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THE MEDICI BANK AND THE WORLD OF FLORENTINE CAPITALISM

The old debate about the vigour of the spirit of capitalism in late medieval Italy wore itself out long ago, not having generated enough really interesting questions to keep it going. It is generally conceded that the Italian merchant was driven by the acquisitive instinct to make more money, that he was prepared often to take great risks to turn a quick profit, that he had carefully worked out the business techniques for proceeding rationally towards this goal, and finally that he was none the less passionately involved in this activity for all the ranting and raving of clerics about his abuse of the usury doctrine and about the moral dangers inherent in the business world. Since the beginning of business history as a distinct discipline within the realm of economic history, all these qualities of the early capitalist have been emphasized by economic historians of the period out to disprove notions that capitalism did not arise until the sixteenth century or later. Doubts linger on in some quarters about the existence in Italy of a positive and articulated ethos of capitalism, like the so-called work ethic and ascetic spirit associated with Protestantism; and there is a general tendency to regard the merchant in this early stage of commercial capitalism more as a speculator, a kind of gambler, than as a planner with long-range goals. Generally speaking, however, discussions of capitalism in Italy have not succeeded in defining the term with sufficient precision to render it a useful tool for historical analysis.

Still, we recognize a vast difference between capitalism as we know it today and its earlier stage in Italy, and sometimes the terms industrial and mercantile capitalism are used to make that distinction. In modern industrial capitalism the accumulation of wealth results from the control of the means of production, and in the opinion of some this entails the development of techniques for political, social and cultural control as well. A central theme in the analysis of how capitalists function, therefore, is that spirit of competition that drives them to increase their power in order to reduce and even eliminate competition. Today we take it for granted that a corporate executive tries to dominate the market, or at least strives to get a larger share

of it; and we are not really surprised when they exploit political contacts, attempt to influence legislation and stretch, circumvent and even break the law in order to achieve this objective.

This aspect of modern capitalism — competition among firms and their preoccupation with power — has not been discussed in the literature on business history in Renaissance Italy. To raise the subject for historical consideration involves questions about the structure of the business community, about the relation of firms with one another, about their relations with government, about their function in the overall economy — in short, about the behaviour of the firm and the entrepreneur in an institutional context rather than as disembodied agents of that ethereal “spirit” of capitalism that dominated so much of the older discussions of the subject, leaving them without any real substance. What is proposed here, therefore, is to look, in the light of modern and contemporary developments, at the bank of the most powerful family in one of the first great centres of international commerce and banking to gain a better perspective on the history of capitalism in an earlier stage of its development.

I

The Medici bank is certainly the most suitable subject for such an investigation. More is known about it than about any other firm in Renaissance Florence. Thanks to the exhaustive research of the late Belgian-American historian Raymond de Roover, we are not likely to learn much more about its internal operations.¹ The Medici bank

¹ Raymond de Roover, *The Rise and Decline of the Medici Bank, 1397-1494* (Cambridge, Mass., 1963). The Italian edition of this book, *Il banco Medici dalle origini al declino (1397-1494)* (Florence, 1970), has an updated bibliography, but none of this new material was incorporated in the Italian text; the most significant item there regarding the Medici is George Holmes, “How the Medici Became the Pope’s Bankers”, in Nicolai Rubinstein (ed.), *Florentine Studies: Politics and Society in Renaissance Florence* (London, 1968), pp. 357-80. Since then Armando Saporis has published two articles, based on new documents: “La cacciata di Piero di Lorenzo il Magnifico da Firenze: Giovanni Tornabuoni e la filiale di Roma del Banco Medici”, in *Společnost a kultura: studia ofarowane Marianowi Malowistowi w czterdziestolecie pracy naukowej* [Society, Economy, Culture: Studies Dedicated to Marian Malowist to Celebrate Forty Years of his Scholarly Work] (Warsaw, 1974), pp. 303-18; and “Il bilancio della filiale di Roma del Banco Medici del 1495”, *Archivio storico italiano*, cxxxi (1975), pp. 163-224. The control of Hungarian copper mining by the earlier bank of Vieri de’ Medici has been studied by Wolfgang von Stromer, “Medici-Unternehmen in den Karpatenländern: Versuche zur Beherrschung des Weltmarkts für Buntmetalle”, in *Aspetti della vita economica medievale: atti del convegno di studi nel X anniversario della morte di Federigo Melis* (Florence, 1985), pp. 370-97.

