, Alonso Rodriguez (D), c. 156, 3, *Inventario*, 1 gennaio 1576, c. 136r.

the company, whilst Geronimo Tavola bought goods from different locations and sold them once they arrived in Spain<sup>36</sup>. Among the listed goods, we found some hourglasses (*relogio de arena*) from Venice, printed maps and four rebound music books also from Venice. A big part of the inventoried goods consisted of different kinds of fabrics, laces and cloth from Flanders, Lucca, Bologna (especially veils), Treviri, Lyons (high-relief fabrics) and Pastrana, as well as gold and silver yarn, iron wire, arms and horse vestments, furniture, alabaster vases and plates and other ebony objects, ivory and silver, jewellery and paintings. The inventory also included some goods from India, such as a fine shirt and some wooden objects. Other than the goods deposited by foreign merchants (especially Florentine and Flemish) in Pastrana and Seville, there were also those made available by Giuseppe Rovirola in Barcelona: 12 pieces of black “rascie” from Florence and 16 bales of “gualda”<sup>37</sup> to the value of 3,102 ducats. The total value of goods consigned to the house of Medina del Campo was 75,047 Milanese lire<sup>38</sup>.

#### 4. The operation in the fairs of exchange

It is possible to analyse closely some of the “en devitto e credito” operations of the company of 1571 thanks to the transcription of part of the four bookkeeping documents representing the records of Litta and Tavola’s company. In fact, during the trial, the royal scribe Antonio Marques went to Madrid to receive records of the “compañia vieja e nueva” from Rovellasca. The books were described as: “uno libro mayor nuevo colorado y el otro el libro mayor viejo de Medina colorado y el dicho el libro de fiera de ottubro de mill y quinientos e sesenta y ocho e sesenta e nueve y el otro el manal del libro de Madrid de los cuales dichos libros”. Even though the only copied entries were those contested for the scope of the trial, the faithful transcription of part of the books, otherwise lost, is relevant in order to understand

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<sup>36</sup> AOMM, A. Li, b. 405, 27, 23 marzo 1577, cc. nn.

<sup>37</sup> Gualda is a kind of flowers from which was extracted yellow pigment.

<sup>38</sup> The value of Milanese lira was 1 lira = 20 soldi = 20 denari and 1 ducat was appreciated 118 soldi.

the operational strategies enacted by Milanese companies and to reconstruct at least part of the complex system of debts and credits at the base of the commercial and financial activities in the modern era.

The first piece of analysis looks at the commercial activities mostly carried out through credit and registered on the account of whoever fulfilled the operation. See, for example, the payment that Geronimo Tavola owed from “su quenta propria” (his own account) in 1573, which is registered in the new company’s ledger.

In fact, he exchanged money to purchase different kinds of goods that he then re-traded for his own earnings. These operations were recorded as debts of Tavola and had offsets on credit in the ledger of the company in Madrid.

The goods were different. On June 1573, Tavola registered a purchase, fulfilled in Seville, of 5,732 *maravedis* of drugs to send to Milan. In Seville, lots of cochineals from India, used as pigment, were also acquired. In April of the following year, Tavola paid Juan de Cosea in Medina del Campo for the acquisition of 14 *marcos* and half an ounce<sup>39</sup> of decorated silver. We can also find some “exotic” purchases, such as three parrots with a cage that Giovanni Battista Rovellasca bought in Seville, or some high value items, like a golden chain given by Bernardino Vizcarreto, who was involved in the business of vacant sees of the Apostolic Chamber<sup>40</sup>.

Aside from commercial activities, Litta and Tavola’s company was established with the aim of negotiating at Castile fairs. In order to negotiate in a fair, the Milanese merchants took advantage of correspondents that would affect payments in the locations and on the days of the fair<sup>41</sup>.

Proof of this comes in the May 1568 and 1569 fair journal, where the debts and credits the company implemented for exchange operations are recorded. A very important entry was one described on a current account with Juan de Panalosa, since it represents well the

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<sup>39</sup> 1 marco = 8 once, equal to almost 230 grams. (Martini 1883).

<sup>40</sup> ARCV, Pl. Civiles, Alonso Rodriguez (D), c. 156, 3, 1576, c. 150. The value of these goods was definitely high, equal to more than 6,000 ducats for the parrots and 42,000 ducats for the golden chain.

<sup>41</sup> On the history and functioning of the fairs of exchange, see (Marsilio 2008).

mechanism at the base of lending that connected different market-places.

Panalosa owed more than 2,550 *maravedis* for his brokerage (*correduria*) on the 10,000 ducats he took as a loan at the rate of 14%. Two entries of 389,000 *maravedis* had been added. The first was a command (*encomienda*) for an operation of 15,000 ducats from Flanders at 0.3% (180,000 *maravedis*) for which the payment was successively asked (*libranza*) through a loan agreement with Hanrique Bul. The second entry, also to be collected through a loan agreement by Bul, concerned one of the Litta Company's most lucrative businesses: the life assurance of the Archbishop of Seville, for an amount of 15,500 ducats at a rate of 6% (371,000 *maravedis*).

The money put forward by the company was collected with a return of bills of exchange negotiated by the relatives of some of the associates. In the fairs' journal, there is a record of exchange bills from the Anversa fair of Easter to pay to Gaspare Rovellasca, brother of Giovanni Battista, and for the Apparizione fair of Chambery to Giovanni Pietro Visconte<sup>42</sup>, uncle of Ludovico, and Filippo Bontalente<sup>43</sup>. The merchants living in Anversa and Lyon received the company's letters sent by Hanrique Bul on behalf of Juan de Penalosa.

Major operations, such as the Archbishop of Seville's life assurance, required complex use of the credit tool that the Milanese companies were able to implement thanks to their strong relationships with the rulers as well as with the Spanish financial elites.

Geronimo Tavola had already proved to be integrated into the Iberian economic context when in 1560 he achieved considerable gains for the Litta company, loaning money to the King of Portugal. On that occasion, Tavola declared that he had been received "mercede particolare (del) Rey Don Sebastian". In fact, the Portuguese King granted a loan of 58,000 ducats to the company at a rate of 5%, which

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<sup>42</sup> In the 1560s, Giovanni Pietro Visconte had established a company with Giovanni Battista Litta and Giovanni Battista Rovellasca to trade pepper to Lisbon. The model of the society's organization was similar to what was exploited in subsequent companies, that is, it involved a distribution of income in the proportions of 4/5 for Litta and 1/5 for Visconte. AOMM, A. Li, cart. 43, 529, cc.nn e ASMI, *Fn, Cristoforo Castelletto*, cart. 19196, 17 febbraio 1584.

<sup>43</sup> ARCV, Pl. Civiles, Alonso Rodriguez (D), c. 156, 3, 1576, c. 148v.

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was repaid with a load of pepper that had been successively sold in Italy at a profit of 8-10%<sup>44</sup>.

Moreover, Tavola acted as a broker, lending money to the officials of the Spanish Crown in Milan. In 1570, he loaned 6,000 Castilian *reales* of 34 *maravedis* to Giovanni Cesare della Croce, counselor of the ordinary magistrate of the Duchy of Milan, who settled the debt with Giovanni Battista Litta<sup>45</sup>. In 1573, Tavola paid to Giovanni Battista Confalonieri, *colector*<sup>46</sup> of the reign, 8,000 *ecus* that he took in exchange for 444 *maravedis* as a return of the Apparizione fair of Lyon<sup>47</sup>.

Strengthened by the continuity and longevity of society's structures, not without internal management problems that resulted in a trial, the Milanese merchants could dedicate themselves to bank operations involving significant amounts of money. The most important financial companies were supported by a rich network of correspondents throughout the Iberian Peninsula, but also by economic-financial power centres, as Anversa and Lyon were during the central decades of the XVI century. The Italians succeeded in reaching a high level of integration and collaboration, thanks not only to solid family structures, but also to a strengthened communitarian identity - even if Italians rarely organised themselves into *nations* - and even due to the financial specialization of which the Genovese operators were protagonists<sup>48</sup>.

The organisational system adopted by Milanese societies, whose high mortality sat alongside the ability to quickly reconstruct the assets needed to start new activities, made the efficient performance of some complex operations possible. Just consider the return of payments that allowed Geronimo Tavola to insure the Archbishop of Seville's life through credit founding. In fact, other than the previous loan, in the journal of the fairs of 1568 and 1569, there was an account named "*aseguradores*" in which the names of the twenty six merchants

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<sup>44</sup> AOMM, b. 413, 52, *El credito che haverano li ssr. Litta con el ser.mo Re de Portugal*, 1560. (Crivelli 2014, 187-200).

<sup>45</sup> ASMI, Fondo Notarile, c. 16197, Cristoforo Castelletto, *Acceptatio*, 8 January 1588.

<sup>46</sup> This term indicates the person who was in charge of collecting debts and revenues on behalf of the king.

<sup>47</sup> ARCV, Pl. Civiles, Alonso Rodriguez (D), c. 156, 3, 1576, c. 145v.

<sup>48</sup> Luis and Espinach 1997, 265-339. Some considerations on lending activities of the Italians in Castile are also in (Carvaja 2013).

insuring the Archbishop's life were reported<sup>49</sup>. Significantly, half of those merchants were Genoese operators and they participated with less than half the capital insured.

Of the total price of 276,750 *maravedis* for the 12,300 ducats insured, 9,400 *maravedis* were collected on 1<sup>st</sup> November 1570 and, according to the books, they had to "*vale(r) por el Litta a parte*" (be just for Litta). This operation, included in the ledger of the old company, resulted in litigation between Litta and Tavola. In fact, according to the judgment delivered by Cristoforo Riva in 1576, the price for the insurance was recorded in Geronimo Tavola's account. Nevertheless, according to the ledger's entries, the sum collected for the insurance was proved to be returned to the creditors, who had already anticipated it in 1571, so no insurance appeared in the books. It seems that Tavola may have recorded the money on his account to cheat the company, as a new judgment affirmed.

## 5. The protection of contracts: the trial for the *arrendamento* of the vacant sees of the Apostolic Chamber.

One of the most important commitments realised by Giovanni Battista Litta's company was the *arrendamento* of the vacant sees of the Apostolic Chamber, among which were the Archbishopric of Santiago and the bishoprics of Saragozza and Sigüenza.

The control over the pontifical concessions, that is to say the taxation derived from the Crusade's bull granted by Rome to the Crown, had great value because the bull and other assimilated revenues equated to tens of thousands of ducats for the monarchy and to attractive incomes for the bankers operating within buying and selling networks of fixed assets<sup>50</sup>.

The purchase of those annuities was realised by Geronimo Tavola. Bernardino Vizcarreto was the nominated administrator of the income. This task was successively granted to Giovanni Battista Rovellasca, with a deed signed in Milan in front of the notary Cesare

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<sup>49</sup> ARCV, Pl. Civiles, Alonso Rodriguez (D), c. 156, 3, 1576, c. 149r.

<sup>50</sup> On the annuities of Spanish ecclesiastical properties and on the opportunity for the government to exploit them to increase revenues, see (Von Pastor 1964, 515-16), in (Sabene 2008, 51-97).

Buido in 1575. During the trial, Giovanni Battista Litta inquired about the money delivered to Geronimo Tavola by Vizcarreto as a result of the administration, which was registered as a debt of the company.

The trial stemmed from a flaw in the flow of information between partners, due - as is clear from the papers - to the attempt by Geronimo Tavolato defraud the company. In fact, despite having purchased annuities of vacant sees with the money on credit on the account of the Madrid branch, Tavola waited to declare the account in which to deposit revenues in the hope of being able to keep these for himself.

At the end of the year 1573, the profit achieved from annuities of vacant sees was 3,750,000 *maravedis*, which was accounted for as *avansos*. The arrendamento of the bishopric of Sigüenza gave a profit of 1,125,000 *maravedis* that was not accounted for in the bookkeeping of the old company, as Geronimo Tavola had not declared if it were to be recorded in his own account or on that of the company. There remained, however, a large sum of debt owed by Tavola, amounting to 1,829,929 *maravedis*, which Tavola was supposed to pay into an account on the ledger of the Madrid branch. Finally, in a separate account, thirty-five entries were recorded in name of Geronimo Tavola; most of them were for payments on the account of the company of Madrid by Antonio de Pareda, merchant from Sigüenza.

It is not a coincidence that during the same years in which this process took place, the claim raised by Girolamo Tavola for the recovery of 330,000 *maravedis* was judged in favour of Antonio de Pareda. The judgment ordered, however, that Tavola had to pay 270,000 *maravedis*, for he was still in debt.

As we saw previously, the dispute between Geronimo Tavola and Giovanni Battista Litta originated from the non-recognition of the profit from activities of the company that were registered only in Tavola's personal account. But since in the registration of the final balance, Tavola's personal account and that of the company were not distinguished from one another, it is likely that the partners demanded that the money be made available. The dispute arose over certifying the right to collect the entire profit and Tavola declared that he found Giovanni Battista Rovellasca to be the "piorfiador" (worst guarantor)<sup>51</sup>.

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<sup>51</sup> ARCV, Pl. Civiles, Alonso Rodriguez (D), c. 156, 3, 1576, c. 33.

As is clear from reading the court papers, what was questioned was not so much the economic loss that may have resulted from a failure to recognise the profit that was achieved thanks to work and personal commitment, but rather, the possibility that this would “destroy the good perception of others which is invaluable in commerce”<sup>52</sup>.

The reference to the statute of the society was an important moment in the process to certify the responsibilities of the partners in the company; Giovanni Battista Rovellasca was recognised as responsible for the administration of annuities of the offices of the Apostolic Chamber and consequently had the right to record them on behalf of the company.

The bad faith shown by Tavola seemed to be heightened by the choice of witnesses who wanted to testify that the *arrendamento* had been purchased on behalf of Tavola, although they were not aware of what was happening within the company. Indeed, among its witnesses, there were neither *solecitatores* nor *procuradores* of the company.

The choice of witnesses was very important for the process, because their views could have resulted in a positive outcome of the motions filed. In fact, it was not uncommon to pay the authorities for witnesses of “quality” who would testify in favour of the accused<sup>53</sup>.

The trial finally closed with the conviction of Geronimo Tavola, who was obligated to pay all interest and damages that were derived from having kept for himself a substantial part of the company’s capital. Also, he was denied any reimbursement for expenses he had incurred for the business of the company, recognising, *de facto*, a fraudulent intent in the conduct of the merchant.

We can conclude with some brief considerations. Firstly, the call for justice not only had to reaffirm the property rights of each company’s associates, thus avoiding the end of the contract, but it was

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<sup>52</sup> Mercado 1591, 587.

<sup>53</sup> In the trial that took place in Madrid in 1595, which saw Ludovico Visconti on one side and Giovanni Battista Litta’s heirs on the other, in the memorial preparing Litta’s defence, Giulio Confalonieri claims that 200 scudi and a certain amount of wine were to be paid because one of the Italian council regents welcomed the requests for witnesses’ appointments. Among them were those who, despite knowing about the trial, did not compromise with the opposing party and therefore cause harm. AOMM, A. Li, b. 405, 27, *Memoriale di Giulio Cesare Confalonieri*, Madrid, 2 December 1595.

also needed in order to restore the fame and reputation of those who would have lost their credentials in the case of an accusation. In fact, in the words of Tomas Mercado: “la fama è quella opinione, & quel credito, che tiene appresso di quelli, che lo conoscono; & quella reputazione, che di lui ha nella città, ò nel Regno”<sup>54</sup>.

As the literature points out, property rights were defined disregarding contract logic. With regards to both the ownership of goods and the rights on credits, it was often hard to truly claim a property<sup>55</sup>. The possibility of referring to written contract could protect the contracting parties to an extent, but these cases showed how limited a written contract could be in defying the associates’ availability inside the company, even in front of the court.

The four sentences that led to the dissolution of the company of Giovanni Battista Litta in April 1576 were not sufficient to close the accounts of the company. In 1589, Giovanni Battista Rovellasca was still claiming the right to 8,000,000 *maravedis* which, he argued, were derived from the accounts of the company in Medina del Campo from 1567. Indeed, the profits of that company, amounting to 56,000,000 *maravedis*, had been used by Litta as capital for the company founded in 1579. The money was put on credit while waiting for all previous entries of the companies, which had been delayed by lawsuits, to be settled. However, the claim of Rovellasca was rejected, as, with a deed from the closure of the accounts of the company in Medina del Campo, only the credit of Litta was recognised. With this statement, after more than ten years, the company of Giovanni Battista Litta of Medina del Campo was closed<sup>56</sup>.

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<sup>54</sup> Mercado 1591, 583.

<sup>55</sup> Ago 1998, 131-33.

<sup>56</sup> AOMM, b. 405, 27, 30 giugno 1589.

## Credit and institutions. The activities of the Congrega Apostolica in Brescia during the Ancien Régime

MARCO DOTTI

During the *Ancien Régime*, the presence of specialised private operators in the area of credit in Brescia was meagre.

There were some private operators involved in financial activities but it was not official: 1588 and 1641 reports did not mention any “bankers”<sup>1</sup>. The institutional aspect was dominant: “the regular clergy, together with the Ospedale Grande and the Congrega Apostolica ruled the market of loans”<sup>2</sup>.

Religious and charity institutions were the favourite destinations for those with the biggest financial needs and, through analysis of the “polizze di estimo” (fiscal documents) of the local elites, it is possible to find the hierarchy suggested by Laurence Fontaine, which put religious institutions, followed by relatives, in top position among Italian noble creditors<sup>3</sup>.

Joanne Ferraro depicts this scene very well<sup>4</sup>. Andrea Gambarà, for example, who belonged to one of the most important noble families in Brescia, closely connected to the Venetian aristocracy, declared five debts in his 1723 “polizza d’estimo”, three of which could be ascribed to religious institutions. He received a loan from Santa Maria della

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<sup>1</sup> The 1588 report is in ASBS, cart. 459; the 1641 report in ASBS, cart. 466.

<sup>2</sup> Landi 2005, 139.

<sup>3</sup> In Italy, religious institutions are more important to a general hierarchy of aristocratic creditors which is headed by their relatives, nobles themselves, Church, bourgeoisie and foreigners last. (Fontaine 2008, 81).

<sup>4</sup> See (Ferraro 1993, 110).

Passione oratorio and two monasteries, while the other credits were absorbed by his sister and one prelate<sup>5</sup>.

Even though historiography has worked widely on the nobility of Brescia, it has not dealt with the complex organisation of public finance. The relationships, connections and hierarchies among private operators have not been described in detail. Against this backdrop, the main brotherhood of the town (the *Congrega Apostolica*) provides a good perspective on the local financial system thus representing its gravitational centre.

This paper will try to reconstruct the physiology of the local financial system and, at the same time, form a hypothesis which goes beyond the analysed reality by using an analytic approach.

## 1. Credits and urban institutions

Over recent decades, historiography has gradually emphasised the importance of religious institutions within the money market in early modern Italian towns<sup>6</sup>.

The original role of pawnshops and public banks in the slow construction of a legal credit market has already been analysed within the literature<sup>7</sup>.

The entangled diffusion of credit activities has gradually emerged, both in the regular clergy's investments, though to a lesser extent, and in those belonging to the churches and secular clergy.

Moreover, religious places ruled by laypeople (like hospitals and brotherhoods) played an important role in trade as well, as religious institutions - such as altars and chapels - were quite often founded through financial returns. This perspective has to be investigated in more depth, as there are still grey areas and new and different historiographic dynamics to be highlighted.

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<sup>5</sup> ASBS, *Catasto Antico*, Estimo 1723, S. Alessandro, quadre 1-2, reg. 122, polizza n. 97.

<sup>6</sup> The following are some results of the meetings which considered the question: (Ammannati 2012; Boschiero and Molina 2004; Pastore and Garbellotti 2001; Landi 1999). For a recent historiographic report on the economic and religious institutions, see (Tacolini 2009, 133-48).

<sup>7</sup> Some relevant syntheses among the various studies are in: (Montanari 1999). About the medieval origins of the financial system: (Palermo 2008; Todeschini 2002).

Religious and pious institutions turned into financial operators as economic crisis broke out in the 17<sup>th</sup> century<sup>8</sup>; however their function had not yet been deepened in view of the social enforcement of credit.

The deferral of payments characterised the majority of transactions and, as Craig Muldrew argued, the economy of the *Ancien Régime* was strictly dependent on the certification of bonds<sup>9</sup>. The credit dimension was articulated and was quite contradictory<sup>10</sup>. This perspective also included heterogeneous aspects, as lack of cash and lending on interest coexisted with the true practice of reciprocity<sup>11</sup>. In Renata Ago's definition of the "baroque economy", loans were not granted in the short term; in fact, the majority of debts could not be paid, while they kept a social and relational value as means to offset a low income<sup>12</sup>.

In order to better interpret the massive financial activity of such institutions as hospitals and brotherhoods, one could start to consider the complexity of playing with money and time, which was considered an art in early modern Europe<sup>13</sup>. Therefore the "heterogenesis of intents"<sup>14</sup> must be analysed, as, in the Italian peninsula, charitable organisations became important financial institutions. Regulations carried out in almost every part of Europe by urban and state authorities forcing pious places to intervene in the market of public debt are not sufficient to explain this phenomenon and neither is the economic trend in the 17<sup>th</sup> and 18<sup>th</sup> centuries under which the market of private credit became arid and the clergy's possessions grew<sup>15</sup>.

Moreover, it is important to place financial activity within an institutional perspective which, on the one hand, satisfies social needs

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<sup>8</sup> De Luca and Moioli 2008, 212-55.

<sup>9</sup> Muldrew 2001, 83. The reference is also to the main study by the same author, (Id. 1998).

<sup>10</sup> Clavero 1991, 34.

<sup>11</sup> Reference should be made to Bartolomè Clavero's contribution. On pragmatic reciprocity, see (Arru 1998, 361-82; Id. 2011, 141-66).

<sup>12</sup> See (Ago 1998, 103-05).

<sup>13</sup> Fontaine 2011, 513-32.

<sup>14</sup> There are some rhetorical traces of the so-called heterogenesis of intents. In the 17<sup>th</sup> century, Francesco Gianni stated that "pious places had completely lost their function to help poor people to interfere with the capitals market" (Bertini 1989, 181).

<sup>15</sup> On "clergy possessions", see (Faccini 1988, 60-9).

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- but not inconsistently at all - and on the other shapes local society and its functioning.

In other words, it is necessary to consider the massive use of financial means, not as an anomaly requiring an *ad hoc* explanation, but rather as part and parcel of wider institutional “thinking” and action<sup>16</sup>.

## 2. The “fractal” structure of the urban financial system

At the beginning of the 17<sup>th</sup> century, pious places were ruled by three main institutions in Brescia: the Ospedale Maggiore, the Congrega Apostolica and the Monte Nuovo (a new pawnshop). These were places with definite but different functions, namely charity, beneficence and credit. Indeed, the hospital and the Congrega Apostolica were very articulated institutions. It is important to consider this definition differently from what historiography traditionally meant: they are not “total institutions”, able to annihilate the individuals they relate to; rather, they are structures operating in a multidimensional way, getting in contact with the social dimensions they deal with<sup>17</sup>. They cannot simply be defined within the traditional notion of the field (economic, religious, legal, political, etc.)<sup>18</sup>.

This systematic, as well as versatile, aspect clearly emerges from an analysis of the development of institutional credit in Brescia during the *Ancien Régime*. The “old” and especially the “new” pawnshops (Monte Nuovo) were founded with the specific purpose of doing credit activity; yet the Ospedale Maggiore constituted an even more important financial juncture and so did the Congrega Apostoli-

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<sup>16</sup> See (Douglas 1986). Recently, economic historiography has also been pushed to change its idea about the role of institutions and organisations, above all by the *new institutional economics*. It is sufficient to refer to (North 1990).

<sup>17</sup> Therefore, this definition has to be considered starting from the “total social facts” by Marcel Mauss rather than Michel Foucault’s institutional genealogy. See (Mauss 1950). On the traditional definition of the “total institution”, simply refer to (Foucault 1963; Id. 1975).

<sup>18</sup> After all, even historians question the concept of the “field”. See (Torre 1995, 191-221; Id. 2011, 10-3).

ca. The latter provided sizeable loans, becoming the financial benchmark for both the pawnshop and the hospital.

During the 17<sup>th</sup> century, the Congrega Apostolica acquired financial importance, thus becoming the lynchpin of the local credit system.

The origins of the brotherhood can be traced back to the urban past: it was born in the Middle Ages but acquired a definite function in the 16<sup>th</sup> century, when other neighbourhood associations joined the original brotherhood of the cathedral.

Statutes attributed a role to this institution, which was oriented above all to the so-called “*poveri vergognosi*” (shamed-faced poor). Indeed, it aimed to solve what Giovanni Ricci defined as the “anomaly” brought about by “civil” impoverished families with the utmost discretion<sup>19</sup>.

There are few documentary references to the first centuries of its activity: the oldest statutes can be traced back to the 1578, even though the definition of “Reformed Rule” (“*Regola reformata*”) implies the existence of previous organisations.

The ability of the brotherhood to cover different aspects of the local financial system was the most interesting point of the credit network in Brescia. Using an “up-to-date” expression, it can be maintained that this institution was a “lender of last resort” for the other organisations in the town, some of which were destined to new forms of credit (at least in principle). It is possible to see the affirmation of the institutional hierarchy through an analysis of the relationship between debt and credit. Between 1745 and 1772, the Monte Nuovo was given more than 30,000 *lire*<sup>20</sup> by the confraternity at a relatively low average interest rate<sup>21</sup>. Meanwhile, the Ospedale Maggiore continued to receive massive funding: between the early 17<sup>th</sup> century and beginning of the 19<sup>th</sup> century, it borrowed more than 66,000 *lire*. This

<sup>19</sup> Ricci 1996; Id. 2000, 175-82.

<sup>20</sup> Where it is not specified, the values are always referred to in *lire planette* (plt.), i.e. the local currency. The *lira* plt. was divided into 20 *soldi* and 240 *denari*.

<sup>21</sup> ASCCA, *Libro nono dei testamenti e degli strumenti della Veneranda Congrega della Carità Apostolica* (1748-1763), cc. 198 r.-198 v.; *Libro decimo dei testamenti e degli strumenti della Veneranda Congrega della Carità Apostolica* (1763-1783), cc. 169 v.-170 v.; ASBS, *Congrega della Carità Apostolica*, cart. 396; *Libro cassa della Congrega Apostolica del Duomo* (1671-1757), cc. 214 r. - 215 r.

process involved the main pious places of the town as well (Ospedale degli incurabili, Fabbrica del Duomo, etc.)<sup>22</sup>. The same local authorities often used the institution to face the public and private financial crises usually caused by economic circumstances, wars and above all by the taxes levied by the Republic of Venice.

The economic requests of Venice affected Brescia and the lands nearby. On 11<sup>th</sup> August 1703, for example, Ghedi (a village few kilometres south of Brescia) was given 8,200 *lire* by the brotherhood at a 3.5% interest rate “to pay the taxes in the Ducal Camera in Brescia in execution of November 2<sup>nd</sup> Ducali”<sup>23</sup>. The same town suffered the requests made by the Dominante: in 1702 it asked for and gained 17,747 *lire*, “needing money to dress up the soldiers as the Senate ordered”<sup>24</sup>. But the problem arose from the centre: the reckoning of loans given to local institutions, town, community and state reflected the financial dynamics which were characterised by alternating crises. In 1734, in the space of a few months, the town was given more than 45,000 *liras* in loans by the brotherhood<sup>25</sup>. During the same time span, the Republic of Venice was taking advantage of the brotherhood’s financial resources<sup>26</sup>. The year before, the Fabbrica del Duomo and the Ospedale Maggiore did the same. It was about a general lack of cash which had not yet affected the main institutional creditor of the town.

Together with the institutions, even private operators were closely connected to it. The majority of the Congrega Apostolica’s shares derived from noble estates and merchants who were also lenders.

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<sup>22</sup> Some copies of the different acts are in ASCCA, *Libro nono dei testamenti e degli strumenti della Veneranda Congrega della Carità Apostolica* (1748-1763), cc. 198 r.-198 v.; *Libro decimo dei testamenti e degli strumenti della Veneranda Congrega della Carità Apostolica* (1763-1783), cc. 169 v.-170 v.; *Libro undicesimo dei testamenti e degli strumenti della Veneranda Congrega della Carità Apostolica* (1763-1783), cc. 169 v.-170 v.; ASBS, *Congrega della Carità Apostolica*, cart. 396, *Libro cassa della Congrega Apostolica* (1671-1757), cc. 214 r. - 215 r.

<sup>23</sup> ASCCA, *Libro settimo delli istromenti et testamenti della Congrega della Carità Apostolica* (1694-1718), cc. 129 r. - 129 v.

<sup>24</sup> *Ibidem*, cc. 135 r. - 135 v.

<sup>25</sup> ASBS, *Congrega della Carità Apostolica*, b. 396, *Libro cassa della Congrega Apostolica* (1671-1757), c. 204 r.

<sup>26</sup> The two credits were given on 4<sup>th</sup> December 1733 and 24<sup>th</sup> July 1724. *Ibidem*, c. 224.

The landowner Giovanni Battista Bottigisio, who joined the brotherhood in 1642, bequeathed a lot of loans. He used the same system as the Congrega Apostolica, giving loans both to public and private institutions. Great merchants, the Ospedale Maggiore, the Ospedale degli incurabili and Venice itself were his borrowers.

Tab. 1 - Congrega Apostolica's credits to the State, the town, the community and the local institutions

Date	Borrower	Capital (in lire planette)
17 July 1632	Commune of Castenedolo	5,000
20 February 1671	Commune of Bagnolo	8,000
4 June 1636	Commune of Verola vecchia	2,020
10 July 1640	City of Brescia	4,000
20 July 1641	Commune of Castenedolo	5,000
5 September 1642	Ospedale Maggiore	600
2 January 1648	Compagnia dei Disciplini del Duomo	700
5 September 1656	Ospedale degli incurabili	1,650
8 November 1658	Ospedale degli incurabili	1,230
22 December 1702	City of Brescia	17,747
11 August 1703	Commune of Ghedi	8,200
1 February 1710	Fabbrica del Duomo	4,300
13 September 1718	Commune of Coccaglio	2,460
12 July 1732	Fabbrica del Duomo	1,698
27 April 1733	Ospedale Maggiore	3,222
4 December 1733	Republic of Venice	4,510
24 July 1734	Republic of Venice	20,672
4 September 1734	City of Brescia	24,600
14 December 1734	City of Brescia	20,500

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Tab. 2 - Giovanni Battista Bottigisio's bequeathed credits

Date	Borrower	Capital	Interest Rate
25 June 1631	Vincenzo Quaranta	600	7.5%
27 May 1636	Marta Palazzi	1,000	5.0%
4 June 1636	Community of Verola vecchia	2,020	6.0%
20 July 1641	Community of Castenedolo	5,000	5.0%
5 September 1642	Ospedale Maggiore	600	5.0%
16 February 1645	Francesco Zanelli	410	7.3%
2 March 1649	Brescianino Tosone	600	7.5%
14 February 1650	Antonio Alberti	410	7.5%
31 May 1650	Pietro Capra	300	7.5%
22 May 1652	Michele Benerio	1,000	7.5%
28 April 1652	Vincenzo Pontoglio	2,000	6.0%
15 May 1655	Andrea Corte	410	7.3%
1 June 1655	Giuliano Spalenza	4,000	5.0%
10 February 1656	Pietro Giovanino	300	7.5%
5 September 1656	Ospedale degli incurabili	1,650	5.5%
23 July 1657	Giovanni Battista Gamba	410	7.3%
11 July 1658	Carlo Canevari	500	7.5%
18 May 1658	Pierino Bertola	410	7.3%
1 June 1658	Daniele Mosconi	820	7.0%
2 January 1648	Compagnia dei Disciplini del Duomo	700	6.0%
8 November 1658	Ospedale degli incurabili	1,230	5.0%
3 November 1659	Giacomo Finamanti	642	7.0%
2 April 1661	Pietro de Comeni	410	7.3%
6 June 1661	Giovanni Battista Bozzini	410	7.3%
7 November 1661	Bartolomeo Lodetti	410	7.3%
18 February 1662	Abramo Pelizzari	600	6.0%

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Date	Borrower	Capital	Interest Rate
18 March 1664	Paolo Desiderati	1,000	6.5%
5 May 1664	Bortolo Bianchini	600	7.5%
5 June 1665	Giovanni Battista Ghizzoni	300	6.5%

Source: ASCCA, *Libri d'istrumenti della Congrega apostolica di Brescia*.

It was a so-called “fractal” structure: the macro network of the Congrega Apostolica included private operators and institutions mirroring its features at a lower level. The main private operators of the town, in turn, combined their financial investments with the institution. Giovanni Battista Catella once joined the brotherhood and brought 25 credits, worth almost 40,000 *lire*, to this pious place. Other important lenders such as, for instance, Giovanni Paolo Bosello did the same. This attitude was confirmed in the following century: the brotherhood, for instance, absorbed the loans given by Antonio and Lodovico Micheli who joined the association. Lodovico in particular had established tight relationships with the most important merchants in Brescia<sup>27</sup>.

These circumstances reveal why the Congrega Apostolica was the main credit institution of the town: the biggest private financial and economic operators joined the brotherhood automatically.

This attitude implied frequent transfers of credit, as well as inclusion of these credit specialists. The main part of the annuities drawn up by the brotherhood during the 17<sup>th</sup> century was physically concluded by specialised fellows such as Bottegisio, Catella, Bosello and the notary Spazzalino. These figures were usually representatives of the brotherhood in court cases dragged in front of tribunals and were charged with finding a compromise with insolvent debtors.

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<sup>27</sup> During the 18<sup>th</sup> century, Lodovico Micheli was one of the few citizens who could boast about extending some credit to the Archive of the Congrega Apostolica. In 1781, the brotherhood suffered a lack of cash and on 16<sup>th</sup> September a loan from Lodovico Micheli was approved. ASCCA, *Libro sesto delle terminazioni dell'Onorande Banche*, c. 35 r. The redeemable level of 35,000 *lire di piccoli* (20,000 *plt.*), with a 4% interest rate was established two days after. ASCCA, *Libro decimo dell'istromenti et testamenti della Veneranda Congrega della Carità Apostolica*, cc. 268 v.-269 v.

The strength of this institution and its administrators also resulted in attracting credits that families did not want. A frequent strategy was to put these credits within other complex transactions, which would imply the purchasing of a building or an annuity. The brotherhood often received some capital (credits or contended possessions) on the basis of which it provided small annuities charged with ritual ceremonies (*pro salute animae* Masses)<sup>28</sup>.

However, they were not going to scam the administrators by making use of the nominal values of debt securities and uncertain assets<sup>29</sup>: the acts, in fact, explained the difficulties of collection and the quarrels over real estates. Sometimes, the widows, enjoying the inheritances destined for the brotherhoods from their husbands, asked its administrators to collect the credits on their behalf. The brotherhood was the main credit operator of the town that specialised in the ruling of *toutcourt* credits.

### 3. A social configuration

It is not wrong to ask why the Congrega Apostolica was as tied as it was to local elites. They were often merchants who did not belong to families originally granted citizenship who decided to take in, usually coming from other states. Though they were economically successful, they hardly belonged to the high social ranks and neither had “political” rights nor enjoyed local resources.

This was considered a “model” case of oligarchic block in Brescia<sup>30</sup>: after the so-called *Serrata*, which occurred with the reform of 1488, the requirements to enter the Grand Council became very restrictive<sup>31</sup>. An exclusive criterion was introduced: it was necessary to

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<sup>28</sup> It deals with very interesting and articulated transactions that deserve a deeper study. See (M. Dotti, *Stime barocche. Le rendite vitalizie della Congrega apostolica di Brescia in età moderna*, in «Cheiron», forthcoming).

<sup>29</sup> On these procedures, see (Béguin and Pradier 2010, 703-22).

<sup>30</sup> Refer to classics (Berengo 1964). On the paralysis of the local political system, see also (Ferraro 1993).

<sup>31</sup> For a study on Brescia Council’s oligarchic transformation in context, see (Berengo 1964, 107-08).

show multigenerational restraint from every “vile or mechanic art”<sup>32</sup>, thus excluding artisans and merchants’ sons.

During the early modern age, the internal frictions within urban society emerged many times but the most important *topos* analysed by historiography was the “Revolution of the Discontents” in 1644-45. A group of wealthy people in Brescia, who had lived *more nobilium* for a long time, petitioned Venice to denounce the misgovernment of the local aristocracy, asking for the 1426 charters to be restored, which would let them enter the Major Council<sup>33</sup>. In turn, the Dominante was going through a delicate period of rising war costs and did not manage to get the usual fiscal collection<sup>34</sup>. But very soon, the Serenissima - under the aristocracy claims in Brescia which sent a deputation to Venice - backtracked, thus excluding the newly elected again.

What was the Congrega Apostolica’s position in such a framework? First, an aristocratic deputy could not be a member of the association as well. Conversely, many “discontents” surely joined it. Among those who were elected in 1644, to be excluded again, there were the brothers Leonardo Bertelli, Agostino Corte, Giovanni Antonio and Carlo Foresti, Giacomo Fracassino, Geronimo Gorno and Pietro Metelli. The list changed a lot over the years but it is very likely that many members of the Congrega participated in it.

For example, Ottavio Buccelloni and Francesco Vinacesi - two central characters in the “bourgeois”<sup>35</sup> movement - were bound with the brotherhood for generations. Their names are frequent in the sketchy acts of those years and it cannot be proved that they were brothers. This is also the case for many others who signed the petition.

In some lists of brothers (which are not recorded in the above mentioned register) attached to two acts of 1569 and 1571, there is evidence of one close connection between the families involved in

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<sup>32</sup> Apart from continuous residence in town and fiscal fidelity, “good habits, legitimate birthplace [...] and that the father did not foster any vile or mechanic art” were required. ASCBS, cart. 1,322, *Cittadinanza*. See also (Mozzarelli 1978, 52-63, 58; Zannini 2000, 36-51).

<sup>33</sup> For a detailed reconstruction of the event, see (Zanelli 1898).

<sup>34</sup> Ferraro 1983, 31-57.

<sup>35</sup> According to all sources, Ottaviano Buccelloni headed the protest. See (Ferraro 1983, 198).

the riot and the brotherhood, as witnessed by the names of Giovanni Battista and Giovanni Pietro Buccelleni.

Ottaviano, who is considered the cornerstone of the protest, is a direct descendant of the second<sup>36</sup>. In the same lists there are also other protesting ancestors, among whom were Filippo Vinacesi, Giuseppe Polini, Pietro Fisogni, Geronimo Guarneri, Antonio Piazza, Cristoforo Olivi and Andrea Benaglia. Moreover, these documents show higher society's access to the sixteenth-century association. If merchants and landowners were listed in the 17<sup>th</sup> century, the humblest artisans such as "faber legnarius" Pietro Trivilino and the "zocholarius" Paolo Rampi were named the century before<sup>37</sup>.

Co-optation was not the only way to join the brotherhood especially because it was necessary to wait for the right chance to put oneself up as a candidate, due to the limited number of members and the duration of the mandate. Thanks to the many relations of the association, it is possible to understand the role it played.

The scenery of the "Discontented", already peopled by important figures such as the brothers, was enriched by an entangled mixture. The set of relations between the two dimensions emerged and gave rise to questions about their differences.

Dissidents were among benefactors. Pietro Piazza, who was another towering protagonist of the event, even if not a brother, pointed to the Congrega Apostolica as sole heir in his last will made on 18<sup>th</sup> June 18<sup>th</sup><sup>38</sup>. Their names are also among the buyers and tenants of the houses and shops that the Congrega Apostolica owned within the town. These elements were meaningful since they dealt with the dwellings that could provide rights and build *status*<sup>39</sup>. The main brotherhood of the town was the institutional reference for landown-

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<sup>36</sup> Giovanni Battista and Giovanni Pietro Buccelleni were included in the lists and in the family tree that Ottaviano attached to the seventeenth-century supplication which was sent to the civil deputies. On the lists, see ASCCA, *Libro Primo dei testamenti et istromenti della Veneranda Congrega*, cc. 18 v. and 22 r., *Concessione della chiesa di S. Agostino per le riunioni della congregazione*, June 3<sup>rd</sup> 1571. About the supplication see ASCBS, *Processi di nobiltà e cittadinanza*, c. 1.322, fasc. 18.

<sup>37</sup> ASCCA, *Primo dei testamenti et istromenti della Veneranda Congrega*, p. 22 r.

<sup>38</sup> ASBS, *Congrega della Carità Apostolica*, *Eredità e annali*, cart. 236.

<sup>39</sup> For an interesting housing market analysis, see (Barbot 2008). On the rental market in Brescia, see (Tedoldi 2003, 381-98).

ers who wanted civil privileges. While the movement of the “Discontents” failed, as Joanne Ferraro stated, because it lacked unity, the emerging families realised that accessing local resources was less direct. The brotherhood was the first step to entering the elite of the town, which foresaw a more important position from a juridical point of view. In the second half of the 17<sup>th</sup> century, the brotherhood succeeded in interfering with the urban oligarchy by supporting the inclusion of migration flows and the rights of emerging ranks.

The great charity institutions - as Simona Cerutti pointed out - let the private operators assert their competence on particular rights under the performance of “charity duties”<sup>40</sup>. These institutions allowed the “not original” subjects to enter the nodes of local society.

The above-mentioned case also has its counterpart. Different ranks took part in the association: in 1657, Bishop Pietro Ottoboni, Pope Alexander VIII to-be, stated that the brotherhood was composed of “nobilibus, civibus, mercatoribus ac quibusdam etiam sacerdotibus”<sup>41</sup>.

Merchants, artisans and representatives of the liberal arts - at least in the 17<sup>th</sup> century - prevailed, despite a not entirely insignificant percentage of nobles. Who were, instead, the main debtors of the institution? They were represented by the town, the main urban institutions (ruled by the town council, except for the Congrega Apostolica) and the most important merchants, but there were also the traditional elite. This is another element that witnessed the gradual but increasing power of the institution that became the selective “membrane”<sup>42</sup> of local society. The institution could create reputations and activate access to local resources, thanks to the financial asymmetries that made it more powerful than the urban elite and the same public institutions<sup>43</sup>.

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<sup>40</sup> Cerutti 2012, 77-146; Id. 2007, 255-74; Id. 2012.

<sup>41</sup> See (Maternini 1980, 65-165, 137).

<sup>42</sup> See (Dotti 2010, 172).

<sup>43</sup> Bad census determined the “social function”, thus allowing financial relations to embody material resources and the “symbolic expression of the given social asymmetry (the creditor’s right on the debtor)”. (Torre 1995, 200).

#### 4. The Congrega Apostolica's loans

It is difficult to state when the brotherhood started its credit activities. Its first loan registration can be traced back to 4<sup>th</sup> April 1607. On that occasion, it lent 2,000 *lire* to the nobleman Agostino Emili. The contract met the guidelines that Pope Pious V drew in his edit *Cum Onus* in 1569, which was recalled by the writer. It was a *censo consegnativo* also known as “censo bollare”: the debtor had to pay 150 *lire* per year at a 7.5% interest rate. An interest-bearing bond was put up as warranty, i.e. a piece of land in Lograto (a community south of the town)<sup>44</sup>. During the 17<sup>th</sup> century, these contracts were far more frequent.

The pious place, like other religious institutions in Brescia, was accustomed to these investments. The documentation for the first years of the brotherhood is discontinuous; however, as its social and economic importance grew, it started reporting its activity. Its most ancient attestation was *Liber Iurium I Congregationis Apostolicae*, which contains copies of the acts drawn up in the second half of the 17<sup>th</sup> century. Among 16<sup>th</sup> century reports, there were wills and bequests but also other instruments. Annuities or loans issued by the brotherhood are not mentioned. This gap is to be taken for granted at least till the issue of the aforementioned papal edict of 1569, for a “universal” legal credit contract did not exist.

Some credits were drawn up by third parties through the contract of *emptio cum locazione* (literally “sale with rent”), “adjusted and adopted”<sup>45</sup> in its various forms by institutions to overcome the regulations intended to protect from usury. The Congrega, however, did not use it directly, as it usually received them through real estate transactions or on bequest. From the 1570s, the so-called “censi bollari” received by indirect means also began to be recorded, especially within the goods left by benefactors.

These documents show the existence of another system behind the loans. The pious place received donations and inheritances in-

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<sup>44</sup> ASCCA, *Libro Secondo dei testamenti et istromenti della Veneranda Congrega Apostolica*, cc. 25 r.-26 r.

<sup>45</sup> See (Cattini 2010, 127-44, 137).

cluding real estate; they were often sold when they were difficult to deal with. In almost all sales (which, however, did not follow a lease, like the system of *emptio cum locatione*) much of the price of real estate that alienated the brotherhood was not paid at the time of the deed, but deferred over several years (usually five). Shown below is an example: on 18<sup>th</sup> May 1586, an *emptio* in favour of Bapta q. Christofori de Mondinis, who received a house valued at 925 *lire* by the brotherhood, was registered.

The buyer, however, paid 500 *lire* while the remaining 425 *lire* were paid within 5 years; meanwhile, he was given a 21 *lire* long lease, corresponding to 5%<sup>46</sup>. This case includes another “section” (an association disposal) stating that de Mondinis took the place of a previous buyer who received the house in 1582, giving him credit for the whole amount; but the latter had asked to be replaced by another buyer after few years<sup>47</sup>; it was a consolidate system.

In payment, extensions were systematically hidden loans with a low rate of interest. However it was not a continuous activity but as we have seen, in the course of the modern age, the brotherhood focused increasingly on financial assets. In 1619, for instance, three loans of 2,460 *lire* were issued. In 1670, six loans were provided, amounting to 9,000 *lire*. By the end of the century, the amount of capital had increased: nine contracts totalled 48,000 *lire*. The year 1751 provided sixteen loans worth 120,000 *lire*.

In the statutes, financial activities were ruled very late. The *Regola della Compagnia*, ordered in 1578 and printed in 1604 (then published again without variations in 1605, 1633 and 1652), made reference to credit instruments. It stated that helping poor people was possible by selling “stable or mobile” holdings i.e. “lands, houses, levels and credits”<sup>48</sup>.

Later on, the 1781 *Regola* included a section fully dedicated to loans. It was entitled *Dell’alienar capitali, e prender danari ad interesse*<sup>49</sup>.

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<sup>46</sup> ASCCA, *Libro Primo dei testamenti et istromenti della Veneranda Congrega del Duomo*, cc. 69 r.-69 v.

<sup>47</sup> *Ibidem*, cc. 69 v.-70 r.

<sup>48</sup> ASCCA, f. 27, fasc. 97. *Regola della Compagnia intitolata Congrega della Carità Apostolica*, 1633.

<sup>49</sup> *Ivi*, *Regola della Compagnia intitolata Congrega della Carità Apostolica*, 1781, c. 32.

It was necessary to obtain the association's approval to borrow or lend money. But on that date, the chancellors of the institution had already registered more than 700 contracts worth about 5 million lire, in the *Libri d'Instrumenti* which were used to note property acts.

The brotherhood was the first creditor of the town. Some documents suggest that the administrators made out contracts just in case of huge loans, while they preferred to come to private agreements for the smallest ones. In 1737, the *Libro di crediti* noted many debtors whose contracts were missed elsewhere<sup>50</sup>.

A small part of the credit activity is hidden, at least that which concerns used capital, since the document shows that financial activity was less centred on the town's elite. Many anonymous merchants like bakers, artisans, grocers and simple workers are on the list of debtors, together with some important institutions and families. The amounts were lower than those attested; the entire amount, in fact, is worth no more than 16,000 *lire*, which was a sum of money the institution used to give as a whole without problems. Two noble spouses (Achille Ugoni and Cecilia Ponteviso) were given the same amount by the pious place on 18<sup>th</sup> January 1718 through a *censo consegnativo*<sup>51</sup>. Furthermore, this is not the highest loan: in fact, Giovanni Battista Baruzzi borrowed 82,000 *lire* in 1751<sup>52</sup>.

From the beginning of the 17<sup>th</sup> century until 1815, the brotherhood put almost 6 million *lire* on the market, excluding under-the-radar activities which are not documented either. The Congrega Apostolica's money supply controlled the effects the lack of cash exerted on the local market. While ordinarily, the institution was in some way acting as lender of last resort for the middle and upper classes, the motivations of debtors ranged from the need to dispose of other debts to the need to endow a daughter or to reach an agreement for purchasing a building.

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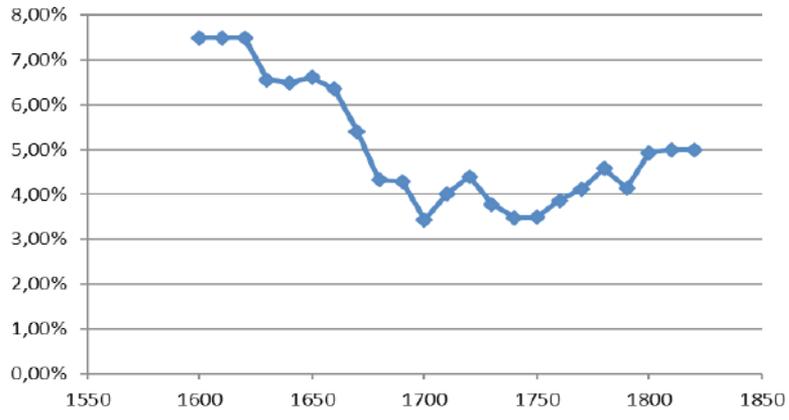
<sup>50</sup> The document is in ASBS, *Congrega della Carità Apostolica*, cart. 365, *Libro di crediti* (1737).

<sup>51</sup> ASCCA, *Libro settimo delli istromenti et testamenti della Congrega della Carità Apostolica* (1694-1718), cc. 288 v.- 289 v.

<sup>52</sup> ASCCA, *Libro nono dei testamenti e degli strumenti della Veneranda Congrega della Carità Apostolica* (1748-1763), cc. 59 v.-60 v.

The average interest rates followed market trends, even if at a lower level. This situation was likely to depend on “soft loans” given to pious places and the town, as well as on the management of social relationships provided through finance. The sculptural image of these obligations is provided by the same administrators: when the congregation decides to grant a loan, the chancellors write that the assembly has decided to “hug the meeting” (*abbracciare l'incontro*). With these words, the association chooses to stipulate a 1,000 *lire* loan with the nobleman Giovanni Batista Trussi in April 1695<sup>53</sup>. The result of these “partnerships” is different and goes beyond the immediate economic data: indeed, it creates reciprocity and dependence, thus sometimes subverting the consolidated social hierarchies silently and efficiently.

Fig. 1 - Trend of the Congrega Apostolica's interest rates



Source: ASCCA, *Libri d'istrumenti della Congrega apostolica di Brescia*; ASBS, *Congrega della Carità Apostolica*, cart. 396, *Libri cassa della Congrega Apostolica*.

<sup>53</sup> ASCCA, *Libro secondo delle terminazioni dell'Onorande Banche principiante al primo quadrimestre 1695 (1695-1702)*, c. 16 r. The terminology is similar to the language used by economists to deal with “relational goods”. See (Gui 2002, 15-66).



# Loan on ledges in the absence of pawnshops: the castilian case in the XVI and XVII centuries

ELENA MARÍA GARCÍA GUERRA

## 1. Introduction

Informal credit can be considered a positively barren field within the area of Spanish historiography. The majority of specialists who approach the study of credit in Early Modern Castile have deserted the sphere of private credit<sup>1</sup> by focusing on analysis of the big world of finance as well as the study of so called cosmopolitan bankers, like the German, Genoese and, later, Portuguese bankers who supported the finance of the Spanish monarchy.

Though I believe it is important to continue investigating the wider aspects of public finances - I am personally dealing with it in some studies on the formation, functioning and ebbing of Spanish bank companies<sup>2</sup> - I also think that all aspects of credit must combine to form the whole picture. Therefore, my interest as a scholar has lately focused attention mainly on the workings of credit among private individuals, as well as on the means through which ordinary Early Modern men and women could get financial aid in order to cope with the expenses and plights of everyday life in a changeable and difficult context. My main line of research is the study, on one side, of the effects of the fluctuation of fractional currency value on financial obligations - as well as the abundance of these coins - as opposed, on the other side, to the stability of the intrinsic characteristics of the Castilian precious coin that was used during the reign of the Habsburg

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<sup>1</sup> As a general example, see: (Nogal 1997; Id. 2005, 67-90; Id. 2010, 1095-121; Marsilio 2008; Id. 2012; Sanz Ayán 1989; Id. 2004; Id. 2013).

<sup>2</sup> García Guerra 2006, 299-328; Id. 2012, 82-105; Id. 2013, 301-19.

Kingdom<sup>3</sup>. In other words, through various studies that analyse the agreements signed in the presence of a notary, I have ventured inside the lives and actual difficulties of people of all kinds<sup>4</sup>, whilst still maintaining an undeniable fascination with the powerful protagonists of financial history and the lure of big sums of money that were gained in times of war.

Nevertheless, the overall picture of credit among Castilian private individuals that I had drawn was not complete: some elements were clearly missing, such as the study of loans granted against the guarantee of a pledge. This kind of credit was practised with no need for any written evidence, as was the norm in the Early Modern centuries. My interest in the issue grew stronger on account of recent meetings I had with well-known Italian experts in the field, such as Professor Maria Giuseppina Muzzarelli and Professor Mauro Carboni, who is also included in this volume, and, in general, with the *Fondazione del Monte di Bologna e Ravenna* and the *Centro Studi sui Monti di Pietà e sul Credito Solidaristico*. Through their research and initiatives, as well as the different studies started by scientific foundations<sup>5</sup>, I acknowledged the existence of both activities developed by the city pawnshops scattered across Italian territory in the period between the Middle Ages and the twentieth century, and the institutions that determined their foundation and which represented the competition: the Jewish pawnshops.

Generally, publications, in line with Italian studies, offer quite an exhaustive view of the pledge practised during a time when the institutionalisation of credit had not been entirely set, and this way of obtaining money in return for tangible assets was very much used, as opposed to the common practice of today. According to the considerations and conclusions drawn by the coordinators of the above quoted books on the city pawnshops, the need to get loans on pawns is indicative of the existence of an already operating, though still primitive, capital market, and it implies a tendency toward the depersonalisation of procedures, that is, the extension of credit lines to

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<sup>3</sup> Ibidem 2000, 575-92; Id. 2014.

<sup>4</sup> Among them, those connected to the tax system: tax collectors, treasurers, contractors, tax payers, public debt holders. (Ibidem 2012, 159-72).

<sup>5</sup> Carboni and Muzzarelli 2008; Id. 2009; Id. 2012.

people who were almost, if not totally, unknown. As a consequence, the level of uncertainty in the loan agreement increased to the point of requiring some guarantee against possible insolvency.

## 2. An activity among private individuals

The difficulty, as well as the challenge, that Spanish historians must face in the general context of loans on pawn, is characterised by the fact that pawnshops did not develop in Castile until the eighteenth century. Therefore, this way of obtaining pawn loans remained in the hands of private citizens, thus producing an infinite number of case history records. In spite of the lack of bookkeeping, we can nonetheless approach the question of loans against pledges in Early Modern Castile thanks to the notarial deeds recorded inside *post mortem* inventories, where the receivables and payables of the deceased were usually written down<sup>6</sup>. Such information is to be found in judicial documents that were actually issued by the *Real Chancillería de Valladolid* (Royal Chancery of Valladolid), the highest judicial authority in the territories of the Crown of Castile. Ultimately, all the information I needed was collected from the records of the trials I have analysed in the following pages.

For example, in the records of a trial which took place between 1514 and 1517, we can read that Antonio de Mendoza asked Pedro de Frías to return a Courtray suede coat he had previously exchanged for two ducats<sup>7</sup>. Generally, the amount of money exchanged varied, while the objects on pawn were usually of ordinary sorts: sheets (for 6 reales), mattresses (for 3 ducats), taffeta fabric (for 700 reales), blankets, skirts (for 7 reales), silver bowls, coral rosary beads, silver chains (for 15,000 maravedis), gold chains (for 200 reales), and so on<sup>8</sup>. Among

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<sup>6</sup> An excellent study on the private and public debt structure in seventeenth century Seville, based on the analysis of wills and property inventories, is still that of (Agüado de los Reyes 1994).

<sup>7</sup> Archivo de la Real Chancillería de Valladolid, Pleitos Civiles, Pérez Alonso (F), Caja 0589.0005. En adelante, ARCHV.

<sup>8</sup> The reporting currency in Castile was the *maravedí*. A *real* was worth 34 *maravedís* and a *ducado* was worth 375 *maravedís*.

the less common pledges we found a chainmail for 300 reales (1554)<sup>9</sup>, government securities for 200 ducats (1538)<sup>10</sup>, or engraver utensils for 158 reales (1632)<sup>11</sup>. For the cases of pledges like real estates or animals, we need some further discussion. In fact, the records analysed show that a piece of land pawned for 810 maravedis (1549)<sup>12</sup> or a mare and its colt (1531-1536)<sup>13</sup>, when returned, could cause some trouble. Such assets could yield their “fruits” to the moneylender as long as the loan was not refunded, and they were thus potentially convenient in the rural context. On the other hand, pawnshops rarely accepted them as pledges because they required special care and maintenance and they could eventually lead to higher expenses.

In general, moneylenders were not that eager to keep the assets of debtors who could not pay down their loans. According to Béaur, who studies the French rural area, “los acreedores aplazan, a veces hasta el extremo, el momento en que procederán al embargo de los bienes de sus deudores, otros muchos evitan cuidadosamente hacerse adjudicatarios de los bienes subastados a su instancia, prefiriendo recobrar sus créditos sobre el precio de compra ofrecido por otro comprador, y otros se adueñan del bien durante la adjudicación para deshacerse de él inmediatamente, como si no tuvieran otra ambición que la de desembarazarse de él lo más rápidamente posible” (“Some moneylenders try, for as long as possible, to postpone the time when they must seize their debtors’ assets; others avoid being awarded the debtor’s properties, since they prefer to get the loan back through some other buyer’s offer; others, still, appropriate the asset in order to get rid of it soon after the awarding, as if this were their only purpose”)<sup>14</sup>. It is interesting to note that, at the end of the lending process, the moneylender’s objective lies in the power he will acquire over the debtor who will not redeem the asset, which will guarantee access to free labour to be hired for other activities such as trade (like peddling in the Oisans case) or animal breeding. Ultimately, the credit purvey-

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<sup>9</sup> ARCHV, Pleitos civiles, Fernando Alonso (F), Caja 0529.0004.

<sup>10</sup> ARCHV, Pleitos civiles, Pérez Alonso (F), Caja 0877.0005.

<sup>11</sup> ARCHV, Pleitos civiles, Pérez Alonso (F), Caja 2260.0005.

<sup>12</sup> ARCHV, Pleitos civiles, Fernando Alonso (F), Caja 1022.0003.

<sup>13</sup> ARCHV, Pleitos civiles, Pérez Alonso, Caja 0321.003.

<sup>14</sup> Béaur 2009, 113-25.

ors' attitude, in this case, reveals that there exists a solid rationale at the bottom of their economic thinking, and reflects the strategies of an *élite* committed to increasing their benefits. These are early signs of a capitalist economic culture that coexists with, and is mutually influenced by, the feudal one grounded on gifts. Nonetheless, in the Early Modern period, the ties based on solidarity, proximity or community were the determining factors, so that, as Laurence Fontaine asserts, even credit was more a way to create or strengthen bonds or social commitment than a means to simply become economically powerful<sup>15</sup>.

Going back to Castilian case history, and setting aside the accounts of those who discovered their belongings had been pawned without notice or permission, the analysis of the trials shows that those who, by necessity, had to pawn their assets expected to have them back once the loan was paid down. In other words, the borrower expected and took for granted that the pawned object would be returned to him as soon as he had redeemed it. This, as we know, was one of the fundamental principles of pawnshops. Yet, according to the records, this principle was not always followed, since lenders often delayed restitution or had the borrowers begging for it. Worse still, many lenders were accused of selling pawned goods without the borrower's permission. This was so in the case of Diego de Montero who, in 1531, demanded his mare and its colt back, but the moneylender Juan de la Concha had already sold them<sup>16</sup>. In the same way, in 1617, Francisco Díaz, who had pledged his desk to Francisco de Miguel, could not have it back because the lender had sold it on his behalf<sup>17</sup>. The moneylender usually replied, in such cases, that the asset had not been originally pledged but sold to him, that is, he considered the whole process a purchase transaction. We must take into account that, contrary to the pawnshop's standard procedure, we are dealing with private loan activities which lacked legal protection against fraud. In order to illustrate the modality of the trials, we will analyse the 1610 suit that widow Elena de Figueras (Logroño) filed against the merchant Diego de Angulo (Logroño): she claimed a gold neck-

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<sup>15</sup> Fontaine 2008.

<sup>16</sup> ARCHV, Pleitos civiles, Fernando Alonso (F), Caja 0321.0003.

<sup>17</sup> ARCHV, Pleitos civiles, Pérez Alonso (OLV), Caja 0227.0011.

lace “de ocho vueltas, de pesso de cien ducados además de la hechura (su forma o figura exterior)” (“with eight chains, worth 100 ducats for its weight and form”), which was part of her dowry<sup>18</sup> and which she had pledged for 15 ducats. Diego de Angulo denied receiving any chain from her and affirmed that “si la recibió fue de Lope de Caicedo, su marido, para acerse pagado de 1,106 reales que le debía” (“he had actually received it from her husband, Lope de Caicedo, in exchanged for 1,106 reales he owed him”) on account of goods and money he had lent to him, and, he added, “así como cosa propia mía vendí la dicha cadena” (“so I sold it as if it had been my own property”). Moreover, he asserted that if the widow were right, she would not have waited more than three years since her husband’s death, or more than five or six since he “bought” the chain, before she laid claim to it. However, the woman clearly denied the fact, replying that the chain was not meant to redeem a debt but had been put in pledge, and that her husband had not been aware of its pawning.

Due to the lack of agreement, some witnesses were summoned and one of them, Lady Caterina González’s young maid, declared that four years before, on *doña* Elena’s orders, she had brought a gold chain to Diego de Angulo’s house so as to get a loan on it. He had personally received the chain and had given her in exchange “cierto dinero en quartos<sup>19</sup> que ... no se acuerda qué tanto era más de que lo llevaba en el levantal (grembiule) e oyó decir a la dicha *doña* Elena que eran 15 ducados y la dicha *doña* Elena de Figueras la empeñó la dicha cadena sin que el dicho Lope de Caicedo, su marido, lo supiese porque antes le encargó a esta testigo el secreto” (“some *quartos* (*vellón* coins) and she doesn’t remember the amount but only that she carried it in her apricot and that she heard *doña* Elena say that it was 15 ducats; she also knows that *doña* Elena pawned the chain unbeknown to her husband Lope de Caicedo, because she was ordered to keep it secret”). A second witness, Captain Diego de Molina, senior attorney and town councillor, related that three years before, he had been bidden by *doña* Elena de Figueras to look for Diego de Angulo and ask him to return a gold chain she had pawned for 15 ducats.

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<sup>18</sup> ARCHV, Pleitos civiles, Fernando Alonso (F), Caja 1599.0004.

<sup>19</sup> Vellón coins.

The defendant confirmed she had pawned the chain but that she had done so on behalf of her husband, who had incurred a debt with him; moreover, since the debt value was higher than the chain's value, the husband eventually resolved to sell the chain so as to permanently repay the debt. The captain also declared that he had passed by Diego de Angulo's house again some twenty days before to enquire about the chain, and then the merchant had showed him a document or loan agreement in which Lope de Caicedo had recorded the amount of money owed, and that "este testigo a oído decir que entre el dicho Lope de Caicedo y la dicha doña Elena de Figueras avían tenido pesadumbre (habían discutido) sobre que el dicho Lope de Caicedo quería que se vendiese (la cadena) y la dicha doña Elena, no" ("this testimony heard that Lope de Caicedo and *doña* Elena de Figueras had quarrelled about the chain because he wanted to sell it but she didn't").

A third witness, Martín de Almirón, Logroño's neighbour, affirmed that *doña* Elena had asked him to persuade Diego de Angulo to return the chain, and that he would refuse to give it back on account of her husband's debt and until he had had it refunded. On the other hand, the witness knew that "(del) dinero que le devía el dicho Lope de Caicedo le había hecho una cédula... al dicho Diego de Angulo y que el dicho Lope de Caicedo no le avía dado prenda ninguna, sino la cédula que le avía hecho" ("Lope de Caicedo had issued a document for the money he owed to Diego de Angulo, but that he had not given him any object besides the document itself").

The next witness was Jerónimo de Figueroa, the plaintiff's brother, who said that the chain had been pawned for 15 ducats to Diego de Angulo and that *doña* Elena had previously bought it with her dowry money.

After listening to the various statements, *doña* Elena's attorney declared that there was no point in Diego de Angulo refusing to return the chain to her after she had paid the 15 ducats "porque caso que Lope de Caicedo deba alguna cosa" ("because if Lope de Caicedo owes him something") - a sum of money that could not be confirmed - "se lo debe pedir y no hacer prenda en la cadena" ("he must ask for it instead of keeping the chain").

The Court of Logroño issued a ruling in favor of *doña* Elena, urging Diego de Angulo to give up the chain in return for the 15 duc-

ats. Not satisfied with the sentence, Diego de Angulo did not comply with it by the due date. Consequently, on 8<sup>th</sup> January 1611, the Court of Logroño enforced its claim against Angulo's assets to the amount of 1,000 reals<sup>20</sup>, the corresponding value of the chain calculated with reference to its weight, its finish, and ultimately, the costs of the trial<sup>21</sup>. The court clerk took possession of a brown cape from the merchant's property. Disagreeing with the sentence, the merchant finally resorted to the *Chancillería de Valladolid* (Chancery of Valladolid), as was previously described in this article.

Sometimes, the moneylender was not totally trustworthy. A curious case, evidence of the fact that political corruption is rooted in the past, is exemplified by the accusation made in 1654 by the *corregidor*<sup>22</sup> (alderman) of Logroño Alonso Sarmiento against José de Bustamente and Diego de Orive, *regidores*<sup>23</sup> (councilors) of Logroño, for pawning the town hall tapestries and armoury and then misappropriating the funds<sup>24</sup>.

What exactly were the needs that could be fulfilled with money obtained on pawn? Basically, the payment of debts, as it is evident. But according to the data found in the documentation, some people put their objects in pledge in order to pay the interest on ground rent (1580)<sup>25</sup> or to buy merchandise (1584)<sup>26</sup> - an option not considered by the pawnshops. Ultimately, it was a (desperate) means to pay royal taxes (1611)<sup>27</sup>, municipal taxes (1671)<sup>28</sup> or farming taxes from the lordship (1531)<sup>29</sup> and the data concerning these cases abounds significantly in the records. Sometimes, the asset was used to pay the tax, depending on its value. However, as is common knowledge, people

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<sup>20</sup> About 90 ducats.

<sup>21</sup> Considering that the 90 ducats were not inclusive of the judicial expenses, this value provides a relevant indication of the difference that existed between the object's actual price and the amount of money received for its pawning.

<sup>22</sup> The city council's representative of power.

<sup>23</sup> The municipal council members.

<sup>24</sup> ARCHV, Pleitos civiles, Pérez Alonso (F), Caja 2142.0002.

<sup>25</sup> ARCHV, Pleitos civiles, Pérez Alonso (F), Caja 1783.0001.

<sup>26</sup> ARCHV, Pleitos civiles, Pérez Alonso (F), Caja 0019.0002.

<sup>27</sup> ARCHV, Pleitos civiles, Alonso Rodríguez (OLV), Caja 0510.0014.

<sup>28</sup> ARCHV, Sala de Hijosdalgo, Caja 1978.0006.

<sup>29</sup> ARCHV, Pleitos civiles, Pérez Alonso, Caja 0321.003.

may have very different needs and it was, thus, not so uncommon that they also needed to pledge their assets in order to get out of jail.

Whatever the reason for the pledge, I want to underline the existence of particular circumstances that recur in some disputes and that consist in a certain way of handling both time and pledges. Credit finds its principle in networks, communicating vessels, or chains - we can variously describe it thus - and this is represented by those frequent cases in which the borrower pledged an object to get a loan and the same object, in turn, was later used by an unscrupulous moneylender to pay a debt. He, then, would collect the money necessary to redeem his debt before the original owner of the pawn did. In the absence of control by pawnshops, it was customary that one single object could help more than one person out of trouble.

### 3. The role of intermediaries

The absence of pawnshops or of identifiable buildings to go to in order to get a loan probably made the role of intermediaries, in the complex social framework generated by the trials, more relevant. Intermediaries were more or less professional brokers who specialised in helping lenders and borrowers get in contact with one another. So called *corredores*, they actually formed part of the rich world of money, credit and commercial brokerage of sixteenth, seventeenth and eighteenth century Spain. These characters, completely neglected by Spanish historiography, also make up the subject of an earlier study of mine from which I intend to draw information in order to write the following paragraphs<sup>30</sup>. They joined fairs, auctions, purchase agreements, buying and selling markets of all kinds and their name, *corredores*, originated from the habit of going about their job "almost running from one place to another, showing and negotiating what they wanted to sell"<sup>31</sup>.

The *corredores* could be divided into subgroups according to their specialisation, which became more and more defined, as much as it

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<sup>30</sup> García Guerra 2009, 259-85.

<sup>31</sup> *Diccionario de la lengua castellana... compuesto por la Real Academia Española o Diccionario de Autoridades*, published in 1726.

developed and consequently changed, during the course of the Early Modern centuries. On one side, the "*corredor de oreja*" or *corredor de cambios* requested promissory notes or money on credit and adjusted the interest, endorsements and guarantees that were required. Generally, the title bestowed to these money brokers granted them the power to act in every fair on Castilian territory and on every exchange transaction that took place on the Court's premises. They gradually started carrying out the sale of interest, insurance and promissory notes. Among the different *corredores*, a second kind of specialisation we will consider here is the "*corredores de lonja*", or merchandise brokers, who helped merchants in the distribution of products by providing them with buyers. A "*corredor de lonja*" could intercede in the buying and selling of any product but he was especially concerned with garments, jewellery, gold, silver and personal property. That is, he traded in products that could usually be pledged.

This profession was mainly urban and it was often exercised by Jews in the Middle Ages; its practitioners retained ill fame because of the considerable quantity of taxes that were often improperly imposed. In this context, the Crown's financial needs helped start a process of regulation of the role of *corredor* during the sixteenth and seventeenth centuries, and his functions became so determined that he was forced to buy permission before he could exercise them.

The dates of appointment and transfer of office I analysed during the period of time between 1588 and 1609, mirror an active movement of people entering and leaving the brokerage of jewels and personal property without strict requirement, which shows that it was not a profession that demanded special qualification.

This notwithstanding, there were some aspects that hindered the daily exercise of the profession, that is, illegal activity and unfair competition. The broker was menaced by anyone who could bring together either a seller with a buyer or a lender with someone in need of money. Foreseeing these circumstances, the bonds that were issued to *corredores* of jewels and private properties after 1589 contained a clause, according to which they had the exclusive right to practise and anyone meddling with their activity would be fined 6,000 maravedis. Private individuals, merchants, auctioneers, and the fiercest of all competitors, the notary, would all encumber the professional *corredor's* daily job.

In any case, despite the difficulties, we have acknowledged the importance of brokers as key figures for the matching of supply with demand in the fields of money, products and services; they were, consequently, key figures in the field of collateral loans.

#### 4. Castile: a peculiar case?

Let us go back to the introductory concept: as we affirmed, collateral loans in Castile were controlled by private individuals. We refer to this idea again in order to make a theoretical shift that may allow us to consider why pawnshops did not develop in Castile. As a result of the programme of ideological, religious and social unification ordered by the Catholic Monarchs, Jews were officially expelled from the Spanish peninsula in 1492 and Catholicism was consolidated as the only religion professed by all Castilian citizens. Since even those who remained in Spain were forced to convert, the main propaganda topic of late fifteenth century pawnshops, i.e., the fight against Jewish usury, could not be mentioned without starting an argument<sup>32</sup>. However, the controversy among people who believed that everybody, even *conversos*, were still Jews, and those who denied it, kept stirring Castilian society. Anyway, we will not examine the debate in depth here.

With the 1348 *Ordenamiento de Alcalá*, Jews were banned from any loan activity in Castile, and, by the end of the fourteenth century, the atrocious pogrom attacks reduced the Spanish Jewish population by two-thirds. These times of migration and massive “voluntary” conversions forced Jews to align with Catholics whether they believed or not. These large scale conversions would give birth to the peculiarly Spanish *converso* problem.

As a practical effect of the intellectual debate, of pogroms, of conversions, etc., Jews left the frontline of retail credit, or minor credit, and got into steadier business. In spite of conversions, strong anti-Jewish propaganda continued to exist and in the fifteenth century, Jews found a safer way of stabilising their activities by lending

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<sup>32</sup> I thank Professors Ángel Galán Sánchez and Isabella Ianuzzi for the important hints they offered me on the elaboration of this starting point.

to the monarchs and through rental incomes. Possibly, their gradual withdrawal from minor credit activity, where conflicts with the lower classes were more evident, led to a general belief that the institutionalisation of pawnshops at this stage was not that necessary. The practice of minor credit was raised into a moral entity, a kind of “Christian credit”, cleansed of all sin, desired for both the soul and the republics; this thinking was at the heart of Italian pawnshops, which were promoted by local authorities on the one hand but born of the mendicant orders’ preachings on the other. However, both usury and its condemnation would continue to exist, though conflicts became less tenacious.

Moreover, with reference to Professor Laurence Fontaine’s research, the strong development of private intermediation in some countries would be one of the factors that rendered credit institutionalisation through pawnshops in the Middle Ages unnecessary.

## 5. Proposals for the creation of pawnshops in Spain

Though pawnshops developed late in time in the different territories of the Spanish peninsula, they were nonetheless endorsed by the writings of intellectuals against the background of a reformist framework. Within this context, the Spanish monarchy, mainly during the times of Philip III and Philip IV, tried to favour reforms that would preserve its own survival. During this time, a considerable quantity of writings and proposals were produced and formulated around this basic question: if these institutions already existed in many other countries, why was it not possible to welcome them inside Castilian territory as a means to stop usury?

We will, later, further discuss the topic of those writings in favour of the establishment of pawnshops in the Castilian area; in the meantime, we wish to extend the discourse on the Aragon Crown’s territories, by focusing attention on some documents proceeding from the *Archivo Municipal de Zaragoza*<sup>33</sup>. These documents give evidence of the fact that the city had already decided, at the end of the sixteenth century, to start the activity of a credit institution governed by the

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<sup>33</sup> Archivo Municipal de Zaragoza, caja 495, Sig. 23-23, año 1579.

town hall: “donde sobre prendas puedan ser socorridos (los pobres) y aún los que tienen oficios, por la poca ayuda y ganancia que en este tiempo tienen en ellos” (“where the poor and even employed people who don’t earn enough money from their labour, can be helped through the exchange of pawns”). The existence of this kind of establishment was, some years later, clearly explained in a leaflet edited in Zaragoza in 1624, bearing the title of *Invectiva contra el vicio de la usura y los usureros*<sup>34</sup>. It affirmed that, “con la cobranza de las usuras vienen a quedar los hombres destruidos y acabados y reducidos a gran pobreza”<sup>35</sup> (“because of usury people are destroyed, broken and reduced to huge poverty”)

The authors, Drs. Jerónimo Ardid, Vincencio Frago de Lozano and Juan Aroniz de Punzano, maintained that, for usury to be stopped, it was necessary to find a valid alternative that guaranteed the satisfaction of the needs of both the rich and the poor. Thus, with the consideration that all people were considered merchants by convention and could risk a loss of business profits<sup>36</sup>, they proposed either the foundation of a pawnshop - pawnshops already existed in many parts of Italy where this practice was also endorsed by celebrated theologians - or else the approval of a maximum interest rate established at 8 or 10%.

The ideas explained in this text might have paved the way for the creation, in 1626, of the pawnshop *Hospital de Nuestra Señora de Gracia de Zaragoza*<sup>37</sup>. Despite its very early appearance date, which contradicts the belief that pawnshops did not exist in Spain until the beginning of the eighteenth century, this institution was active between 1633 and 1639. This information is actually recorded in the ledger *Libro Mayor* of the already quoted *Archivo Municipal* belonging to the same institution and containing the loan-on-pawn operations of that

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<sup>34</sup> Biblioteca Nacional, Varios Especiales, 197/76.

<sup>35</sup> Sanz Ayán 2001, 85-110.

<sup>36</sup> “O dando a todos por negociantes y admitiendo por razón de lucro cesante en los que quisiesen tratar, a razón de ocho o diez por ciento al año, u otro medio que platicando con personas expertas y temerosas de Dios, se pueden ofrecer, que esto último sería fácil y más beneficioso y con menos daño, y se podría conseguir, como en Flandes, Francia, Génova, y Florencia con un real decreto confirmado por el Sumo Pontífice, y obtenido a instancia de este reino y ciudad, que sin duda se alcanzaría”.

<sup>37</sup> López Yepes 1973, 60-1.

period. The Zaragoza pawnshop remained a unique experiment in Spain and later in this article, we will explain its connection to the pawnshop that functioned in the eighteenth century<sup>38</sup>.

As for the case of Castile, the project that echoed through the political society of the kingdom was known as “public funds and pawnshops” and was financially supported by Pedro de Oudegherste (who died in 1591) and Luis Valle de la Cerda (1555-1606). Its main objective was to reform both public and private credit, by bolstering the nation’s Treasury (public funds) and by fighting usury (pawnshops). The issue was very much debated at that time and was later dealt with by Jovellanos, Sempere y Guarinos, Colmeiro, Viñas Mey, Rumeu de Armas, Hamilton, Josefa Díaz and Fabián Estapé and Ruiz Martín<sup>39</sup>. More recently, Professor Anne Dubet, a specialist in this topic, has, in her various studies, analysed the political debate and negotiation related to this proposal that took place between the reigns of Philip II and the first decade of Philip IV<sup>40</sup>. The enterprise of public funds changed hands according to the period, since it was alternatively upheld by the monarchs (Philip II and Philip IV) or by the Castile courts (during Philip III’s reign), thus leading, in the process, to the introduction of important changes to its original outline.

Guaranteed funds would be established in different modalities for both the king’s and the city’s coffers. In 1590, pawnshops were connected to them. The prosperity and the big profits that would ensue from this enterprise were supposed to move private savings in order to offer credit to the king, to the city and to private citizens who wanted to start an activity in craftsmanship, commerce or agriculture. Everybody was supposed to take advantage of the reform: those who owned so called “*dinero ocioso*” would have it yield a return without incurring any risk, while the same capital could become cheap credit that would benefit other people. At the same time, the monarch would be able to do without bankers, accused of driving him to wrack and ruin, and usurers would stop “sucking the poor dry”. Finally, all actions included in the project, like moral reform, real asset recovery and economic development were, nonetheless,

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<sup>38</sup> Sanz Ayán 2001, 85-110.

<sup>39</sup> López Yepes 1973, 57.

<sup>40</sup> Dubet 2000; Id. 2003.

soon forgotten. Pawnshop projects, which existed in other kingdoms of the monarchy, did not eventually work out for many reasons: the most important of all consisted in the fact that they were systematically connected to the corresponding institution of the Treasury. The Treasury was born of commitment from the Habsburg Monarchy, who mainly regarded it as a source of funding for its hegemonic policy, and who, given the long-term situation of ongoing losses of the *Hacienda Real* (Royal Estate), could not rely on the confidence of either the Castilian urban oligarchies or depositors in general.

## 6. Father Piquer and the birth of Madrid's pawnshop (1702)

As, during the sixteenth and seventeenth centuries, collateral loans would be controlled by private individuals, I deem it interesting to conclude this last chapter with some information on credit in the context of institutionalised pawnshops<sup>41</sup>. Through a very exhaustive and original study on Spanish pawnshops, researcher José López Yepes suggests, as a working hypothesis, that the first institutions of this kind were charitable *Arcas de Limosnas* (charity budgets), which lent cash on pledges that were funded by Count Haro in 1431 in various villages of his territory, comprising the provinces of Burgos, Logroño y Palencia<sup>42</sup>. But, in reality, the first pawnshop was actually founded in Madrid in 1702 by the priest Francisco Piquer, though the *Real Carta de Privilegio de Fundación* was not issued until 1718.

According to the analysis of pawnshop statutes and the mechanics of their operations<sup>43</sup>, pawnshops were undoubtedly created on the model of the Italian kind - especially the Roman kind. However, Madrid's pawnshop, unlike its European counterparts, never introduced an interest tax on loans and the deadline it imposed on debtors to redeem their objects was extended to 18 months, a much longer time

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<sup>41</sup> Sanz Ayán 2001, 85-110.

<sup>42</sup> López Yepes 1973, 11-5.

<sup>43</sup> The clauses that refer to the juridical organisation of this pawnshop, founded in 1539, were "viewed and checked" by Father Piquer himself. See (Strangio 2012, 337-66).

lapse than average: this confirms its resolute charitable and social vocation<sup>44</sup>.

The pawnshop of Madrid benefitted both the living in need and the dead represented by purgatory souls (*Ánimas del Purgatorio*) for whom Mass was said daily. It was protected by the Royal Patronage - and not by the ecclesiastical one - that granted it aids and wages during the eighteenth century and it was also sustained by alms and legacies from private individuals<sup>45</sup>. More specifically, the pawnshop was created with initial capital of one silver real, which Francisco Piquer kept inside a box in his room, and this became the symbol of the pawnshop's fragile economic rationale. The institution gradually provided itself with many sources of funding. Firstly, this consisted of 4,000 pesos a year proceeding from one-third of the incomes from Indian bishoprics during the time when the bishop seat was vacant; of devout people's inheritances and legacies, of alms offered by borrowers when devolving money, and, finally, of the alms that were gathered in boxes placed inside the houses or in the cloister of the *Descalzas Reales* convent. Secondly, they consisted of claims against the *Real Hacienda* (Royal Estate), and thirdly, deposits were handed over by charitable people, who would become the most important source of financing<sup>46</sup>.

The governing bodies were the *Junta General* (General Assembly) and the *Junta Particular* (Private Assembly). The first was the main governing body and it was constituted of its president, the royal protector, appointed by the king and by the ministers of the Council of Castile, and of the *Vocales* or members, that is: the elder chaplain of the *Descalzas Reales* convent, the local priest, the alderman of Madrid and the general administrator of the pawnshop. The *Junta Particular* was constituted by the main employees of the pawnshop (general

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<sup>44</sup> López Yepes 1971, 135-58.

<sup>45</sup> Here are some cases that can exemplify the tradition of creating pawnshops financed by private bequests in the sixteenth century: Don Fadrique de Acuña, count of Buendía, created a pawnshop in 1550; so did Don Agustín de Daza in 1636, who established a similar institution in the Franciscan convent of Cuéllar (Segovia). Lastly, the Count-Duke of Olivares, in accordance with what he included in his legacy, decided to found pawnshops in San Lúcar, Coria, Salamanca, Tamares, Loeches, Seville, with an initial capital of 50,000 ducats. (Sanz Ayán 2001, 90).

<sup>46</sup> López Yepes 1973, 81.

administrator or first deputy, second deputy, accountant, auditors, treasurer, depositary, minister of the *Sala de Almonedas* and chaplain) and headed by the *Descalzas Reales'* elder chaplain.

The capital issued by the pawnshop of Madrid in 1799 reached the amount of 2.6 million reales - it was 1.2 million in 1730 - and we know that it helped sustain 587,473 people between 1725 and 1800<sup>47</sup>.

Madrid's pawnshop would be a model for posterity, like the one in Zaragoza (1731), the *Santa Rita de Casia*, in Granada, founded by the Augustinian Isidro Sánchez Jiménez in 1740 - which granted more than one million *vellón* reales in aid during the first trimester of 1780; or the *Nuestra Señora de la Esperanza*, in Barcelona (1749)<sup>48</sup>.

Ultimately, I think it is important to conclude by restating the lack of research on informal credit in the context of the economic history of Early Modern Spain; and I hope that, once this volume is published, my contribution can encourage those who are concerned with the more general scenario of credit to study such a relevant topic, which involves not only the economic sphere but also the whole domain of interpersonal relations.

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<sup>47</sup> Ibidem 1971, 425-558.

<sup>48</sup> Other pawnshops founded by then were the ones in Salamanca, in Jaén, and, out of the Spanish context, in Mexico.



# An informal credit network aimed at the captives' redemption in modern age Sicily

ANTONINO GIUFFRIDA AND ROBERTO ROSSI

## 1. Searching for a model

This essay aims to reconstruct the formal and informal credit networks that gathered capital in Sicily to redeem captives during the modern age. A preparatory phase for any redemption activity had to be carried out in the complex reality of the main redemption centres in Barbaria: Algiers, Tunis, Tripoli. The corsair captains' corporation or the janissaries' divan are harsh and determinate interlocutors who want to benefit from investment in their ships' equipment as much as possible and consequently it is necessary to provide the (redemptive) Christian negotiators with all possible means of communication and the political and financial support to do their best<sup>1</sup>. The redemptive, however, cannot work without the necessary capital to pay the ransom. Reconstructing the fund-raising mechanisms is necessary to comprehend how an informal credit network is created and consolidated together with traditional public banks in Sicily<sup>2</sup>.

These, in particular, are two networks which intersect in a functional way, when it is necessary both to launch out into the international market and at the same time to gather capital in different areas and ways: the preaching of indulgences and the consequent fund-raising, essential for fostering the ransom market, activate different capital acquisition channels from the mercantile ones.

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<sup>1</sup> Kaiser 2007, 23. On the entire subject matter, also refer to: (Id. 2008).

<sup>2</sup> Giuffrida 2011.

This is a reality affected by the Hapsburgs' choices which, changing Charles V's Mediterranean politics, renounce restraining the military aggressiveness of Northern Africa corsair towns. It is known that the boundaries with Islam are sufficiently stabilised and that the Ottoman expansion is gradually slowing down. The boundary between the two worlds lies, therefore, in the coastline defended by fortresses, watchtowers and mobile first aid militia ready to repress the Barbary raids. This politically correct choice has some negative implications: not so much due to collateral economic damage caused by the Barbary corsair raids but, rather, owing to the procedure of capturing those who couldn't run for safety when the bells sound their alarm alerting of the "Turkish" landing. Captives become exchange goods for corsairs, a problem linked not only to the necessity for Western civilisation to bring prisoners back to their countries, but above all to oppose the phenomenon of the renegades. It is important to prevent "turning Turkish" from becoming a relished and proselytising choice. Such an option, requiring Crown investment of economic resources in ransoms, is not viable<sup>3</sup>; and consequently, the choice is whether to reorganise and rationalise the redemption system according to the operating models of the Middle Ages, thanks to which:

los cautivos serían reintegrados en sus localidades de origen gracias a la reorganización del sistema de redenciones trinitarias y mercedarias creado en la Edad Media, y los renegados serían perdonados acogién-dose a los numerosos edictos de gracia emitidos por el Sancto Officio hispano desde 1579<sup>4</sup>.

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<sup>3</sup> Giuffrida, *El "gran juego" del intercambio en el Mediterráneo y la Redenzione dei captivi de Sicilia durante la Edad Moderna*, in V. Favaro, M. Merluzzi, G. Sabatini (Editores), *Fronteras: procesos y practicas de integracion y conflictos entre Europa y America (Siglos XVI-XX)*, Fondo de Cultura economica, Madrid, forthcoming. "El final del siglo XVI señala un antes y un después en las decisiones político-administrativas que conformaron los modelos de gestión del rescate de los captivi. Es el momento de poner orden en un mercado dominado por la anarquía, donde los mercaderes actúan sin ningún control y, sobre todo, sin ninguna garantía de que los pactos previstos con los comitentes se cumplan. Se hace imprescindible una intervención del estado para conseguir centralizar las negociaciones, pero, fundamentalmente, para disciplinar el mercado de la recogida de las donaciones de los fieles (el mercado de las indulgencias), garantizar a los propios súbditos las liberaciones y controlar el preocupante fenómeno de los renegados".

<sup>4</sup> Martínez Torres 2004, 85.