The edition of Lorenzo de’ Medici’s correspondence now in progress excludes letters signed in the name of the company; see Nicolai Rubinstein, “The Letters of Lorenzo

(cont. on p. 5)

was not particularly original and innovative as a business, and any number of other firms could be better documented by extensive records still lying unstudied in Florentine archives. De Roover, however, did not rely only on the inherent interest of his subject, given the fame of the family itself, to assure the success of his study: he used the history of this one firm to recapitulate all we know about business practice at the time and to present a general survey of the world of international commerce and banking in which the firm operated. Moreover, since he could supplement business records with the family's extensive correspondence — a source that is missing for most other firms — he gained a rare insight into the kinds of management problems that are not reflected in account books, and he was therefore able to extend his analysis of business operations beyond technical matters to policy and personality. In judging the business acumen of the successive heads of the family — Cosimo il Vecchio, Piero il Gottoso, Lorenzo il Magnifico — he rounded out our understanding of these prominent Renaissance figures. De Roover's study, in short, is in many respects a model business history, with many ramifications; and it would seem that there is little more to be said on the subject.

One matter de Roover did not discuss, however, is power. This is surprising: first, because we are so much aware of the power of big business in contemporary society; and secondly, because power explains much of the fascination the Medici have had for so many

(n. 1 cont.)

de' Medici and of the Medici Bank: Problems of Authorship", *Rinascimento*, xxii (1982), pp. 277-9, which is a reply to Edoardo Fumagalli, "Nuovi documenti su Lorenzo e Giuliano de' Medici", *Italia medioevale e umanistica*, xxiii (1980), pp. 115-64 (where several letters of the bank are published). Some contracts with the Martelli for the company in Pisa are published by Fulvio Pezzarossa, "La ragione di Pisa nelle ricordanze di Ugolino Martelli", *Archivio storico italiano*, cxxxviii (1980), pp. 527-76. Nicolai Rubinstein has indicated to me a 1506 document containing a short inventory of Medici papers from the Rome branch then in the hands of the Signoria of Florence; it lists some three dozen items between account books and bundles of letters and miscellaneous papers, all dating from before 1494: Archivio di Stato, Florence, Signori, Deliberazioni, Ordinaria autorità, 108, fo. 182.

Technical aspects of business operations during the fifteenth century have been thoroughly studied by Raymond de Roover and by Federigo Melis; full bibliographies of their studies can be found in Julius Kirshner (ed.), *Business, Banking and Economic Thought in Late Medieval and Early Modern Europe: Selected Studies of Raymond de Roover* (Chicago, 1974); *Studi in memoria di Federigo Melis* (Naples, 1978). In view of this literature I feel no need in this essay to elaborate on banking techniques and the internal history of the Medici bank. I have tried instead to place the Medici bank in the context of the business and economic structures of its day. For the interpretation of the economic history of Florence that I am following here, see my *The Building of Renaissance Florence: An Economic and Social History* (Baltimore, 1980), ch. 1.

historians — the power to master the subtle and vicious game of politics, both at home in the shifting factionalism of republican Florence and abroad in the free-for-all that was the Italian state system. Much of the substance of the Medici's power was their immense wealth; but whereas it is taken for granted that their wealth came from their banking business, how the bank itself figured in their calculations about power has never been discussed. To what extent were they able to dominate the banking and commercial sector of the economy through their bank? Did their business ties hold together their network of political associates? How did they use their political influence to strengthen the family business, either directly by channelling business their way or indirectly by creating a favourable economic climate for their private affairs? Did they use their power to promote the business interests of their class? These kinds of questions point to an assessment of the Medici bank in a context different from the one historians have traditionally considered.

* * *

Before taking up these problems it will be convenient to review briefly the history of the bank. The Medici company was just one of a large number of Florentine firms that engaged in international commerce and banking. Like the others, it was not a bank in the modern sense of the term. It was not primarily a local financial institution that accepted deposits and extended loans, although it had a local place of business (*tavola*) that presumably engaged in this kind of banking.² The company's chief business was foreign exchange, an activity that was grafted on to international commerce. It had branches abroad in the major trading centres, from which it operated throughout the international network of foreign trade. It effected exchange and transfer of credit for its clients; and since the bill of exchange could be exploited as a major instrument for the extension of credit — being one of the subterfuges by which capitalists could evade usury charges — this activity led merchants into the business of lending money. Banks' profits, therefore, came primarily from exchange operations, legitimate or otherwise, real or fictitious. The Florentines, having practically created this international money-market, maintained a virtual monopoly of it; and companies like the Medici

² See my "Local Banking in Renaissance Florence", *Jl. European Econ. Hist.*, xiv (1985), pp. 5-55.

speculated in it and sometimes actually succeeded in manipulating it.