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The Spanish crown, testing new operating paths, formally uses the medieval model, implemented by controlling and centralising mechanisms. In particular, it commits the *Consejos de Castilla y Hacienda* - which has been issuing the directives ruling and controlling the activities connected to the redemptive missions since 1575 - to supervising the operation of redemption<sup>5</sup>. It is a developing model which will be stabilised at the end of the sixteenth century: in this period, both centre and periphery will be facing each other and adapting to the specific needs of singular realities. The Sicilian observatory allows an understanding of how the dialogue between centre and periphery works within the reorganising and testing process of the model. First, the Crown opts to test the experimentation of new redemption models, also in Sicily, by committing the *Mercedari* and *Trinitari* to periphery fund-raising and the activation of centralised redemption missions. With this perspective, the preaching of indulgences and sale by the above mentioned structures are allowed. The incomes will be directed to the motherhouses destined for the Sicilian captives' ransoms. The viceroy executive procedure of the papal bull, by virtue of the *Apostolic Legazia* (legation)<sup>6</sup>, is the necessary premise to activate preaching, offertory and capital transfer to Spain. A notary contract allows the reconstruction of these mechanisms and a reduction of the costs that the coordination group, created for the preaching of indulgences, has to face to achieve the pre-set goal. The notary *Occhipinti*, on 4<sup>th</sup> May 1556, goes to the home of *Pietro Garcia*, Viceroy *Vega's* secretary, to ratify with a notary deed the contract chapters in favour of the attorney of *Generale Ordine di Santa Maria della mercè* and the captives' redemption, to sell and distribute some indulgence bulls and other graces in the Kingdom of Sicily and the island of Malta conceded by the Holy See<sup>7</sup>. Apart from the Order's attorney, *Consalvo Cespedes*, the other characters present are: the Catalan merchant *Dimas Urgell*, *Pietro Garcia*, Viceroy *Vega's* secretary

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<sup>5</sup> *Ibidem*.

<sup>6</sup> On the *Apostolic legation* see (Manduca 2012). In particular, the first chapter contains a wide bibliography on the issue.

<sup>7</sup> Palermo State archive (henceforth ASPA), Notary *Antonino Occhipinti* vol. 3718, cc. 612v - 619r; Palermo, 4<sup>th</sup> May 1556, ind.14. The statement of the expenses account for the sale and distribution is in cc. 619v. - 624v.

and his attorney, Michele de Arriaga. The business is conspicuous because the sale of bulls is about 4,000 ounces plus the possible income deriving from the legates, indulgences and jubilees<sup>8</sup>. The first element emerging from the notary deed is that a company made up of three partners manages the business: the Mercedari's attorney; the vice-roy's secretary; a Catalan merchant. The products to be allocated are the bulls: Garsia, through the attorney Arriaga, takes 14,052 and allocates 13,663; Consalvo takes 19,988 and allocates 19,336; Urgell takes 15,390 and allocates 13,660. The partners collocate the bulls thanks to the mediation of some commissioners nominated to distribute the bulls and support the preachers' activity for the different dioceses<sup>9</sup>. Each sold bull is worth 4 coins: this commission depends on their oratory and the capability to touch the most secret strings of penitents' souls and the number of allocated bulls measures it<sup>10</sup>. A real piece of work, incentivised and planned in detail, from the printing of the bulls to the transportation logistics<sup>11</sup>.

The contracts show how an informal network of capital for the preaching of indulgences is created. In structural terms, the mercantile contractual and organisational models are used; they fit the "sale" of immaterial goods such as the indulgence, which is "the pardon of temporal punishments due to the sin, approved by the Church and effective in front of God"<sup>12</sup>. The preachers' eloquence, recruited and

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<sup>8</sup> Ibidem, Giovanni Matteo de Mayda prints 56,000 edits in Palermo, with a nominal value of 1.6 tari each. Accounting asserts that 11 bales and 7 reams were employed.

<sup>9</sup> ASPA, Notary Antonino Occhipinti, vol. 3718, c. 625r. Commissioners are paid per day: for example: two commissioners who worked for the diocese for 82 days are paid 9 ounces and 22 tari.

<sup>10</sup> Ibidem, c. 622. Frair Leone de Naso e frair Francesco Lanza received 15.2.8.18 ounces to allocate 2392 bulls. c. 621v. Three preachers in Siracuse diocese allocate 9,200 bulls and receive 56,22 ounces for their commitment.

<sup>11</sup> The preaching also involves Malta, where commissioners go to distribute the bulls. They take also note of the expenses necessary to hire the mules to move around the island and to buy the flags to be used in the preaching ceremony.

<sup>12</sup> (Iserloh, Glazik and Jedin 2001, 51). Actually, the indulgence preachers were very important to make the "penitential institution" lose "its importance in the punishment pardon". Using the indulgence for dead souls, which has been granted by the Pope since the beginning of the fifteenth century, is the turning point to achieve its monetisation. Although the dead indulgence had a *per modum suffragii* efficacy, it nonetheless enables "the indulgences preachers to add an unfailling efficacy and

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incentivised by the above mentioned organisation, is necessary to push Sicilians to be generous and buy the bulls. The message is easy: a small sum of money would grant eternal salvation and the Mercedari could collect the capital to redeem the captives in Barbary. The contractual model used by the Catalan merchants with the Mercedari is similar to that of the Fugger bankers', adopted with the bishop Alberto di Brandeburgo to activate the indulgence to build San Peter's Basilica: also in this case, the Fugger's agents deploy the indulgence preachers to collect the preaching revenue<sup>13</sup>.

The Catalan monasteries also adopted the same contracts and subcontracts for wheat charity begging in Sicily. Subcontractors divide the territory with a network of representatives, moving around the feuds with mules and sacks to collect the wheat. The proceeds are transferred to Catalonia thanks to the cooperation with a Catalan merchants' network in Sicily. The instructions, written on 27<sup>th</sup> June 27<sup>th</sup> 1593, specify that once the wheat has been collected, the delegate must verify if there is any Catalan cloth merchant nearby and give him the wheat sacks: he will transfer the value to the Montserrat monastery in Catalonia<sup>14</sup>. Another collection promoted by the Montserrat monastery is described in the November 1593 notary deeds of Fialdo, who registers the chapters for some indulgence preaching linked to the Crusades and incentivised by a thousand white candles with the monastery seal and Saints Rocco and Sebastian's ten thousand "bulletas cum imagine dive Maria de Monserrato"<sup>15</sup>. Even the above mentioned instructions, attached to the notary deed, are important

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to take advantage from it even with mortal sin, consequently only the prescribed payment is required" (Ibidem, 52-3).

<sup>13</sup> Ivi, 54-5.

<sup>14</sup> ASPA, Notary Gaspare Fialdo, vol. 13407, cc. 159r-161v. "Memory of what is necessary to collect wheat charity for our Mother of Montserrat in your territories and lands" ... "search in every feud, territory of each decency, virtue and belief without outraging other people since it is a charity and you must give a candle to the charitable ones" ... "You will be asked if there is any cloth merchant, you will transport all the wheat to the closest territory and give it to the cloth merchant".

<sup>15</sup> Ibidem, cc. 53r. - 58r. The candle and the holy picture are delivered after a 1.10 tari offer, the necessary expenses to collect the indulgence are 6.2 coins each. In a few words, the management costs are at least 16%. This was a fund-raising campaign carried out according to the instructions of Don Francesco de Avila, Holy Crusade General Commissioner in Madrid, 23<sup>rd</sup> February 1593, applied in the Kingdom of

to understand how indulgence preaching and charity collection are stereotyped and follow precise procedures, despite the ecclesiastical hierarchy ruling the indulgence allocation. The contracts show how an informal preaching credit network is formed. The typical mercantile contract and organising models, where the merchant is supposed to grant Catalan monasteries a loan, are used. It is about a functional model widely used by Roman popes to build Saint Peter's Basilica and the major ones. Renata Sabene states that:

the credit model was founded on the fact that the Church belonged to the entire Christianity, consequently the charity collection, the indulgences and the crusade bull became a way to share, directly or indirectly, the Faith preaching including Christianity defence, evangelization and souls care<sup>16</sup>.

## 2. The construction of a sicilian model

The weak elements of the model used by the crown to collect the credit to redeem Sicilian captives are twofold: the first is the Sicilian trade's lack of balance, since the capital, gathered through the preaching of indulgences and money and cereals' charity collection, is transferred to Spain; the second is the impossibility of managing the political and administrative processes of captives' redemption.

The 1585 Parliament session deals with this issue and Philippe II in the LXXVIII chapters answers the requests positively, providing specific guidelines on the creation of an *opus redemptionis Captivorum* in the Kingdom of Sicily. In his *placet*, he specifies that the models to be followed are the Venetian and the Neapolitan ones. Parliament highlights the following problems: the awareness that, by abandoning Tunis and Gerbe, Sicily has become the Barbary frontier and the Ottoman raids on its coasts have increased; many *capti*, small kingdoms, do not own sufficient economic resources to redeem themselves; this situation exponentially increases the risk that "the impos-

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Sicily on 1<sup>st</sup> June 1593 in the Holy Crusade office, through the Bishop Holy Crusade General Commissioner of Palermo on 20<sup>th</sup> June 1593.

<sup>16</sup> Sabene 2014.

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sibility or difficulty of redemption may offend God and Your Majesty thus damaging Christianity"<sup>17</sup>.

Philippe II, by approving the Sicilian Parliament's requests, leaves the centralised model tested at the beginning and outlines a path towards the construction of a Sicilian Deputation experimenting new jurisdictional, administrative and economic mechanisms. The parliamentary decision is not activated immediately and it takes some time. The construction process of the new operating model can be traced, thanks to the "wide privileges conceded to the venerable Deputation of poor captives Redemption". The bricks building the administrative, political and economic asset of the Captives Deputation or Archconfraternity are the following:

- In October 1595, the viceroy Diego Enriquez Guzman, Earl Olivares, creates an "opus redemptionis captivorum" and approves its chapters in the Confraternity of Santa Maria della nova<sup>18</sup>;
- In April 1596, the President of the Kingdom, Giovanni Ventimiglia, approves the project of Viceroy Enrico Guzman, Earl Olivares, to found an Archconfraternity for captives' redemption in the church of Santa Maria La Nova with a majority government of lays nominated by the viceroy<sup>19</sup>;
- On 9<sup>th</sup> July 1597, the king approves the Archconfraternity foundation and asks The Roman Curia for the necessary papal ratification<sup>20</sup>;
- In October 1597, Clemens VIII, in his bull, not only confirms the Archconfraternity constitution foundation but points out its activities, jurisdiction and above all gives the institution a complete monopoly over charity and indulgence collection for captives' redemption in Sicily by preventing the Trinitari and Mercedari and any other authority from working in the same field<sup>21</sup>;

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<sup>17</sup> *Capitula Regni Siciliae*, T II, Palermo, 1743, p. 289.

<sup>18</sup> ASPA, *Arciconfraternita per la redenzione dei cattivi*, vol. 519, cc. 16r. - 18v. The volume contains a collection of the privileges conceded to the Archconfraternity.

<sup>19</sup> *Ibidem*, c. 20r. - 21r.

<sup>20</sup> *Ibidem*, cc. 22r. - 22v.

<sup>21</sup> *Ibidem*, cc. 1r. - 9v. The prohibition is absolute and it is about to create a harsh conflict between the Archconfraternity and other realities like the Mercedari and

- On 3<sup>rd</sup> April 1598, the Archconfraternity is given the “*iurisdictionem civilem at criminalem*” by the President of the Kingdom of Ventimiglia<sup>22</sup>.

With the latter, Ventimiglia defines the Deputation as an institutional asset but, at the same time, he is concerned with the financial aspects. The joint stock, necessary for the Deputation operation, is made up of three different financing sources: an *una tantum* extraordinary tax imposed on every town and land of the Kingdom; the revenue deriving from the so-called *male ablati*'s inheritance; the monopoly over indulgence preaching and charity payment which would have sidelined other organisations involved in ransoms.

The first intervention is a sort of small contribution to be shared by the town and lands on the island. The payment method is decided by each community, who can choose how to pay<sup>23</sup>. The single councils' decisions are collected in a volume referring to: the name of the town or land; the amount of the tax; when the Deputation will cash the money<sup>24</sup>. The extraordinary tax revenue is 5271 ounces and 94 towns and lands pay it; the data for Messina and Catania are missing, while Palermo is registered. The Council of Palermo's deliberation on 9<sup>th</sup> April highlights both the reasons explaining the intervention and the mechanisms collecting the credits destined for the Deputation. The message is that the release of the body from imprisonment is a necessary premise to save the soul and to prevent it from forswearing the Catholic faith. Pietro Oppenzinga, Senate Mayor in Palermo, while describing the financial intervention of the town in

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Trinitari, which will be opposing the papal decisions.

<sup>22</sup> Ibidem, cc. 26r. - 27r. The Marquis Geraci's jurisdiction, Prince of Castelbuono, is wide and also includes the capability to imprison debtors and those who would impede the credit collection. Ventimiglia, in fact, “*decrevit ut rectoribus Archiconfraternitatis, adhibito utriusque iuris doctor quem ipsa cum approbatione proregia creaverit assessorem, sit plena et ampia potestas iudicandi summarie et de plano ac sine strepitu et figura iudicis solaque facti veritate inspecta*”.

<sup>23</sup> Giuffrida 1999, 131. The University Council can pay the contribution in three ways: by taxing people in proportion to their capacity; by using university incomes; by imposing consumption taxes.

<sup>24</sup> ASPA, *Arciconfraternita per la redenzione dei cattivi*, vol. 1512. “*Councils up to 1596 after the S. E. in each town and land of this Kingdom to supply the venerable Deputation of the Redemption*”.

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favour of the Deputation, affirms that "it is about to look after many souls which, ruled by infidels, renounced hope and our holy Catholic faith"<sup>25</sup>, thus providing freedom, not to ensure the captives' integration in their provenance, but rather to prevent them from leaving the Catholic faith and running the risk of becoming fascinated by Islam and renouncing Catholicism. The summary in the above mentioned volume highlights that the incomes of the extraordinary tax arrived at the Deputation in cash in different instalments without homogeneity<sup>26</sup>. Palermo contributes to the Deputation foundation capital with 18,000 ecus (1,500 ounces), collected thanks to the subjugation on the town patrimony and each "tax Deputation"<sup>27</sup>. Castronovo imposes a 1 tari extraordinary tax "to each house una volta tantum"<sup>28</sup>. Scicli makes a distinction between rich people who have to pay 2 tari, the inhabitants with 1 tari and the poor who are free from any taxation<sup>29</sup>; Canicattì grants the payment of an annual income "as long as the Archconfraternity exists"<sup>30</sup>; Aci offers 100 ounces to buy an income<sup>31</sup>. Another financial resource is the revenue deriving from the *mali ablati* inheritance i.e. the bequests for the salvation of the souls of those testators whose hoarding was incorrect. King Martin first, and Alfonse then stated that this amount had to be used to redeem the captives imprisoned by infidels by also nominating the delegates of the state-owned towns for the collection and use of these sums. The captives' Deputation represented the new collector of this amount, which rarely arrived at the Deputation due to delegates' negligence endorsing the money. The most relevant flow was the money derived from the preaching of indulgences, charity collection and several inheritances

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<sup>25</sup> Ibidem, cc. 1r. - 2v. Palermo, 29<sup>th</sup> April 1596 ind. 9.

<sup>26</sup> Ibidem, final table. The deposits are staggered (1597–1601) with the following division of instalments: 2635,17.4 ounces; 1393,2.4 ounces; 732,15 ounces; 320 ounces; 116 ounces; 37 ounces; 9 ounces; 9 ounces; 9 ounces; 5 ounces; 5 ounces.

<sup>27</sup> About the public debt in Palermo see (Giuffrida 2012, 41-7). The mechanisms moving the financial flows in Palermo is centred on the use of the patrimony and taxes of the town as a guarantee for subjugations and instalments payment of the accrued interests.

<sup>28</sup> ASPA, *Arciconfraternita per la redenzione dei cattivi*, vol. 1512.

<sup>29</sup> Ibidem, c. 10. Calatafimi imposes a three year taxation: 1.10 tari in the first year, 1 tari 1 the second and 10 coins the third one. A total amount of 2.20 tari.

<sup>30</sup> Ibidem, c. 6.

<sup>31</sup> Ibidem, c. 8.

destined for captives' redemption. The papal breve gives the Deputation the monopoly in this field, putting aside other religious orders working in this sector<sup>32</sup>.

### 3. "Demand and offer in captives' redemption"

Ciro Manca's statement that the corsair system used by the barbarian forces during the modern age was: "an income appropriation and embezzlement means along the Mediterranean opposite coasts, within competitive relations among different realities and ranks of the same community" is sharable and highlights the economic issue caused by corsair and pirate raids<sup>33</sup>. Consequently, it is easy to understand how raids and depredation gain relevance from an economic perspective and benefit from the latent conflict between the different Mediterranean coasts. This is the reason why the "redemption issue" changes over the sixteenth and seventeenth centuries, thus becoming more complex - within the range of the whole Mediterranean Sea - and preferring more sophisticated organisational ways to accomplish different kinds of operations<sup>34</sup>. Like Sicily, redemption - which turned itself from an improvised instrument, depending on people's negotiation capabilities, without a real project managing the phenomenon, into a complex of capital collection, mediation and management of the conflict - evolved the conform authority in the Italian states facing the Mediterranean Sea.

At the beginning of the seventeenth century, religious orders, merchants and adventurers could no longer manage the economic relevance or financial demands of redemption. Actually, the *captive* was no longer a political or military issue, as they had been until the battle of Lepanto; it was not a problem to be solved through diplomacy or strength but it was about goods. The commercialisation of prisoners commercialisation (captive, slave, ...) led to several management

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<sup>32</sup> A wider documentation about this conflict was gathered together by Mercedary and Deputation themselves (ASPA. Arciconfraternita per la redenzione dei cattivi vol. 119, ASPA. Convento Mercedari scalzi ai cartari, vol. 412).

<sup>33</sup> Manca 1982, 183.

<sup>34</sup> Clark 1944, 22-35.

problems and to the birth of an economic-financial circuit promoting the trade of men as goods. The birth of the Archconfraternity, its operation and financial role in captives' redemption must be analysed from this perspective.

Unlike the first attempt at redemption, between the end of the sixteenth and the beginning of the seventeenth centuries, the activity was consolidated thanks to the use of a different model. On the one hand, there was the possibility of collecting credit from the Sicilian population, which, in the form of indulgences and donations, gathered risk capital for redemption. This sum was integrated, as mentioned before, with sums of money the Archconfraternity could collect from the several municipalities of the Isle under the guise of indirect tax. Conspicuous capital was the starting point for the Archconfraternity to begin its activity, together with the capability to negotiate with the barbarian counterpart. However, the system was improved by a royal concession which implied property prosecution in the event that the redeemed captive failed to pay his liberation expenses. It is a mechanism which allowed cash and properties forming the Archconfraternity patrimony to be gathered. On the other hand, there was the other side of the market, the barbarians who owned the captives, that is to say the demand. Furthermore, this reality became more and more complex over the decades in order to fulfil the "captives' demand" redeemed by the Christian side of the Mediterranean Sea.

Such complexity was represented by Bey - the Ottoman imperial administration ruling the Mediterranean African territories - which was given economic rights according to the redemption amount: in other words, docking duties in the Maghreb harbours, custom duties on goods and money imported from the kingdoms and other more or less licit taxes that the barbarian officers imposed on redeemers. The mediators, those agents moving from coast to coast in the Mediterranean Sea who would reduce the ransom transaction costs, lay between offer and demand. Such a system needed the credit to work, and actually captives' redemption required and gave credit as well.

First of all, the Archconfraternity faces a cash flow problem, concentrating the money gathered from indulgences only in particular periods of the year which do not always coincide with the redemption activity. Moreover, the money paid for ransoms is advanced by the Archconfraternity against the redeemed captive's commitment to

pay the advance. It is a financial procedure requiring a particular cost as the money advanced, which is required by the Archconfraternity, goes to its mediator or to its representative in the barbarian regencies. Such a complex and difficult mechanism does not contemplate any competition among the institutional credit mediators apart from in the final phases of the process. Neither public banks nor bank merchants dealing with trade funding are included in such a bulky financial process of transferring capital from one place to another. Informal mediators carry out the whole process.

#### 4. The redemption financial circuit

The Archconfraternity used a commercial model for redemption which was supported in Barbary by some religious orders such as the Capuchins between its foundation and the half of the seventeenth century. In fact, in order to redeem captives, the Redemption gave a trusted merchant a list of captives to be redeemed, promising to refund him the money advanced. The merchant was an agent of the Archconfraternity, working with a notary contract which contained all the clauses and the economic obligations of those involved. Against this operation, the Archconfraternity, in addition to reimbursing the merchant's advances for captives' redemption, would have remitted 20% more as commission<sup>35</sup>. When accomplishing his activity, the intermediary merchant had to privilege children and women more than adult men. Moreover, the merchant himself would have verified the captives' patrimony so that they could contribute to their redemption. The main problem, as regards the Christian aspect, lay in the evident informative asymmetry of the captives' market data. Against the lists of captives that the Archconfraternity provided its mediators, the barbarian officers usually tried to redeem more prisoners or pay extra duties during the negotiation. In essence, the captives' redemption suggested by Muslims was necessary to fix the price. In doing so, the rise in captives demand by the Archconfraternity - and the institutions of the Italian states - would lead the Barbarians to raise their price. Starting from the 1630s, merchants were replaced by

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<sup>35</sup> Bonaffini 2008, 252.

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clergymen, because the first, despite the commercial links with the African coasts, were not successful. This replacement was due to the ecclesiastics' attitude of respecting the redemption instructions more, the presence of some religious orders in the barbarian Regencies, their approval by local governments and the consequent knowledge of political and administrative mechanisms. With Capuchins' mediation, the redemption based on lists was restricted, thus compelling each captive to provide a sum of money for redemption. Thus, the Archconfraternity wanted to reduce all possible abuses during the negotiation phase and somehow release clergymen from barbarian oppression. At the end of the accounting period, the redemption officer had to refer his activity to the Archconfraternity and deliver a register containing incomes and results as well as all the redemption operations, noted chronologically and preceded by the related sums of money<sup>36</sup>. If the Archconfraternity chose to use mediators to "dialogue" with the barbarian counterpart, its financial system became even more complex. Actually, at the beginning, redemption was a form of advance on "goods", which were the redeemed prisoners. The merchant had to advance the money, which would be remitted at the end of the operation, as well as his commission, including the profit, the interest rate on the advanced money and the currency exchange rate. The mediator, as can easily be understood, did not bring the cash to the barbarian harbours for safety. Instead he referred to a credit network of Jewish merchants. The Jews were a mercantile community present in the barbarian regencies' harbours, enabling continuous commercial contacts with the other Mediterranean harbours they attended, such as Leghorn. The Leghorn Jewish community was the most important financial and mercantile centre for the Jewish commercial network because it connected Leghorn - and most of Mediterranean Europe - with Istanbul, Alexandria, Izmir, Aleppo as well as Tunis and Algiers. The Jews in the African harbours were the only ones to provide the Archconfraternity mediators with the money necessary to accomplish the operation, which was carried

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<sup>36</sup> An example can be found in ASPA, *Arciconfraternita per la redenzione dei cattivi, Volume di cautele, 1589-1699*, Sum of money received by M.a. Captives' Redemption of the Kingdom of Sicily used to redeem Christian captives in the Barbarian Kingdom on my behalf D. Francesco Gatta apostolic missionary in Tunis (1685), c. 438.

out together with their Leghorn correspondents<sup>37</sup>. After all, the same mechanism was widely used in Naples by the Santa Casa of captives' redemption which, albeit with a different fund-raising mechanism, considered the Jewish merchants an essential terminal to work inside the Regencies<sup>38</sup>. In essence, the mediator emanated a bill of exchange or a certificate of credit in favour of a Jewish correspondent living in Leghorn who, in his turn, emitted a new credit note in favour of the merchant to obtain the necessary credit for the redemption. On 28<sup>th</sup> December 1686, D. Francesco Gatta, an apostolic missionary for Captives' Redemption in Tunis, received 109 large gold coins of eight reales each from the Archconfraternity mediator G. Vigo - working in Palermo - which were sent by Onofrio Bracci from Leghorn, granted by some goods carried in Palermo on behalf of the brothers Jacob and Abram de Medina from Tunis and transported by an English ship<sup>39</sup>. The Jewish mediation between Christian and Muslim worlds in the seventeenth century Mediterranean Sea is essential, in a period when both England and Holland were penetrating the *Mare Nostrum*. The Jewish mediators were also important for those sea forces which, in the past, had controlled the Mediterranean commercial trade in Venice and Genoa, and from this perspective Leghorn played an important role as a Mediterranean financial square<sup>40</sup>. The difference between the financial and captives' circulation networks is surprising. The latter is managed from Sicily to the barbarian harbours, while the other overlaps the first only partially because of its complexity<sup>41</sup>. Within this perspective, two different kinds of profit can be noted, as Luca Lo Basso states about the Genoese case<sup>42</sup>. First of all, the Jewish financial mediators received an income, in form of interest on the advances, which could be obvious, clearly specified in credit negotiations, or hidden, as in the bottomry contract, which was widely used by the Genoese mediators but not applied in Sicily. Certainly,

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<sup>37</sup> Filippini 1998, 254-56.

<sup>38</sup> Boccadamo 2004, 237-74.

<sup>39</sup> ASPA, *Arciconfraternita per la redenzione dei cattivi, Volume di cautele, 1589-1699*, incomes and results of the money received by the M.a. Captives' Redemption of the Kingdom of Sicily, see, c. 445.

<sup>40</sup> Fusaro 2012, 701-18.

<sup>41</sup> Romano 2004, 275-302.

<sup>42</sup> Lo Basso 2008, 273-77.

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the interest contained both the remuneration on the advance and the credit risk, which is the insurance on the possibility of not having the loans reimbursed. Actually, the growth of the Archconfraternity's judicial competences and the possibility of its prosecuting the debtors' patrimony when failing to pay the necessary sums of money for their redemption, represented a limit to the credit risk on the advance. Indeed, the Jewish merchant had a further guarantee on the advance represented by the redeemed captive's patrimony. However, it is necessary to add that most captives were poor or owned few properties. Nevertheless, over the years, the Archconfraternity succeeded in collecting a considerable amount of goods, above all in the form of census and real estates<sup>43</sup>.

Other profits for financial mediators came from the differentials in exchange rates of the different currencies employed in the ransom. The currency generally used in the trade mediation with the barbarian Regencies was the Spanish 8 reales coin, a silver coin highly valued by the Eastern markets. For this reason, the financial advance contracts were denominated in 8 reales coins, even though the ransoms were paid with the minor local currency (aspri) in the barbarian harbours. Finally, the Archconfraternity emitted bills of exchange or certificates of credit denominated in 8 reales coins towards Leghorn, thus paying them in Sicilian ecu. D. Francesco Gatta's register of incomes and results is an example; it reports the receipt, on 26<sup>th</sup> April 1690, of seventy 8 reales coins from David Deisah Lumbroso, a Jewish merchant from Tunis, against a bill of exchange of the same value draft on Antonio Huygens, a Dutch merchant and consul in Tunis, to be paid in Leghorn to Salmon Abram de Medina<sup>44</sup>. This operation allowed the lender to benefit from the exchange difference between strong and weak currencies, ensuring a further profit removed in the negotiation with the principal.

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<sup>43</sup> Bonaffini 2008, 258.

<sup>44</sup> ASPA, *Arciconfraternita per la redenzione dei cattivi, Volume di cautele, 1589-1699*, B. 230, Account of incomes and results of the money reimbursed to myself D. Francesco Gatta missionary from the Deputation of the Captives' Redemption in the Kingdom of Sicily. Through G.M. Giuseppe Vigo from 2<sup>nd</sup> March 1690 to 17<sup>th</sup> October 1691, c. 428.

## 5. Conclusions

It is clear that captives' redemption went beyond Christian mercy towards its coreligionist prisoners, while ecclesiastical hierarchies and the Catholic kings' grounded fear of Islam's potential impact on Catholicism grew in importance. The equality of men in front of God and the failed mediation in the relationship with the Divine worried the Catholic Church which, in so doing, saw one of its requirements failing. If social and religious concerns can be said to be the base of the Catholic forces' favouring of redemption, it cannot be denied that this activity, in a period of military and political tensions in the Mediterranean Sea, was a unique chance to keep alive those commercial and financial activities which had been characterising its different coasts over the years.

# The maritime loan as a form of small shipping credit (17<sup>th</sup> to 18<sup>th</sup> centuries): the case of Liguria

LUCA LO BASSO

## 1. Preface

Over about thirty years, the legal advisor, Carlo Targa, used his home office near the Cathedral of St. Lorenzo in Genoa to store his extensive collection of documents on maritime cases from the Magistrate's Court of Maritime Registrars in Genoa. Probably from 1680 onwards, this huge pile of papers was used to compile that small priceless volume entitled *Ponderazioni sopra la contrattazione marittima*, published in 1692 by the well-known printer, Antonio Maria Scinico, and authorised and financed by the same Genoese maritime judiciary<sup>1</sup>. This work was a kind of *vade mecum* with a clear practical purpose. It would be useful to any reader, merchant or sailor who wanted to work their way through the maze of trade and shipping on a daily basis. On the other hand, it was valuable support, deviously speaking, for anyone who became "involved" in the appointment of magistrates at the Maritime Registrars, even though they were already theoretically involved in the practice of justice for ordinary people and merchants. Once he had graduated in law from Bologna in 1636, Mr. Targa worked for about half a century, until 1700, as a legal advisor: "colui che portava le ragioni dell'attore o del convenuto in giudizio"<sup>2</sup>. Almost every day, he worked as a prosecutor at the Genoese maritime courts, representing anyone who had become embroiled in the most common maritime cases. Among these, we par-

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<sup>1</sup> For the life and works of Carlo Targa, refer to: (Merello Altea 1967).

<sup>2</sup> Ibidem, 118.

ticularly note the cases relating to arrears from maritime loans. This type of contract was “il più frequente oggidì”, as Mr. Targa himself wrote, “che si pratici nelle città e Paesi di Mare”<sup>3</sup>. Known around Italy in modern times as an investment, it was acutally a high-risk but high-return loan or bond: “Per cognizione di esso, incominciando dal nome, e sua definizione, devesi sapere non essere altro, se non un contratto di denaro trajetizio, quale alcuno dà a suo risico ad un altro per valersene in trafichi oltremare. Per altro modo, e vocabolo si nomina denaro dato a usura nautica; perché quello che lo dà, prendendo dal ricevitore nella restituzione qualche cosa più del capitale in riguardo all’uso del denaro, e pericoli che si assume, così per patto fra loro”<sup>4</sup>. The investor lent the capital, at his own risk, to the maritime operator for a given voyage or a pre-determined period of time. Upon conclusion of the contract, the capital would be returned to the investor, along with any accrued annual interest, which would also be established when drawing up the contract. As a contract guarantee, the borrower would hypothecate the bottom of the vessel, along with its cargo and any potential loaded goods. Mr Targa also took care to explain why this contract was known as a “cambio marittimo” during the 17<sup>th</sup> century: “La causa poi, per la quale i nostri antichi l’abbino denominato cambio, altra non è, né può procedere da altro, se non che essendo stato introdotto per sussidio de’ trafficanti in negotj oltre mare, chi dava il denaro, l’aveva da rimborsare, o farlo ricevere altrove; e siccome questa moneta era differente da quella del rimborso, perciò questa contrattazione si denominò cambio del cambiare, e si denominò marittimo, perché si dà per oltre mare”<sup>5</sup>. The maritime operators would borrow money to finance their ventures by hypothecating their ship, cargo and goods, “prendono denari a questo titolo per non correre tanti risico sopra il fatto loro; perché fatto conto de’ costi per assicurarsi de’ rilasci per scuodere anticipatamente in caso de’ sinistri, del risico di mali assicuratori, de’ dispendi, gabelle, ed altro per farsi assicurare i vantaggi che hanno le buone lettere negli utili di cambio, e l’avere in suo potere il denaro, che in tanto pendente il termine del cambio vanno contrattando; torna loro

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<sup>3</sup> Targa 1803, 73.

<sup>4</sup> Ibidem.

<sup>5</sup> Ibidem.

più ad utile prendere capitale a questo titolo, ed assicurarsi indirettamente, che farsi assicurare direttamente”<sup>6</sup>. All this can be explained by the fact that the lender assumed all the risk. Indeed, in the event of any kind of accident, the skipper or captain did not have to repay the capital to the investor. Hence, a maritime loan was often seen as being similar to an insurance contract, while in reality it was the exact opposite and the “differenza fondamentale fra le due figure consisteva nel fatto che mentre nel cambio marittimo prendeva a mutuo chi doveva compiere l’impresa marittima, nell’assicurazione assumeva la figura di mutuante chi doveva compiere la spedizione marittima”<sup>7</sup>. However, Carlo Targa further specified that the bottomry was to be broken down into three legally binding contracts: “Il primo è una esposizione di denaro in partecipazione all’impiego da farsi con esso, perché chi lo dà su corpo, e noli, presuppone lo debba impiegare in bastimenti, e provvistare della nave; chi lo dà sopra robe, e merci presuppone lo debba impiegare in compra, e vendita, o baratte di merci, dall’uno e l’altro de’ quali impieghi avendosi secondo la presupposizione a cacciar utile chi prende il denaro, o implice, o esplice viene a partecipar con datore, o sia cambista in quello impiego pro rata della somma data. Il secondo contratto è di una implicita vendita che fa il datore al ricevitore (l’ipoteca), dell’utile che pro rata gli spetterebbe nella partecipazione assegnata per un tanto per togliere l’obbligo del rendimento di conto [...]. Il terzo contratto - finally - è di assunzione de’ rischi, come assicuratore che si fa il ricevitore del denaro a questo cambio, il quale pure contratto è lecito, approvato, e cotidiano”<sup>8</sup>. By breaking the loan down into three contracts, it guaranteed the bottomry against the charge of usury from the Catholic Church which, with good reason, pointed a finger at the high interest rates demanded. During the modern era, these rates would vary between 6 and 50%, depending on the route taken, the season and the historical period. Naturally, the bottomry only worked due to the faith that the lender had in the skipper, captain or merchant. If the contract was not fulfilled, i.e. at the end of the voyage or within the pre-determined period, the borrower did not repay the capital within the time speci-

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<sup>6</sup> Ibidem, 72. See also (Sciugliaga 1755).

<sup>7</sup> Assante 1979, 55.

<sup>8</sup> Targa 1803, 74.

fied (usually fifteen days), plus any interest, which was generally demanded by the lender in two six-monthly instalments, then he could be summoned before the competent maritime court.

## 2. The ancient origins

By Mr. Targa's lifetime, the bottomry had become a very common maritime credit instrument, so much so that it became the most widely used investment method for short and medium-haul trade, as well as for transoceanic journeys, such as the *Carrera de Indias*. This largely, but not exclusively, informal credit system has an ancient history behind it. Clear traces can be found as far back as the 4<sup>th</sup> century BC, although some scholars even trace its origins to a few centuries earlier. According to Gianfranco Purpura, its creation "dovrebbe essere connessa con la genesi degli *emporía*, del commercio individuale nel Mediterraneo e quindi, come accordo specifico tra privati dal quale deriverà il *nautikòn dáneinon* e la *pecunia traiectica*"<sup>9</sup>. We have proof that it was widespread in Greece from as far back as the 5<sup>th</sup> century BC, in the form of a loan with interest calculated from the earnings of a sea voyage, even though every author refers to the five well-known, proven orations by Demosthenes from the 4<sup>th</sup> century BC: against Zenothemis (XXXII), against Apaturius (XXXIII), against Phormio (XXXIV), against Lacritus (XXXV) and against Dionysodorus (LVI)<sup>10</sup>. During the time of Demosthenes, this contract was generally made between two private parties, but in many cases a third party was also brought in: an intermediary. Similarly in medieval and modern times, the loan was made by hypothecating the ship or its cargo, or both, for a single or return voyage. The interest rate was variable and not fixed as it would be during the Justinian era, when it was definitively set at 12%. In Ancient Greece, interest varied depending on the type of voyage, the route and the duration, usually ranging between 20% and 30%<sup>11</sup>. In the event of non-compliance by the borrower, the lender could turn to the commercial court of Piraeus, while in Roman times

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<sup>9</sup> Purpura 1987, 195.

<sup>10</sup> Ibidem, 202.

<sup>11</sup> Rougé 1966, 347.

these cases fell under the jurisdiction of the ordinary courts. The similarities between the Greek and modern systems show how extremely practical this maritime loan contract was for centuries. It was known to the Hellenic world by the names of *nautika*, *nautiko tokos* and *nautikon daneisma*, and took the name of *pecunia traiecticia* or *foenus nauticum* in Roman times. The only documented trace we now have from this period is found in a dilapidated Egyptian papyrus from the reign of Antoninus Pius (138-161 AD). It is not the contract itself, but rather a receipt from the bank that approved the transaction, which contains the names of the captains (Sostrates and Soros) of a small vessel from Ashkelon in Phoenicia, as well as the name of the lender, who was perhaps a banker from Alexandria, Marcus Claudius Sabinus<sup>12</sup>. As mentioned, the bottomry was so widely used in ancient times that Jean Rougé, a renowned specialist in Roman Mediterranean history, claimed in 1966 that “un armateur a lancé un navire sur la mer, un commerçant a envoyé une cargaison vers une destination lointaine, l’une comme l’autre pour ce faire a besoin de liquidités; en cours de navigation un incident survient, il faut réparer le navire, le capitaine et le magister navis ont besoin d’argent: dans tous ces cas les Anciens ont recours au prêt maritime, ce que dans la marine moderne on appelle le prêt à la grosse aventure”<sup>13</sup>. There are many similarities between ancient and modern contracts. They differ due to the fact that in ancient times, it seems that the banker/intermediary was always present, who then kept the copy of the contract and the payment receipt at the bank; while in modern times, it was almost always more of an informal loan between two private parties, who conducted their business without the presence of professional intermediation, the deed being drawn up and made official in front of a public notary. All these aspects can be traced back to the oration of Demosthenes against Lacritus, dating back to the 4<sup>th</sup> century BC, a period when the bottomry was thought to be very common in Athens and around the whole Mediterranean<sup>14</sup>. In general, as a result of trade in grain with Athens, the maritime loan became the most effective way to invest in shipping. The Demosthenic *nautikón* already displayed all the features of

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<sup>12</sup> Ibidem.

<sup>13</sup> Ibidem, 345.

<sup>14</sup> Vélissaropoulos 1980, 301-10; Paoli 1925.

a well-established system. The capital was provided by private investors (*daneistaí* or lenders) named in person or through bank brokerage. The sum paid (*èkdosis* or outlay) used to vary, but it was generally quite modest, under a thousand drachma. This shows how this credit system was chosen by rich businessmen or bankers and smaller owners of capital alike, who saw it as an opportunity to earn some money alongside the more traditional methods from farming. The debtors (*daneizómenoi*) were the captains of the ships (*naúkleroi*), who resorted to borrowing money to finance their voyages and the relative commercial transactions; but it was also undertaken by traders (*émporoi*), who used it to supplement capital invested in the purchase of goods that were then to be resold at their destination. The debt was cleared with the money earned from selling these goods and payment was made at the port of destination to the creditor or one of his representatives. The maritime loan was used either for a single voyage (*heteróploun*) or for a return trip (*amphoteróploun*), while in the latter case, the money earned was almost always reinvested in new shipping ventures<sup>15</sup>. Even back in ancient times, for single voyage contracts, the loans involved a monetary exchange transaction. Finally, given the risk of the venture, ever since its distant origins the transaction has involved the accrual of interest on the invested capital, which in ancient Athens ranged between 20% and 30%. As seen in the case against Lacritus, the interest used to vary depending on the route taken, the season and the potential presence of pirates or enemies along the journey. However, in the event of shipwreck or capture of the vessel, the damages lay solely with the investor. In ancient contracts, this also included the jettison of goods, whose corresponding contractual amount would then be deducted from the loan repayment. Within twenty days from his arrival at port and once he had sold the goods, the borrower was required to pay back the capital and any interest; failing which, the investor could make a claim to the commercial courts of Piraeus (*dike emporiké*), on the basis of the written contract, known as a *syngraphé*. This document was drafted in a single original, then undersigned by witnesses and filed with a trustworthy person, who was nearly always a banker; upon conclusion of

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<sup>15</sup> Apro시오 1987, 18-31.

their business, the document was destroyed. Any potential copies held by either party, known as *antígraphon*, were not legally binding and therefore could not be submitted before the judge in Piraeus. Any disputes, as in the case of Demosthenes's oration, were governed by commercial law (*emporikoi nomoi*), although we do not have any definite copies or evidence of such. The loan in the oration against Lacritus clearly shows non-payment of the bottomry. The two merchants, Androcles of Athens and Nausicrates of Karystos, had granted a loan of thirty minae to two citizens from Phaselis, Artemone and Apollodoro, for a return voyage from Athens to Pontus. The guarantee involved three thousand amphorae of wine which were to be loaded onto the ship of Iblesio. According to the oration by Demosthenes, a lower amount than the one agreed was loaded and furthermore, the two debtors fraudulently obtained, i.e. obtained without a contract, another loan against the same goods. Unfortunately, the goods were damaged on the ship during the return voyage, along the coast off modern Crimea. Once it returned to Athens, the two creditors, Androcles and Nausicrates, were not reimbursed and since one of the debtors, Artemone, had died, legal proceedings were launched to recover the debt from Lacritus, the brother and heir of the deceased. However, the latter tried to avoid paying, arguing to the judge that he was not his brother's heir and did not conduct any trade<sup>16</sup>.

In addition to Demosthenes, historians of classical maritime loans refer to another contract signed in Alexandria in the 2<sup>nd</sup> century BC, regarding a voyage undertaken to the coast of Somalia by a certain Archippos. It was financed by five Greek merchants with a contractual interest rate of 24%, even though some authors tend not to recognise it as a loan, since neither the ship nor goods were hypothecated<sup>17</sup>. The maritime loan continued to be used during Roman times, known as *foenus nauticum*, although scholars have very little evidence nowadays; nevertheless, we note the oldest example from Plutarch during the lifetime of Cato the Elder (234-139 BC), along with the previously mentioned subsequent document from the era of Antoninus Pius. For a long time during the Roman era, the interest rate paid was unregu-

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<sup>16</sup> Ibidem, 64-101.

<sup>17</sup> Bogaert 1965, 140-56.

lated, until 11 December 528 when, even before *De nautico fenore*, Justinian wrote *De usuris* which governed the interest rates for maritime loans and set the upper threshold at 12%<sup>18</sup>.

Over the following medieval centuries, maritime loans spread throughout merchant port cities, leaving important traces in notary documents in Genoa and Venice, where this contract completely took over during the 13<sup>th</sup> and 15<sup>th</sup> centuries. We also find them in the statutes of Trani from the 11<sup>th</sup> century, again in the twelfth-century *Rôles d'Oléron*, and then in the subsequent statutes of Bari and Marseille from the 13<sup>th</sup> century<sup>19</sup>. The medieval contract derived directly from the Greek and Roman contracts, although if the hypothecated ship or goods were not enough to secure the loan, the creditor could also make a claim against the borrower's general assets, as specified by the renowned Dino Puncuh in his long essay on commercial contracts: "De terris et casis meis et de omnibus quae habere visus sum in saeculo o que modo habeo vel que in antea habere visus fuero in hoc seculo, nei documenti veneziani; omnia bona mea habita et habenda in quelli genovesi e catalani; omnia bona nostra presentia et futura in quelli marsigliesi"<sup>20</sup>. Once freed up from the fixed Justinian rate, the medieval contracts returned to having rates between 20% and 30%, which were still variable depending on the route, the vessel and the timeframe set when the contract was signed. Deriving to some extent from the Attican syngraph, the contract had to be drawn up in the presence of a notary, along with the contracting parties and witnesses, and specify all the details of the sea voyage. The payment terms used to vary in Venetian and Genoese documents between 8 and 30 days, but more generally the range was limited to between 15 and 20 days, from when the ship had arrived at its port of destination. In the Genoese contracts drawn up by Giovanni Scriba during the 12<sup>th</sup> century, we also find out that the borrower could repay the capital during the voyage and thereby clear the debt. If the contract was not fulfilled, the lender would receive ownership of the hypothecated asset<sup>21</sup>.