The involvement of the Medici in banking goes back to the early fourteenth century, when they can be found as money-changers, that is, local bankers. At least one, however — Messer Averardo (d. 1318), along with his sons — had a business that engaged in banking and commerce outside Florence, though not — so far as we know — outside Italy. The main line of the Medici of the fifteenth century descended from Averardo, but he seems not to have founded a fortune that assured his immediate descendants of clear upper-class status. Of the numerous Medici households in the city at the middle of the fourteenth century — twenty appear on the 1364 list of assessments for forced loans to the state — most were of modest status, the most affluent ranking far below the top ranks of the city's richest men. None appears to have had a particularly notable business enterprise until, in the last quarter of the century, Vieri di Cambio established a bank in Rome to do business with the curia, recently returned from Avignon. When he died in 1395 Vieri was one of the wealthiest men in Florence.

Working for Vieri were two orphaned great-grandsons of Averardo (Vieri himself was descended from a completely different line); and since Vieri's own sons were minors when his partnership was finally dissolved, these two relatives were able to strike out each on his own, using their well-placed contacts at the curia to build up independent businesses. One of these brothers was Giovanni di Bicci, the father of Cosimo *pater patriae*; and de Roover considered the transfer of his headquarters to Florence in 1397 as the foundation of the great Medici bank of the fifteenth century. Already by that time Giovanni was in the highest ranks of papal bankers, just below the Spini and the Alberti; and when his friend Baldassare Cossa was elected Pope John XXIII in 1410, his bank rapidly ascended to clear superiority over the others. Its manager in Rome soon gained control over curial affairs through his appointment to the office of depositary of the Papal Chamber. The Roman branch was the heart of the Medici bank: it was primarily in the interest of its papal business that the firm set up branches in Italy and northern Europe, and the Roman branch always returned higher profits than any of the other operations. The Medici bank — to recapitulate — had its business roots in Vieri's bank in Rome, it established itself in Florence in 1397, and it prospered and grew on papal business.

When Giovanni di Bicci died in 1429 the bank had branches in

Florence, Rome and Venice and had recently established its first branch outside Italy — in Geneva, the principal banking centre north of the Alps. It underwent a major reorganization in 1435, after Giovanni's son Cosimo returned from his brief exile; and thereafter it further expanded its operations. Despite his deep involvement in politics, Cosimo was an astute businessman who built the bank into the largest and the most extensive on record in fifteenth-century Florence. During his lifetime branches were opened in Pisa and Milan and, outside Italy, in Bruges, London, Avignon and (following the general transfer of international banking from Geneva at the end of the Hundred Years War) Lyons.

After Cosimo's death the decline began, especially after his grandson, Lorenzo il Magnifico, became head of the family. Lorenzo had little aptitude for business, and he put the firm into the hands of Francesco Sassetti, a man who was incapable of providing it with vigorous leadership. Sassetti was not zealous in keeping control over the branch managers, whose quarrels with one another eventually destroyed the harmony of the central operation; and he failed to root out the fraudulent activity of some of these men. De Roover felt that the deterioration of the general economic situation throughout the world in which the Medici conducted their business helps explain some of the difficulties that beset the bank, especially after about 1470 — problems that were only aggravated by Sassetti's incompetence; but these economic conditions have never been adequately described. It appears more likely that the contraction and decline of the Medici bank under Lorenzo — it was reduced to branches in only Florence, Rome and Lyons by the time he died in 1492 — were due simply to bad management. It was, in any case, on the verge of bankruptcy when its doors were forcibly closed by the expulsion of the family in 1494.

* * *

We might expect that the most immediate sphere of influence open to Florence's most powerful family was the international commercial-banking system in which their firm operated. Yet structural features of this system would have made it very difficult for any one firm to have achieved much ascendancy over the others, let alone dominate the sector. First, the business structure was highly fragmented, even the largest companies being relatively small, with limits on the amount of operating capital they could raise. Secondly, the structure of the

economic world in which they conducted their extensive and dispersed activities was so loose and unfocused that no one firm — especially given their size — could have taken a commanding grip on the whole. Thirdly, the lack of organization among operators precluded the kind of corporate identity that might have subjected them to group control and thereby have served as an instrument through which powerful men could exert influence on others. The Florentine commercial-banking system has never been studied as a whole with an eye on these features, and the following discussion will take these up one by one in an attempt to analyse the system with respect to the limits imposed by its very structure on the power and influence of a firm even as prestigious as the Medici.