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<sup>18</sup> See the works of: (Tchernia 2011; Pontoriero 2011; Purpura 1987, 318).

<sup>19</sup> Bernal 1992, 33.

<sup>20</sup> Puncuh 2006, 806.

<sup>21</sup> Ibidem, 809-10; Zeno 1946.

### 3. The maritime loan in the modern era.

In the modern era, far from being abandoned, maritime loans found a new lease of life in the global trade that followed the era of great exploration, as indicated by Bernal in his famous study on the financing of the *Carrera de Indias*: “Del Egeo al Báltico, de la isla de Rodas a la de Gotland, la financiación del tráfico marítimo con dinero a riesgo de mar fue una práctica común y constante de las plazas portuarias de Europa de todos los tiempos, desde la antigüedad clásica hasta principios del siglo XX, cuando otras fórmula crediticias la desplazaron”<sup>22</sup>. Starting from the Mediterranean, the maritime loan spread rapidly around the Baltic region, the Netherlands and the British Isles. In the Hanseatic world, we find traces of this contract in documents as far back as the 14<sup>th</sup> century, under the names of: *bomeren*, *bodmerie*, *bomerie*, *bodmerij* and *bottomry*, all of which derived from the German *bodemmen*, which meant to lend money against the cargo or ship. We have definite evidence of the dissemination of maritime loans in the maritime laws of Visby, a small city on the island of Gotland, dating from 1320 and then again in the laws of Lübeck in the 15<sup>th</sup> century. Its vast expansion throughout the Hanseatic area extended to the modern age, given that we find the title XVIII under the name of *Bon Bodemeren* in a collection of laws from Hamburg in 1603. In Scandinavia, it took the name of *bodmeri-balt* and was governed by the Swedish Maritime Code of 1667 and by the Danish Code of 1683. However, in the Flemish area, from a regulatory point of view, the maritime loan was affected by the French influx, while in terms of terminology it was influenced by the Germans. We find it again under the name of *bodemery* in a collection of laws from Amsterdam in the 15<sup>th</sup> century, and again in the collections of Dordrecht from 1533 and 1549. We have less information on how widespread it was in Britain where, as we well know, they did not compile collections of written laws. However, from all the case law accumulated over the centuries, we know that maritime loans were very common under the name of *bottomry* as support for commercial shipping. Lastly, in France, the dissemination of maritime loans occurred concomitantly

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<sup>22</sup> Bernal 1992, 27.

with Italy, so much so that we find them in legislation as far back as the 12<sup>th</sup> century. Similar to the rest of the world, they then had extraordinary success throughout the eighteenth century, when they were by now commonly known as *prêt à la grosse aventure*, but also *contrat de bômerie* or *argent à profit* and were commonly seen as an “instrument ancien, simple et efficace”<sup>23</sup>. As previously mentioned, they were found in the *Rôles d’Oléron*, which were traditionally compiled from 1160, even though the oldest known copy dates back to 1266, as well as in the statutes of Marseille from 1255. The maritime loan came to be fully regulated in the edict of the Admiralty of 1584 and then definitively in the Marine Ordinance of 1681<sup>24</sup>. Throughout the 18<sup>th</sup> century, maritime loans accompanied the economic development of the ports of Nantes, La Rochelle and Bordeaux, as well as customarily being widely used in Marseille and along the entire coast of Provence, both along small and medium cabotage routes and for trade with the Levant. This gave Bordeaux the initial capital required for its commercial growth, which then gained momentum thanks to the transport of colonial goods and slaves. According to Paul Butel, as Bordeaux’s trade gradually grew, ship owners opted for other investments, considerably reducing the amount of capital being used for maritime loans, while this trend was reversed during times of commercial downturn<sup>25</sup>. Indeed, during the second half of the 18<sup>th</sup> century, this rule was true everywhere to some extent, so much so that the maritime loan remained a greater prerogative for small investors.

Since it was a socially flexible financial instrument, the maritime loan became established across all sectors, being suitable for the wealthy and working classes alike. In the case of major investors, for example, the Genoese financiers of the seventeenth century, the sums invested were substantial. In private accounting records or in Genoese notary deeds from the second half of the seventeenth century, we frequently come across maritime loans invested by important prominent members of the Genoese oligarchy, who at the time were involved in a new economic drive from within the Spanish monarchy and in the attempted re-launch of trade with the Levant, a strategic

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<sup>23</sup> Cabantous and Lespagnol 2005, 291.

<sup>24</sup> Pardessus 1828-1845.

<sup>25</sup> Butel 1974, 196.

sector for the world economy<sup>26</sup>. The sums invested by Genoese patri- cians were considerable and were often conducted through profes- sional intermediaries, either for medium and long-haul routes or for small cabotage. In the case of trade with the Levant, following the sig- nature of the capitulations in 1665 with the Sublime Porte, maritime loans were the key behind the “grande truffa” - in the words of Carlo Maria Cipolla - of adulterated *luigini* coins<sup>27</sup>. Essentially, among the many trade activities launched following agreements with the Sultan, the Genoese decided to follow the merchants of Provence<sup>28</sup> and began flooding the Ottoman Empire with an enormous quantity of silver coins, copies of the French *luigini*, which had already been circulated for a few years with a lower silver content than was stipulated. The Ligurian operators saw the potential of this business and organised a coinage system for adulterated *luigini* that was based on the different mints of the imperial fiefdoms belonging to these Genoese families. The Spinola, Doria, Centurione and in particular Durazzo families found themselves sending small coins as good currency, but which soon became highly devalued in their quantity of silver, to the extent that they would only have a quarter of their stipulated content. For several years, the trade was very intense, until the Ottomans began to prohibit the circulation of these coins throughout their land. The system devised by the Genoese provided for maritime loans agreed in Genoa or Livorno to be in *luigini*, which were then to be repaid in pieces of eight upon return. This meant that money would be earned from the bottomry itself, but also from the exchange of good money with bad. There are many notary deeds from the late 1670s attesting to maritime loans for routes to Smyrna, which had been agreed by members of the Durazzo family or by other families: on 16 February 1669, Gio. Agostino Durazzo, who had encouraged the signing of the capitulations in 1665, granted a maritime loan of 500 pieces of eight to captain Nicolò Ravano at an interest rate of 24% for a voyage to Smyrna with the ship *S. Antonio Abate*. The previous year, the same captain had borrowed 800 pieces of eight for a voyage to Athens at 22%, in this case from Vincenzo Spinola. On 8 May 1668, Eugenio Durazzo

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<sup>26</sup> Braudel 1974, 21-67; Lo Basso 2011, 17-39.

<sup>27</sup> Cipolla 1994; Pastine 1952.

<sup>28</sup> Carrière and Cordurié 1984, 7-52; Panzac 2004; Buti 2005, 7-38.

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again directly lent 100 Italian gold doubloons, but along other routes so he did not have to resort to brokers, to the captain Gio. Agostino Germano at 26%, for a trip to Lisbon aboard the ship *Nostra Signora del Loreto*. On 3 September 1668, a maritime loan of 1,800 pieces of eight was again granted directly by Marcello Durazzo, one of the richest and most famous Genoese patricians of the time and a strong supporter of maritime loans<sup>29</sup>. However, on this occasion the ship in question was to travel in convoy, so he offered a much lower rate of interest to captain Pietro Bianco, the skipper of the ship *Nostra Signora dell'Apparizione e S. Pietro* "di andata con convoio da Genova ad Alicante con scala a Livorno e di ritorno da Cadice et Alicante a Genova al 12% d'interesse annuo"<sup>30</sup>. Again on 31 January 1668, Gio. Francesco II Brignole Sale gave 500 pieces of eight, the equivalent of 2,400 lire in Genoa's local currency, a considerable sum when you think that double this amount would buy you a whole cabotage ship, to a captain from Varazze by the name of Marc' Antonio Caratino, for a return voyage from Genoa to Cadiz at 15% interest "come per instrumento ricevuto a 23 dicembre prossimo passato in atti di notaio Geronimo Scotto"<sup>31</sup>. The sums could get even higher, as in the case of the loans agreed for voyages as part of the *Carrera de India*. On 24 July 1662, Francesco Maria De Ferrari, in business with Pietro Maria Pallavicini, granted a maritime loan of 10,000 lire for a voyage from Cadiz to New Spain and the subsequent return trip to Cadiz and then onto Genoa at 31% annual interest. Shortly afterwards on 25 August that year, he agreed another loan at the same rate of interest and on the same route for 8,900 lire; while he issued another again for 10,500 lire from Cadiz to the Terraferma and lastly, a final one for 4,000 lire at 16% on a ship leaving again from Cadiz heading to Portobelo in Panama. The following year, before the ship *S. Caterina Reale* left Genoa for Lisbon, Mr. De Ferrari again agreed two maritime loans for the astronomical

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<sup>29</sup> ADGG, *Archivio Durazzo*, n. 178, lettera a Domenico Nascio di Livorno del 6 febbraio 1666.

<sup>30</sup> ASG, *Notai antichi*, notaio Gio. Batta Gianelli Castiglione seniore, f. 15079, n. 63 e f. 15078, nn. 72-168-329. For *Nostra Signora dell'Apparizione e San Pietro* please refer to: (Lo Basso 2004, 68-82).

<sup>31</sup> ASCG, *Archivio Brignole-Sale*, n. 63 (94), c. 88 dare.

### The maritime loan as a form of small shipping credit

sums of 22,000 and 15,000 lire, at 11.5% and 18% respectively<sup>32</sup>. Furthermore, many loans were agreed for the frequent trips of Genoa's squadron of galleys, which ran the Genoa-Barcelona route, involving much lower rates of interest since these ships were considered very safe. Generally speaking for these maritime loans, which are commonly found, for example, in the ledger of Ottavio Pallavicini from 1676, the interest used to range between 6% and 8% per annum<sup>33</sup>. In many cases, the major investors used to capitalise on maritime loans by using professional brokers. Consequently, the transaction could not be deemed an informal loan, as it was for small investors in tiny communities.

On 17 November 1667, the previously mentioned Gio. Francesco II Brignole-Sale lent 800 pieces of eight at a rate of 13% to captain Pietro Bianco for a voyage to the coast of Spain, which was brokered by the Beltrame and Antonio Maria Maffei brothers<sup>34</sup>. On 11 March 1669, Gio Agostino Durazzo, lent 734 pieces of eight to captain Nicolò Ravano, heading for Smyrna, through the brokerage of Jacopo Burlando, at 20% interest. On the same day, Burlando again received another 300 pieces of eight still for the same ship heading towards the Levant, full of *luigini*<sup>35</sup>. In other cases, the major investor would appoint a broker in one of the coastal towns to transport the maritime loans to the boats of local fishing communities. This was the case for Francesco Maria Sauli, a prominent member of the Genoese oligarchy in the late seventeenth century and a Doge of the Republic between 1697 and 1699, who, in 1662, decided to invest 1,000 gold scudi in many maritime loans to be given to skippers in Sanremo. To do this, he employed the services of the broker Gio. Batta Bottino, as we can see from the register held at the Sauli Archives<sup>36</sup>. Mr. Bottino, a skipper

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<sup>32</sup> ADGG, Archivio Pallavicini, Ramo primogenito, n. 86, cc. 16-19.

<sup>33</sup> See examples in ASB, *Archivio Pallavicini*, serie XIV, n. 332, cc. 58-60.

<sup>34</sup> ASCG, *Archivio Brignole-Sale*, n. 63 (94), c. 81 dare.

<sup>35</sup> ASG, *Notai antichi*, notaio Gio. Batta Gianelli Castiglione seniore, f. 15079, nn. 89 e 94.

<sup>36</sup> "c. 1 [dare] 1662 à 6 di settembre. Gio. Batta Bottino del q. Agostino di S. Remo per scudi d'oro d'Italia che se li sono consignati per negoziare cambi marittimi sopra barche di S. Remo con diversi condizioni contenute nell'instrumento hoggì celebrato in atti del notaro Pier Battista Garibaldo valgono per Francesco Maria mio conto scudi 1000". ADGG, *Archivio Sauli*, n. 905.

himself, spread the investment round about twenty local vessels at amounts varying between 12 and 100 scudi. As a professional broker, Mr. Bottino contacted the skippers, negotiated the maritime loans depending on the routes taken and had the contracts signed in front of public notaries from Sanremo: on 28 August 1662, he gave 50 scudi as a bottomry to the skipper, Giovanni Lombardo, heading to Valencia “o altre parti dove farà il viaggio secondo il solito a S. Remo valgono per Gio. Batta Bottino appresso il quale si conserva la polizza privata che ha fatto carta 1 scudi 50”. The following year, “Gio. Batta Bottino avvisa con sua de 26 (aprile) haver seco fatto novo accordo cioè che per la mettà di essi scudi 50 debba pagare a ragione di 30 per 100 l’anno e per l’altra mettà a tanto per scuto secondo li viaggi che farà”<sup>37</sup>. Unfortunately for Francesco Maria Sauli, the skipper Lombardo was taken by the Turks in the summer of 1663, so the 50 scudi were listed in the register under the skipper’s account as being credited because, as the maritime loan stipulated in the event of an accident, the investment fell entirely under the liability of the investor who, conversely, recorded the loss under damages.

When captains received large sums of maritime loan money from different investors, some of whom in turn operated as brokers for other lenders, they used to draw up just one notary deed so they only had one single statement and one single account. This was the case for captain Biagio Marino who, before leaving on a voyage to the Levant and Cyprus, borrowed 62,930 lire between 7 February and 5 March 1682 from twenty different “cambisti”, six of whom (Cosmo Bogliar, Paolo, Gregorio and Pantaleo Ferrari, Felice Germano and Francesco Micone) were in turn brokers themselves. The sums invested varied between 1,000 lire by Ottavio Ferrari and 5,000 lire from various other investors, including the previously mentioned Ottavio Centurione, who employed the brokerage services of Domenico Costa, as shown in the notary deed signed on 5 March. The contract provided an annual interest rate of 16% to be repaid together with the capital over a period between six months and one year from the day captain Marino’s ship left Genoa<sup>38</sup>.

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<sup>37</sup> Ibidem, c. 4 [dare].

<sup>38</sup> ASG, *Notai Antichi*, f. 9176, notaio Alessandro Alfonso 1681-1682.

### The maritime loan as a form of small shipping credit

Table 1 - (ASG, *Notai Antichi*, f. 9176, notary Alessandro Alfonso 1681-1682).

Date	Investor	Money	Interest	Various
5 March 1682	Ottavio Centurione	£ 5000	16%	
6 March 1682	Geronimo Spinola q. Gio. Antonio	£ 2050	16%	
10 March 1682	Marcello Durazzo q. Giacomo Filippo	£ 3750	16%	
10 March 1682	Francesco Grillo	£ 4000	16%	
11 March 1682	Gio. Batta Grandi	£ 4136	16%	
28 February 1682	Gio. Agostino Cavagnaro	£ 2000	16%	
28 February 1682	Gio. Luca Pinello	£ 3000	16%	
28 February 1682	David di André	£ 2600	16%	
28 February 1682	Agostino Spinola q. Gio. Antonio	£ 2500	16%	
26 February 1682	Giulio Pallavicino q. Gio. Domenico	£ 3000	16%	
25 February 1682	Antonio Maria Massola	£ 5000	16%	
25 February 1682	Ottavio Ferrari di Marc' Antonio	£ 1000	16%	
25 February 1682	Cosmo Bogliar	£ 2490	16%	Various investors
25 February 1682	Paolo e Gregorio e Pantaleo Ferrari	£ 2404	16%	Various investors
13 February 1682	Felice Germano q. Gio. Batta	£ 5000	16%	Various investors
12 February 1682	Francesco Micone q. Gio. Batta	£ 1000	16%	Various investors
7 February 1682	Giacomo Masnata q. Giovanni	£ 2000	16%	
7 February 1682	Gio. Batta Serra q. Pietro Francesco	£ 2500	16%	
7 February 1682	Bartolomeo Pastore q. Gio. Carlo	£ 4500	16%	
7 February 1682	Francesco Maria Tassara q. Gio. Batta	£ 5000	16%	
Total		£ 62930	16%	

In addition to being a sound and flexible investment in support of commercial shipping, between the 17<sup>th</sup> and 18<sup>th</sup> centuries, the bottomry was also an excellent financing mechanism for the shipbuilding and fishing industries, as well as for the release of slaves.

Building boats required substantial amounts of capital, particularly for the larger ships. Therefore the captains, who were also often the majority shareholders, had to rely heavily on maritime loans. In Liguria in the second half of the 17<sup>th</sup> century, the maritime loan financing mechanism helped to significantly develop the shipbuilding industry as it worked to meet demand for the large ships required for long-haul routes. These voyages had been rejuvenated during that period by the ruling class of the Republic, who were eager to speculate on major global trade within the old Spanish imperial system, while opening up new, lucrative economic alliances with Dutch, English and French operators. From the early 1660s, Genoese financiers invested considerable sums in buying shares in large ships and in maritime loans to support the construction of these boats. It is worth remembering that this coincided with the resumption of trade with the Levant, thanks to the signature of the capitulations with Istanbul in 1665, and with the management of the *asiento* of slaves across the Atlantic. Take the case of Francesco Maria Sauli: from his journal between 1665 and 1671, we can obtain several examples of these investments. Essentially, the investor granted a maritime loan of a certain sum to the captain, even while the ship was being constructed, at a rather low rate of interest (6-8%). This helped to bring the building work to a swift conclusion and brought on the subsequent launch. The interest on the loan would then rise as it adjusted to the navigation charts chosen by the captain. In fact, in the case of our Mr. Sauli, on 28 April 1665, he lent 200 pieces of eight to captain Bartolomeo Rapallo “per doverne correre io il rischio sopra corpo et apparati di sua nave che al presente si fabbrica nella spiaggia di Arenzano nominata *San Nicola* per un anno che comincerà dal giorno che la suddetta nave gettata in mare per dovermene pagare interesse a ragione di 34 per 100 l’anno da pagare di quattro mesi in quattro mesi la terza e nel mentre starà ad avanzarla mi debba pagare solo d’interesse a ragione di 6 per 100 l’anno”<sup>39</sup>. A few weeks later, Francesco Maria invested

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<sup>39</sup> ADGG, *Archivio Sauli*, n. 906.

another 200 pieces of eight through the same mechanism of the *San Nicola*, while the boat was still being built in Arenzano for captain Gio. Andrea Rapallo<sup>40</sup>. Again for ships in construction in Arenzano, on 17 August 1665, he lent another 200 pieces to captain Domenico Savignone to complete the construction of the ship *San Domenico di Soriano*; while on 15 November, another 200 pieces went to captain Sebastiano Tixi; on 4 December, he gave 200 pieces again to the captains, Domenico Seigunto and Domenico Tixi, and lastly on 7 December, the final 200 pieces were lent to captain Lorenzo Rapallo aboard a ship known as a *petacchio* by the name of *Divino Aiuto*. In total in 1665, Mr. Sauli invested 1,200 pieces of eight in the construction of six new vessels designed for long-haul journeys between the Atlantic coasts and the Levant.

From the Middle Ages, the fishing industry was entirely financed by maritime loans. We find particular historiographical evidence of this around the Adriatic area in the works of Maria Lucia De Nicolò. In this context, fishing had an outstanding impact on coastal communities in terms of their economy and workforce employment. The loans were generally agreed for the duration of one year, with interest calculated on the basis of the individual remuneration paid to the sailors involved in the fishing work<sup>41</sup>. Also in the case of these fishing loans, in the event of a shipwreck, the full damage fell on the investor's shoulders; while for minor accidents, the damage was calculated for one fifth of the value of the nets and other equipment. The popularity of maritime loans in the fishing industry also spread throughout other coastal areas, as we find in notary documents from Liguria in the 18<sup>th</sup> century; for example, the loan granted by Stefano Bonavia to skipper Gio. Batta Garibaldo, on 7 July 1726, for 500 lire "sopra il suo gozzo da pesca posto nella presente spiaggia di S. Stefano per due anni prossimi per causa di pescare nelle presenti rive a ragione di 20%"<sup>42</sup>.

Since it could be applied in such a flexible manner, the bottomry was also put to use in transactions to release slaves held in the Barbary Regencies of North Africa. The workings of this mechanism

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<sup>40</sup> Ibidem, 14 maggio 1665.

<sup>41</sup> De Nicolò 2004, 291-92.

<sup>42</sup> SASSR, *Notarile San Remo*, notaio n. 31, Sebastiano De Siffredi, f. 269, n. 239.

were very simple. Essentially, the broker handling the finances of the release would demand payment from the transaction in exchange for the service provided. These transactions would also include the maritime loan on the journey home for the freed slave. Many examples of this transaction can be found in the Magistrate's documents regarding the release of slaves by the Republic of Genoa. This institution had been established in the late 16<sup>th</sup> century to coordinate all the procedures for the liberation of these Genoese slaves held in slavery throughout the Ottoman-Barbary area. For centuries, this Ligurian institution tried to restrict the brokerage fees as much as possible and, at the beginning of the 18<sup>th</sup> century, it set the interest rate of maritime loans at between 12% and 15%. In a number of circumstances, the temporary workers of this judiciary had to take steps to remind brokers that rates above 15% were not to be paid. As always, all the risk fell on the investor, except in the event of death by natural causes of the released slave during the voyage<sup>43</sup>. The percentage was applied to the total sum of the slave's cost price plus any expenses. For example, on 13 April 1709, the release was paid for Antonio Giraldo from Alassio, a former slave in Algiers. The sum agreed between the Vicar Apostolic Duchesne and the slave master, Sydy Abraam Baudarba, was for 120 pieces of eight. A further 59 pieces were also paid out for various expenses. The maritime loan was applied at a rate of 15% on the total of 179 pieces, which accounted for an extra 27 pieces, making the final price of freedom to be 206 pieces of eight<sup>44</sup>. We have another similar example from 17 March 1710, when Father Duchesne again released a Ligurian captive in Algiers by the name of Lorenzo Stalla from Alassio for 199 pieces of eight, including 26 for the bottomry at 15%. The sum was paid out by the Genoese institution to Nicolò Maria Castro on behalf of the Jewish merchant from Livorno, Semati Coen Chomoel, who in turn compensated the slave owner Mostafà Carbachiri<sup>45</sup> in Algiers.

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<sup>43</sup> ASG, *Riscatto schiavi*, reg. 148, lettera al prefetto apostolico padre Donato di Cantalupo cappuccino a Tunisi del 7 maggio 1708.

<sup>44</sup> ASG, *Riscatto schiavi*, reg. 194, 13 aprile 1709.

<sup>45</sup> ASG, *Riscatto schiavi*, reg. 194, 17 marzo 1710.

#### 4. The small credit

Flexible, simple and adjustable to any circumstances, the maritime loan became the preferred investment method of the middle classes, expanding rapidly through the small Mediterranean market towns. Once again, the case of Liguria comes to the rescue by giving us the perfect case in point. Between the late 17<sup>th</sup> and late 18<sup>th</sup> centuries, the two Rivas of Liguria witnessed the social growth of many families linked to the world of maritime trade. In terms of their characteristics and economic strength, we are not talking about French *négociants*<sup>46</sup>, since in most cases they were sailors and skippers who had turned their hand at trade and ownership of small or medium cabotage ships. They were occasionally linked to wider-ranging merchant networks, as a result of certain local products which proved successful in international markets, such as citrus fruits and oil from the far west of Liguria<sup>47</sup>. In this area and around the Ligurian mid-west, many families in medium to large towns (such as Sanremo) or in small villages (for example, Laigueglia, Santo Stefano and Celle) increased their economic resources and social position within two to three generations thanks to maritime trade<sup>48</sup>. Starting from jobs as simple sailors, having begun as cabin boys in their childhood, many worked their way up to become skippers and then small ship owners and landowners. This growth was boosted considerably throughout the second half of the 18<sup>th</sup> century, when many of these skippers also became medium and long-haul merchants, while maintaining major investments in local shipping with its ties to family-run consortiums. Lastly, some of them even managed to break into major politics (the Maglione, for example), as a result of the democratic changes following the fall of the old regime's world. This social growth was also possible thanks to the extensive use of maritime loans. In the small coastal merchant communities, if anyone had a little capital available, he could invest it in sea voyages; it meant assuming a little risk, but it

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<sup>46</sup> There is a well-established historiographical line of work on this subject in France. For this essay, I shall only refer to the traditional (Carrière 1973).

<sup>47</sup> Carassale and Lo Basso 2008.

<sup>48</sup> Lo Basso 2011, 41-72. A useful comparison with Provence can be found in (Buti 2010).

was a simple way of gaining vast profits. Naturally, the sums involved here were not comparable to those seen among the major Genoese financiers. However, about one hundred or even a few dozen lire could be more than enough for a sound yet lucrative investment. This mechanism relied solely on the mutual trust between investors and skippers, whose connections in the small coastal communities were strengthened by family bonds. Indeed, marriage ties nearly always encouraged further commercial and financial development for operators. Before departing, each skipper would take out a certain number of loans that he would use to exploit his sea voyage. As highlighted by many contemporary documents, all this created situations of debt dependency between certain skippers and different investors in such a way that the skippers were forced to pay back interest for years, to the extent that they had to depend almost entirely on investors. So while in many cases there were huge profits and social growth among the sea-faring classes, it conversely created a social stratum of maritime proletariat who were becoming increasingly poor, since the debts from maritime loans usually only became statute-barred after thirty years<sup>49</sup>.

This local credit system based on maritime loans was completely informal, being founded on the direct contact between the lender and the borrower, who depended on a relationship of trust. The loans almost always took place within the family circle or extended at most to members of the same communities. In some cases, investors placed their trust in the hands of skippers from other neighbouring towns. Take the case of Bartolomeo Ferro from Celle<sup>50</sup>, a small town on the western Riviera of Liguria near to the more famous Savona: in just one year between 1750 and 1751, he invested various sums in maritime loans signed with ten different skippers, not just from Celle, but also from nearby fishing communities such as Alassio, Laigueglia and Savona, or in many cases with local skippers who had adopted French citizenship so they could become captains of large ships<sup>51</sup>. Their work, writes Paolo Calcagno, “comincia per le strade della co-

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<sup>49</sup> Gatti 1999, 108; ASG, *Conservatori del Mare*, f. 196, atto n. 71.

<sup>50</sup> This reference to the community of Celle is from the excellent work by (Calcagno 2007, 141-79); ASS, *Notai distrettuali*, f. 2988; f. 3364.

<sup>51</sup> See, inter alia, the case of Nicolò Ventimiglia from Celle of 9 November 1741. AD-DBR, *Amirauté*, 9 B 6, c. 167.

munità, subito prima di prendere il mare. È a Celle, infatti, che con o senza l'aiuto di qualche mediatore devono cercare di rastrellare quanto più denaro possibile, da utilizzare una volta fatto scalo nel porto di destinazione"<sup>52</sup>. The skippers almost always collected the money directly and informally, but in many cases, trustworthy non-professional intermediaries were brought in, such as the community parish priest. Under these circumstances in Celle, it was the priest Giovanni Gambetta who collected the small investments that formed part of maritime loans. On 2 November 1732, he handed the sum of 500 lire to skipper Pellegrino Ferro, and shortly afterwards he invested more money in a voyage to Provence and Catalonia by the skipper, Alessio Raffo. This same captain also collected 100 lire at the same time from the notary Bernardo Colla and another 200 from Giovanni Antonio Biale<sup>53</sup>. As shown in notary documents between 1682 and 1795, the series of maritime loans collected by Paolo Calcagno highlights that the investments in Celle were normally for relatively low amounts, usually ranging between 100 and 500 lire, at an average of 258 lire and with an interest rate that varied between 10% and 18% (on average 11%). This clearly shows that these investments involved safe, medium and short-haul routes. As shown in Figure 1, even though the average investment was low, there was no shortage of spikes for loans above 1,000 lire. This was, though, due to major outside investors, such as Giovanni Battista Serravalle, who lent 1,200 lire in 1732 to skipper Pellegrino Ferro for a voyage to Valencia. A few years later in 1735, he gave a maritime loan of a further 1,250 lire to the skipper, Francesco Saverio Sirombra, for a voyage to Catalonia. The investments of the brothers Angelo and Antonio Maria Bottini were even more interesting. In the 1740s, they agreed several maritime loans with skippers from Celle, by far the largest of which was the 2,500 lire issued to the skipper, Paolo Gerabello from Albisola, thanks to the brokerage provided as usual by Reverend Giovanni Gambetta.

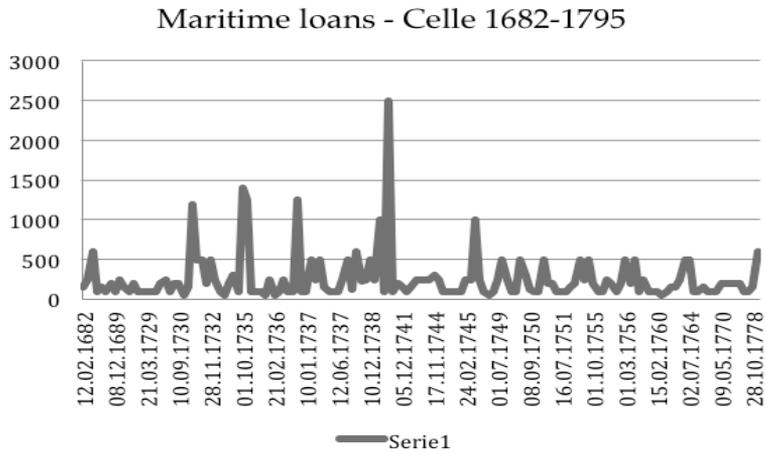
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<sup>52</sup> Calcagno 2007, 146.

<sup>53</sup> *Ibidem*; ASS, *Notai distrettuali*, f. 2987.

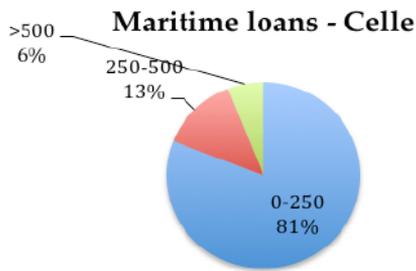
Luca Lo Basso

Figure 1



The extreme fragmentation of the informal maritime loan market in Celle into small amounts can be seen in the fact that over 80% of the loans agreed involved sums below 250 lire, as clearly shown in Figure 2.

Figure 2

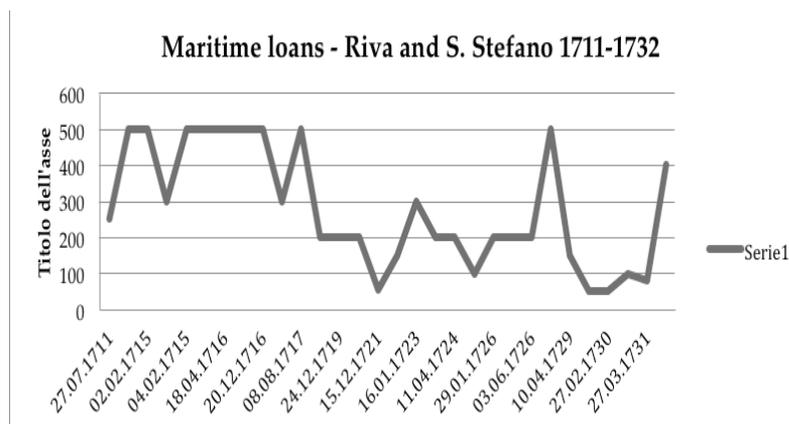


Similar situations can be found in other towns along the Ligurian coastline. If we move a few miles to the west, keeping to small merchant towns like Riva di Taggia or Santo Stefano (now known as San-

### The maritime loan as a form of small shipping credit

to Stefano al Mare), we find that the maritime loan market is highly fragmented and, on average, the sums involved are low and still work as informal loans. From a collection of maritime loans agreed in these two small towns between 1711 and 1732, gathered in the deeds of the notary, Sebastiano De Siffredi, we get a similar, almost identical, image to that of Celle: maritime loans ranging between 50 and 500 lire, at an average of 279 lire, with higher average interest rates at around 20%. This was a sign that longer, more dangerous routes were being used and that years of intense fighting had taken their toll. The skippers found in the area immediately next to Taggia mainly covered routes towards Southern Italy, which mostly involved picking up oils to be blended with the locally produced product. Moreover, many captains used to take long journeys to export lemons, which were a key output of local agricultural production.

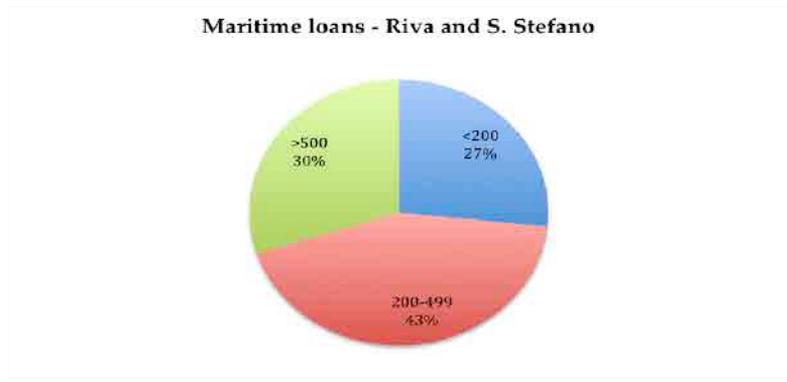
Figure 3



The sums invested fall within a narrower range than those of Celle. Indeed, if we look at Figure 4, they come under different investment brackets: 27% involve maritime loans below 200 lire, 43% are between 200 and 499, while 30% are equal to 500 lire.

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Figure 4



The records acquired from the notary, Mr. De Siffredi, vary greatly and focus on *dry* maritime loans, i.e. for a single trip, usually lasting one year and with certain geographical restrictions. This was the case for the money given on 13 June 1725 as a maritime loan by Stefano Bonavia to the skipper Vincenzo Gogioso - 100 lire paid in 8 sequins and half a silver scudo - aboard his leudo named *Nostra Signora del Rosario*, for voyages “entro li seguenti limiti di Livorno e Marsiglia”, at an interest rate of 20%<sup>54</sup>. In the small towns along the Ligurian Riviera, many families became rich between the 17<sup>th</sup> and 18<sup>th</sup> centuries, thanks to the trade sustained by maritime loans. A prime example of this comes in the case of the Filippi family, who lived in the towns of Santo Stefano and Riva di Taggia<sup>55</sup>. In the substantial notary documentation, we find the Filippi operating as borrowers when they worked as skippers, but also as investors. On 30 March 1712, Giovanni Battista Filippi from Stefano, a skipper, received a maritime loan of 200 lire from Stefano Maglio aboard his tartane vessel called *Nostra Signora della Misericordia e S. Giuseppe*, at an annual interest rate of 20%<sup>56</sup>. In April 1725, two Filippi family members were operating as investors. Giacinto Filippi, a former skipper, invested 200 lire “sopra

<sup>54</sup> SASSR, *Notarile San Remo*, notaio n. 31, Sebastiano De Siffredi, f. 269, n. 51. For the Tyrrhenian region, please see: (Carrino and Salvemini 2012, 47-73).

<sup>55</sup> Lo Basso 2007, 89-109.

<sup>56</sup> SASSR, *Notarile San Remo*, notaio n. 31, Sebastiano De Siffredi, f. 262, atto 274.

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il leudo denominato *Le Anime del Purgatorio e S. Antonio da Padova* a ragione del venti per cento” with the captain, Giovanni Antonio Garibaldi. Meanwhile, Giovanni Antonio Filippi invested the same sum, under the same conditions, with Captain Giovanni Antonio Perone’s leudo named *Nostra Signora del Rosario*. This was the same Giovanni Antonio who, on 22 April 1726, invested “lire 500 moneta corrente di Genova a cambio marittimo sopra la cimba nominata *Nostra Signora del Rosario e Spirito Santo* a ragione di venti per cento l’anno” with the skipper, Giuseppe Gogioso. In many cases, these investments took place within the same family. On 4 May 1726, Mr. Giovanni Antonio Filippi once again gave “a cambio marittimo lire 400 al padron Stefano Filippi sopra il leudo *S. Giuseppe* per un viaggio in Liguadoca, a ragione di un interesse annuo del 20%”<sup>57</sup>.

If, on the one hand, the bottomry system appears virtuous as it helped to finance and develop shipping in many areas around the globe, on the other hand, as previously mentioned, it created dangerous mechanisms of economic dependency among maritime operators. This resulted in asymmetric social ties, so much so that they dramatically exaggerated any inequalities. Should skippers and captains not pay their maritime loans plus any interest, it would only discredit them on the maritime market. This would trigger a vicious circle that led investors to reject an increasing number of people with bad debt, thereby dragging them deeper and deeper into poverty. Generally speaking, in the event of non-payment, investors would push for a swift and informal solution, but failing that, the victim could take legal action at the competent courts. In the Republic of Genoa, this power fell under the jurisdiction of the magistrate of the Maritime Registrars. It was only with the Law of 26 March 1602<sup>58</sup> that this judiciary definitively consolidated its presence and functions within the institutional framework of the Republic of Genoa. From the late fifteenth century up until that point, the areas of jurisdiction were continuously muddled for the various bodies in charge of governing Genoese shipping. Some of these institutions were established during the age of city states, while others developed during the birth

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<sup>57</sup> SASSR, *Notarile San Remo*, notaio n. 12, Stefano Bononato, f. 44, atti nn. 267-272-336-338.

<sup>58</sup> Pardessus 1828, 534-42; Forcheri 1968, 147-50; ASG, *Manoscritti Biblioteca*, 41.

of the new oligarchic Republic in 1528. The history of these institutions helps to explain how, even though Genoa did not lack “private” backing in the management of shipping affairs and protection, there was always a particular focus on the state, in line with or sometimes ahead of what was happening in other Italian and European states, which historians considered to be more advanced in terms of the “formation of the modern state”. In Genoa in the 15<sup>th</sup> century, there were two municipal bodies in charge of governing the maritime sector: the Office of Crimea and the Maritime Office (*Officium Maris*); the former had more legislative power over commercial and policing controls; while the latter focused more on the crews and how they were organised and dealt with any internal disputes that arose. In 1490, a third institution was added to these two public organisations when, on 15 October, the foundation of the *Conservatores Navium* was authorised at the behest of local skippers and ship owners, who had asked the municipality if it could directly have “un potere di controllo e di organizzazione sulle arti impegnate nelle costruzioni, riparazioni, forniture navali, sulle ciurme, sulla disciplina portuale”<sup>59</sup>. This new institution authorised by the state, yet formed by private parties, worked alongside the two older bodies to regulate Genoese merchant shipping at a time of extreme political confusion. In fact, between 1490 and 1498, the areas of jurisdiction were constantly overlapping, until the *Nova forma pro navibus* was released, which handed full authority over maritime issues to the old *Officium Maris*. Unhappy with this decision, the Genoese skippers tried to sort out the mess again in 1526 by proposing a private body that would govern the maritime sector in place of the fragile state institutions. Between 1527 and 1528, this new organisation completely took over the old institutions, also gaining the important job of ruling on all civil disputes within the sector. In 1546, the new judiciary took the name of the Maritime Registrars (*Conservatori del Mare*), although it is not clear whether this name change also involved a shift in its judicial powers and areas of jurisdiction<sup>60</sup>. However, these areas were undoubtedly expanded in 1569, when the Registrars also gained authority over criminal

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<sup>59</sup> Calegari 1970, 59.

<sup>60</sup> *Ibidem*, 66.

matters, which had previously been the sole responsibility, for maritime crimes, of the old *Officium Maris*. This jurisdiction over criminal proceedings was withdrawn in 1576 with the foundation of the new Criminal Rota, which was consequently invested with powers to rule on cases between people involved in maritime issues. It was only in 1602, with the approval of new capitularies from the Senate definitively laid down on 26 March 1607, that the Maritime Registrars became a fully established institution, thanks in part to the reinstatement of their powers over criminal justice. From that moment on, this wholly state-run judiciary was in charge of regulating the entire shipping sector: from inspecting any ships leaving Genoa to appointing captains, from checking crews to regulating the financing of the sector (maritime loans, etc.), and even from managing anchorages in the port of Genoa to running pilotage services. Lastly, it had the power to rule over all civil and criminal disputes involving skippers, ship owners, sailors and merchants “e tra ognun di loro rispettivamente ed ogni altra persona per causa procedente da noli, salari, corrisposizioni di robbe ed ogni altra dipendenza da viaggi di dette navi; e debbano far giustizia sommaria, *sola facti veritate inspecta*, e senza figura di giudizio e senza forma di processo, udite le parti e con facoltà di eseguire il giudicato senza rimedio di appellazione, e senza però pregiudizio o derogazione dell’ autorità e giurisdizione cumulativa, e non privativa, e sempre a elezione dell’ attore, il quale eletto uno delli magistrati competenti non possa durante l’ istanza della causa variare il giudice”<sup>61</sup>. Moreover, in 1692, to speed up proceedings for cases resulting from disputes “dove per lo più sogliono essere in gran numero e fra marinari, e padroni de’ vascelli”, it decided to delegate such cases to the deputy of the month, who was elected on a case by case basis within the judiciary and mainly handled onboard conflicts arising from non-payment of wages or shares owed to sailors. Although this did not include cases involving injury or murder: in such a case, the criminal trial would be brought before the entire judiciary, formed of five members belonging to the Genoese patriciate, who were elected by the two Colleges and the Small Council with at least three-fifths of votes. The members of the judiciary would remain in

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<sup>61</sup> Pardessus 1828, 541.

office for twenty months and their office would then be renewed once every four months, although they could not be re-elected to the same position for three years running<sup>62</sup>.

When browsing through the files of civil records in the Registrars' archive, we frequently stumble across proceedings against people who had not complied with their maritime loan contracts. For example, on 3 March 1750, Reverend Costantino Barone from Diano, a small town in the far west of Liguria, had invested 1,500 lire to support his two grandchildren in the vessel of a skipper by the name of Paolo Pissarello for a return voyage to Sardinia. However, he never received repayment of either the capital or the interest, despite granting an endless number of deferments<sup>63</sup>. We also find a plethora of records in the court's paperwork: on 18 June 1717, the vessel of the skipper, Lorenzo Garello from Portofino, was seized and chained to one of the quays in the port of Genoa, since he had not repaid his loan of 200 lire plus interest, once his voyage to Calvi in Corsica had duly finished; while on 3 January 1718, Mrs. Maria, the widow of Gio. Batta Mariani, demanded payment of 20 lire from a maritime loan which her husband had agreed with the skipper, Matteo Lucchetta, in 1705, but had never received<sup>64</sup>.

The daily trade in the bottomry financing mechanism led to all kinds of abuse, resulting in real cases of fraud. In many circumstances, skippers used to agree inflated loan agreements and "doppo d'haver preso tutte quelle maggiori somme che a loro sarà riuscito d'havere, van machinando i mezzi per non pagare, di modo che ben inteso poco temendo il castigo di Dio, e della giustizia fanno bella posta con danno universale delli interessati naufragare i loro propri vascelli e merci", thereby pocketing all the money to the detriment of investors. In Genoa, to avoid this kind of fraud, all maritime loans agreed in the city had to be recorded on the special register held by the clerk of the Maritime Registrars: "Sarà tenuto il cancelliere del Magistrato de Conservatori di Mare far vedere a tutti coloro che lo richiederanno li conti di tutti quelli che vorranno prender denari per simili negozi et in quella forma darà mano alla fabbrica di novi vas-

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<sup>62</sup> ASG, *Conservatori del Mare*, f. 444.

<sup>63</sup> ASG, *Conservatori del Mare*, f. 191.

<sup>64</sup> ASG, *Conservatori del Mare*, f. 340.

### The maritime loan as a form of small shipping credit

celli et al comodo di molti negoti, non potendo più per l'avvenire succedere l'inconveniente che caggionava per il passato la malitia di molti marinari d'ingannar coloro che con essi s'interessavano nelli negoti"<sup>65</sup>. In order to further address any abuse by skippers, the consuls were required to apply stricter controls over the compilation of records in the event of shipwreck. The obligation of Genoese skippers to record all maritime loans, including those agreed outside the city's domain, was governed by the Law of 1668 and its subsequent updates from 24 November 1707.

Notwithstanding the abuse and fraud devised by the captains, the maritime loan, in all its forms, played a key role in the development of maritime trade from ancient times and has stretched, almost unchanged, right up to the present day. Now, however, the majority of maritime financing passes through the hands of banking institutions, brokers and financial intermediaries, finally leaving behind the informal credit market it used for such a long time.

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<sup>65</sup> ASG, *Conservatori del Mare*, f. 444, 15 marzo 1655.



# Southern Italy informal credit and markets during the modern age: the *alla voce* contract

ALDO MONTAUDO

According to the assertion of Ferdinando Galiani in the XXII annotation to the essay “Della Moneta” (1750) in the 1780 second edition, the *alla voce* contract “is nothing else than a sale of unripe fruit paid in advance with uncertain profits”<sup>1</sup>.

Some literature still influences its historiography interpretation by considering it a sort of usury, an oppressive attitude by some farms which slowed down and affected the growth and developmental processes of southern countries<sup>2</sup>. Actually, a recent contribution defined it as an “institution”, in terms of formal and informal rule which, by reducing uncertainty and transaction costs, facilitates and promotes exchanges; an “institution” which, as regards wheat, is an original solution since it fits different markets and connects close (local), open (internal, international) and public markets<sup>3</sup> (*annona*, military provisioning).

Such an interesting interpretation, full of further implications, leads to an analysis of the contract as informal credit, quite widespread in modern Southern Italy, which facilitates exchanges within a context featured by the property rights breakdown on products.

## 1. Alla voce contract

It is well known that the *alla voce* contract functions as both exchange and credit at the same time during the modern age. The con-

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<sup>1</sup> Galiani 1780.

<sup>2</sup> Chorley 1965; Macry 1972, 851-909; Id. 1974; Placanica 1982.

<sup>3</sup> Ciccolella and Guenzi 2008, 41-79. Refer also to my contributions on an analysis of the contract in oil markets (Montaudo 2005) e del formaggio (Id. 2002, 291-344).

tract is a forward<sup>4</sup> and deferred sale, an advanced trade of future products. The - money, in kind, total or in advance - payment is in advance, before the productive cycle starts, while the delivery is deferred to production. The advance payment occurs when the contract is drawn up, while prices and quantities may vary; they are defined after the crop (production) when, after fixing the price (*voce*), the quantity of goods the seller has to deliver is determined<sup>5</sup>. In different product markets the contract is applied and spread, the *alla voce* buyers (creditors) - to compensate the loan (advance) to producers (debtors) - are given more economic advantages than prompt delivery buyers (without an advance) and an interest rate which, more or less implicitly, according to different markets and compared with the short term loan, is commensurate with the difference between the *voce* and current production prices.

In South Italy during the modern age, the *alla voce* contract was generally used to buy cereals (wheat, barley, and then oat) and other rationing goods (oil, cheese), apart from other foodstuff (wine, almonds, saffron) and textile products (wool, silk, linen and hemp)<sup>6</sup> in advance. The loan itself is a short term credit lasting less than a year, because the advance (in kind or money) is generally accomplished during the sowing or before the beginning of production, while its return (in kind, with some exceptions) occurs after the crop or when production has finished. The origins of the contract, which probably started to be used in the 15<sup>th</sup> and spread in the 16<sup>th</sup> century at least in Capitanata, the central cereals production of Tavoliere delle Puglie where the *voce* of San Giovanni Rotondo emerges, are not easy to trace due to the extensive use of different kinds of advance purchases including the *alla voce* contract<sup>7</sup>.

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<sup>4</sup> This expression may create semantic confusion with the current credit meaning (ex. forward sale of credit instrument).

<sup>5</sup> In another kind of contract, the quantity is known from the beginning, while the advance payment corresponds to the product peck (ex. as regards wheat, un ducato a tomolo), with the price fixed the payment in full is inferred, (Galanti 1789, 277-80).

<sup>6</sup> Within the pastoral economy in Puglia, the bread *voce* was fixed in May, (De Dominicis 1781, 406-40; Salvemini and Russo 2006, 123-24). Similar trades also occur in coral fishing, and generally, in the fisheries sector see Prammatica De Piscatu Coraliorum, 14 aprile 1790.

<sup>7</sup> The *alla voce* contract seems to be used only in Southern Italy. It is thought that, due to similarities with the *alla meta* contracts commonly used in Sicily (Cancila 1983,

Nevertheless, over the centuries or at least in the late 18<sup>th</sup> century, legal transactions were difficult to define so that the *alla voce* contract is considered an atypical contract whose definition belongs to “commutative justice” and is a reminder of the negotiating autonomy of the counterparties. Consequently, under the influence of space-time dynamics affecting the changing social and economic relationship between actors in modern Southern Italy, the *alla voce* contract has heterogeneous historical significance and structural features among both the commodity markets, different in terms of goods (wheat, oil, wool, etc.), and those which, even if dealing with the same goods (ex.: wheat), coexist and overlap in the south.

Despite these premises, the *alla voce* contract seems to have spread in Southern Italy, according to what Galiani stated in 1750: “our trade, which is carried on without money being the Reign not able to provide any, exists thanks to the voce”<sup>8</sup>. And although some surveys of the quantity are still missing, in the late 18<sup>th</sup> century the wide debate involving institutions, reformers and social ranks seems to confirm the abbot’s<sup>9</sup> statements. But even in the early 19<sup>th</sup> century when the administrative procedures regarding the *voci* seem to disappear, the central and peripheral organisations, intermediate institutions and economists are elaborating new reforms and rules<sup>10</sup>.

## 2. The credit markets

However, it is possible to agree with the literature by stating that the *alla voce* contract refers to the issue - not only in the south - of countries’ debt and credit forms adopted by different farms (for prop-

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157-65), the contract had been known since the first half of the 15<sup>th</sup> century in continental South Italy, as attested by the *alla voce* prices of wheat and barley fixed in 1462-1540 in Naples (Carli Rubli 1760, 89-113).

<sup>8</sup> Galiani 1750, 145.

<sup>9</sup> Montaudo 2005, 77-104, 415-43.

<sup>10</sup> On the *voci* in Foggia, see Archivio di Stato di Foggia (from now on ASFG), Amministrazione del Tavoliere. Scritture dell’ufficio, f. 22. It is important to note, in the 19<sup>th</sup> century debate, the contribution preceded by another similar treatise (Afan de Rivera, barone Durini, Nicola Santangelo, ecc.), by (Bianchini 1834). Also refer to (Di Biasio 1981, 164-79).

erty rights, dimensions, incomes, commercial attitude and market relationships, etc.) over the centuries. In modern age agriculture, debt is a “permanent feature” since it continually involves, with differences and according to cycles and junctures, all the country’s social ranks: from small farmers to great tenants and feudal landowners, from bourgeoisie to clergy up to whole communities, villages and towns. All the features, procedures and aims relating the in kind or money loans used by the different agricultural categories may vary according to demographic assets, local contexts, credit and goods markets, fiscal and distribution systems, etc. developed in the modern age (which will be only mentioned). The *alla voce* contract on the one hand refers to the countries’ debt and credit and on the other hand has definite connotations in the moral economy<sup>11</sup> of modern age South Italy by taking on general economic significance and a specific importance in the production, distribution and fiscal patterns of the product markets it refers to. Even if it functions as exchange, the *alla voce* contract remains a means of credit. Consequently, it has a historical meaning in comparison with the market structure and development, or better, it depends on the credit market it enters, refers to and spreads.

In this regard, Southern Italy during the 16<sup>th</sup> century saw a shift in the credit market: the foreign bank-mercantile system (from Liguria, Tuscany, and Geneva), still flourishing in the early part of the century, slowly disappeared to pave the way for public banks in Naples<sup>12</sup>. The process on the one hand presents some original aspects (certificates of credit as notes); on the other hand it confirms, like an element of continuity, the centrality of Naples as the only benchmark for credit in the south, since there were no banks in the provinces. This element did not change until the late 18<sup>th</sup> century, when the reformers tended, in vain, to increase the formal credit offer (bank deposit and circulation)<sup>13</sup>. The lack of formal credit in the provinces and, however, the insufficiency of the credit offer coming from public banks in Naples, accompany and coexist with one another in South Italy during the modern age with the widely spread and more or less codified and

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<sup>11</sup> Edward Thompson 1991.

<sup>12</sup> Brancaccio 2001.

<sup>13</sup> Balletta 2000, 42.

ruled formal credit markets, which had been able to provide the producers and farms with funding according to goods and commodities since the late middle ages. There is no opposition between these two kinds of credit markets (formal and informal), because informal credit activities were enhanced thanks to the money offers of the banks in Naples, as often occurs with commodities (wheat, oil) affecting several markets (local, public, internal, international). In these cases, the intersections between different credit markets favoured those mediators who could access credit from public banks in Naples or could use other credit means (bill of exchange)<sup>14</sup>, thanks to the foreign markets. This is the context, described in general, in which the *alla voce* contract lies, even if - it is important to underline - it is one of the ways in which the informal credit markets meet the southern producers' credit needs. Like many other Italian and European realities, informal credit during the modern age is divided into several submarkets which, according to their peculiarities and purposes, may offer a wider range of funding schemes (such as the pledge or the bill of exchange). As to the production loans, apart from advance purchase, other "adversary formulas" such as mortgage or *censo bollare* (trade of annuities) spread in South Italy, and it is necessary to analyse them in order to understand the *alla voce* contract<sup>15</sup>. As regards wheat, there are also the wheat Monti which, by helping the weakest producers with in kind loans at low interest rates, provided, notwithstanding the high number, insufficient credit in the late 18<sup>th</sup> century compared to commercial and productive needs<sup>16</sup>.

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<sup>14</sup> Chorley 1965, 108; Montaudo 2005, 90-2. Cfr. Macry 1974.

<sup>15</sup> Placanica 1982, The bill of exchange is diffused in the commercial field, but as regards the production loans, only landowners seem to use them, (Nardella 1984, 64-5). "Exchange" loans, quite heavy for producers, were rare forms of credit rationing, described at the end of the 18<sup>th</sup> century in wheat (ASFG, Dogana delle pecore, s. I, f. 12791, a. 1798) and oil markets (Diodati 1790, 101-02).

<sup>16</sup> In the second half of the 18<sup>th</sup> century, there were more than 500 Monti frumentari, apart from the counter-cyclical governative one, built in 1781, (Di Biasio 1981, 152-53; Avallone 2006; Chorley 1965, 108; Montaudo 2005, 90-2). Cfr. (Macry 1974). (Placanica 1982). The bill of exchange is diffused throughout the commercial field, but as regards production loans, only landowners seem to use them, (Nardella 1984, 64-5). "Exchange" loans, quite heavy for producers, were rare forms of credit rationing, described at the end of the 18<sup>th</sup> century in wheat (ASFG, Dogana delle pecore, s. I, f. 12791, a. 1798) and oil markets (Diodati 1790, 101-02).

### 3. The right price

The informal credit markets are still generally looked on at the beginning of the modern age, because they contemplate a more or less simulated interest. They have risked incurring ecclesiastical convictions and governmental blames as usurer contracts since the late Middle Ages. However from the 13<sup>th</sup> to 16<sup>th</sup> centuries, thanks to a doctrinaire consideration which came from St. Thomas to the second scholastic philosophy through the Franciscan school, some credit and mercantile procedures became - in conjunction with certain conditions - licit, not usurer according to the "right price" theory<sup>17</sup>. The scholastic movement deals with the concepts of *lucrum cessans*, *damnum emergens* and *periculum sortis* and represents an important contribution to the expansion of commercial spaces and the diffusion of credit towards the modern age. As regards advance purchases (*venditio ad terminum*), "the right price" determines some differences which distinguish it from usurers: 1) the price in the contract corresponds to the delivery price at harvest time and in terms of *latitudo* as a range of admissible minimum and maximum values; 2) the concept of price as *communis aestimatio*, a "social fact" involving not only the actors but also experts, consultants, *boni viri*, *boni*, etc., to determine the goods value; 3) equal advantages, in the name of *aequalitas*, for both contractors; 4) the counterparties' free will in subscribing to the trade; firm commitment is an important aspect in the new scholastic, where thomistic belief seemed to underline the necessity of rewarding the production costs of the sellers.

The "right price" theory helps to stress the main elements of the contract which, more or less mentioned in the formation of the *alla voce* price, will be analysed again by Galiani in the late 18<sup>th</sup> century<sup>18</sup>. During the 16<sup>th</sup> century, the scholastic contribution is accepted by the Reign of Naples, where it becomes a governmental way to support

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<sup>17</sup> On the voce as "right price", refer to (Ciccolella and Guenzi 1981, 52-7). About the "right price" see, (Barile 2010; Capitani 1958, 299-363; Todeschini 2002; Vismara 2004; Id. 2009).

<sup>18</sup> The importance of the voce "public faith" (public procedure), as "fixed price but not compulsory" (contraents' freedom) and of the counterparties' "moral equality" is expressed in the abbot's relating contributions, (Montaudo 2005, 93-5).

the *alla voce* contract in comparison with other forms of advance purchase. At first in 1559, the sale at fixed price<sup>19</sup> is forbidden. Then, two acts in 1596 forbid the “first prices”<sup>20</sup> sales too.

In the first case, the prohibition is connected with the diffusion of “low fixed prices” which, even if they are comprehensible in commercial terms, are less profitable and free from current quotation in production time; consequently they do not correspond to that *latitudo* accepted by the “right price” theory. After all, not even the first current quotation after the crop is sufficient to determine the non usurer attitude of the other contract, since the “first prices” often do not suggest the offer and they might, after defining production, be inferior to that minimum threshold of values (*latitudo*) which brings some advantages to the actors and damage (illicitly) to the producer.

In other words, in the second half of the 16<sup>th</sup> century, government intervention in advance purchases admits that the *alla voce* contract is less oppressive than other kinds of contracts (determined prices, “first prices”) and probably facilitates its spread<sup>21</sup>. Advance purchases are random contracts with an elevated level of uncertainty, due to the price postponement, which could be damaging (or unprofitable). The late 16<sup>th</sup> century government prefers the *alla voce* contract within the context of the moral economy because it reduces uncertainty, it does not use fixed prices out of production, which is damaging for producers, and it is linked to the current prices after the crop - which is better than “first prices”.

In this context, Galanti’s statement that the “farmers” tendency to defend themselves from the strong counterpart’s “rapacity” (barons, merchants) is the origin of the contract<sup>22</sup> and the cereals producers’ theory in Foggia asserting that, in 1738, the *alla voce* rules protect the “poor farmers” from the merchants’<sup>23</sup> “abuses”, are more comprehensible. Actually it is historically proven that in the second half of the

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<sup>19</sup> Prammatica De Emptione et Venditione, 22 agosto 1559. It is interesting to note how the prohibition of “money advanced at fixed price” is repeated in a critic moment with a dispatch by Ferdinando Corradini’s edit on 9<sup>th</sup> September 1795, (De Sariis 1797, 45).

<sup>20</sup> Prammatiche De Annona Civitatis Neapolis, et Regni, 13<sup>th</sup> and 23<sup>rd</sup> March 1596.

<sup>21</sup> Ciccolella and Guenzi 2008, 51.

<sup>22</sup> Galanti 1781, 70.

<sup>23</sup> ASFG, Dogana delle pecore, s. I, f. 12728.

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16<sup>th</sup> century, the viceroys' interventions on forward sales and debtors' protection, above all on the farms which produced the most cereals in Puglia, wanted to exploit men and structures belonging to the Dogana di Foggia and the highest institutions of the Reign to buy the wheat *alla voce* on the basis of the ration provisioning of the capital city<sup>24</sup>.

#### 4. A privileged credit

The *alla voce* contract, as an atypical transaction referring to "commutative justice" and to the negotiating freedom of the counterparties, defines itself, within the rules of the modern age, under the influence of the "actors"<sup>25</sup>. A 1575 measure shifts the date of the wheat fixing *voce* of San Giovanni Rotondo from Sant' onofrio fair (11<sup>th</sup> June) to Santi Pietro e Paolo fair (29<sup>th</sup> June)<sup>26</sup>; it creates a real temporal shift, probably in order to better identify production levels and the quotations of contractual obligations, where fixing the price at the beginning of the month was meant to be associated with the "first prices" procedures. This event does not prevent the Foggia "square" from becoming an important fair and the main benchmark for cereal prices in the early 17<sup>th</sup> century and it gradually postpones the *voce* fixing to the end of each August until the 17<sup>th</sup> and 19<sup>th</sup> centuries<sup>27</sup>.

The *prammatiche* (laws) published between the 16<sup>th</sup> and 17<sup>th</sup> centuries do not eliminate government intervention on the *alla voce* contract. It is important, in fact, to take into consideration all the lesser known announcements, dispatches, jurisdictional measures, disposals, etc spread by the institutions and local courts. The 1788 reform - which considers the average of current prices as the criterion to determine the *voce* - is, for example, accompanied in its elaboration and accomplishment by several institutional interventions and loads of

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<sup>24</sup> Nardella 1992, 52-3. The concept of "abundance" occurs again in the rationing issue of the period, (Sabatini 2008, 143-62; Tapia 1998).

<sup>25</sup> Ciccolella and Guenzi 2008, 73-5.

<sup>26</sup> *Prammatica De Nundinis, seu Feriis*, May 29<sup>th</sup> 1575. The *Prammatica De sponionibus mercatorum, et aliorum*, 23<sup>rd</sup> May 1567, forbade each bet on San Giovanni Rotondo *voce* to avoid the cereal market prices being modified.

<sup>27</sup> About the Foggia *voce*, (De Dominicis 1781, 226); the price fixing procedures in ASFG, Dogana delle pecore, s. I, bb. 358-61.

measures (dispatches) aiming at defining specific rules for the commodity markets involved<sup>28</sup>. In the formal rules, which had been controlling the commodity markets since the 16<sup>th</sup> century, it is possible to see confirmations and limits regarding the *alla voce* contract spread. For example, in public markets, the reorganisation of the Annona in Naples (1496) emphasises, as regards cereal provisions, the supply contracts established with merchants (parties) and embraces privileges and immunities for wheat producers, without preventing the landowners and commercial operators from playing an important role in the *alla voce* purchases and rationing supply<sup>29</sup>. The system, almost contextually, identifies a sort of “rationing stock tank” 30 miles away from Naples where the *vaticali*'s (small merchant's) activity is admitted, while each mercantile “hoarding” has been avoided as well as the *alla voce* purchases since 1544, as the Capituli Ben Vivere and the following prammatiche assert<sup>30</sup>.

Moreover, while the *partiti* and mercantile mediation are used in public markets, “good administration” has prevented the southern municipalities (Università) from going into *alla voce* debt since 1606, to avoid financial risks and disorders<sup>31</sup>.

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<sup>28</sup> On the 1788 reform, established with the De Annona Civitatis Neapolis, et Regni prammatica, 30<sup>th</sup> July 1788 and pointed out with the following Prammatica CIII, as well as the relative debate, (Montaudo 200, 415-43).

<sup>29</sup> In Foggia, in the first half of the 17<sup>th</sup> century, the role of the feudal aristocracy, town noblemen and some bourgeoisie exponents prevail over merchants in Naples and outside, both in the cereals “hoarding” and trade, (Nardella 1992, 48-53).

<sup>30</sup> The prohibition on buying *alla voce* wheat (1544), repeated in 1591-92 and 1647-48, seems to diminish under certain conditions in “critic periods”; see “wheat” in Capituli del Ben Vivere included in the Prammatica I under the XVI title Annonariae Urbanae Leges. Within the so called 30 miles, the De Annona Civitatis Neapolis, et Regni prammatica, 7<sup>th</sup> July 1592, forbids *alla voce* transactions, which were authorised to let the farmers of Terra di lavoro sow; previously, another disposal on 30<sup>th</sup> April 1586 had forbidden forward purchases. Up to the end of the 18<sup>th</sup> century, the prohibition of *alla voce* cereals loans is repeated several times (3<sup>rd</sup> July 1648, 23<sup>rd</sup> May 1678, 11<sup>th</sup> August 1694, 15<sup>th</sup> September 1701 and 19<sup>th</sup> June 1794).

<sup>31</sup> Since the 16<sup>th</sup> century, the universities had been prevented from selling “unripe fruit before the crop”, De Administratione Universitatum Prammatica, 15<sup>th</sup> December 1559. A prammatica edited on 28<sup>th</sup> June 1606, with the same title, prevents the southern municipalities from taking “*alla voce* money”, and is repeated by the following measures on 5<sup>th</sup> September 1650 and 12<sup>th</sup> February 1729. Also the De Censibus Prammatica, which can be traced back to 20<sup>th</sup> April 161, has the same attitude.

The rationing issue is one of the governmental interests. The lands of the Tavoliere were arranged in the 15<sup>th</sup> and 16<sup>th</sup> centuries to protect, together with the estate of agricultural (wheat) and pastoral (wool, herds, dairy products) activities, the fiscal incomes that the Court gains from sheep customs (*fida*) and land and vegetable rental. Generally, for goods within the open markets (internal, international) - oil, silk, wine, saffron, etc. - the government has to grant functional prices that facilitate internal flows in the commercial circuits and pledge important fiscal incomes to the foreign market (route and consumption rights, other specific and *ad valorem* taxes)<sup>32</sup>. Some government interventions on wheat aim at keeping the *alla voce* prices low, neither too low to avoid production damages nor too high, to protect the “poor” (rationing supply) and commercial circuits. This issue was faced by Galiani and used by the *alla voce* buyers themselves (merchants)<sup>33</sup>.

In this context, however, there are some important aspects in the 1613 *prammatica* regarding the diffusion of the *alla voce* contract which seem not to be taken in the right way. The above mentioned measure is interesting, first of all, because it defines the contract as a production loan: on the one hand it depicts a connection between the maximum supply credit and the land to be farmed; on the other hand it binds the loan itself and the sowing and mowing expenses. The most important part, anyway, imposes the public form on the legal transaction and turns the *alla voce* loan into a privileged credit compared to other “deceptive” and “mortgage” credits<sup>34</sup>.

The disposal aims at repairing the disorders and breakdowns in the informal credit market (*alla voce*), whose effects, leading to an

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<sup>32</sup> Marino 1992; Guenzi and Rossi 2013, 111-28; Bevilacqua 1987; De Rosa 1958.

<sup>33</sup> A low *voce* can be read in the above mentioned *prammatica* De Nundinis, seu Feris, 29<sup>th</sup> May 1575, “it damages the farmers” who provide “abundance to the Reign”, while a high price may damage creditors, “and the entire Reign” above all the poor; the law is cited by merchants in 1762, ASFG, Dogana delle pecore, s. I, f. 12762. Su Galiani, (Montaudo 2005). All the banners on the *voce* are forbidden, as can be seen from the De Extratione, seu asportazione *Prammatica*, 27<sup>th</sup> September 1679, which, by accusing merchants and farmers in Puglia of being conniving with the rise in prices, forbids export and connects the prices to production costs.

<sup>34</sup> The *alla voce* loan, like the landowners’ one, is a privileged credit subject only to the Court credit for terre salde rental, *Prammatica De Annona Civitatis Neapolis, et Regni*, 2<sup>nd</sup> November 1613.

enormous legal dispute, slowed wheat distribution by causing many problems with demand and damaged the production patterns that depended on credit advances. The ratio lies in protecting general interests with a credit rule system in order to allow a rise in local market production and a rapid and suitable allocation of resources for market demand. In this way, the law, on the one hand, ensures that the contract is drawn up at low prices in the presence of public officers (*mastro d'atti*) and local notaries (coming from the farmers' place of production); it predicts protection for both parties, above all the weakest one (producer-debtors), as well as centralised control of the given loan. On the other hand, by imposing the public form on the contract, it turns the *alla voce* loan into a privileged form of credit, thus strengthening trust in the contracts. This measure, in fact, pushes the creditor-buyer to provide the producers with advances in a safer way, allowing him to gain goods delivery in order to allocate to the sales market faster, thanks to the "privilege". The *alla voce* negotiations occur in Southern Italy during the second half of the 16<sup>th</sup> and the beginning of the 17<sup>th</sup> century and become a privilege credit just when other forward purchases, based on fixed prices and "first prices", tend to be banned and almost replaced together with the disappearance of the old Tuscan and Genoese bank systems.

## 5. The *alla voce* price

The postponement of the production market prices carried out by the contract requires the analysis of *alla voce* development and the - often disobeyed, unsaid and misunderstood - interest rate of capital advanced by the buyer.

In South Italy during the modern age, the *voce* is a legal price, fixed once a year, after the crop, by the local authorities after a public procedure. It is the (public) official quotation of the production price, realised after the harvest, within a certain commodity market to regulate contractual obligations. Odazi and a wider literature assert that the price is fixed at the highest demand, while the seasonal prices show their minimum level compared to the annual movement<sup>35</sup>.

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<sup>35</sup> Odazi 1782, X; Id. 1783.

It is appropriate to make some remarks about this issue before analysing the procedures. The semantic universe of the *voce* - a synonym of price related, market price, news, etc. - is quite broad during the modern age; however it is not appropriate to support the assimilation between the *alla voce* price and provincial *voci*, even though it does not reduce the importance of Macry's reconstruction of southern wheat markets in the 18<sup>th</sup> century<sup>36</sup>. Any comparison of *alla voce* prices that aims at gaining mercantile profits cannot disregard a correct calculation of the goods which, in a given market, are different depending on weight, measure and quality<sup>37</sup>. Moreover, it is important to carefully consider the statements of those one sided and involved merchants, producers and reformers who interfere with the *voci*, above all in the 18<sup>th</sup> century. Moreover, it is quite necessary to avoid the mistake of using the sources following the 1788 reform to make deductions about the traditional *alla voce* price procedures, because the result is a formal rule - correspondence between the *voce* and the average price - which was hardly applicable.

During the modern age, the *alla voce* price is established within a public assembly, under a local authority and according to a procedure deriving from formal (codified) and informal (values, attitudes) rules which became established over the centuries<sup>38</sup>. The presence of the authority as third arbiter legitimates the *voce* price and the public and official agreement achieved by the counterparties. Actually, as regards the wheat *voci* in Foggia, the role of the local authority (the customs officer) grew at the end of the 17<sup>th</sup> century so that it functioned as joint to control prices centrally<sup>39</sup>. Unlike the local *voce*, however, the counterparties can have recourse (claim) to institutions or to central courts which, at different moments, are responsible for the issue (Camera della Sommaria, Council of Finance, then the Great Court of Auditors).

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<sup>36</sup> Macry 1974, 15-31. The several peripheral *voci* sent to the Camera della Sommaria are current prices (price-related).

<sup>37</sup> In two oil markets, such as Gallipoli and Bari, both export-oriented, there exists, for instance, an important difference between the capacity measure of the first (*salma*), where the voice quoted the wort oil, and the second one fixing both the clear and wort oil; the two measures were different from the *salma* in Naples.

<sup>38</sup> On the reasons denying the *voci* procedures as a habit, see (Bianchini 1835)

<sup>39</sup> De Dominicis 1781, 226.

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Moreover, recent theory, asserting that the *voce* fixing is, above all, a *quomodo* rather than *quantum* issue, is less convincing. First of all, because the different local - also existing - procedures have a common matrix recalling the “right price” and mirroring a complexity, which may vary according to the commodities, regarding the importance that the *voce* of a certain “square” covers in the product market. Secondly, because, hiding the *quantum*, i.e. the *voce* level compared to the current prices after the crop, means not avoiding the sensitive issue of the interest rate on advance capital. Apart from the several economic variables taken into consideration for the *alla voce* fixing prices, above all for the most important ones, the fixing of the legal price, according to available sources, responds to three requisites: 1) the public authority’s decree (decision), in cooperation with consultants and other figures; 2) the counterparties’ involvement in the decision, through attorneys and representation mechanisms (deputies); 3) analysis of the micro (agricultural companies) and macroeconomic (stocks, production levels, demand, sales markets) background as well as current price dynamics. The *alla voce* price, decreed and proclaimed by the public local authority with the help of consultants, is a decision proceeding through consent, represented by various exponents of the “legal transaction” whose counterparties freely signed the agreement and considered, just because the *voce* is a “right price”, that there were reciprocal advantages to be achieved by buyer and seller. For this purpose, apart from current prices, production costs, unsold stocks, quality and quantity of crop, sales market demand (public, internal and international) etc., can be taken in consideration to find a “balance point” granting mark-ups for both parties in the name of *aequalitas*. These elements, included in the *alla voce* “right price”, shifted from the scholastics to Galiani’s interpretation<sup>40</sup>.

## 6. Voce, loan and interest

Galiani himself, in a 1782 essay, asserted that “the *alla voce* price is not the real and effective price, but it has to be eight or ten per cent in-

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<sup>40</sup> See, *supra*, note 18.

ferior: otherwise it would damage those who advanced the money"<sup>41</sup>. The abbot's statements lead to the analysis of the *quantum*, in other words the *voce* level compared to current price after the crop; this issue recalls the advanced capital interests linked to the buyer's profit.

With this purpose, a "common thread" associates, in literature and in late 18th century debate except for few critics like Palmieri<sup>42</sup>, those who generally stress the high *alla voce* buyers' profits and others who, instead, recently focus on contract as exchange without analysing credit. The common matrix is the belief that there is no granted "reduction" in the legal price fixing for buyers (sometimes higher, others lower than current prices). While some critics connect the *alla voce* price to the "right price" established locally according to the average or current prices themselves<sup>43</sup> in a tautological way, traditional historiography asserts that the contract would be based on an "unequal exchange" which uses the "element of time" by replacing "the seasonal cycle of prices with the fixed rate of interest system as profit guarantee"<sup>44</sup>. The paradox is that in doing so, not even the *alla voce* contract would be usurer, because the buyer wouldn't be given any interest on the advance, unless attention was focused on the "huge" profits the buyer achieved by making money out of "the price variations during an agricultural year"<sup>45</sup>. Consequently, Galiani - who believed that *alla voce* prices are inferior to current ones - is considered a supporter of buyers (merchants) and southern market interests<sup>46</sup>. After all, the sources regarding *alla voce* fixing do not help disentangle a subject which will be deepened in the future and is deficient in quantitative analysis due to the lack of information on prices during the crop. A qualitative approach, however, may indicate the "rule", in Gaussian terms, applied by local markets to fix the legal price.

It is possible and historically proven that, sometimes in connection with the producers' economic difficulties and catastrophic and

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<sup>41</sup> "The real price of goods - he adds - has to be evaluated by calculating eight or ten per cent more than the voce", Archivio di Stato di Napoli, Ministero delle Finanze, f. 2885 bis, Ferdinando Galiani to the king, 25<sup>th</sup> December 1782.

<sup>42</sup> Montaudo 2005, 434-38.

<sup>43</sup> Ciccolella and Guenzi 2008, 61-3.

<sup>44</sup> Macry 1972, 878.

<sup>45</sup> Ibidem.

<sup>46</sup> Macry 1974, 16.

extraordinary events, the *alla voce* buyers aren't given a reduction on current quotations according to that "commutative justice" which is innate in the concept of the *voce* as "right price". This does not mean that, at least until the late 18<sup>th</sup> century, the *communis aestimatio* do not grant a reduction on the current price for the buyer, considering the advanced capital. On the contrary, as the analysed sources show, "normally" in assembly procedures, it is common to "moderate" the *voce* on current quotations for the amount of money provided and blocked<sup>47</sup> by merchants; or to concede an "honest gain" or "reimbursement" for "the risk they take by providing the farmers with the loan several months before and keeping it inactive"<sup>48</sup>.

For the whole of the 18<sup>th</sup> century, the wheat *voce* in Foggia - one of the fewest that is possible to analyse through a quantitative approach - is "normally" inferior to average current prices, except for some cases, or it lies in the quotations latitude, in an intermediate band, definitely lower than maximum levels<sup>49</sup>. Bitter quarrels on the *voce* in Foggia, between producers and merchants, about the prices to be included in that "accumulation" (weighted average) considered by farmers the main criterion to fix the legal price, have been dragging on for centuries. However, the producers from Puglia do not seem to criticise a convenient treatment of production prices at least until the mid-eighteenth century<sup>50</sup>. Even in other commodity markets, although the *alla voce* contract has particular features, the sellers tend to concede more advantages to buyers than those who are not involved in the advances. On the wool *voce*, established by the customer officer, foreign demand and the pastoral economy seem to play an important

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<sup>47</sup> Montaudou 2005, 81-9.

<sup>48</sup> The expression is repeated, for instance, in 1748-50, ASFG, Dogana delle pecore, s. I, ff. 12738-12740.

<sup>49</sup> In 1737-63, the *voce*, except for four cases, is always more than 10% inferior to the maximum current prices as shown by Spogli degl'atti delle voci delle vettovaglie, ASFG, Dogana delle pecore, s. I, bb. 358-61; see (Macry 1972, 303), tab. 3. From 1766 to 1776, the custom *voce*, even before the reductions by the Sommaria, is generally lower than current prices, except for two cases, ASFG, Dogana delle pecore, s. I, f. 12766; see (Macry 1972, 875). The legal price in Foggia is the closest to current prices as is noticed by (Odazi 1782) mentioned by (Macry 1972, 905).

<sup>50</sup> Only in 1776 do Puglia "farmers" consider an inferior *voce* to current prices a user; actually, the theory is a reaction to heavy clauses predicting interest on the advance for merchants until May, ASFG, Dogana delle pecore, s. I, f. 12776 (a. 1776).

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role; the buyers, on behalf of *locati* (herd producers) and on their own, gain consistent commissions, an interest on the “short default” and quantitative advantages for “sfrido” (product waste and loss of wool weight in the “sfondacatura”) to compensate the advances from sellers, not to mention that, in 1762, “*sotto voce*” prices are allowed<sup>51</sup>. In the Foggia cheese market, despite the bitter contraposition between the *Generalità dei locati* and the *coratini* merchants, the *voce* fixing accounts for juncture difficulties which, not infrequently, affect herd producers, but at the same time, give reductions and market price releases to buyers (creditors), thanks to a formal agreement signed by the parties in 1712<sup>52</sup>.

It is not appropriate to assert that the *voce* is the “return price” because the expression underlines that different quantities would be the exchange object - in the advance and delivery phase - to emphasise an unequal exchange<sup>53</sup>. In fact, if the product value in the advance phase becomes the focus, it remains fixed, if the goods are evaluated with current prices in the delivery<sup>54</sup>. Actually, as explained before, the buyer is given a “moderation”, a “reimbursement”, a reduction to the current price. Consequently, the interest gained from the advances, as cited by Galiani, is neither fixed nor constant but “uncertain”, changing, indeterminate, because it is referred to future public decision and common evaluation approved by the local authority. The *alla voce* price is characterised by its “average”, its intermediate value between two extremes - too low, too high - compared to the real prices of production. This means that the *voce* neither corresponds to the average price after the crop nor predict a reduction (interest) for the buyer. This is the case at least until the late 18<sup>th</sup> century when, in some squares, markets or universities, the producers, supported by some

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<sup>51</sup> ASFG, Dogana delle pecore, s. I, f. 12586 (a. 1740), f. 12635 (1786) e f. 12638 (1788). On the different weights of wool between “infondacatura” and “sfondacatura” see (Rossi 2007, 199-200); about the wool voci see (Marino 1992, 146-47).

<sup>52</sup> Montaudo 2002, 319-31.

<sup>53</sup> Macry 1972, 878.

<sup>54</sup> It should be more appropriate to consider the *voce* as the “clearing” price of these obligations, as sources state or tout court, the price, unknown at first, is decided in the credit and exchange contract.

reformers, tried to use the current price average as the only criterion to fix the *voce*, as was later established in 1788<sup>55</sup>.

These statements lead to distinguishing the interest on the advance from the profit gained by the buyer in the distribution of goods. The buyer, often a merchant, earns on the synchronic and diachronic variations of the prices. It is not correct to calculate the mercantile profit (of the *alla voce* buyer) on the simple basis of the seasonal differential of prices, i.e. by considering the variations between the low *alla voce* price acquired and the high prices sold when demand reduces with time. First of all, because such “profit” could be achieved by any other economic operator buying, without an advance, at current prices after the crop. Considering, as is asserted, that the *alla voce* price corresponds to the current quotations, during the modern age, buying cash ready for delivery during the crop would be more convenient in South Italy rather than paying in advance at later delivery and at the *alla voce* price. In other words in this perspective, that *aequitas*, mentioned by scholastics, between two kinds of buyers disappears, with the consequence that - as Galiani recalled and merchants showed - sellers wouldn't be given any advances to start production. And then, referring only to the price differentials (low prices during the crop, high ones in the following sales) to calculate mercantile profits means not to evaluate - and consequently underestimate - information and measurement (prices, taxes, weights, qualities and measures) and the transaction (legal, fiscal, money, goods storage costs, etc.) costs, risks and dangers (insolvency, robbery, losses, seizures and deteriorations) borne by the buyers (*alla voce* or not).

These aspects, neither known nor questioned by the producers, are mentioned in several *alla voce* merchants' essays to claim a “reduction” on current prices, “to compensate for the inferior quality [of wheat], the advance payment, the taken danger and the possible risks”<sup>56</sup>. Beside, it is said that the *voce* is a “compensative price” for the buyers who advance money, compared to those (paying cash without

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<sup>55</sup> See *supra*, note 28.

<sup>56</sup> In a 1758 essay, Foggia wheat merchants assert that the ready to deliver sales are “free” from any “bonds or burdens”, while the *alla voce* buyers receive a poor quality product (because it was chosen by sellers) linked to the payment of the *terre salde* rental and subject to other privileges, ASFG, Dogana delle pecore, s. I, f. 12748.

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advance) who are not subject to “dangers, subjection and slavery”<sup>57</sup>. Ultimately, forcing the *alla voce* creditors to receive products “at the accumulated price” would be a “strange justice”, i.e. “at that price in the square that anybody can buy”, because, in doing so, “the result is forcing anyone who sells *alla voce* to pay for goods under the same conditions of those who pay cash for high quality products without advancing or risking”<sup>58</sup>.

## 7. Buyers and sellers

Literature essays and sources attest that, in South Italy during the modern age, important merchants (and their agents), local business men, feudal and bourgeois landowners, big tenants (rich “farmers” from Puglia) and even urban ranks were involved<sup>59</sup>. In the open (international) markets, foreign mercantile producers also seem to play a role in sales<sup>60</sup>; while, in public markets - above all oil and wheat as well as cheese - Naples and other minor centres, indirectly for rationing reasons, and several contractors (absentee) personally were interested in military, canteen and hospital supply<sup>61</sup>. The access to formal credit (public banks) and the relation with foreign buyers (advance purchases) give, even without considering rationing “privileges”, a “competitive advantage” to the great markets in the capital city; the distribution of products seems to acquire, in some markets, an oligopolistic structure or a monopolistic rivalry, which does not prevent competition in other areas<sup>62</sup>. Moreover, the protagonists of *alla voce*

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<sup>57</sup> Fixing the *voce* at current prices, means - according to a 1762 essay - “forcing” creditors “to pay the above mentioned provender at the same price as those paid after the delivery without any care or danger”, ASFG, Dogana delle pecore, s. I, f. 12762.

<sup>58</sup> Food and feed Absentee’s Essay in 1787 Memoria del 1787, ASFG, Dogana delle pecore, s. I, f. 12757.

<sup>59</sup> On the urban ranks’ involvement in the silk market, (Capalbo 1988, 73-96); on *alla voce* mulberry leaf and silk sales, see (Ciccolella 2003, 44-51).

<sup>60</sup> On the influence of foreign demand on the *alla voce* contract in the oil market, refer to (Montaudo 2005, 90-2; Chorley 1965).

<sup>61</sup> In Naples and southern municipalities (universities), the *alla voce* trade has been prevented since the 17<sup>th</sup> century, but the contract with respective suppliers (parties) often refers to the legal price.

<sup>62</sup> In the oil markets, just think of the coexistence between commercial circuits around Gallipoli (oligopoly) and the (competitive) trade dynamism in Bari.

prices are several economic subjects with different financial opportunities; the buyers investing the money *alla voce* in the formal credit market or in other informal credit ones lead to a cost-opportunity which is worth analysing. It is more important to notice how the protagonists interested in *alla voce* are tied in strong binds (intersections) within a "dependence chain", proceeding from foreign buyers or the great Naples ("monopolistic", absentee) merchant to the small farmer through local merchants, landowners, rich farmers, etc.<sup>63</sup>. A further analysis of these relations would be more appropriate, but it can be guessed that these "businesses" are generally based on "reputation" and "trust" and mirror frequent relations connecting several markets (closed, open, public) continually and permanently<sup>64</sup>. The issue of the *alla voce* companies is more delicate. According to different historical periods with more or less intense procedures, the country's debt affects and interests all agricultural categories (each kind of landowner, big tenant, mid or great feudal or bourgeois landowner). On closer inspection, while mid or big tenants usually access formal credit (banks) or other informal credit (*censi bollari* and mortgages) markets, the small producers (owners or holders) cannot enter these and can only count on cereals and the insufficient offer of the wheat Monti. In order to protect the parties and, above all, the seller, the contract is supposed to have been written and drawn up in the presence of public officers (*mastro d'atti*) or local notaries since 1613.

Unlike other informal credit markets (*censo bollare*, mortgage), the *alla voce* contract does not predict any protection or guarantees by the seller who receives the advance. For this reason, the contract, though heavier than other means of credit, has few formalities and speeds up the loan. Consequently, the big producer tends to use the *alla voce* contract only to solve the problems of agricultural costs, but he "normally" - for other organisational reasons (fixed and circulating capital, workforce, etc.) - refers to softer (formal and informal) credit markets. At the other end of the spectrum, small producers, excluded from these (formal and informal) credit markets, because they are unable to give any guarantee, use the *alla voce* contract to gain the ad-

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<sup>63</sup> Macry 1972, 906-7.

<sup>64</sup> The continuity between creditors and debtors is mentioned by (Nardella 1984, 77).

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vance that, being necessary to start production, wouldn't be obtained in other ways<sup>65</sup>. It is no coincidence that the relation between the *alla voce* contract and agricultural "misery", in other words, bad conditions and difficulties for the least well-off, is underlined by many critics and reformers (Galanti, Grimaldi, Pecorari, Tortora, etc.). As partly noticed, the sources, by representing the minor debtors, stress the biggest producers' involvement as buyers lending money *alla voce* to peasants, settlers and small tenants rather than sellers. "Rich farmers" - as small cereal producers in Manfredonia denounced in 1766 - "give money" to "poor farmers", but contribute to fixing a "very low voce" to sell them the wheat again at higher prices<sup>66</sup>. In a 1758 essay written by Foggia merchants, there is controversy over the "powerful farmers", who are considered "suspicious and illegitimate people" because they are not involved in transactions and aim to increase the voce to sell "wheat and barley" at higher prices, "by damaging the poor and Annona"<sup>67</sup>. The cited cases are only two expressions - with different signs and sources - of that "complexity of interests" which, denounced by the Giunta Annonaria in 1797, is the result of the overlapping of roles affecting big Puglia "farmers", since several exponents are "important merchants" too<sup>68</sup>.

## 8. Informal credit and transaction costs

In light of this, it is appropriate to get back to the interest rate issue to draw some conclusions. Late 18<sup>th</sup> century Naples reformers, except Galiani and few others (Palmieri), are responsible for the "disappearance" of interest which is innate in the *alla voce* contract. In different essays regarding this issue, which are one-sided interventions supporting agricultural producers, the *alla voce* price corresponds to

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<sup>65</sup> On the contract as a typical credit form in favour of "small producers", see (Chorley 1965); refer also to (Montaudo 2005, 89). Macry himself makes a clear distinction between "great Puglia farmers" and "poor farmers", (Macry 1972, 906-9).

<sup>66</sup> The essay in ASFG, *Dogana delle pecore*, s. I, b. 360, f. 12766, is cited by Macry himself (Macry 1972, 909), who stresses how the big "farmers" were also merchants or were interested in mercantile capital.

<sup>67</sup> ASFG, *Dogana delle pecore*, s. I, f. 12728 (a. 1758).