II

The basic structural features of the Florentine commercial-banking system that limited the exercise of power throughout the sector were the large number of firms and their relatively small size. The merchant's capacity to amass capital, and thereby gain a larger share of the market, was limited above all because he could not easily tap family resources. Ownership of property was individual, not familial. The practice of partible inheritance resulted in the division of a man's estate, usually without prejudice, among his sons; and once a father was dead, brothers showed little inclination to hold their property in common. The *fraterna*, the common Venetian institution by which brothers bound their financial interests to one another, was virtually unknown in Florence. One example has been turned up: in 1322 the sons of Villano di Stoldo Villani drew up such a pact which, however, ended in litigation after almost twenty years.³ Only in the later sixteenth century, after the establishment of the Medici principate and the emergence of a more élitist mentality, did the rich consciously seek to keep their estates intact by imposing ties of inalienability on their property and practising primogeniture, if not through legal procedures at least through limitation of progeny and persuasion of younger sons to renounce marriage.

With such little corporate family spirit in handling their financial affairs, relatives' investment interests often diverged, and the family company was typical only in a limited sense of the term. In the fourteenth century some of the most famous companies — Alberti,

³ M. Luzzati, *Giovanni Villani e la compagnia di Buonaccorsi* (Rome, 1971), pp. 16, 45.

Bardi, Covoni, Peruzzi, Strozzi — survived through several generations with brothers and then cousins remaining in business together as partners. The only such corporate family business that has come to light for the fifteenth century is that of Andrea Pazzi. Apparently it was not dissolved on his death in 1445; and thirty-three years later, at the time of the famous conspiracy, it was still jointly owned by his heirs — a son and five grandsons (by two other deceased sons) — although curiously, and suspiciously, its real nature seems to have been hidden behind the formal structures of five separate partnerships of these relatives in various combinations.⁴ By this time, however, the great majority of firms had only a few partners and apparently little family continuity. Not even brothers who were brought into their father's business showed much inclination to remain in partnership once their father was dead; they were as likely to go their own way in the business world as stay together. The investment history of fifteenth-century families like the Della Casa, Martelli, Riccardi, Salviati, Strozzi and the Medici themselves often shows father-son continuities in the same kind of enterprise, so that we can perhaps talk about a family business tradition; but at the same time brothers dropped out along the way and few companies survived into the third generation with cousins as partners. The absence of relatives can be noted on two surviving rosters of partnerships (both partial) — one drawn up in 1451 for tax purposes and ranging from great banks to artisan shops, and another kept of all banks registered with the bankers' guild (which of course did not include all international banks) from 1460 to 1500.⁵ In short, to avoid confusion it would be best to characterize businesses as paternal or fraternal rather than as familial.

Nothing could better illustrate the limited familial nature of business in Florence than the history of the Medici. At the end of the career of Vieri di Cambio his associates included at least three other

⁴ Marco Spallanzani, "Le aziende Pazzi al tempo della congiura del 1478", in *L'economia pisana e toscana nel Medioevo* (a volume of studies in memory of Federigo Melis sponsored by the Società storica pisana).

⁵ For further details on the family structure of Florentine business, with bibliography, see my "Organizzazione economica e struttura familiare", in *I ceti dirigenti nella toscana tardocomunale (atti del III convegno, 1980)* (Florence, 1983), pp. 6-10. Family continuity in the same business is the central theme of the analysis of Michele Cassandro, "Per una tipologia della struttura familiare nelle aziende toscane dei secoli XIV, XV", *ibid.*, pp. 15-33, but he offers no evidence for continuing family cohesion around common business interests. The lack of family structure in banks even in the early fourteenth century has been noted by Charles de La Roncière, *Un changeur florentin du Trecento: Lippo di Fede del Segna (1285 env.-1363 env.)* (Paris, 1973), p. 76.

Medici — a nephew, Antonio di Messer Giovanni, and two distant cousins, the brothers Francesco and Giovanni di Bicci. When around 1391-2 Vieri, by then probably enfeebled by age, dissolved his partnerships, each of these relatives embarked on his own enterprise. Antonio's did not last very long, Francesco's endured until the extinction of his line in 1443, and Giovanni's became the great enterprise that enriched the main line of the family we are concerned with here. This fragmentation took place despite the fact that Vieri himself had two sons, who at the time were still minors. When they came of age, some time after their father's death in 1395, they too founded their own company, which operated in Rome and Florence; but it later floundered and failed, leaving this line of the family reduced to poverty and oblivion. In short, four companies grew out of Vieri's heritage, each with a completely separate set of partners and unbound by interlocking family ties. Moreover, whatever the personal relations may have been among these various Medici — and they were not always good — in those places where their business interests overlapped, above all in Rome and Florence, their companies clearly competed with one another, even the separate companies of the two brothers, Giovanni and Francesco di Bicci.