<sup>68</sup> *Ibidem*, f. 12790 (a. 1797). Also see (Nardella 2000, 103).

the average price after the crop. The purpose was to show that the buyers (merchants) gained high profits, even without interest, and they contributed to creating a law, later codified by the 1788 reform and the *Prammatica CIII*, that made the average of current prices the only criterion to fix the *voce*. In fact, Palmieri believed that merchants (buyers) could establish a level of interest related to the loan period in another contract<sup>69</sup>. It is also possible that, in the current procedure, merchants chose an obvious interest rate, more or less *a latere* in the contract, as a reaction “to the accumulation” supported by producers<sup>70</sup>. Anyway, the interest owed to the *alla voce* buyer was predicted by the Civil Laws of the Kingdom of the two Sicilies (art.1446)<sup>71</sup>. Until the reforms of the late 18<sup>th</sup> century, interest - even if uncertain - was given for “equality” reasons. That said, it is possible to state, with caution, that the *alla voce* contract interest costs are, or formally seem, higher than the nominal rates in the formal credit market or current interest in other informal credit markets<sup>72</sup>. The heaviness of the *alla voce* loan is a specific issue requiring further analysis, because it has hardly been criticised in literature and also because *alla voce* credit depends on “uncertain”, indeterminate, variable and unsure interests<sup>73</sup>.

Generally, the highest interest rates linked to the *alla voce* contract find an explanation in the informative asymmetries of the sellers, in transaction costs and in the lack of contract guarantees. Other elements - such as financial opportunity costs, *risk premium* linked to *default*, monopolistic power - may affect, according to (wheat) markets and coincidences (productive, commercial and credit crises), the inter-

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<sup>69</sup> Montaudo 2005, 436-37.

<sup>70</sup> The procedure, in the Foggia wheat market, is denounced in many essays by Puglia farmers, ASFG, *Dogana delle pecore*, s. I, f. 12776 (a. 1776) e f. 12791 (a. 1798); similar cases occur in the oil market, (Salerni 1996, 76-9).

<sup>71</sup> Refer to (Liberatore 1837, 92-4).

<sup>72</sup> The heaviness of *alla voce* credit compared to the mortgage and census, is noted, for some periods, by current sources, (Palmieri 1997, 215; Salerni 1996, 77).

<sup>73</sup> Apart from the cogent opinions of (Ciccolella and Guenzi 2008, 43-4), 11 and 13 notes, on the necessity of empirical comparisons (areas, products, historical periods), it is important to underline how historiography connected the *alla voce* credit heaviness to the analysis of mercantile “profit” compared to respect for the annual cycle of prices, thus proposing again, in a more or less uncritical way, Macry’s and even before Odazi’s paradigm.

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est costs in *alla voce* informal credit<sup>74</sup>. Despite the lack of guarantee in respect of the conditions, in the local markets based on personal and frequent relations, “trust” and “reputation” tend to compensate for informative asymmetries and the *default* is, with some exceptions<sup>75</sup>, limited to a long period, so that the hypothesis of a *risk premium* associated with the *alla voce* credit cost does not, generally, seem suitable. The most plausible explanation for the highest interest rates in the *alla voce* contract probably lies in the high transaction costs borne by sellers if they wanted or could access formal credit (transportation, credit opportunities, the completion of all formalities, legal expenses, caution and guarantee and monitoring costs, etc.). If a nominal interest rate required by the banks is added, there isn’t that a great a difference between formal and informal credit so that the interest given to buyers in the *alla voce* contract cannot be considered usurer. In comparison with other informal credit markets (mortgage, *censo bollare*), the *alla voce* contract interest levels seem higher. In fact, the contract has higher *ex ante* transaction costs (search for opportunities, information about debtors) which are compensated by the softness of drafting costs and the lack of guarantees (*collateral*); actually, some transaction costs (measurement and delivery checks) are balanced by the most favourable enforcement (privileged credit), also *ex post*. However, the contract has a higher credit risk, due to the *collateral*, the lack of which makes capital recovery more difficult for the creditor despite privileged *enforcement* and in case of debtors’ *default*<sup>76</sup>. It is important to remember that risks and uncertainties, deriving from conventional interest (“uncertain”, i.e. variable, unsure), affect the *alla voce* credit heaviness which, in fact, may strongly vary in the medium term, if the interest costs are elevated or unreal<sup>77</sup>.

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<sup>74</sup> The wide economic literature on informal credit provides some interesting causes for reflection; in particular, (Aleem 1990; Daniel 2000; Ghosh, Mookherjee and Ray 2000; Haugen 2005).

<sup>75</sup> Cases of *default* frequently occur in moments of crisis, as attested in the “state” of Melfi, by (Zotta 1978, 715-96).

<sup>76</sup> Apart from the limit imposed on the maximum payable credit per field in 1613, the buyers probably reduce their credit risk by giving small loans to several producers, as attested by some cases in the late 16<sup>th</sup> century, (Marino 1992, 142).

<sup>77</sup> In 1766-76, the Foggia wheat *voci* reveal, on first approach, an average annual interest cost ranging between about 11% and 16% (considering the reduction by the

## Southern Italy informal credit and markets during the modern age

Sellers, in other terms, were pushed to draw up a contract which - considering the above mentioned transaction costs - did not predict any higher interest costs than the formal credit ones. And, even if the *alla voce* loan was heavier than other informal credit markets, it allowed immediate access (low drafting expenses, lack of *collateral*) and it permitted postponement of the management of risks and uncertainties of credit heaviness, through safeguards to be exerted, in the presence of a third arbiter (local authority), in a public procedure inspired by the “right price”.

### 9. Exchange, credit and property rights

The *voce*, as Guenzi and Colella underline, is a rule of the formal (written) and informal (values, attitudes) game - i.e. an “institution” as Douglass North said - able to reduce exchange risks and costs, since it is able to diminish transaction costs and eliminate the expenses of the goods exchange measurement, by determining sale benefits<sup>78</sup>. As regards wheat, the *alla voce* price rules the exchange in the many southern markets: it ranges from the closest and the most retarded ones (custom exchanges, mid quantity transactions, local trade) to the largest wheat markets such as Foggia (huge exchanges, interpersonal relations, wider flows for Naples and abroad). Besides, the *voce* functions as an indicator for “the markets following operation”: with such uncertainty, lack of information and informative asymmetries, price fixing “socialises” reliable information (about productive levels, sales, market demand) for the parties and public authorities involved (customs officer representing the state), thus reducing the obstacles to exchange and connecting “different realities to commercial circuits granting a satisfying allocation of the product”<sup>79</sup>.

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Sommaria and the two years - 1771 and 1773 - when current prices got over the *voce*, with a strong variability between 1% at the lowest level (1776) and 28-32% at the highest levels (1768). The calculation is based on the difference between the *legal* price and the regarded average prices, assuming 8-9 months loans; see the sources quoted, *supra*, 49<sup>th</sup> note.

<sup>78</sup> Ciccolella and Guenzi 2008, 73-9.

<sup>79</sup> *Ibidem*. The *voce* as indicator of prices level occurs in the *De Annona Civitatis Neapolis, et Regni Prammatiche*, July 15<sup>th</sup> 1743 e November 3<sup>rd</sup> 1763.

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The role of the *alla voce* contract during the modern age is located in the context of “strategies to rule the southern agricultural-rationing system” which, under a wobbly, difficult and differentiated productive system, privilege the effort to “allocate a quantity of production in advance” to “feed the distribution circuits rapidly”<sup>80</sup>. Actually, as well as for wheat and other *commodities*, the *alla voce* contract corresponds to the necessity of allocating a part of the production in advance to supply the sales markets rapidly. In fact, several southern products (oil, wool, silk, etc.) have continually managed, with intensity according to the different historical periods, to satisfy demand (internal and/or foreign), not as rigid as the cereal one, but still important since the late Middle Ages and during the modern age and they are able to lead relevant commercial flows to consumer markets, transformational centres and wide international markets. These *commodities* may have *attracted*, over the centuries and at different times and in different ways, frequent and relevant sales requiring rapid allocation of resources, often connected to competitive or reduced prices for rationing, consumption, productive or commercial reasons. In order to feed the markets rapidly and in advance, it was necessary to facilitate exchange and mobilise huge amounts of financial, public and private capital and accommodate credit activities in the face of low money resources. The *alla voce* contract contributes to canalising financial resources, often derived from far away markets (demand), towards markets of product supply, according to both the exchange and the southern production’s credit. Allocating part of the production in advance to feed the distribution circuits and supply the sales markets rapidly requires the involvement - during the exchange and credit activity - of operators to be encouraged. The *alla voce* contract facilitates negotiation and also benefits the production loan, not only because creditors are given interest on the loan, but also because it reduces the transaction costs (measurement, guarantee) linked to credit and grants property rights. The *alla voce* loan tends, in fact, to reduce credit costs, by limiting, first of all, the measurement and guarantee costs. During the *screening* and negotiation phase, the contract eliminates information costs about the cost of interest. The interest, in fact,

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<sup>80</sup> Ciccolella and Guenzi 2008, 73-9.

which is unknown during the drafting, is determined only after the price fixing (*voce*) and it can be generally applied to each contractor. The guarantee costs linked to the contract *enforcement*, then, are soft by law, and related to the notary expenses (public form of the contract) and do not contemplate other "cautions" (*collateral*) by the debtor. The lack of guarantee in favour of the creditor, though it does not eliminate the credit risk (debtor's default), does not usually cause any problem of contrary selection, since the *alla voce* loan is a privileged credit. The risk of *ex post* opportunistic behaviours by debtors - in other words, the possibility that the producer could easily access the credit without fulfilling supply - is, in fact, softened, apart from "trust" and "reputation", by the possibility that the creditor implements, before other "instrumental and mortgage" creditors, the contractual services owned by the counterpart (goods delivery). Actually, the privileged nature of the credit tends, *a priori*, to reduce the opportunism risks because it discourages the producer's non-fulfilment; and since the risks and uncertainties of the services are reduced and the *enforcement* costs are brought down, the creditor is pushed to give the loan. The "privilege", besides, grants the *alla voce* buyer to transfer the property rights on the goods exchange rapidly, even when the seller has some difficulties and is not able to resolve other debts with the balance goods. The buyer, thanks to the privileged credit, may, if necessary, use the favourable *enforcement* to obtain the goods delivery before other sellers, to put it into distribution markets more rapidly than the bonds contracted with his customers. This process ensures less risks to fiscal government resources and to sales market supplies and contributes to increasing the "trust" (allocation, operation, information) in the system. The same interest given to the creditor on capital contributes to incentivising the in kind or money advance towards producers. Even from this perspective, the lack of a remuneration rate established *a priori* promotes exchange and credit, since - without obstacles to the negotiation - it pushes the parties to sign a contract. And, if the interest cost is at first indeterminate and remains uncertain till the end (indefinite, variable, unsure), both the seller and the buyer can count on the *voce* fixing to make any decision. The public assembly, in the presence of the local authority (arbiter) and by involving the counterparties, would have granted "equality" in a "right price" perspective, in order to find a meeting point, in

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other words an interest cost satisfying both buyers, in comparison with other purchasers who were not involved in the advance, and the sellers, trying not to damage them as regards the rates which - once the transaction costs had been calculated - would have been gained in other markets (formal and informal). After all, according to the sources, it would have been a "strange justice" if the *voce* "right price" hadn't normally been a *compensative price* for the creditor.

In the variegated context of southern production - where several productive areas, different performances, dissimilar product qualities and an articulated asset coexisted - a varied agricultural world, more or less affected by debts, refers to the informal credit markets. In particular, the biggest producers are interested in *alla voce*, because they know that the price fixed in local markets, as a value measure, depends not only on agricultural business earnings and profits, but sometimes on family fortunes and social mobility. Opportunism and rationality, however, lead these people to avoid debts, unless it is necessary, and find softer loans as well as to commercialise their production surplus at more convenient prices than the sales at *legal* price. The *alla voce* contract, instead, refers to minor producers and agricultural business which, in southern countries, are uncertain and have neither the opportunity to refer to other credit markets (formal and informal) nor the economic power to postpone the sale and wait for better periods in the price seasonal cycle. Definitely, in Southern Italy during the modern age, the *alla voce* contract is an efficient solution in the long term, facilitating and incentivising exchanges and credits for production, because it reduces transaction costs, opportunism risks and grants property rights. The commercial and credit means is an important "institution" to overcome, within the decomposition between property and southern agricultural-pastoral economy possession, the binds derived from the high fragmentation of goods' property rights, in order to allocate a certain part of production in advance (made up by decomposed, indented and less saleable *surplus*) and to rapidly supply distribution circuits according to the demands of the (public, close, internal, international) sales markets.

# Legal disputes of Monti di Pietà: the conflict over the right of Episcopal visits

DANIELE PALERMO

## 1. The right of Episcopal visits to *loca pia*

Being not only statically intermediate but most of all linking bodies - by means of canonical, political and social fluxes and dialectics - between state and ecclesiastical order and religious and civil society, *loca pia* have been seats, object and reason for violent struggles and open conflicts between powers and jurisdictions, resisting the control and influence upon them. In particular, Monti di Pietà, carrying out both credit and very complex charitable actions, became places of intense quarrelling and conflict between secular and ecclesiastical powers. Sometimes, this happened - thus pointing out the relevance achieved by these institutions within urban areas - even when the Monte simply carried out charitable rather than credit activities. Indeed, the following case study aims to point out the important role played by this kind of institution in the early eighteenth century, though Monte di Pietà and Carità of Catania (the object of this study) did not disdain credit activities.

The same vague definition of *locum pium* - any place with welfare and charity purposes - implies ambiguities, contradictions, occasions and reasons for conflict<sup>1</sup> in a context in which the protagonists are, besides *loca pia* themselves, even the Church, local communities and the state: these are institutions provided with “competences” in the ecclesiastical field, but certainly also belonging to the public and sec-

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<sup>1</sup> Garbellotti 1999, 411.

ular sphere. Nevertheless, they are often subject to the bishop's visit, especially during the pastoral visit to the diocese.

These complex institutions are at the same time both object and subject of legal conflicts between realities whose main aim is to defend and assert their own autonomy. However, the jurisdictional conflict represents just the *facies* of a dispute longing for the control of institutions, which are relevant from social, political and economic points of view<sup>2</sup>.

The possibility and the right of control and intervention by the ordinary over *loca pia* was indeed the cause of serious jurisdictional conflicts. As a matter of fact, he could not act towards religious orders at all; but he could act towards "religious or public" and "secular or private" ones. The distinction between the second and the third kinds of institutions characterised the whole modern age and represents an "indispensabile chiave di lettura per la comprensione dei rapporti tra ordinario e luoghi pii, poiché l'azione disciplinare del vescovo era condizionata dalla natura giuridica dell'istituto".

Peculiar aspects of public *loca pia* were the bishop's involvement in their foundation, the presence of "some external elements" reminiscent of the holy dimension - a bell, a chapel or a cemetery - and the celebration of religious rites in their locations. These institutions were subject to Episcopal jurisdiction and they enjoyed ecclesiastical immunities; nevertheless, some jurists asserted that the founder's will, or even any other habit which did not oppose it, could save the place from the ordinary's jurisdiction. However, the complex and unsettled identity of *loca pia* enabled the bishop to assume some privileges over the lay ones as well: to guarantee the respect of the founders' will and a fair administration.

The contradictory Episcopal control of *loca pia* was much strengthened by the Council of Trent. The new regulations were a clear expression of a "volontà di superamento delle norme codificate dai precedenti concili", in particular the Viennese one of 1311, with the constitution *Quia contigit*, established by Pope Clement IV. It aimed to avoid abuses and embezzlements but the *Clementina*, though being the most complete law up to the Council of Trent, provided extremely

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<sup>2</sup> Turchini 1999, 369-71.

general ways to reach this objective and the intervention of the ordinary was prescribed only in the most serious cases: if the rectors did not apply what was written in the text, he had to oblige them to do so and claim an annual balance from the institution.

So, the *Quia contigit* did not achieve its desired effect and what prevailed until the Council of Trent was a temporary law, often established by civil authorities, thus emphasising the lay aspect of the institutions and turning the role of the ordinary into a merely formal one.

The Trent regulations pursued the aim of conferring an organic dimension and this was carried out by eliminating ancient, sedimented privileges and trying to strengthen the links between *loca pia* and ordinaries, “specie attraverso il diritto di visita e di controllo amministrativo”<sup>3</sup>.

The central canon of the new law was n. VIII, section XXII *de reformatione*<sup>4</sup>.

sive charitatis et pia loca omnia, quomodocumque nuncupentur, etiam si praedictorum locorum cura ad laicos pertineat atque eadem pia loca exemptionis privilegio sint munita; ac omnia, quas ad Dei cultum, aut animarum salutem, seu pauperes sustentandos instituta sunt: ipsi ex officio suo, iuxta sacrorum canonum statuta cognoscant, et exequantur. Non obstantibus quaecumque consuetudine, etiam inmemorabili, privilegio aut statuto<sup>5</sup>.

According to Marina Garbellotti, the main objectives of the new law were “di ampliare lo spazio di azione dell’ordinario, restaurando lo *ius visitandi* ... e di risanare le condizioni amministrative degli istituti assistenziali, attribuendo al vescovo la *potestas* amministrativa”<sup>6</sup>. Angelo Turchini asserts instead that the focus was on the bishop’s right of visit rather than on the tasks ascribed to him:

Il vescovo ha potere di prendere provvedimenti per la buona amministrazione dei *loca pia*, senza distinzione fra enti a prevalente scopo religioso o caritativo; né viene invitato a distinguere le diverse mo-

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<sup>3</sup> Garbellotti 1999, 411-22; Turchini 1999, 371-78, 383-4, 390-3.

<sup>4</sup> Ibidem, 371-74.

<sup>5</sup> Alberigo, Joannou, and Leopardi 1962, 716-17.

<sup>6</sup> Garbellotti 1999, 41.

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dalità di costituzione ed erezione, civile o ecclesiastica, per quanto possa tenere presenti situazioni di fatto estremamente variegate ... . Il visitatore può inoltre imporre a rappresentanti della comunità, o di sue associazioni, il pagamento della decima o di contributi per opere di riparazione o di arredo della chiesa, coinvolgendo la popolazione a vari livelli, insomma può prescrivere obblighi ai laici<sup>7</sup>.

The ordinary's annual pastoral visit to his district represents a crucial moment in the Trent reforms, a privileged means of control over goods, men and ideas - such as to submit, from time to time, to the bishop's inspection, even of activities pertaining to secular life and activities - and of exertion of the bishops' privileges. It is indeed because *loca pia*, being "istituzioni dedite alla carità ed alla devozione", also involved sectors of the bishop's competence, that they could not have been excluded from his visit, except for those submitted to the king's protection<sup>8</sup>.

Among the *loca pia*, there were some that were particularly tricky, since they were almost exclusively subject to the lays' control: they were worthy of great attention from elite, society and civic institutions and it was upon them, especially on *monti di pietà* and *monti frumentari*, that secular authorities assumed plenty of prerogatives, protecting them from clerical interferences, considered illicit<sup>9</sup>.

The "right of visit" can be considered a sort of frame within which to read the other prerogatives empowered to the ordinary: the possibility of excommunicating the usurpers of the goods belonging to *loca pia*; the right of conferring upon institutions the financial resources removed from concubine and non-resident clergymen; the obligation by the administrators to account for everything to him. In the case that the account was delivered to authorities different from the ordinary, he had to attend the formal moment of the affixing of the visa. This explains the awarding, to secular authorities as well, of privileges to the institutions, even though the bishop kept the right of taking part to the *redde ratoinem*, thus remaining a "presenza importante e ingombrante"<sup>10</sup>.

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<sup>7</sup> Turchini 1999, 373-74.

<sup>8</sup> Garbellotti 1999, 414-17; Turchini and Mazzone 1985; Nubola and Turchini 1999.

<sup>9</sup> Turchini 1999, 369-93, 406-09.

<sup>10</sup> Ibidem, 371-74.

According to Marina Garbellotti, the prerogatives concerning *loca pia*, exceeding the right to visit, would have set up a real *potestas amministrativa* to be applied outside the visit, which especially involved those administrators who would have had to account yearly for their activity to the bishop. In order to exercise this right, it would have been necessary to create offices within courts and the bishop would have had to attend as auditor the meetings in which the administrators accounted for others. However, the *potestas amministrativa* “non sembra ... trovare fondamento al di fuori dell’istituto visitale e venne sovente identificata con lo ius visitandi”<sup>11</sup>.

Even though the Council had made them the key factor of its own regulations, neither the visit to *loca pia* nor the practice of *redde rationem* were “introdotte senza intoppi, anche in quei paesi che la applicarono”. Furthermore, since the yearly cadence of pastoral visits (the only crucial moment of control by the bishops over *loca pia*) was never respected, it became irregular and occasional. Moreover, the bishop’s means of control were scarcely effective, even by the “formulazione dei canoni” which “peccava talvolta di genericità. Fornendo facili appigli per la rivendicazione di esenzioni”<sup>12</sup>.

The practice of control, though occasional, gave rise to a plenty of opposition from civil authorities, administrators, groups and classes. These took the guise of petitions and jurisdictional procedures to claim exemptions and actions of boycotting. Sometimes target of the conflicts were the Roman congregations, but more often, secular courts were involved, with the consequential hoary controversies that this implied. Furthermore, the critical state and the controversial legitimacy of the bishop’s visit to *loca pia* brought about not only detached and laconic information by the administrators but also superficial inspections by the ordinary, “poiché ci si inoltra su terreni istituzionali infidi, si toccano suscettibilità, esistono interferenze”<sup>13</sup>. All over Europe, “la questione delle ingerenze ecclesiastiche ... giungerà in qualche modo al suo punto di maturazione e di crisi nel corso del Settecento riformatore e regalista”<sup>14</sup>.

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<sup>11</sup> Garbellotti 1999, 415-17.

<sup>12</sup> Ibidem.

<sup>13</sup> Turchini 1999, 374-77.

<sup>14</sup> Pastore 1986, 464-65.

## 2. The dispute over the right of visit to Monte di Pietà e Carità in Catania

The years following the earthquake in 1693 witnessed, in eastern Sicily and especially in Catania, severe conflict among powers, classes, elites - and the ecclesiastical power “che riesce a pilotare in complesso la ricostruzione”, protagonist of every dispute and harsh dialectic - trying to gain control over not only architectural but even social and economic reconstruction, presuming a new shaping in the relation between powers and territories<sup>15</sup>. During the years still marked by violent dynamics concerning the reconstruction, Monte di Pietà e Carità in Catania, being an intermediate institution between ecclesiastical and secular powers, functioned as a privileged territory not only for jurisdictional conflicts but also for the political, social, economic and cultural control of the town.

Starting from 1708, Monte di Pietà e Carità in Catania witnessed a serious political conflict between the bishop and the urban elite<sup>16</sup>; this event must be interpreted both as a jurisdictional conflict between ecclesiastical and secular powers (which, alternating between difficult balances, marked the Sicilian modern age), and as a constant controversy, affecting the town<sup>17</sup> under the episcopacy of Andrea Riggio from Palermo<sup>18</sup>.

The bishop became “tenace difensore delle immunità ecclesiastiche”<sup>19</sup>, so as to make of this defence “il punto di forza del suo

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<sup>15</sup> Giarrizzo 1989, 352-60.

<sup>16</sup> Palermo 2011, 791-819.

<sup>17</sup> Scaduto 1969; Vacca 2000; Scalisi 2001; Ivi, 2004.

<sup>18</sup> Riggio - who joined the clergy when he was Principe della Catena - was considered a person “de vida exemplar” and had been appointed for the Catania diocese in 1692 by the Viceroy Uceda after Francesco Antonio Carafa’s death. He was the first choice for Giuseppe Filangeri and the abbot don Antonio Scoma. The majority of the Council of Italy preferred Placido Di Giovanni, “archimandrita” of Messina; Riggio had been supported only by the Prince of Villafranca and don Pedro Guerrero. The king, however, had introduced him to the Pope for his designation (Council of Italy meeting 17 October 1692, AHN, Estado, legajo 1859, unnumbered documents).

<sup>19</sup> Zito 2009, 375.

governo pastorale"<sup>20</sup>, started in 1693, and tragically ended with his expulsion from the reign - ordered on 18 April 1713, due to the "controversia liparitana" - and the imposition of the "interdetto" on the town<sup>21</sup>.

His whole episcopacy was marked by conflicts: with the Senate, viceroys, the central administration of the reign and other ecclesiastical institutions, even including the cathedral chapter<sup>22</sup>. A man of great "cultura umanistica e teologica" acquired in Palermo and Rome, he was very familiar within circles developing actions and ideas concerning the defence of the clerical jurisdiction. He joined different Curia exponents, keeping up regular correspondence with popes and several cardinals<sup>23</sup> and, starting from the difficult reconstruction that followed the earthquake in 1693, "in Sicilia fu interprete fedele e intransigente dei privilegi ecclesiastici e della linea politica pontificia"<sup>24</sup>.

<sup>20</sup> Longhitano 2000, 178. "La difesa delle immunità ecclesiastiche, più che un punto del suo programma, deve essere considerata la preoccupazione dominante che condizionerà il comportamento del vescovo dall'inizio del suo episcopato fino agli anni dell'esilio ... egli concepisce il suo ministero in termini di conflitto: in una società ritenuta ostile, che si prefigge di limitare o annullare del tutto l'immunità ecclesiastica, egli si sente investito del compito di difenderla con coraggio, anche a costo di mettersi in contrasto con tutti e di andare incontro a persecuzioni" (Longhitano 1989, 431). Cfr. also (Cabibbo 1995, 95-114).

<sup>21</sup> Zito 2009, 37. Documents on Riggio's activities and attitude during the "Controversia liparitana" legajo 2168 of Archivo Historico Nacional of Madrid. Andrea Riggio - Luigi, Principe Campofiorito and Francesca Saladino's second son, and member of a noble family in Palermo, after joining the clergy, graduated at La Sapienza - which was still supporting the "Res publica christiana" - in *utroque iure* and became priest in 1688. He was "elected" bishop of Catania in 1692, when he was 33 years old (Longhitano 1989, 417-26); also see (Pirri 1733, 566-68; San Martino de Spucches 1924, 444; Ligresti 2006, 198). After the earthquake in 1693, he reorganised the Church by helping the poor and restoring many churches and religious buildings with most of his private patrimony. When he was rejected from the Reign of Sicily, he moved to Rome, where he headed a group of Sicilian exiled clergymen in Clement XI's court. He died in December 1717 (Ibidem); also refer to (Ferrara 1982, 216-19; Longhitano 1989, 417-515). On Riggio's role in the "Controversia liparitana" see (Catalano 1973, 72-108; Longhitano 1989, 461-70), cit., (Longhitano 2000, 175-82; Zito 2009, 79-82).

<sup>22</sup> A summary of the trials involving Andrea Riggio, Bishop of Catania, AHN, Estado, legajo 2168, unnumbered documents, undated documents; also refer to (Pirri 1733, 567; Ferrara 1982, 220-26; Longhitano 1989, 429-70; Catalano 1973, 79-80).

<sup>23</sup> Ligresti 2006, 198; Longhitano 1989, 423-25.

<sup>24</sup> Ligresti 2006, 198.

In 1701, November 1704 and April 1705, with the Senate of Catania having denounced the bishop's abuses to the king, the possibility of his replacement was taken into consideration<sup>25</sup>. His episcopacy was held by the Senate to be a misfortune worse than 1693 earthquake: Riggio had turned his "verga pastorale" into a "rigidissima sferza", oppressing the town during the delicate phase of its rebuilding, violating laws and spreading terror with his abuses. This behaviour was considered damaging for the whole town, also due to his close contacts with influential relatives in the capital and access to huge amounts of money, enabling him to turn any question to his own advantage<sup>26</sup>.

This context of deep tension and daily clashes made a further dispute a unique opportunity to reinforce clerical jurisdiction even more, not only in Catania but also in the view of quite probable and far more important conflicts. In autumn 1708, the bishop chose Monte di Pietà e Carità in Catania as a battlefield, for the following reasons: thanks to its social relevance, it was tightening more and more relationships, both symbolically and concretely, with the Senate and the whole town, thus becoming more secular than ever and because in it, under the bishop's formal jurisdiction, the operative attention of viceroys and their officials had managed to meet for long decades without heavily clashing.

Monte di Pietà and Carità<sup>27</sup> never turned its mainly charitable activity into one of credit under a pledge (which had spread in Sicily in the first half of the seventeenth century)<sup>28</sup>, but rather, it always remained a welfare institution with "una propria organizzazione e ... mezzi operativi adeguati all'esercizio di complesse attività"<sup>29</sup>. The Monte was founded in January 1546 by the priest Tommaso Guerriero and its sole welfare function was the sign of "un diffuso stato di disagio economico del popolo" and of "una particolare tensione della

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<sup>25</sup> Royal edit June 7<sup>th</sup> 1705, AHN, Estado, legajo 2254, unnumbered documents; Royal edit August 12<sup>th</sup> 1705, Ibidem.

<sup>26</sup> Royal edit 7 June 1705, Ibidem.

<sup>27</sup> On the story of Monte di Pietà e Carità of Catania, see (Di Matteo and Pillitteri 1973, 43, 298-99, 352-56); also see (Colonna 2006, 420-21). On the pawnshops' origins, refer to (Pastore 1985, 433-65; Muzzarelli 2001).

<sup>28</sup> Di Matteo and Pillitteri 1973, 63-4.

<sup>29</sup> Ibidem, 43.

società”, which “poteva trovare un pur contingente correttivo nella istituzionalizzazione della carità più e meglio che nella introduzione di strumenti creditizi”<sup>30</sup>. Few weeks after its foundation, Guerriero, supported by Bishop Nicola Maria Caracciolo, obtained the relative “brief” from Paul III, even though the institution was not Monte di Pietà but, rather, still a brotherhood named Compagnia di Carità e Misericordia created by the papal authorities and subject to the ordinary’s right of visit. These complex modalities would cause misunderstandings concerning the jurisdiction of the bishop of Catania over the Monte; as a matter of fact, after its founder’s death in August 1546, the institution turned its name into Monte di Pietà e Carità, becoming an institution recognised by the king, approved by Viceroy Juan de Vega in 1549 and thus not subject to the ordinary’s right of visit<sup>31</sup>.

The Monte, which would operate until the end of the nineteenth century<sup>32</sup>, was ruled by seven rectors, named by the Senate for two years, except for the “priore” of the Cathedral who governed continually: a civil judge, two noblemen, an “acatapano”, a merchant and a “cittadino”. It undertook a wide range of welfare activities, especially providing poor people with food, money, clothes, medical assistance and medicine and also granting the education and protection of minors and the distribution of dowries<sup>33</sup>.

The rectors’ council showed, indeed, both how the institution was already theoretically closely connected - more and more every day - to urban society and its components - aristocracy, “gentiluomini”,

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<sup>30</sup> Ibidem, 352-56.

<sup>31</sup> Ibidem. The documents concerning the foundation of Monte di Pietà e carità in “Libro della fundazione e dell’ampliacione e confirmazione del Monte della Carità e della Pietà della clarissima città di Catania e delli suoi privilegi spirituali e temporali”, ASPA, Rm, vol. 1, unnumbered documents.

<sup>32</sup> The Monte would finish its activity in a uncertain period, between 1883 and 1896, according to Di Matteo e Pillitteri (Di Matteo and Pillitteri 1973, 356). Other similar institutions worked in Catania: a Monte di Pietà was founded by the prince of Biscari in 1669 and finished before 1757, but there are no documents about it; the Monte di Pietà of Sant’Agata, created in 1735, was also a credit under pledge institution working until 1849; finally, the Monte Grande di Pietà of Sant’Agata, established in 1808, was a credit institution as well (Ibidem, 298-99); on the Monte Grande di Pietà of Sant’Agata, see (Colonna 2006, 418-38).

<sup>33</sup> Di Matteo and Pillitteri 1973, 352-56.

merchants, officers - and how each legal dispute under the Monte's jurisdiction turned into a wider conflict between the bishop and a wide group of civil powers, on whose behalf rectors had openly and constantly opposed any ordinary's interference<sup>34</sup>. In addition to this, the group of rectors included exponents of the best-known families of the town, such as Tedeschi and Rizzari.

In 1708, the intention by the prelate visiting the diocese to extend his visit to some *loca pia*, especially including the Monte, was expressed in a context marked by the conflict between Andrea Riggio and the town Senate, whose attitude towards Monte di Pietà e Carità was one of possession, protection and control. The value awarded by the prelate to this *locum pium* certainly has to be ascribed to his resolute attempt to gain ground in the ongoing conflict, mainly aiming at those situations in which an ambiguous jurisdiction would more easily widen political influences and episcopal competences.

In October 1708, the bishop prepared and improved his legal weapons to be used in a no holds barred conflict against the town elite: besides discovering and gathering documents in the Episcopal archive, he asked the Procurator Fiscal of the Great Episcopal Court to express a legal opinion on his rights over the administration of Monte di Pietà e Carità. According to this text, the bishops of Catania:

hanno goduto, sì come de iure li competisce, tutta la piena autorità e potestà et giurisdittione supra detto venerabile Monte, tanto per essere opera pia et per essere fundato con l'autorità pontificia et ad instantiam dell'illustrissimo vescovo Caraccioli, predecessore di vostra signoria illustrissima, quanto per essere operapia ed ecclesiastica amministrata da rettori ecclesiastici e secolari, nella quale li predecessori di Vostra signoria illustrissima, non solo sono stati giudici naturali di tutte le controversie nelle quali le parti si sono intese gravate dalli rettori del Monte, ma ancora in tutte le visite del sudetto venerabile Monte hanno ordinato quello che ci è parso di dovere ed di giustizia per servitio di detta venerabile opera ed ancora tutte le alienationi delli beni di detto venerabile monte et bona parte delli impieghi ed applicationi che have fatto tutte sono state fatte col previo decreto et licenza di Vostra Signoria Illustrissima, come delegato apostolico et

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<sup>34</sup> Fiscal Procurator's report of the Great Episcopal Court in Catania, Catania, 19 October 1708, ASPA, Rm, vol. 1, unnumbered documents.

vescovo di Catania, et che solo concede la polizza nell'alienationi di tutti li beni ecclesiastici<sup>35</sup>.

In the documents attached, the bishop's or the general vicar's stamp on the acts relating to the Monte was clearly visible; the same goes for the references to provisions and dispositions by the ordinaries of Catania concerning the institution, or whose presence in that archive was in itself considered evidence of the bishop's jurisdiction over the Monte. A copy of the report and other documents were sent to the rectors of the Monte, so as to let the Senate, political patron of the institution, immediately get the ordinary's purpose of asserting his rights and prerogatives; at the same time, he declared his intention to undertake the visit, fixing it on 29 October<sup>36</sup>, and threatening rectors and officers with a "scomunica maggiore" if they opposed it<sup>37</sup>.

The prelate continued to prepare for certain conflict by sharpening his weapons more and more: he commissioned a more detailed and precise "memoir", which should have proved, again, the legitimacy of the act he was going to accomplish.

The first point supporting his right of visit related to the provisions "delli sacri canoni e del sacro Concilio Tridentino"<sup>38</sup>. As a matter of fact, in the past, during the periodic pastoral visit, the bishops had visited:

tra l'altre opere pie ... il venerabile Monte della Pietà et Carità, la venerabile Cappella del Santissimo Crocifisso ed il venerabile ospedale di San Marco, sì come si vede per le visite fatte da molti vescovi o prelati ... come si vede che nell'anno 1567 monsignor Caraccioli visitò il venerabile Ospitale di San Marco et nell'anno 1622 l'illustrissimo monsignor Torres visitò l'opera della Cappella del Santissimo Crocifisso ed il detto venerabile Ospitale e nell'anno 1691 l'illustrissimo monsignor Gussio visitò tanto la detta venerabile Cappella del Santissimo crocifisso, quanto il detto venerabile Ospitale, quanto ancora il venerabile Monte di Pietà e nell'anno 1662 l'eminetissimo cardinale Astalli, ves-

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<sup>35</sup> Ibidem.

<sup>36</sup> Announcement for the "rettori" of the Monte di Pietà di Catania, undated document, Ibidem.

<sup>37</sup> Disposition of the "giudice della Monarchia", Francesco de Miranda e Gayarre, Palermo 25 February 1709, Ibidem.

<sup>38</sup> Report by the Fiscal Procurator of the Great Episcopal Court of Catania, Catania, 24 October 1708, Ibidem.

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covo ancora di questa sudetta città, visitò il sudetto venerabile Monte della Pietà e la sudetta venerabile Cappella del Santissimo Crocefisso, come fece l'illustrissimo monsignor Bonadies, nell'anno 1673, che visitò parimente le dette due opere.

To promote the right of visit, the Procurator Fiscal put forward "molte decisioni" by the Curia and the "commune opinion di tutti li canonisti et moralisti". These represented several convergent elements, which "obbligano in coscienza alli prelati a non lasciare di adempir dette visite di dette opere pie". Furthermore, by turning to effective rhetorical devices, the writing officer of the memoir underlined how the visit to *loca pia* was almost an obligation for Riggio, having not yet been accomplished since his installation, thus risking damaging both the jurisdiction of the bishop and the *loca pia* themselves. Hence, in a propitious moment coinciding with his pastoral visit, the bishop was urged by the memoir author to visit *loca pia*, especially Monte di Pietà e Carità, "per compiere con li obblighi della sua coscienza et con quello che prescrive il sudetto Sacro Concilio Tridentino et per deportarsi nel medesimo modo et forma che si hanno deportato li prelati suoi predecessori"<sup>39</sup>. In this way, the visit, so questioned by the town elite, proved to be only a simple and inevitable duty for the bishop and a repetition of usual actions.

The lay rectors of the Monte tried to block the visit even a few minutes before its start: supported by the Senate, their first referent, they sent a plea to Riggio, sure of being "cossì de iure come de fatto, esenti dalla visita dell'ordinario et che non si può, sì come mai li predecessori di detto illustrissimo vescovo si hanno in ciò ingerito". Despite the bishop's feeling bound to carry out the visit, as provided by the Council of Trent, "che dona potestà all'ordinarii ... a dover visitare etiam le opera laicali e da amministratori laici amministrate"<sup>40</sup>, the rectors asserted with no doubt that the visits could not be applied to Monte di Pietà e Carità, being this institution:

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<sup>39</sup> Ibidem. The Procurator Fiscal believed that an immediate visit was appropriate, because the bishop had finished the first part of his pastoral tour in the town of Catania, and had not begun the second one which would bring Riggio to each village of the diocese.

<sup>40</sup> The "rettori" of Monte di Pietà e Carità of Catania to the bishop of Catania Andrea Riggio, Catania, 29 October 1708, ASPA, Rm, vol. 1, unnumbered documents.

dell'intutto laicale, governata da ufficiali et ministri laici, eretta ed accettata, a sui principio, sotto la regal catolica protezione, soggetta, tanto in fieri quanto in conservari, alla sudetta real giurisdittione, suoi eccellentissimi vigeré (sic) ed altri ministri reali, eretta et confermata con tale esenzione e privilegio, sin dall'anno 1546, dalla felice memoria di Paolo terzo, come per breve dato in Roma a' 26 febraro del sudetto anno, eseguito in questo regno e registrato nella banca senatoria di questo illustrissimo Senato ... come pure per le costituzioni, capitoli ed ampliamenti di decta opera, accettata a nome di Sua Cattolica Maestà e dalla medesima sovvenute, come appare per lettera di conferma e capitulationi inserti in esso ordine dell'eccellentissimo viceré don Giovanni Vega, per via del Consiglio patrimoniale, in data de' 18 giugno septima indizione 1549, registrate nella Real cancelleria, nell'ufficio di protonotaro ed ufficio di proconservatore e registrate nella banca di questo illustrissimo Senato, nel che pure intervenne l'illustrissimo e reverendissimo don Diego di Cordova, allora visitatore generale in questo Regno per sua Cattolica Maestà.

Monte di Pietà had kept "tale esenzione e subordinazione alla real giurisdizione ... sino alla presente giornata, come si dimostra con replicati ordinazioni dell'eccellentissimi viceré, per via di tribunali laici, sotto diverse giornate". Moreover, the ordinary's visit was not necessary, "non essendovi nè campanile, nè sepoltura, nè Chiesa, nè refugio o esenzione, nè altro simili". The rectors even pointed out that, for all these reasons, the audit of the Monte had always been under the Senate jurisdiction and carried out by "due deputati seu rationali", elected every year<sup>41</sup>. Further proving the relevance ascribed to the institution by the town's aristocracy, these deputies more often than not came from the best-known families: Asmundo, Moncada, Platamone, Ricciari, Scamacca, Statella and Tornambene<sup>42</sup>.

Therefore, they begged the bishop to "volersi desistere in far decta visita, cancellare per crucem Sancti Andreae detta intima"; because it would have not been possible to appeal to the previous visits accomplished in 1651, 1652 and 1673, these having been simply informal and "sono defectuose alcune di esse, senza giornate, senza ore, senza sottoscrizione" and, even assuming they had been carried out in a formal way, they would not have put the royal jurisdiction un-

<sup>41</sup> Ibidem.

<sup>42</sup> Palermo 2011.

der discussion. Moreover, the jurists consulted by the Monte deemed necessary the immediate interruption of a visit started to a “free” institution. However, the rectors declared that, if Monsignor Riggio had intended to carry on with the visit anyway, “come buoni cattolici, per evitare il minimo scandalo”, they would have remained ready to obey the bishop’s will, as long as the action would not cause “il minimo pregiudizio ad esso Monte e si potesse mai in futurum apportare per esemplare”<sup>43</sup>.

Despite legal controversies, memoir exchanges and a high degree of control by the Senate, the visit took place on the fixed date and, notwithstanding what had been previously asserted, the rectors tried to hamper it. At first, “simularunt non habere domum nec stantiam quo conveniri et colloqui aut visitari possent” then, by moving all the Monte books into the Senatorial Palace, they turned the Senate into the direct rival of the bishop.

Thus, the two parties of this hard conflict came face to face. The town’s aristocracy claimed the observance of the autonomy of the institution from clerical jurisdiction; in front of rectors, officers, and lawyers, the prelate showed to senators the acts referring to previous visits and the Trent decrees concerning the right of visit to *loca pia*. In that formal, though tense context, Riggio restated that the Monte had neither been founded under royal power, nor been exempted from the right of visit by the Pope’s act of foundation, in any case being subject to the council decree. The aristocracy claimed that the institutions should remain free from the visit; the prelate, in the presence of the deans, officers and lawyers of the Monte, showed the senators the acts regarding the previous visits and the edicts, established by the Council of Trent, relating to the visits to *loca pia*.

Despite the Senate directly leading the last battle against the Episcopal visit, the Monte rectors were forced to accept it and to appeal to the serious damages suffered by the institution during the earthquake in 1963 as justification for their opposing the visits to the Monte; this was considered by Riggio to be a further expedient means of escaping the visit. The books of the archive were then moved to the bishop’s

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<sup>43</sup> The “rettori” of the Monte di Pietà e Carità of Catania to the bishop Andrea Riggio, Catania, 29 October 1708, ASPA, Rm, vol. 1, unnumbered documents.

palace and the contested inspection was given way. The Monte foundation acts and chapters were the first to be examined, followed by further documentation. Besides arranging and prescribing the various activities of the institution, Riggio even arranged the necessary means both to accomplish real bishop's control - far beyond the simply irregular one, limited, at the very most, to the bishop's inspection during the visit - and to gradually gain power over the town's control of the Monte.

He then commissioned a "giuliana" of the Monte Archive, to be kept within the Episcopal Palace, and "una nota distinta delle rendite di ditto Monte e di tutte l'eredità ad esso aggregate, di tutti li introiti et proventi, supra di che si cavano i frutti et in che si devono erogare per volontà di testatori, e nella parte destra l'esito, dicendo a che si sono spesi i frutti di detto Monte"<sup>44</sup>. He also ordered other officers of the Monte to send him further documents in order to be controlled<sup>45</sup>.

Such a dispute, so complex and relevant due to both the protagonists and the involvement of the town itself, and for the influence it exerted on the political balances, either local or of the entire reign, was destined to affect the whole citizenry: rectors appealed to the viceroys against an act they considered null for plain incompetence<sup>46</sup>. On 26 December 1708, following a new appeal by the Monte administrators, who still regarded the visit as a serious violation of royal jurisdiction, the viceroy, Marquis of the Balbases, entrusted the "giudice della Monarchia", Francesco de Miranda e Gayarre, with the delicate issue, inviting him to keep the bishop of Catania from continuing his visit<sup>47</sup>. At this point, the dispute involved the questioned court itself, which

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<sup>44</sup> Act of the Bishop Andrea Riggio's visit accomplished on 29 October 1708 to Monte di Pietà e Carità of Catania, *Ibidem*.

<sup>45</sup> Injunction to Vincenzo Tudisco, "depositario delli frutti, introiti et proventi" of the Monte di Pietà e Carità, Catania, 30 October 1708, *Ibidem*; also see Injunction to the notary Silvestro Romano, attorney of the Monte di Pietà e Carità, Catania, 30 October 1708, *Ibidem*; Injunction to the notary Francesco Pappalardo, "iuniore detentore" of the Monte di Pietà e Carità, Catania, 30 October 1708, *Ibidem*; Injunction to the notary Giuseppe Maravigna, master notary of the Monte di Pietà e Carità, Catania, 30 October 1708, *Ibidem*.

<sup>46</sup> Provision by the "giudice della Monarchia", Francesco de Miranda e Gayarre, Palermo 25 February 1709, *Ibidem*.

<sup>47</sup> *Ibidem*.

exerted its ecclesiastical powers in the name of the king and was resisted in most conflicts involving either the royal or the ecclesiastical power of the Reign of Sicily<sup>48</sup>. A few days later, enforcing the order received, the judge ordered Riggio to stop the visit, “sin tanto che si determinerà quello che si stimerà di giustizia”, on pain of 200 ounces.

He promptly replied that, “per haver già a molti mesi perfezionata et assoluta detta visita, non habiamo di che astenerci” and accused the rectors of “contradire le nostre giuste e regulate operazioni e restar loro esenti dalla visita del prelate per operar con indipendenza a modo loro”. The bishop tried one more time to juridically justify his right of visit: the institution had not been “eretta sotto della Real protezione” but, rather, by the bishop himself through a papal mandate and without any exemption from the visit; the Council’s ordinance to bishops to visit *loca pia* was clear and unmistakable; his predecessors had accomplished the visits “liberamente et senza contradictione”; the institution “non può far alienationi di beni stabili e rendite senza il decreto della Gran corte vescovale, per conoscere l’utilità e la necessità della detta pia opera”; finally, that same court indeed was in charge of the controversies involving the Monte. Therefore, considering it as a “vessazione”, he was surprised when he found out about the order of suspension of the visit, meaning “spogliarci della quasi possessione de iure et de facto, incontravertibilmente mantenuta in tanti anni”. Moreover, he believed that his having sent the relating documents not only to rectors, but most of all to the Senate, to inform them about his privileges, implied that any party involved in the conflict was well

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<sup>48</sup> The court of the Regia Monarchia was the main authority through which the king exerted his powers deriving from the “Legazia apostolica”. This was, in fact, a unique judge, named by the king among the most important Sicilian or Spanish clergymen, helped by law consultants. Its main function was to act as a “suprema magistratura di appello per i giudizi di qualsiasi natura svoltisi dinanzi al tribunal dei ... vescovi e degli arcivescovi di Sicilia; cioè nelle cause civili, penali, disciplinari degli ecclesiastici; nelle cause matrimoniali, beneficiarie, riguardanti i diritti di asilo, i reati *mixti fori*”; among the other competences, the judge could “avocare a sè *omissis Ordinariis* qualsiasi causa ecclesiastica per *viam salus*”, he could “cassare sui stanza o gravamen delle parti interessate qualsiasi provvedimento preso anche extragiudiziarmente dalle autorità ecclesiastiche”; he judged in the first degree clergymen directly depending on the Holy See and crimes committed by regulars “fuori dal chiostro” (Catalano 1973, 60-5).

acquainted with the regulations<sup>49</sup>. Thus, the bishop considered his behaviour was so correct that only “privata passione” or the pressures “di coloro che non vogliono lasciarci quietamente respirare sotto alla cura pastorale” could have motivated the charges by the rectors, who “non spendendo del proprio ma de’proventi della medesima pia opera, defraudano allo stesso punto la volontà dei testatori e tolgono ai poveri quei proventi che devono spender nella ingiustitia di una lite”. Finally, he underlined how, “da queste visite non cava la nostra corte provento alcuno, ma tutto l’opera per forza di zelo et necessità di officio, per vedere se l’administrazione delle temporalità ... [sia] secondo la dovuta obbligazione corrispondente alle ultime volontà dei testatori che hanno o fondato o augmentato dette sante opere”<sup>50</sup>.

The dispute went on, implying the umpteenth jurisdictional conflict between Royal and Episcopal courts. Riggio, obviously, sued the rectors in the Great Episcopal Court, for accusing him again of not owning any jurisdiction on the Monte. They immediately appealed to the Royal Monarchy Court through “viam gravaminis”, in order to let the already accomplished visit by the bishop be “dichiarata nulla, come fatta contro la forma, constitutioni, privilegi e fondazione di detta opera et, parimenti, dichiararsi et ordinarsi a ditto illustrissimo vescovo, per esso et successor, di non dovere più ingerirsi, nè in futurum pretendere di visitare il ditto venerabile monte” and asked, at the same time, to command the officers of the Great Episcopal Court of Catania to send the same court the documents relating to the suit. So, on 25 February 1709, the judge Miranda e Gayarre, with a “lettera di gravame”, summoned the officers of the Great Episcopal Court to send his court “tutti et qualsivoglia atti clause et sigillati ... intorno al sudetto negozio” and not to intervene in any way in the case between the bishop and the Monte administrators<sup>51</sup>.

<sup>49</sup> The Bishop of Catania, Andrea Riggio, to the “giudice della Monarchia”, Catania, 12 January 1709; see also the Bishop of Catania, Andrea Riggio, to the Viceroy Balbases, Catania, 12 June 1709; ASPA, Rm, vol. 1, unnumbered documents.

<sup>50</sup> The Bishop of Catania, Andrea Riggio, to the “giudice della Monarchia”, Catania, 12 January 1709, (Ibidem).

<sup>51</sup> Provision by the “giudice della Monarchia”, Palermo, 25 February 1709, Ibidem. “Il ricorso per gravame era un tipico istituto del diritto processuale siculo. Traeva origine da disposizioni dettate da Re Giacomo (1291-96), da Re Federico III (1377-1409) e dal cap. 178 di Re Alfonso (1416-1458), in forza delle quali il magistrato superiore era facultato di avocare a sé le cause dei magistrati inferiori prima della prolazione della sentenza definitiva, ove avesse avuto conoscenza di illegalità *in procedendo* o

The conflict burned again in the following spring due to the huge amount of documents kept in the archive - all proving the bishop's jurisdiction on the Monte - that the Great Episcopal Court officers wanted to send to the "Tribunale della Regia Monarchia", charging the Monte rectors the delivery fees<sup>52</sup>; any further expedient was also used to slow the case's course down<sup>53</sup>.

The decision by "giudice della Monarchia" not to send all the documentation immediately<sup>54</sup> started a new, equally important, phase of the political and legal conflict upon the jurisdiction on Monte di Pietà e Carità: a real political struggle concerning the documents of the case. Indeed, both parties were well aware of the influence the choice of the documents shown could have on the course of the controversy. Andrea Riggio had always promoted the sending of a great number of documents, proving the subjection of the Monte to the bishop's jurisdiction from its first foundation; the Monte rectors fostered, instead, only the sending of the acts concerning the visit. The prelate wanted to focus the Court's attention on the unquestionable episcopal jurisdiction on the Monte; the rectors and the Senate on the tough violation of the equally unquestionable secular nature of the *locum pium*, representing almost a sacrilege towards civil institutions.

Andrea Riggio, questioning the decision by the "giudice della Monarchia", further supported the reasons for his visit:

La somma prudenza di Vostra Signoria Illustrissima da sé stessa conoscerà se un prelato può havere a gusto l'espension superflue et indebite d'un'opera pia, defraudando l'elemosine a'poveri; quando

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di un ritardato corso della giustizia. Prima di dichiarare ammissibile il ricorso il magistrato richiedeva informazioni al giudice *a quo* e indi, constatando essersi commessa la violazione di legge, *quod fuisse illatum gravamen*, ordinava la trasmissione a sé degli atti originari. Il gravame era ammesso anche contro sentenze definitive e nei riguardi di provvedimenti estragiudiziari. Il giudice del gravame doveva però limitarsi al semplice riesame degli atti acquisiti presso il giudice *a quo* e non poteva ammettere nuove prove" (Catalano 1973, 62); a summary of the procedures accomplished by the Tribunale della Regia Monarchia, (Ibidem, 343-50).

<sup>52</sup> Record in the Senate Curia of Catania of one of the "giudice della Monarchia" s measures, Catania, 13 November 1709; also see measure of the "giudice della Monarchia", Palermo, 20 April 1709, ASPA, Rm, vol. 1, unnumbered documents.

<sup>53</sup> Ibidem.

<sup>54</sup> The Bishop of Catania, Andrea Riggio to the "giudice della Monarchia", Catania, 15 May 1709, Ibidem.

peraltro lo zelo che mi ha indotto a far la visita altro non è stato se non il vedere, come comanda il Sacro Santo Consiglio Tridentino, se l'heredità si applicano in quelli opere pie che sono state destinate dalli testatori. Ma perché dalli rettori si gusta più l'indipendenza di far ciò che vogliono che star soggetti alle querende de'prelati hanno tentato il gravame<sup>55</sup>.

A few days later, in a missive to the viceroy, Riggio defended his own behaviour once more. Addressing a man endowed with "pietà e zelo, col quale ha saputo così egregiamente in ogni occasione rispettar la Chiesa ed avere a cuore i suoi ministri, rendendo con distribuitiva giustizia quae sunt Caesaris Caesari, quae sunt Dei Deo", he denied having accomplished "detta visita col minimo pregiudizio dela regal giurisdizione", judging himself to be a man of "fervente desio di riguardar la giurisdizione reale come pupilla dei miei occhi e connaturalizzato ... dall'obligazione che tengo di buono e favorito vassallo di Sua Maestà"; he still asserted he had followed the Council of Trent dictates which, though prescribing "che quei hospidali, confraterie e luoghi pii sono sotto la real giurisditione eretti non si possono da' prelati visitare" had obliged bishops "in coscienza a visitar quelli che di tal privilegio esentivo non godono", thus including, in Riggio's resolute opinion, the Monte di Pietà e Carità itself, as proved by his predecessors' previous visits. As further evidence, he stated that "è cossi soggetta questa opera all'ecclesiastica et pastoral cura quanto nell'amministrazione di essa perpetuamente interviene il priore prima dignità di questa mia chiesa et, in caso di alienazione de'suoi beni, sempre interviene il decreto della mia Gran corte vescovile et ne'suoi litiggii alla medesima è soggetta, in modo che ne restan pieni gli archivii". Finally, he depicted the rectors as "molto amanti delle novità et de'sconcerti", accusing them of trying "con colorati et finti pretesti" to "spogliar la Chiesa" of its rights, especially the bishops' ancient right to visit the Monte di Pietà e Carità, referring to just one of the elements characterising the harsh legal dispute taking place in Catania<sup>56</sup>.

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<sup>55</sup> The Bishop of Catania, Andrea Riggio, to the viceroy, Catania, 12 June 1709, Ibidem.

<sup>56</sup> The Bishop of Catania, Andrea Riggio, to the viceroy, Catania, 12 June 1709, Ibidem.

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Due to the difficult course of the case, Miranda could express the “gravame” presented by the Monte di Pietà e Carità rectors only on 22 August 1710. The judge accepted the appeal and categorically took over the measure<sup>57</sup>.

The trial went on in a difficult way, mainly centred on the bishop’s and the rectors’ opposing strategies, aiming at showing the Monte as having always been subject to clerical jurisdiction on the one side, and as always subject to the king and its jurisdiction on the other. The huge amount of documents delivered by the two parties to the Great Bishop Court and the “Tribunale della Regia Monarchia” is clear evidence of the above clash.

First of all, Monte rectors presented the “Libro della fundazione e dell’ampliacione e confirmacione del Monte della carità e della pietà della clarissima città di Catania e delli suoi privilegi spirituali e temporali” also including - besides the foundation “breve” going back to 26 February 1546, clearly showing the royal “esecutoria” granted on 25 August of the same year and the chapters issued on 18 June 1549 - proofs of the royal visitor Diego De Cordova’s commitment to the Monte’s start as a charitable institution. The production of several letters and provisions by viceroys and presidents of the Reign of Sicily aimed to testify to their constant contribution to the Monte’s life and activities and their competence on a series of relevant acts, such as the confirmation of variations to chapters<sup>58</sup> - proposed by rectors, the

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<sup>57</sup> The “giudice della Monarchia” verdict, Francesco de Miranda e Gayarre, delivered on 22 August 1710, *Ibidem*. On the formulae to admit the *gravame*, see (Catalano 1973, 344-45).

<sup>58</sup> Viceroy Don Juan De Vega’s letter “favorevole al Monte della Carità e pietà circa l’esazione delli debiti”, Monreale, 1 August 1549; Viceroy La Cerda’s letter “chi la maggior parte de li rettori possano trattare e finire ogni cosa”, Messina, 17 July 1559; Viceroy La Cerda’s letter “chi lo Monte possa eligere ed accattare quale rendita vuole sopra la città di quelli chi paga la università di Catania a diverse persone”, Palermo, 27 January 1562; Viceroy La Cerda’s letter “circa l’esazione delle rendite sopra la città di Catania e che per satisfazione d’esse se l’assigni una gabella precisa” Messina, 29 June 1564; viceroy Marquis of Pescara’s letter on the difficulties of recovery of credits of the Monte, Palermo, 29 May 1570; Viceroy Olivares’ letter “chi li poveri carcerati siano escarcerati per nenti, senza pagari spisi e ragioni all’officiali e carcerarii”, Palermo, 20 August 1594; Viceroy Osuna’s letter to modify the chapters of the Monte, Palermo, 11 May 1614; Viceroy Earl of Castro’s letter on the difficulties of recovery of credits of the Monte, Palermo, 30 July 1618; Viceroy Earl

“patrizio” and the town jury - attesting the importance of royal protection. Legal copies of acts and dispositions concerning the Monte, issued by royal officers and kept within the Senate archive, were also provided, together with documents concerning the measures taken by the Monte autonomously, without any bishop’s intervention, such as the assignment of 36 ounces per year to the Collegio dei Minoriti - an institution looking after poor and agonising patients, decided in 1626. The set of documents itself, relating to this source of income, indeed contained an important statement by the president of the reign, the Prince of Paternò, agreeing with the supporters of the Monte’s secular nature: its administrators came from the “bussolo” of the town; the highest competent authority was that of the viceroy; sacred places were outside the Monte’s competence and its places did not benefit from the right of sanctuary; Paul III had actually founded a confraternity which, on the other hand, had never started its activity; as a consequence, the Monte was not a *locum pium*. Further enclosures included contracts drawn up without the bishop’s confirmation, acts ratified by the prelate or whose *placet* was simply necessary to satisfy the request by the other party of the transaction - usually a religious institution or a clergyman - and a long series of reports on the Monte depositaries’ accounts reconnaissance, by “rationali”, named by the Senate and subject to it<sup>59</sup>.

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of Castro’s letter to modify the chapters of the Monte, Palermo, 13 April 1619, - it deals with some chapters about the reduction of “rettori” and the notary’s obligation to draw up the acts requiring witnesses only under the “rettori” themselves; Cardinal Giannettino Doria’s letter to modify the chapters of the Monte, Palermo, 11 September 1624, - it refers to new variations over the number of “rettori” and their election, their functions, obligations, the election of the “master notary” of the Monte and the figure of the “detentore dei libri”; Cardinal Giannettino Doria’s letters on the difficulties of recovery of credits of the Monte, Palermo, 20 September and 18 October 1624, - a letter from Cardinal Toresilla on the difficulties of credit recovery of the Monte towards “foristi” of the Inquisition is attached, Palermo, 9 October 1624; Viceroy Alburqueque’s letter on the annuities of Catania bought by the Monte, Palermo, 27 August 1630 and 27 August 1631; Viceroy Alburqueque’s letter on the “speziaria” administration of the Monte di Pietà of Catania, Palermo, 15 May 1632; Prince Paternò’s letter on charity distribution to the poor in Catania by the “rettori” of the Monte, Palermo, 28 March 1637; Viceroy Osuna’s letter to modify the chapters of the Monte, Palermo, 31 January 1708, ASPA, Rm, vol. 1, unnumbered documents.

<sup>59</sup> Palermo 2011, 810-13.

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The bishop himself provided a huge number of documents. The first was an excerpt from the 1651 “*relatio ad limina apostolorum*”, by his predecessor Marco Antonio Gussio, dealing with the Monte di Pietà e Carità in Catania’s institutional tasks and administration, clearly underlining the ordinary’s jurisdiction and his right of visit:

Mons item est pietatis ad pauperorum usum, pupillorum alianduc huius generis miserabilium personarum vitae subsidia, ordinariiue auctoritate comunibus pariter civium elemosinis institutus. His erogantur nummi cibaria ac vestes, aegrotis etiam pharmaca praeparantur. Regimen penes septem rectores residet, quorum primus es perpetuus et est prior cathedrali ecclesiae, ceteri extrahuntur ad sortem per Senatam; bini sunt ex nobilium genere, reliqui ex iudicibus ideotis et artis ac honoratis personis; ordinari iurisdictioni subiacet et per nos pariter visitatus<sup>60</sup>.

To further underline the necessity of a no longer formal jurisdiction upon the Monte, an abstract of the 1668 “*ad limina*” report was added, quoting Bishop Michelangelo Bonadies: “*universis igitur rectoribus Montis huius et precipue librorum detemptoribus mandavi ut ad me statim annualium redditum et bonorum stabilium nota afferatur ut si aliqua vel omissa vel oblita vel parum exigibilia reperiantur opportune possim occurrere*”<sup>61</sup>.

An attempt then followed to show how the rectors’ consideration of the institution they administered as absolutely secular, simply because it was devoid of a church, was to be regarded as false. Therefore, documents concerning the emphyteusis concession of the Monte of Saint Catherine Church in 1560 were shown. Moreover, other documents were sent, to prove how the Great Episcopal Court had always been in charge of the suits involving the Monte di Pietà e Carità: acts relating to previous visits by the bishops, to highlight their fulfilment; authorisations to draw up contracts, issued by ordinaries to rectors, upon precise administrators’ request, regarding the bishop’s confirmation as fundamental<sup>62</sup>.

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<sup>60</sup> Copy abstract of the report “*ad limina apostolorum*” of 1651 kept in the Archive of Capitolo della Cattedrale di Catania, ASPA, Rm, vol. 1, unnumbered documents.

<sup>61</sup> Copy abstract of the report “*ad limina apostolorum*” of 1668 kept in the Archive of Capitolo della Cattedrale di Catania, Ibidem.

<sup>62</sup> Palermo 2011, 814-18.

Among all these documents, the prelate identified as the most important evidence for the well-grounded, constant Episcopal jurisdiction upon the Monte the one year respite act of two Monte rectors' office, ordered in April 1683 by Bishop Bonadies, at the majority request of the rectors, applying to him as a "delegato apostolico", being the opera committed in "molte liti di gravissime importanze" and, among the most influential people in charge of the institution, someone already well aware of the necessity of the matter at issue. The rectors' request for tenure in office for some of them had taken place by addressing the prelate and not the Senate, electing them with the "bussolo" system<sup>63</sup>.

According to what was referred by Bishop Riggio to Pope Clement XI in his visit "ad limina apostolorum" in 1712, after a difficult course, the trial in front of the "Tribunale della Regia Monarchia" was favourable to him; when the time came to deliver judgement, he performed a series of actions aiming at underlining the permanent and unquestionable Monte submission to Episcopal jurisdiction<sup>64</sup>.

Nevertheless, the sentence occurred exactly when the jurisdictional conflict between secular and ecclesiastical power was enclosing areas much wider than single towns, thus making it useless to resist even small portions of jurisdiction: January 1711 witnessed the outbreak of the "controversia liparitana", "una crisi di vaste proporzioni che in Sicilia metteva in discussione il difficile equilibrio tra potere ecclesiastico e potere civile", marking the last decades of the century<sup>65</sup>.

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<sup>63</sup> One year extension of the "rettori" offices by the Bishop of Catania, Michelangelo Bonadies, to don Giovanni Battista Riccioli and Felice Nicosia, 7 April 1683, ASPA, Rm, vol. 1, unnumbered documents.

<sup>64</sup> "Mons item est pietatis ad pauperorum usum, pupillorum, aliarumve huius generis miserabilium personarum vitae subsidia, ordinarii auctoritate comunibus pariter civium elemosinis institutus. Regimen penes septem rectores residet quorum primus est perpetuus, qui est prior cathedralis, ceteri extrahuntur ad sortem per Senatum quolibet anno. Cum vero rectores praefati a me visitati renuissent, ob quod lis acerbissima pluribus distenta annis interiecta est ac praetenderent dictum montem ... sub Senatus protectione erectum ab ordinaria iurisdictione fore prorsus immunem, tandem post immensos exantlatos labores immensasque expensas, Deo favente, litis victoriam sum assecutus quam executioni statim mandavi visitando ratiocinia administrationis, nonnullas rursus instructiones pro visitationis argumento observandas tradidi aliaque peregi in signum perpetuae subiectionis ordinarii iurisdictioni" "Relatio ad limina apostolorum" 1712, see (Longhitano 1989, 507-08).

<sup>65</sup> Giarrizzo 1989, 362.



# Wheat supply, market and trade in Rome during the 18<sup>th</sup> century

RENATA SABENE

This paper aims at evaluating state intervention in wheat distribution and pricing. This issue was central to the intensive legislative measures applied during the modern age and it was intended to create the conditions to allow even economically deprived sections of population to access supply. The economic and social functions of wheat within pre-industrial economies has been dealt with by F. Braudel and by an extensive research literature that aims to describe the organisation of the restriction systems introduced in modern age Europe<sup>1</sup>.

In recent decades, the *Annona* has been observed from a range of diverse perspectives and, as Renzo P. Corritore claims, still remains the centre of attention for experts for the role it played within the ambit of the contraposition between city and countryside, for the creation of an administrative apparatus functional to food supply<sup>2</sup>, for incentives in both agricultural practices and production and for control of trade.

The *Annona*, as a concept and subject matter, in fact embodies a set of legal, economic and infrastructural, food and social attributes, derived from the capacity of ensuring the market presence of a wide range of products, mainly of food, needed in everyday life. Despite some regulations or differences in implementation, the *Annona* was

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<sup>1</sup> Braudel 1982; Braudel and Spooner 1975, 436-562; Strangio 1999, 17-51; *Annona e strutture urbane a Ragusa, Venezia, Genova, Lione, Valencia, Milano*, special issue, "Storia Urbana", XXXV- 134 (January-March 2012). As regards the literature on *Annona*, see "Bibliografia ragionata", (Sabene 2010, 524-27, 535-41).

<sup>2</sup> Parziale 2009; Guenzi 1982.

undoubtedly used by governments as a tool to keep social order and strengthen consent<sup>3</sup>. In this respect, there is a particular interest in the question relating to food storage and to incentives for their creation<sup>4</sup>.

Conservation and control become the only foreseeable way forward for many European cities, especially for large cities such as Rome or Naples, where export control under the “*tratte*” system was absolute, or in Genoa, where the state monitored every operation<sup>5</sup>. On the contrary, the cities located in the centre of trade routes were relying on imports, as was the case of Apulia or Ragusa<sup>6</sup>. In the case of Sicily, where there is was strong search for consent, the presence of many important ration centres can be seen, such as Palermo and Messina, which animated the cereals trade, but also acted as a stimulus for internal production<sup>7</sup>. The complexity of the ration approach to the problem of supply - production-import, distribution, price policy - imposed the intervention of the state in the economy and transformed the *Annona* into an important tool of social policy<sup>8</sup>.

The expression “formal credit” is better suited to that organisation, which resolved to achieve different goals: ensuring the political price of wheat, satisfying economic interest in the production chain, supporting agricultural production and improving trade and distribution, at least in the ration district of Rome. Therefore, this article will describe how the Papal States faced the food supply issue in Rome from a political and organisational point of view, thus recreating the system on which they built their consent during the modern age. This goal was also pursued by promoting employment, especially in the construction sector, and by creating a well-structured welfare system, including hospitals and social institutions, which also supplied the poorest with money and provisions in times of famine<sup>9</sup>.

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<sup>3</sup> Balani 1987.

<sup>4</sup> Corritore 2012, 11-29; Da Gai 1990, 185-222; Id. 1994, 165-66.

<sup>5</sup> Alifano 1996; Sabatini 1998a; Id. 1998b, 121-40; Id. 2006; Id. 2008; Calcagno 2012, 75-94.

<sup>6</sup> Papagna 1990; D’Atri 2012, 31-56.

<sup>7</sup> Fazio 1993; Id. 2005; Macrì 2010, 87-110.

<sup>8</sup> Giacchero 1981; Pult Quaglia 1982, 181-98.

<sup>9</sup> Welfarism, especially towards the Roman population, was one of the means the Papacy used to build its consent. Therefore, the Church estate was considered as property of thepoors and the hierarchy had to rule and allocate it (Walter 1848, 247-

## 1. The restrictive ration system: institutions and organisation

Starting from the 15<sup>th</sup> century, after the Papacy overthrow in Rome, the ecclesiastical state pursued a policy of absolutism, striking a balance between bureaucratic centralisation and jurisdictional divisions which came from the strongly-rooted particularisms in the provinces of the state<sup>10</sup>. As regards Rome, instead, the local authorities gradually lost their autonomy, especially after the central government's intervention in the organisation of a restrictive system whose aim was to provide the capital with supply, keep the social order and strengthen consent. In this regard, the situation of the capital appears totally different from the other Papal States' provinces once under the ration jurisdiction, and it became the means to ensure supply, and enforce a partnership between the Papacy and the Romans which was rarely missed.

The first measure to plan food supply in Rome was introduced by Julius II (1503-13) in 1505, when he set up the *Annona* prefect's office by employing the ancient local courts<sup>11</sup>. Then, the process that would give complete autonomy to that institution started with the *Si nostrarum civitatum* edict (28<sup>th</sup> March, 1512)<sup>12</sup>. It was not long before

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52). Refer at least to (Piazza 1679; Morichini 1870; Geremek 1973, 670-98; Piccialuti 1994; Strangio 2005, 9-25; Piola Castelli 2009, 7-31; Groppi 2010). For the application and promotion of a well-organised workers' aid policy, above all in the field of construction, refer to (Sabene 2012, 171-89).

<sup>10</sup> Gross 1990, 43, where, notwithstanding the already existing centralisation of the Church, there should be references to "Papal States" as regards the persisting split. On the above mentioned process, refer at least to (Délumeau 1979; Caravale and Caracciolo 1978; Carocci 1961; Zenobi 1994; Prodi 2006).

<sup>11</sup> Moroni 1840-1879, 146. It should be noted, however, that from the beginning of the 16<sup>th</sup> century, during the short reign of Pio III (22<sup>nd</sup> September - 18<sup>th</sup> October 18<sup>th</sup> 1503), the Chamber commissioned two merchants to buy wheat in international forums on behalf of *Annona*. (Sabene 2013, 236-61).

<sup>12</sup> Giulio II, *Si nostrarum civitatem* (March, 28<sup>th</sup> 1512), L. Tomassetti et Collegii adlecti Romae virorum s. theologiae et ss. canonum peritorum, *Bullarium Romanum*, Tomi 24, Franco, H. Fory et Henrico Dalmazzo editoribus, A. Vecco et sociis, Augustae Taurinorum, 1857-1872, V, pp. 514-15. Julius II aimed to reorganise the state: he started to introduce state control in various fields of administration, without acting immediately or strongly on pre-existing institutions thus cancelling their prerogatives. Indeed, the above mentioned edict had been preceded by another one, passed

the Annona would control all wheat production and all the stages of distribution<sup>13</sup>.

As Niccolò Maria Nicolaj describes, the Annona bought the wheat at market price, kept it in its granaries to sell it again, at a fixed price and in the quantities needed by *bajocanti* bakers, who would sell the bread “a bajocco”, whose weight was ruled by the *Tariffa perpetua* introduced by Paul V on 4<sup>th</sup> November 1606<sup>14</sup>. The *Tariffa* was edited by a congregation of cardinals, prelates and Annona deputies and it aimed to bring relief to the least well-off through price control of bread on the basis of *Inter gravissima curas*<sup>15</sup>, which was Paul V’s constitution, edited on 23<sup>rd</sup> December 1605. The Pope, in fact, after referring to all the previous laws, reorganised the Annona in order to stimulate production, avoid unlawful export and ensure the sufficient distribution of wheat. The Constitution was made known by displaying it in Campo de’ Fiori on 2<sup>nd</sup> January 1606 and it was followed by the edition of *Tariffa perpetua* which completed Paul V’s plan.

The restrictive system allowed the monitoring of supply and the price of bread and satisfied the Annona’s economic needs which, as Nicolaj stated, “had to replenish all that it had spent during the unproductive years in wheat supply”<sup>16</sup>. Therefore, this system should have satisfied each player: the producers, who sold crops at market prices to Annona; the consumers, who could buy bread or wheat at a political price; the Annona, which was able to be self-financing; and, finally, the Papacy, which would have been in everyone’s favour, thus gaining ground.

In actual fact, the system did not work very well and in the last decades of the 17<sup>th</sup> century, the *mercanti di campagna*<sup>17</sup>, a social rank

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on the same day, *Decet Romanum Pontificem*, which defined the jurisdiction of the papal Vicar, of the House of Senators’ hearing officer and of the Capitoline Curia’s members, at the same time that the civic and agricultural forums were gathered together to unify procedures, rules and courts (Giulio II, *Decet Romanum Pontificem*, *Ibidem*, 511-14).

<sup>13</sup> Sabene 2010, 187-93.

<sup>14</sup> Nicolaj 1803, 57.

<sup>15</sup> Paolo V, *Inter gravissimas curas* (12/23/1605), *Ibidem*, 53-7.

<sup>16</sup> Nicolaj 1803, 89.

<sup>17</sup> As regards the definition of “mercanti di campagna”. I refer to (Villani 1968, 144).

controlling wheat production and trade, complained that the system prevented trade and affected the producers' interests<sup>18</sup>.

This category, belonging to the class of the "bovattieri", acted in Sabina, Umbria, but above all in Lazio, and it had built its fortune by rolling the capital earned through farming and cattle trading into estates and hamlets. It had become one of the most powerful social classes in Rome during the modern age and it had rapidly gained an important role in supply to the town<sup>19</sup>.

Opinions on *mercanti di campagna* are not clear. At the beginning of the 19<sup>th</sup> century, Nicolaj criticised them, underlining their speculative and parasitic attitude which had led to agricultural degradation and the crisis in the ration system<sup>20</sup>; recent literature, unlike Nicolaj, considered them to be the rising class in a static agricultural background. Their transformation from peasants into farmers and landholders of the majority of the lands belonging to the Roman ecclesiastical and laic aristocracy<sup>21</sup> put them at the centre of agricultural, economic, trading and financial activity in Rome and Lazio.

Therefore, after their complaints about the Annona's role in the wheat trade, Alexander VIII (1689-1691), once elected, established a clergy commission that prevented the Annona from selling cereals<sup>22</sup>. The stocks kept in the Roman granaries and valued at 30,000 rubbi were decreased to 20,000; moreover, it was established that their surplus had to be sold abroad and the proceeds used as aid funds of 2% soft loans for those farmers who needed help. As a result, profits could be invested again in "luoghi di monte" or given to farmers as loans<sup>23</sup>.

The above mentioned restrictions and the liberalisation of trade provided power to control occasional events, but Annona still had a regulating role of preventing the export of the wheat produced in Rome to Corneto and Toscanella in case of bad crops or at a price superior to 6 *scudi* per *rubbio* in order to avoid product rarefaction. On

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<sup>18</sup> Concerning the countryside merchants, their role in the production and trade of wheat and their activities within the general economy of the Church during the modern age, see (Sabene 2010, 177-87).

<sup>19</sup> Gennaro 1967, 155-203; Girelli, 2000; Piscitelli 1968, 446-57; Id. 1958, 119-73.

<sup>20</sup> Nicolaj 1803, 217-20. Other critics share the same belief, refer to (Coppi 1841, 29; Petrocchi 1970, 71).

<sup>21</sup> J.Délumeau 1979, 481; De Felice 1965, 22, 193; Giuntella 1971, 81; Gross 1990, 187.

<sup>22</sup> *Chirografo* of 26 November 1689 (Coppi 1841, 46; Moroni 1840-1879, 148).

<sup>23</sup> Nicolaj 1803, 96.

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the contrary, the Annona could allow the export of wheat surpluses from the Church state when the price reached 4.5 *scudi per rubbio* so as to prevent a collapse in prices<sup>24</sup>. Consequently, the supply system and producers' and consumers' interests were supposed to be safe.

This paper will consider whether the law ruling the restrictive system satisfied Roman food demands and whether Annona's control could subdue the effects of crisis and keep prices within a margin that even poor people could afford.

It is not easy to answer this question since an analysis of the documents shows three different prices of wheat.

## 2. The Note on wheat introduced and sold in Rome

In order to solve the problem, a remark about the sources used which cover a period from 1700 to 1775 - *Nota dei grani introdotti e venduti in Roma* - is strongly recommended<sup>25</sup>.

These were registers that included all the data on the weekly wheat trade, they were edited according to the production cycle of wheat, from July to the following June and they generally covered 52 weeks. However, the recordings might start in the last days of June and the 52 weeks could periodically become 53<sup>26</sup>.

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<sup>24</sup> De Cupis 1911, 290.

<sup>25</sup> State Archive in Rome (from now on ASR), *Presidenza dell'Annona, Nota dei grani introdotti e venduti in Roma*, bb. 367-408 (1700-1775). The series cover the years 1700-1706, 1710-1712, 1713-1715, 1717-1719, 1720-1748, 1749-1751, 1752-1775; the missing registers are supposed to be lost before the edition of the inventory in 1969, for the numbers given to the volumes continues and after 1881, when the complete collection on the wheat price from 1703 to 1877 was used in the essay *Movimento dei prezzi delle derrate alimentari*, in *Monografia della città di Roma e della Campagna romana*, Tipografia Elzeviriana, Roma, 1881. The authors, in fact - who unfortunately do not publish the original data, but use a switch considering the revaluation - state "The average was deduced from the weekly one which had been noted on the registers of the ancient Annona and Grascia administration..." (see, 350). It is also important to underline that, nowadays the registers stop at 1775, while the inventory shows the existence of two more registers respectively covering the period from 1775 to 1785 and from 1785 to 1795, which are missed.

<sup>26</sup> The addition of another week in the year of production - which depends on two more days deriving from the division of the weeks and the bissextile years - did not occur regularly as it could be guessed from a calculation. As an example, in 53

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The first piece of information concerned the quantity of wheat that entered Rome and how much wheat entered the town during the same week the year before, in order to monitor the seasonal trend. Then, there were some data about the merchants' trade and the exchanges made in Campo de' Fiori<sup>27</sup>, with the relative quantities that had been sold during the week.

Sometimes the quantities acquired by *bajoccanti* bakers - who sold the bread per bajocco - and by *decinanti* - who sold ten loaves at a time - and Palazzo can be found noted next to merchants' activities on the left margin of the page. Generally, *bajoccanti* represented the majority of the quantities.

The different prices negotiated during the week were noted below the sold quantities for both Campo de' Fiori and merchants and they would generally vary. It is impossible to average out the quantities exchanged for each transaction but it is easy to understand how the wheat trade worked weekly. Moreover, if prices do not correspond to real sales, their range nonetheless represents the vigour of the exchanges per year.

The following part of the documentation related to the general situation of urban supply. In order to monitor crop trends, officers noted the whole quantities of wheat introduced during the year up till that week, compared it with the same period the previous year and calculated the difference between the two. Then, the quantities of wheat distributed by Annona - whose sale could be paid in kind or with money - were registered on behalf of different partners or structures such as bakers in case of shortage or merchants to improve sowing if the crop had been meagre the previous year. This analysis shows the unequal distribution of wheat, which depended on the growing

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weeks just the years from 1720 to 1721 and from 1722 to 1723 were computed, while it took the period from 1728 to 1729 to add one more week.

<sup>27</sup> About the definition of the Campo de' Fiori market refer to Giuseppe Melchiorri Romano's reconstruction: «La più verosimile opinione si è, che siccome nel luogo di questa piazza e nei dintorni ai tempi d'Eugenio IV, era un prato dove pascolavano liberamente i cavalli e giumenti dei villici, che concorrono alla città per vendere i commestibili e quelli che erano in vendita, così quel luogo dal prato spesso coperto di fiori, fu così chiamato campo dei fiori. Infatti ne' scorsi secoli era quel luogo destinato alle esecuzioni di giustizia e vi si faceva il mercato dei cavalli e giumenti, costume che ha durato sino al pontificato di Leone XII, a cui piacque unire questo mercato al foro boario fuori la porta del Popolo». (Melchiorri Romano 1836, 549).

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seasons, which in turn established the quantity on the market, the sale price of wheat and the renewal of stocks to ensure their correct conservation.

As concerns prices, it can be noted that wheat cost less in Campo de' Fiori than at the merchants; consequently a remark is required on the importance of these different networks, the calculation of an average price and the possibility of dealing with "different" sale prices with dissimilar economic boundaries based on the existing law.

### 3. A problem to solve: one price or an average of sale prices?

A sample period covering the years from 1723 to 1729 and representing the ups and downs of the wheat trade has been analysed in order to answer the question. This essay will specifically focus on this short period in order not to go over the word limit; accordingly, the complete analysis of the period 1700-1775 has been postponed. The focus on these specific years does not imply a qualitative loss since the selected period is representative of the *Annona's* functions. As a matter of fact, in the above mentioned years, the food crop production was not subject to any kind of positive or negative shock since there were no episodes of overproduction or famine. Despite such production stability, it is possible to highlight some new trends in the way the *Annona* articulated its policies and determined the fluctuation of prices. Such trends will render it possible to observe the actions of the control institution and to verify its consequences in the market and on the fluctuation of prices.

This period, in fact, has two different cycles and the introduction of wheat into the urban network can easily be seen in the graph below.

The first cycle is very short and groups together the first two years, whereas the second shows a pickup after a bad crop<sup>28</sup>. The second cycle is made up of 4 years in which the wheat gradually decreases till

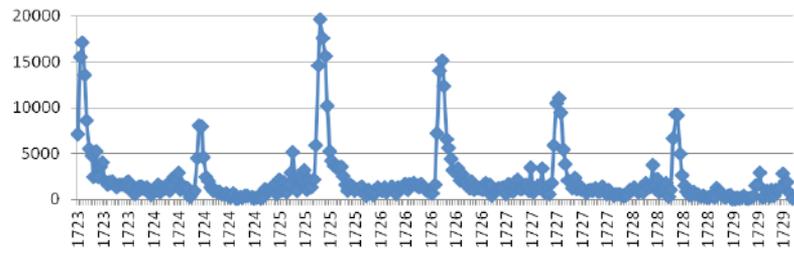
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<sup>28</sup> The food crop production of 1722-23 was not good, therefore prices increased and the *Annona* intervened. Nevertheless, the fluctuation in the levels of production that characterised the period enabled the system to rapidly replenish food stocks and normalise the market (Sabene 2010, 251-74).

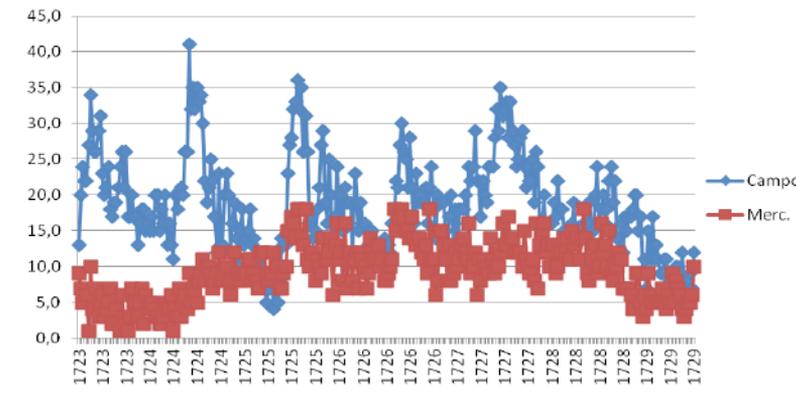
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the last year where the production crisis reaches its apex. Moreover, the trend of sales occurring in the two different networks is taken into account to evaluate the spin-off on the urban market.

Graph 1 - Wheat introduced in Rome represented in weekly rubbi (absolute values), 1723-1729<sup>29</sup>.



Graph 2 - Networks of Campo de' Fiori and Mechants: number of weekly sales (1723-1729)<sup>30</sup>.



The graph shows how the quantity of product in the market does not affect the sales of the two networks. For example, the

<sup>29</sup> ASR, *Presidenza dell'Annona, Nota dei grani*, bb. 382-89 (1723-1729).

<sup>30</sup> ASR, *Presidenza dell'Annona, Nota dei grani*, bb. 382-89 (1723-1729).

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1724-1725 decrease corresponds to an improvement in sales in Campo de' Fiori, while in the next period, the latter diminished only in the year of the production crisis. The trend of the merchants' sales, instead, is more homogeneous without any particular variation.

Both the sold quantities and the number of sales diminished from their maximum level in the first weeks after the crop to the minimum level at the end of the season during the year. There were many sales in Campo but they dealt with small stocks; on the contrary, merchants' sales were few but of great quantities. This difference derives from the peculiarities of the two networks which are worth analysing.

First of all, the subjects involved in the transformation of wheat - including *bajoccanti*, *decinanti* and Palazzo - could not refer to Campo de' Fiori but they had to buy the wheat they needed from the *mercanti di campagna*<sup>31</sup>.

Small producers who farmed near Rome<sup>32</sup>, excepting the quantities for self-consumption, sold their surplus in Campo de' Fiori under the control of Annona and all quantities had to be sold until the funding had been used up.

Buyers in Campo de' Fiori were working class people who preferred buying wheat rather than the bread at baiocco to save money. This possibility derived from the obligation imposed on farmers to sell all the wheat on the market<sup>33</sup>; therefore the sellers were forced to lower the price to below the price of production to accommodate buyers' needs.

Merchants, instead, always sold the product in their stores under an officer who noted prices, quantities, information on the seller and buyer, origin and destination of goods. In doing so, merchants had more bargaining power than bakers and the wheat price was higher there than in Campo de' Fiori, where prices decreased at the end of the day.

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<sup>31</sup> ASR, *Bandi*, b.455.

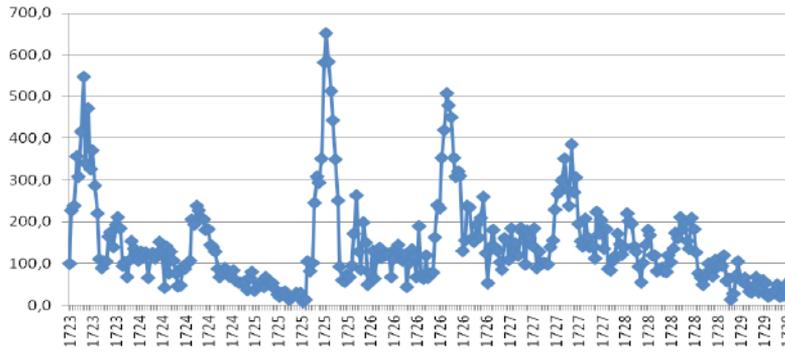
<sup>32</sup> Reference is made to the suburban areas under wheat that formed a 2-6 km zone around Rome which was strictly connected to the town, thanks to the economic exchanges and the workers employed in the urban area or in other productive activities nearby. (Travaglini and D'Errico 2004, 11-47).

<sup>33</sup> ASR, *Bandi*, b.455.

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The graph below represents the quantities sold in Campo de' Fiori and by merchants showing different trends.

Graph 3 - Campo de' Fiori. Wheat sold in rubbi per week (absolute values), 1723-1729<sup>34</sup>.



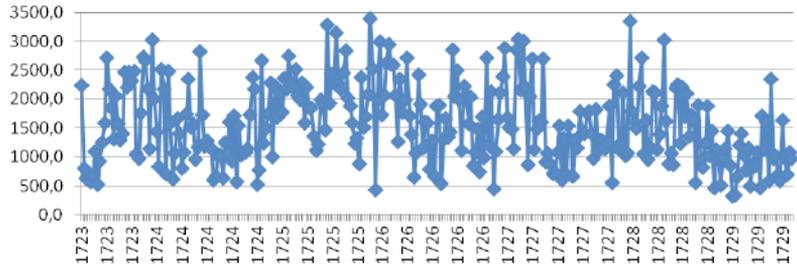
The graph underlines how the quantities sold in Campo adjusted to the production in which there was also the surplus of the small farmers, which became lower as production worsened. The quantity on the market decreases as the year goes by. The graph of merchants' sales, instead, seems to be less affected by the crop, having big producers' tools and structures to store great amounts of wheat which were put on the market in case of low production so as to increase profit margins.

That is more evident in the graph representing the quarterly trend of the three above mentioned values. The trends of the wheat introduced in Rome and of the product sold in Campo are in accordance with one another; on the contrary, the trend of quantities sold by merchants is independent and it is not influenced by temporary events.

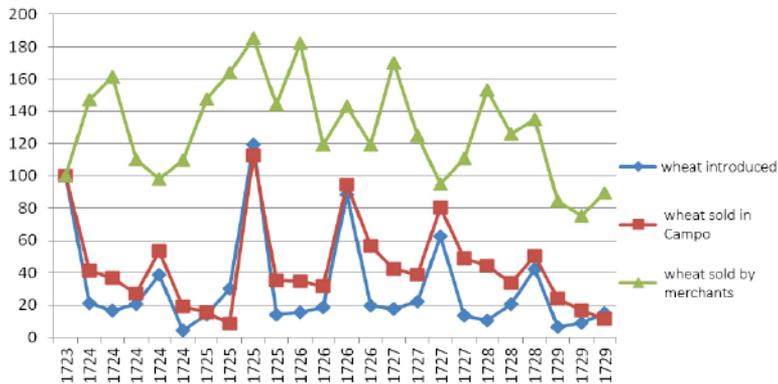
<sup>34</sup> ASR, *Presidenza dell'Annona, Nota dei grani*, bb. 382-89 (1723-1729).

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Graph 4 - Merchants. Wheat sold in rubbi per week (absolute values), 1723-1729<sup>35</sup>.



Graph 5 - Wheat introduced in Rome, sold in Campo de' Fiori and by Merchants, per quarter (Index Numbers), 1723-1729<sup>36</sup>.



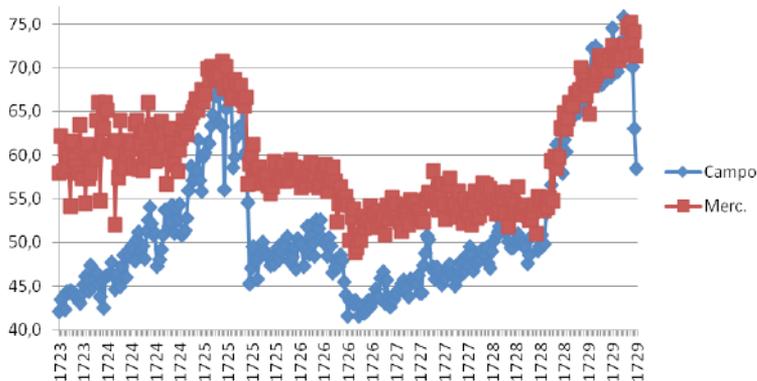
This graph shows that the wheat price at Campo de' Fiori fluctuates more than that of the merchants because its market trends depend on the results of production, and also shows that the obligation to sell all quantities by the end of the day made prices 25% lower even when production was satisfactory.

<sup>35</sup> Ibidem.

<sup>36</sup> Ibidem.

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Graph 6 - Campo de' Fiori and Merchants: average price of wheat sale per week (Absolute Values), 1723-1729<sup>37</sup>.



In the event of a bad crop, the price at Campo would instead increase so that the gap between the two values would be close to disappearing, as happened between winter and spring of 1725 and between January 1728 and June 1729; moreover, the sale price at Campo exceeded the merchants' one on different occasions in the 1728-1729 season because of the ongoing negative conditions<sup>38</sup>.

It is possible to assume that the ration and monitoring systems controlled the price best in case of higher availability on the market; while when the production crisis occurred, the market laws dominated.

Therefore, it is difficult to establish an average price, showing the two networks' different features depending on the partners they related to, how much and how often they sold and exchanged and the price levels; while it seems easier to compare the different prices in Rome during the 18<sup>th</sup> century<sup>39</sup>.

<sup>37</sup> Ibidem.

<sup>38</sup> These circumstances occurred during the following periods: 10/15-21, 08/29-09/11, 10/10-16, 11/14-20 in 1728, from 12/19/1728 to 02/05/1729, from 03/27 to 04/16, from 03/24 to 05/21 in 1729 and from 05/29 to 06/04/ 1729, last week of the season.

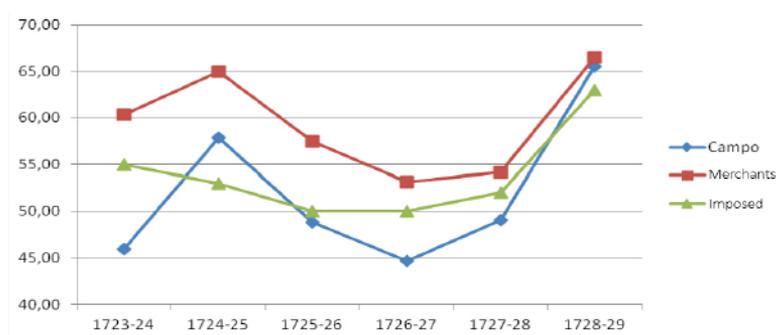
<sup>39</sup> On the control measures for the wheat market and the partners involved, refer to (Sabene 2010; Gross 1990, 202-03, 207). Refer also to (Martinat 1995, 313-38; Id. 1999, 219-44), despite the reservations expressed in (Sabene 2010, 39-40).

Nicolaj supported the idea that the authorities determined prices, mentioning: “Prezzi de’ grani posti dalla R. C. A. in Roma [...] ragguagliati dalle vendite fatte nella Piazza di Campo di Fiore”<sup>40</sup>: where the “prezzo alla voce” was the result of the average of those applied at Campo de’ Fiori during the last 9-10 weeks of the season or calculated in the most propitious period of the year.

This is the third element to deal with, from now on called the “fixed price”, even though it should be considered as a reference price established by the Apostolic chamber in accordance with the ration institutions.

The following graph represents price trends in the three above mentioned years. Having had a fixed price for the entire year of production, it was necessary to calculate the annual average price for Campo de’ Fiori and the merchants<sup>41</sup>.

Graph 7 - Fixed price imposed by Annona, average price of Campo de’ Fiori and Merchants (Absolute values), 1723-1729<sup>42</sup>.



As can be seen, when production was satisfactory, sale prices decreased and the fixed price was in the middle of the two. When it

<sup>40</sup> Nicolaj 1803, 155.

<sup>41</sup> The average price per week, first, and the average annual one have then been calculated for both the networks. Statistics lead to a partial loss of the original data and in this case prices might come down and rise over the average, provoking tragic circumstances in case of a huge production crisis. It is important to underline that during 1728-1729, the wheat prices of both networks, and especially in Campo de’ Fiori, exceed the value in the graph up to 75 giuli at rubbio, despite a fixed price of 63 giuli at rubbio.

<sup>42</sup> ASR, *Presidenza dell’Annona, Nota dei grani*, bb. 382-89 (1723-1729).

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rose, its position in the graph lowers. In case of production crisis the prices aligned, as occurred in the last year represented in the graph, when even the “prezzo alla voce” almost reached the levels of the two networks. Anyway, the most relevant element is the lower prices which appear in the central part of the analysed period, notwithstanding the gradual decrease of wheat in Rome. Actually, the price trend did not depend only on the season, but also on how the results of the harvests and the Annona’s approach to reducing the lack of balance affected it.

Annona usually put a certain quantity of wheat on the market at the beginning of the season, i.e. early July, in order to refresh stocks with new production. In autumn or even in the late summer this tendency gradually stopped. Its role was insignificant during the winter, while it was more important between winter and spring for two reasons: supporting the market when the product ran out in order to check rising prices and getting rid of old stocks to refresh them with the new harvest. These dynamics took place in periods of normal production, because Annona acted differently in the event of bad crops. Indeed, the data in the following table show how Annona’s intervention was not always inversely proportional to the wheat present in Rome, but the quantity of wheat depended on different elements, among which the dimension of the stocks was the most important.

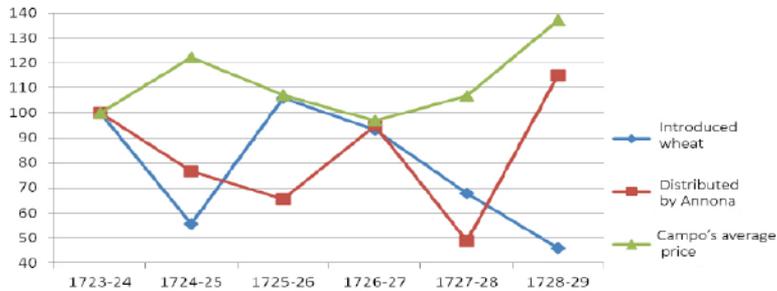
Table 1 - Quantity of wheat in Rome and distributed by Annona expressed in rubbi (1720-1730)<sup>43</sup>.

Year	1720-21	1721-22	1722-23	1723-24	1724-25	1725-26	1726-27	1727-28	1728-29	1729-30
Introd.	122,169	151,075	75,957	144,939	80,354	153,801	135,190	98,488	66,611	109,461
Distrib.	39,761	13,900	23,465	30,068	23,075	19,688	28,514	14,687	3,4625	20,349

A comparison between the annual data on the quantity of wheat put on the market, the quantity of wheat introduced in Rome and the average sale price in Campo de’ Fiori can be made in order to evaluate the effects of Annona’s activity.

<sup>43</sup> ASR, *Presidenza dell’Annona, Nota dei grani*, bb. 380-90 (1720-1730).

Graph 8 - Quantity of wheat introduced in Rome and distributed by Annona, price at Campo de' Fiori. Annual average (Index numbers), 1723-1729<sup>44</sup>.



The graph shows how, when the product decreased in 1724-1725, Annona's intervention was insignificant and in fact the average sale price rose but it was adjusted in the following year. In the previous season, Annona gave in most of its stocks, in accordance with the great expectations for the crop in 1725; it is possible that Annona did not want to impoverish its stocks and left the market to self-regulate.

With the bad crop in 1726-1727, the distribution of wheat by Annona was, instead, very large; in fact, the price fell in spite of the negative situation. As the crisis continued, Annona's intervention fell to its lowest levels, maybe because it could not reintegrate stocks, and the price of wheat started to rise. Distribution on the market became hard during the third negative year when the wheat introduced in Rome decreased by 60% in comparison to the crop in 1726. In that case, it did not affect the price, which continued to rise - thus showing a 40% revaluation compared with the beginning of the period - because the quantities of wheat did not succeed in offsetting the decrease in production.

#### 4. Conclusions

The analysis of the six years covered by this paper has shown how the inner dynamics of Campo de' Fiori and merchants did not follow

<sup>44</sup> ASR, *Presidenza dell'Annona, Nota dei grani*, bb. 382-89 (1723-1729).

the same patterns and it allows us to draw significant conclusions about the importance of aid interventions by the state for the population through the ration system.

Firstly, it is important to underline that Annona's intervention acted on two different levels. It controlled production by collecting data about sowing, seasonal trends which were monitored by officers, harvests and the departures of goods to Rome. Therefore, it supported small farmers with soft loans and strove to provide wheat for sowing when the *mercanti di campagna* or other producers missed it. It interfered in the production chain with loans and amounts of wheat and flour, but it gave the money in case of famine or a rise in prices, in order to let the bakers buy the right quantities for market demand. A mixed system of distribution was the second control measure. The capability of haggling by merchants created the basis for dynamic economic relations with huge profit margins and the availability in the market of quality products able to satisfy upper class consumers.

The establishment of Campo de' Fiori and the obligation to sell all goods by the end of the day made wheat affordable to low-middle class. The system, in fact, let the consumer invest in reasonable quantities of wheat at a low fee at the beginning of the season, and store it for the seasons in which prices would be higher. In this case, the wheat might be used to make bread at home or soups during the winter. The laws controlling the production and sale of bread at baiocco allowed the lower classes to meet their food needs in each season.

It is necessary to underline the psychological effect that Annona had on the population by controlling the barns in town that owned the stocks that were put on the production chain, but these measures contributed to overloading a loss-making budget.

Annona brought about its desired effects; indeed, it improved agricultural and trade development and supported the food supply in town and the suppression of prices. However, the limits of the system became evident during the production crisis, when only the investment in huge quantities of products in the foreign market could meet urban demand.

In the end, the heavy costs of supporting the political price of wheat and urban supply led to a crisis in Annona's budget together with the famine that afflicted the state, the Church and all of Italy during the 1760s. As a matter of fact, the actions of the restriction

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system were effective when the Annona was able to replenish its food stocks while operating within the margin of its financial constraints. The system of replenishment of food stocks did not manage to bear the burden of the long and deep crisis that affected Rome, which was also due to the population increase and the arrival in the city of starving and desperate people<sup>45</sup>. The economic crisis, followed by an intense debate on the ration system, led to the suppression of the Annona and guilds in the early 19<sup>th</sup> century under Pope Pius VII, who paved the way for the free market of the Church<sup>46</sup>.

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<sup>45</sup> On the effects of the production crisis on Annona's budget, see (Strangio 1999; Campilli 1783; De Cupis 1911  
319-20; Venturi 1973, 514-43; Gross 1990, 208-10).

<sup>46</sup> Nicolaj 1803, 90-102.

# The modern Church and the ethic of credit

PAOLA VISMARA

## 1. Introduction

While seemingly marginal in the context of the broader subject of informal credit, the question concerning the positions of the Catholic Church on matters related to credit between the Sixteenth and Eighteenth centuries is far from irrelevant. In fact, the modern age is an age of confessionalisation, sanctioned by the Peace of Augsburg in 1555. The constraining belonging to a particular confession provoked therefore, even in cases of poor personal conviction, compliance with the principles of the dominant religion, which, in all cases, was one of the Christian denominations. But it is known that some guidelines did not coincide, well beyond the theological and doctrinal issues relating to grace or transubstantiation.

We consider here the guidelines of the Catholic Church, which exercised its direct influence in the Iberian Peninsula, in France, in the Spanish Netherlands, in the ancient Italian States, in some German principalities and in an area we define as Eastern Europe. In a different way, the influence is, however, detectable even in distant or far-away lands. The expansion of the Church in this age, which formed the first great globalisation, meant that certain particular issues were relevant almost on a global scale because they dealt with the behaviour of the Christian and posed questions to his conscience.

The concept of conscience is fundamental and purposely mentioned<sup>1</sup>. In fact, the transition from the medieval to the modern age

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<sup>1</sup> Caffarra 1971, 75-104.

was marked by the strong personalisation of the religious phenomenon in which, in many ways, the Protestant Reformation and the Catholic renewal converged. These two movements were derived from a common substrate, from those instances of transformation that had characterised all of the fifteenth century. In the Catholic world and in the reformed one, profound moral necessities that put the person directly into play emerged with constancy<sup>2</sup>. The combination of “believe and operate”, which the modern age largely pivoted upon, meant that the doctrine had to necessarily find an effective implementation in daily actions.

The treatises of moral theology therefore multiplied; they constituted the references which confessors could draw on to direct their penitents. The basic rules of morality were sufficiently perspicuous. On the contrary, specific cases often presented themselves as very complex; the questions of the penitents did not always find an easy and immediate solution. There was a need for a sort of guide, adapted to identify the correct solution of the cases of consciousness<sup>3</sup>. From this need arose casuistic theology, namely, that form of moral theological doctrine investigating in minute detail a number of assumptions to arrive at an indication of how one can extricate himself in any particular situation. In all these essays, the moral economy plays an important part, particularly with regard to contracts and restitution.

## 2. The loan, restitution, extrinsic titles to interest

In the Christian world, usury had always been forbidden on the basis of the pronouncements contained in the Scriptures, especially the Old Testament. Anything (not just money) that was required in addition to the return of capital lent in a contract of pure loan was considered to be usury.

Throughout the modern age, a formal distinction between usury and interest was not defined or established, although the outline of a differentiation towards the latter emerged in some authors. The economic vitality of the second Middle Age led to broader reflection

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<sup>2</sup> In my opinion, it refers to a focus on the person, rather than on the individual.

<sup>3</sup> Mahoney 1990; Prodi 2000.

on the issue of credit, such as that made, for example, to those in need of liquidity for their commercial activities. But a clear distinction between a consumer loan and a commercial loan was not widely accepted at that time.

The most general principles remained unchanged over time, based on natural law and on divine revelation, with which man cannot interfere. In Christian thought, money does not, ultimately, belong to men but to God, who makes it available. This makes a man a sort of depositary, accountable for the management of an asset that he does not own.

In the fourteenth century, Thomas Aquinas gave strength and support to the idea that there were legal titles, beyond a loan *per se*, that could give rise to the legitimate collection of more than capital. They were called extrinsic titles to interest, of a compensatory nature. The title recognised, almost unanimously leaving out rare exceptions, was that of deriving damage (*damnum emergens*): the damage, in economic and monetary terms, occurring to a lender as a result of granting a loan. The other side, so to speak, of *damnum emergens* was constituted by *lucrum cessans*, that is, under the same conditions, the loss of potential profits.

So far it all sounds simple enough, but it was not in reality. To start with, generic hypothetical damage could not be invoked. The insistence on this point was to avoid the risk of indiscriminate use of these legal titles without any connection to actual situations. In addition, the deriving damage and potential loss of profits had to be precisely quantified *a priori*, for obvious reasons of contractual clarity: this was an additional element of difficulty, since the reliability of estimates often proved weak. Theologians strongly insisted on this aspect for the protection of the person who requested the loan, who had to be able to assess the convenience of it, and for the importance of mandatory repayment, in due time, of the amounts agreed<sup>4</sup>.

The importance of restitution for the morality of the age is beyond doubt; the issue has been recently studied in detail by Paolo Prodi<sup>5</sup>. Absolution through confession could only be granted upon return by

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<sup>4</sup> On these issues: (Vismara 2004).

<sup>5</sup> Prodi 2009.

the repentant of all possessions that were not his own, regardless of the fact that the origin of those possessions could have been theft or usury or just an inexcusable delay in repayment.

In Catholic countries, to receive absolution was essential to be able to approach the sacrament of the Eucharist during the Easter period, in accordance with the obligations imposed by the Lateran Council IV and subsequently confirmed. Not being in possession of the *polizzino*, issued to those who received the Eucharist in the Easter period, meant being marginalised by the Christian community. That was not only a matter of religion, but also of civil relevance, to the point that it could have actually determined social exclusion.

The obligation of restitution was based on the principles of commutative justice, which in turn had to be reconciled with the category of *aequalitas*. It is interesting to note that some theologians, however, considered possible the existence of exceptions to the obligation to return what was borrowed or what was agreed upon, especially in case of need.

In the early seventeenth century, prevailing theology brought about considerable openings, especially in areas with strong economic and financial impact, where a marked sensitivity to the problems of trade was recorded. The Jesuit Leonardo Lessio (Lenart Leys, 1554-1623) stands out, for his ideas on the matter concerned; secondly, Martino Bonacina (1585-1631) should also be remembered. Their geographical origins should be noted, as they indicate the development of considerable attention to these issues precisely where trade and finance had great significance: the Spanish Low Countries for the former, Milan for the latter.

Lessio stated that in specific cases where the conditions of deriving damages or loss of potential profits emerged unexpectedly after the conclusion of the contract, the lender could require an amount of interest as compensation, even if not previously stipulated, provided that the required rate did not exceed 10%. On a smaller scale, but still constituting a significant exception, Bonacina believed that any form of compulsion to lend entailed the legitimacy of the request for an increase in the amount to be returned, even if not previously agreed through a contract<sup>6</sup>.

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<sup>6</sup> Vismara 2004.

Leonardo Lessio's thoughts are innovative, also with regard to his concept of money: not as something static and unremunerative, but rather as a commodity itself. As such, money can be bought and sold like any other commodity. This means, *inter alia*, that market conditions shall be taken into account. Therefore, shortage of money would increase its value, resulting in the possibility of requesting an additional amount with respect to borrowed funds.

The first half of the seventeenth century saw an opening towards credit practices at even the highest level, that of the Roman See, in particular in the Roman Inquisition<sup>7</sup>. During this period, the most significant act was that of 1645: a document of great authority, because, issued by the Holy Office, it was countersigned by the reigning Pope, Innocent X. The document was about *dubia circa sacramenta* from European missionaries who were in the Far East on evangelical missions. One element that was essential was the will of the Roman Church to answer to questions on economic matters that came from all over the world. For this purpose, there was the need for well-founded knowledge of cases and specific contracts. This can be seen from the fact that, in order to give timely and informed responses to questions on some forms of credit, more detailed information was, in some cases, requested.

In particular, missionaries were asking if it was permissible for them to impart the baptism or administer the Eucharist to people who were carrying out loan activities for a living. Due to the risk on capital they were incurring, they used to ask for high interest rates, of up to 30%. The issue was not so much the rate itself; as is well known, it was forbidden to ask for a surplus on money lent - as large or small as that could have been - if not in the presence of extrinsic titles to interest.

In response, Rome asked the missionaries to not disquiet the faithful (*non sunt inquietandi*), indicating indirectly that the risk on capital could legitimately be considered as an extrinsic title to interest. However, two conditions were attached. The first, obviously, was to prevent someone from availing himself of a bogus title to extort particularly

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<sup>7</sup> Some considerations on the activities of the Holy Office about the credit topic are in (Vismara 2009).

high interest. In fact, it was specifically asked that the borrower, possibly with the help of consultants, paid thorough attention in quantifying, as precisely as possible, the risk he could have incurred, and that his interest request be proportional to the degree of risk<sup>8</sup>.

The second condition consisted in a verbal declaration by the penitents of their devotion to the Holy See and their willingness to adapt to different ecclesiastical norms, in case those would be adopted later. It was, in short, the necessary recognition of a superior authority, the task of which was to address the faithful on the path of good.

Being willing to follow these dictates meant to favour the higher good versus personal advantage. Here again emerges, albeit between the lines, the leitmotif of the whole matter: the *ordo amoris*, a hierarchy of values according to which human actions should be directed. Pursuing a for-profit activity is not in itself illegitimate, but the specific conditions under which the activity is conducted should not in any way disregard the awareness of the nature of every man's property, as discussed above, nor lead to the prevarication of every man's neighbour.

### 3. The marked turn towards rigour in the seventeenth and eighteenth centuries

Immediately and in the long term, there were enormously negative reactions to the measure disposed in 1645, although it was adopt-

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<sup>8</sup> To understand this topic, see the interpretation given in the eighteenth century of a document of the Holy Office: "Così la S. Sede si è contenuta nel rispondere ai postulati su di tale materia in guisa, che non sia assolutamente vietato ai fedeli ciò che può in sostanza permettersi, e sieno essi altresì cautelati per ben regolarsi nei casi particolari, e guardarsi da ogni usuraio contratto [...]. Non si è poi creduto bene di interloquire, ne condannando, ne tassando la somma del prezzo del pericolo sì perché non può generalmente determinarsi per la varietà de' casi, sì perché in alcuni casi la detta somma, benché notevole, può non essere eccedente alla gravezza del pericolo. Onde sebbene nel riferito dubbio esposto alla Sacra Congregazione di Propaganda si esprimesse, che solevasi nella Cina esiggere, non che il 24; ma il 30 per 100, nulla su di ciò rispose, ma rescrisse: ita moderandam esse lucri quantitatem, ut habeatur ratio probabilitatis periculi, et quantitatis eiusdem, ac servata proportione inter periculum et id quod accipitur" (Seduta di feria V, 24 novembre 1768, in Archivio della Congregazione per la Dottrina della Fede, Sant'Ufficio, *Stanza Storica*, L bis 3 a, fasc. 10).

ed with all the official approvals. This period began the assertion of a pessimistic view of man, in the wake of the exasperated interpretation of Augustinian works *de gratia*. Jansenism is a significant expression of this situation, marked by a great moral rigour. Moreover, rigorist trends were increasingly present in the post-Tridentine Church, regardless of affiliations with Jansenism.

Between the mid-seventeenth and mid-eighteenth centuries, a systematic reaction against the positive and “humanistic” trend that characterised the interpretation of the Counter-Reformation, or rather of the Catholic renovation, occurred in various forms in southern Europe. In the theology of the Second Scholastic, for example, man is seen as the *dominus* of his own actions, able to act with intelligence and freedom, according to a call that comes from nature and from God himself (Gen. 1)<sup>9</sup>. The original mark was not totally erased after the fall. In short, it referred to a consciousness grounded on reason and the deepest nature of man<sup>10</sup>. The value given to the rational nature of the human being was not, however, to be construed as a prerequisite of autonomy, as the divine message was clarified and interpreted by the Church’s tradition.

Despite the opposition, this line of interpretation, which increasingly anchored itself to the enhancement of “Christian reason” as in Muratori, persisted for a long time. In the mid-eighteenth century, the Marquis Scipione Maffei, a man of letters and an “enlightened layman”, says: “Il Creatore infuse nell’anima nostra intelletto e ragione. Chi nelle cose umane non vuol valersene, al fine del Donator supremo si oppone”. (The Creator instilled in our soul intellect and reason. Those who refuse to make use of it in human affairs oppose the aim of the supreme Donator)<sup>11</sup>.

With Jansenism in particular, but not only with that, we are faced, in a certain way, with a “another Counter-Reformation”. Man, who necessarily leans towards sin, is considered to be nothing in this ho-

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<sup>9</sup> Grossi 1973, 117-222.

<sup>10</sup> It is a very long-term route. It is worth recalling for the eighteenth century the very famous Alfonso de’ Liguori. He affirmed: “In quanto alla morale, seguito quel che mi detta la coscienza; e dove la ragione mi fa forza, poca specie mi fanno le autorità de’ moralisti.” (De Liguori 1824, 465-66).

<sup>11</sup> Maffei 1746; Cf. (Vismara 2011, 265-75).

rizon of thought, separated by an unbridgeable chasm from his God, who is viewed with fear and terror. From there emerged a considerable mistrust of those goods - money in the first place - that can distract the Christian from his ultimate goal. Even in the mid-eighteenth Century (as in the case of the Dominican theologian Daniele Concina) there were those who argued that the sole purpose of economic activities should be subsistence. The lending business, he said, can only lead to bankruptcy, crime, exile, betrayals, enmities and so on<sup>12</sup>. Underlying this attitude, there is a deliberate deafness to economic activities, in particular credit. Concina believed that credit activities could only pervert humans, tying men to a materiality that fascinated them more and more, preventing them from focusing on their ultimate aim.

The Jansenist environment however, it must be stressed, was not compact in its interior. There were already dissonant considerations in the seventeenth century, such as those of one of the "great" of Jansenism, Antoine Arnauld (1612-1694). In his view, loans bearing interest (at a moderate rate) could be acceptable if negotiated among merchants. He did not, however, come to a concrete conclusion on this matter, leaving his ideas in an absolutely theoretical state. It cannot be ignored that the considerations of Arnauld were influenced by his journeys to the Netherlands, an economically lively land. In the eighteenth century, the Jansenist world in the Netherlands showed itself to be deeply torn from within with regard to the ethics of credit<sup>13</sup>.

The attitude of mistrust towards material things was common among Jansenists and rigorists. The latter dissented substantially from the theology of grace and the Jansenist ecclesiology. Both instead shared the fundamental traits of morality. The nature of man, they said, led him to pursue instinctively what he erroneously considers to be his own advantage: social prestige, enrichment, the improvement of his economic condition. Those in reality are chains that bind man to the secular world to such an extent as to prevent him from looking at heaven.

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<sup>12</sup> Concina 1746.

<sup>13</sup> Taveneaux 1977; Vismara 2004.

The Dominican rigorist Daniele Concina, in his controversial work *History of rigorism and probabilism*, published in the first edition in 1743, aimed to demonstrate the falsity of probabilism through its own history. He highlighted, with great acuteness, a possible periodisation in that regard. He underlined in particular the phase indicated as third in chronological order, namely that of the decline of probabilism: the start date of this phase is set at 1656.

For that year, two important events should be mentioned. It was the year of the convocation of a General Chapter of the Order of Preachers (so-called Dominicans): from there, the members of the order were banned from fostering and spreading ideas on moral matters, of which economic ethic was an important element. On this occasion, Pope Alexander VII himself expressed concerns, addressed particularly against laxity. Especially among French Dominicans, a strong anti-probabilistic focus triumphed; some of them became advocates with such conviction of this as to become virulent<sup>14</sup>. Probabilism was considered by opponents as a mathematical theory rather than as an expression of authentic Christian morality. In fact, the link between certain theological doctrines and mathematic was not lacking<sup>15</sup>, but not everything came down to that.

The most violent attack came from the *Provinciales* of Blaise Pascal, published anonymously (and then under a pseudonym) between 1656 and 1657. Fierce and partisan criticism of the economic ethics of the Jesuits is mainly contained in the Letter VIII. The purpose was to represent the thought of the Jesuits as ridiculous, if not abnormal and monstrous, through a deliberate and conscious distortion.

To these two events is linked, in the same year of 1656, the publication of numerous pamphlets against probabilism and casuistry. For authors of those, a God so sublime, as much as distant and hidden, is imposing radical prohibitions upon men, even in the field of economic action. Attempting to circumvent these bans, even if incomprehensible to men, means quibbling and arguing against God himself. In short, probabilism and casuistry are not able to divert man, whose heart is corrupt, from evil and therefore must be condemned.

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<sup>14</sup> Quantin 2002.

<sup>15</sup> Vismara 2004.

#### 4. The value of work, the purpose of money

Substantially different are the considerations, with regard to financial and credit activities, proposed by those who were averse to pessimistic anthropology and excessive rigour. Various theologians evaluated positively the contribution that man, through his actions, could bring to the development of prosperity for himself and for the whole of society; this welfare creation was considered work in all respects even if it involved business and credit activities. In business and trade activities, the capabilities of the individual were judged by some fundamental skills. Industriousness and competence were the causes of success, not unlike what happens to a field: if abandoned or badly cultivated, it bears little fruit, in spite of its productive potential<sup>16</sup>.

The importance attached to the industriousness of man was not new; it is worth recalling, as an example, the thought of Thomas Aquinas, recovered in the Second Scholastic. The step performed between the late Middle Age and the early modern period is the consideration of money as a business tool and, as a result, the consideration of lending and financial activities as authentic work, like manual labour<sup>17</sup>.

Money, as mentioned above, according to some authors, contains within itself the potential for profit. The idea that money is an instrument for profit reveals new scenarios, which correspond with the development of trade and financial and credit activities. To make that profit real and concrete, the commitment of man is necessary; however - it is repeated constantly - the actions of man must not only pay attention to his own advantage but also to mutual prosperity and the common good. In lending, the issue of mutual benefit is very important: if both the lender and the borrower benefit from the credit, in the opinion of some, that can not be considered wrongful credit, whatever the form in which it is exercised<sup>18</sup>. Among other things, those in

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<sup>16</sup> Beyond Lessio, remember - for the 1630s - Felipe de la Cruz: cf. (Chafuen 1999, 145-46).

<sup>17</sup> Previous references to these topics were already in Cardinal Gaetano's thoughts, marked on the whole by a remarkable rigour: (Vereecke 1990).

<sup>18</sup> The theologian of the Sorbonne, John Mair, had already pronounced on the subject in a favourable manner: pp. 346-61.

need of substantial liquidity normally were not the poor, but the rich for their activities, or towns and communities.

Furthermore, in the eighteenth century Lodovico Antonio Muratori stated, albeit only in his correspondence as a private person, that the remuneration of credit on the basis of a modest rate of interest could also be permitted for loans to the poor. First, he denied that peasants could all be included in the category of the poor: “non contarsi i contadini fra i poveri, perché han la metà del capital de’ bestiami, e la metà delle rendite del podere” (the peasants are not to be counted among the poor, because they have half the capital of cattle, and half of the income of the estate)<sup>19</sup>. He also noted that, whatever the assessment of conditions, a loan, even with a moderate interest rate, would have been beneficial to overcoming difficult circumstances. He added further that loans bearing interest, legitimated by the Church, even if the interest rate was modest, would induce those who disposed of money to grant a loan. This in turn meant that was easier for those in need of loans to borrow funds. This was indeed the papal policy in respect of the Monti di Pietà, officially recognised in the Fifth Lateran Council<sup>20</sup>.

Muratori wanted to distance himself from both unreasonable rigour and excessive laxity, on the basis of the observation of facts and the use of reason. In *Difetti della giurisprudenza*, he hoped that “moderate fruits” from credit would be authorised by the civil and ecclesiastical authorities, who should just condemn excesses and fraud without excessive meddling<sup>21</sup>. But Muratori was out of line with the opinions of the time.

## 5. The State and the Church

The interplay between the states and the Churches that marks a very large part of the modern age revealed itself, as in other cases, as

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<sup>19</sup> Muratori to D. Concina, 13 febbraio 1745, in *Epistolario*, ed. Campori, t. XI, n. 5059, p. 4760s.; cf. letter to G.F. Muselli, 17 december 1744, t. X, n. 5031, p. 4701s.

<sup>20</sup> Among the ample literature on the Monti di Pietà, remember at least: (Muzzarelli 2001).

<sup>21</sup> Muratori 1743.

a source of conflict. The guidelines of the Catholic Church in particular did not always coincide with the interests of the states.

Some Catholic states, despite the ecclesiastical pronouncements against usury (which included any form of loan bearing interest, regardless of the rate charged), considered it appropriate to permit the collection of interest on loans, up to a maximum amount that was determined by civil law. The legal rate was independent of the applicability of titles such as *damnum emergens* and *lucrum cessans* and could constitute itself an extrinsic title to interest.

A legal rate of interest was authorised by Emperor Charles V, with the order of 1540, in the Spanish Netherlands. The reasons were clearly expressed. The nearby France exercised a strong competition in commercial matters that could only be curbed through the enhancement of trade that the order should have fostered.

A similar, but more radical, order was issued in 1573 by Charles III of Lorraine. Lorraine was trying to develop its economy as much as possible based on the expansion of commercial and financial activities, whilst also seeking a place on the global stage. Charles III's order, inter alia, enunciated a distinction between consumer loans and commercial loans, altogether unusual for the time.

Undoubtedly both the Empire and the Duchy of Lorraine cannot be regarded as countries that distanced themselves from Catholicism and Rome. Lorraine, for example, was a fundamental part of that extended territory defined by the historian René Taveneaux with the term *dorsale catholique*. He sees that area as a bulwark of Counter-Reformation Catholicism, with a strong Tridentine characterisation. Furthermore, in that area, there was not strong opposition to civil power, unlike in the contiguous France, where the authoritative theological faculty of the Sorbonne essentially prevented the civil authorities from enacting some necessary actions on credit. It is enough to consider the fact that the creation of Monti di Pietà, which had been officially authorised by the Church, was hampered in France. Instead, the theological faculty of Pont-à-Mousson had neither the authority of the Sorbonne nor its autonomy: it was, *de facto*, placed under the guardianship of the state. To this has to be added the dominant Jesuit character of the faculty<sup>22</sup>.

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<sup>22</sup> Taveneaux 1974, 187-215.

The theological faculty of Ingolstadt distinguished itself, even before the foundation of the Society of Jesus, through the sensitivity of its scholars to economic ethic. The Dominican theologian Johannes Eck, in the early sixteenth century, was in favour of that form of credit called “triple contract” or “Germanic contract”. In the eighteenth century, theologians such as Pichler, Zech and Barth dealt with economic matters and recognised the legitimacy of recourse, on the part of worshippers, to the use of the *titulus legis civilis*. The foundation of this was to recognise the *dominium altum* of sovereigns in the matter (the supreme dominion, the eminent rights of sovereignty), provided that they were acting for the purpose of the public good and common prosperity. In the late eighteenth century, such arguments would be placed in the context of reflections on the proper functioning of the state, with its political, economic and social issues. The search for private interest had to be compatible with the welfare of the state and society. In other forms, and in an entirely different historical context, this recalls references to the mutual benefit and the simultaneous pursuit of the common and private good that had already been detected in certain currents of thought between the fifteenth and seventeenth centuries.

To these arguments on the law, the assessment of customary law was also added. Broad standards in the fields of credit and contracts had been established, especially in areas with strong commercial and financial activities, such as in the Lyon area. Some theologians declared themselves favourable to this. Their reasoning was based on the fact that the law and customs had been established with respect to their usefulness to society.

As we know, confessional and political subjection generally coincided. Differences between the law’s requirements and ecclesiastical provisions, therefore, gave rise to serious problems. They created a conflict in the consciousness of the individual, for the dual and coincident status of a subject and a believer<sup>23</sup>. Christianity tended to impose, excluding some exceptions, obedience to the sovereign: this was a part of the fourth commandment. In this case, however, the question was somewhat different. It was not, in fact, a matter of obe-

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<sup>23</sup> Prodi 2000.

dience; it was a matter of benefitting or not from a sovereign concession on moderate interest on loan contracts.

In the early nineteenth century, out of the many curial acts in favour of a more benevolent attitude towards matters of the ethic of credit, a pronouncement of the Dominican Maurizio Benedetto Olivieri must be remembered. He was an important personality who, among other things, had played a decisive role in the revocation of the condemnation of Galileo (1820). In *Quesiti sopra il frutto percepito dalla moneta giusta la tassa legale e l'uso* (1824), he argues that Pope Benedict XIV, in the encyclical *Vix pervenit*, had indirectly recognised the legitimacy of the title deriving from civil law, as well as the existence of a variety of different forms of finance other than the loan.

In short, the great age of rigour gradually came to an end. In 1743, Concina established the viability (and, in his view, the validity) of rigid options, even in the economic sphere. It is on this same ground that only two years later the *Vix pervenit* of Benedict XIV showed openness and cleared the way for the resumption of ancient theories or the development of new ones. The pressure from Concina, within the Preparatory Commission for the encyclical, for a radical condemnation of all forms of credit generating a profit did not achieve its aim<sup>24</sup>.

In reality, in the *Vix pervenit*, a ban on profit margins on the pure loan was maintained. But at the same time, it pointed out the existence of numerous other forms of credit that could prove to be acceptable in terms of Christian morality. This is a signal of openness based on practices that had become customary.

In addition to the prohibitions and disqualifications, the Church not only tolerated but also allowed, and in some cases promoted, different forms of credit. The influence of the Church on the financial habits of the time also derives from the fact that its own institutions were necessarily involved. Even Rome, the centre of Christianity, became a laboratory in the field of financial and credit practices. The development of methods to overcome the obstacles posed by the rigidity of the rules on loans was made all the more necessary for the collection and disbursement of credit because of the handling of large amounts of money<sup>25</sup>.

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<sup>24</sup> On the Commission's works: (Vismara 2004).

<sup>25</sup> See especially (Ago 1998).

The search for solutions was increasingly extended to meet the needs of the Church's finances; this also reflects the need to respond to broader and more general problems. It should also be noted that the technical aspects of the contracts, far from being mere formal shells, are very interesting and revealing. It was noted that, in the search for solutions to the problem rather than an effort to circumvent them, there seemed to be the desire "di comprendere storicamente il divieto, e perciò di limitarne la portata a quelle situazioni che gli fossero congrue senza estenderlo arbitrariamente a province dell'agire umano che non potevano essere state contemplate da chi aveva formulato la norma perché *ex toto genere* estranee al suo contesto di cultura e di civiltà" (to historically understand the norm and therefore limit its scope to those situations that were appropriate and not to extend it arbitrarily to areas of human actions, which could not have been contemplated by those who had originally formulated the norm, because *ex toto genere* was alien to their context of culture and civilization)<sup>26</sup>.

## 6. Towards the contemporary age

The century dividing the year 1645 (year of the ruling on the legality of credit with high interest rates on risk capital) and the year 1745 (year of *Vix pervenit*, the encyclical by Benedict XIV that showed some openness) marked the prevalence of rigour, towards which Rome itself seemed to be at least partly inclined.

In relation to credit, for nearly a century this led theologians to insist, until dogmatism, on the imperativeness of loans free of interest, to anyone. The need for the loan to be made free of interest, without request for compensation, and even without the will to recover the capital lent, was founded on the literal exegesis of the Gospel passage *mutuum date, nihil inde sperantes* (Lk 6, 35)<sup>27</sup>. But, as has been mentioned, in 1745, a different phase commenced. The factual situations were complex; one could not evade the question of nature and the

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<sup>26</sup> Santarelli 1989, 847-55.

<sup>27</sup> Ibidem; Vismara 2004.

functions of money in a constantly changing society, characterised by the acceleration of economic processes and the Industrial Revolution.

In the early nineteenth century, in the pronouncements of the Sacred Apostolic Penitentiary and of the Holy Office, the principles of 1645 resurfaced: the pastors did not have to torment worshippers on matters of credit and, more generally, use of money, but at the same time their task was to indicate the importance of an attitude of obedience to the Roman See. On the other hand the Roman magisterium had not been weakened, but ultimately reinforced, by the ordeals of the French Revolution.

These data formed the basis of the policy of Rome in the area of credit and more. In pastoral duties, the intention was to overcome severity, even in the highly rigorous traditions of France, through the adoption of *liguorismo*; the Church gave stronger attention to the problems and conditions of life of its worshippers. "Liberal" tendencies, developed within the Church in the sixteenth century and the first decades of the seventeenth century, found new space between the late eighteenth and nineteenth centuries, with an openness to contractual forms other than the loan and the insistence on the application, in credit practices, of principles no longer inspired by commutative justice but rather by distributive justice, and above all by charity. From this stemmed a consensus on what had been suggested by some theologians but never officially acknowledged: the distinction between recipients of credit as well between the interest rates applied.

In this context, the figure of the Jesuit Giovan Francesco Bolgeni stands out. Once a member of the Jesuits, in the 1780s after the suppression of the Society, he dealt with the above matters. A leading figure within the world of the Roman Curia, Bolgeni was also a theologian of the Sacred Apostolic Penitentiary. He then fell out of favour because he showed approval towards the civic oath. But his theology continued to be very successful.

In the *Dissertazione undecima fra le morali sopra l'impiego del denaro e l'usura*, issues related to the use of money are discussed in a concise but adequately complete manner<sup>28</sup>. Bolgeni attributed great impor-

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<sup>28</sup> Bolgeni 1835.

tance to these issues, as they substantially influenced social life. In his view, the prosperity “delle arti, dell’industria, del commercio” (of the crafts, industry, commerce)<sup>29</sup> depends on the use of money as a business tool, its freedom of movement and the development of credit.

According to Bolgeni, there is a need to radically shift the ground from justice to charity. The principle of charity becomes discriminative for the assessment of credit transactions. What cannot be applied in any way to the poor can - within the limits of moderation and equity - be applied to the rich. The benefits that rich people derive from credit can and should be remunerated. Bolgeni also asserts that the natural foundation of the matter of credit can be understood by those who are uneducated. Anyone can, through conscience and reason, distinguish what is right and honest from what is unjust and dishonest.

It may be noted that in each case, Christian theologians, willing to recognise a wide area of freedom in the field of economic ethics for worshippers, did not consider this same freedom to be based on arbitrary personal opinions or points of view. In fact, this freedom implied recognition of the divine *altum dominium* on the whole of human reality. Finally the subject came outside the scope of canon law and was removed from dogmatic debate: that historically favoured the return of matter in the creative space of man. The need to respect fundamental values was, however, kept alive, as is evident in the subsequent social doctrine of the Church.

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<sup>29</sup> Ibidem 20.



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