On the surface of things the repeated renewal of the partnership founded by Giovanni di Bicci through the successive generations of his descendants — Cosimo, Piero, Lorenzo and Piero — seems somewhat untypical in its long continuity as a "family" company. In fact, it would be difficult to come up with another family name associated with a leading business over so many generations, or a business whose articles of association were renewed so regularly over such a long period. Undoubtedly the political power Cosimo secured as a dynastic possession helped assure the durability of his descendants' interest in the business from which they derived their wealth; but if the partnership, breaking from the normal pattern of Florentine business history, did not disintegrate with the passing of generations, it was also because of quirks of genealogical fortune in the family history. After their father's death in 1429, the brothers Cosimo and Lorenzo di Giovanni di Bicci stayed together, being on the best of personal terms with one another. Cosimo himself had two sons, but one predeceased him, so that in effect his own patrimony remained in the hands of the other, Piero. Piero also had two sons, but the murder of the younger (still unmarried) in the Pazzi conspiracy again precluded a division of Cosimo's patrimony, which therefore remained intact, now in its third generation, in the hands of Lorenzo

di Piero, called *il Magnifico*. Meanwhile, if the line extending from Cosimo's brother, Lorenzo, did not break away from the company, this too was partly a matter of genealogical fortune. Lorenzo died prematurely and intestate in 1440, leaving a ten-year-old son, Pierfrancesco, who was taken into Cosimo's personal household; and when Pierfrancesco reached his majority in 1451, coming into his share of the estate, his emotional ties to his uncle were sufficiently strong to preclude his withdrawal from the company. After the deaths of Cosimo and his son Piero, however, tensions began to mount between Pierfrancesco and Lorenzo *il Magnifico*, and one suspects that only the pressure Lorenzo exerted from his political position kept the cousins from severing their investment ties.⁶ At any rate, Pierfrancesco's early death in 1476 precluded an eventual separation, for, once again, the heirs were two minor sons, who thereupon became the wards of Lorenzo; and he exploited his position by appropriating some of their patrimony in order to shore up the sagging fortunes of the company. Premature deaths all along the line in this genealogical history, in other words, were the strokes of good fortune that kept the family investment intact from the time of Giovanni di Bicci, the founder of the original partnership. What seems on the surface to be the enduring familial nature of the Medici company is partly an illusion that has to be corrected by a genealogical view of the matter.

It is striking also how small a part family relationship seems to have played in the selection of the numerous partners and managers of the Medici. In the early phase of its history many Bardi were in one way or another associated with them, but after 1435 hardly any more Bardi appear on staff rosters. Of the other major partners and managers in the home office in Florence, Antonio Salutati and Giovanni Benci did not bring any of their relatives into key positions for long (and Benci at least had numerous offspring), although their successor (and the last manager), Francesco Sassetti, did have two sons with the company when Lorenzo died in 1492. Of the numerous other partners and employees on the staff of the vast Medici operations, only two family groups can be found over the entire fifteenth century — the Martelli and the Portinari. Finally, the Medici brought very few of their own relatives into the company. Of the dozens and dozens of employees, factors and partners who show up on company

⁶ The tense relations between these two men have been studied by Alison Brown, "Pierfrancesco de' Medici, 1430-1476: A Radical Alternative to Elder Medicean Supremacy?", *Jl. Warburg and Courtauld Insts.*, xlii (1979), pp. 81-103.

rosters from 1434 to 1494, only a handful were Medici from other branches of the family. The only one of these to become a partner was Antonio di Bernardo d'Antonio; but his promotion from factor to partner in the Bruges branch, in 1469, caused such consternation among the other factors that they came near to open violence, and the new partnership had to be immediately reorganized to exclude him. In his treatise on the family, Alberti advised that relatives be employed in the family business, but his (correct) observation that his own family had not done this better reveals the reality of business practice at the time. In musing over Alberti's advice, Giovanni Rucellai regretted for the sake of his relatives that he had not taken more of them into his business, but he must have known that for the sake of that business such a policy made no sense.

This non-familial structure of Florentine business organization put a limit on the capital resources that a company could command. Since family patrimonies had no continuity beyond the life of a father and since relatives showed little inclination to pool their resources in a business enterprise, an entrepreneur could not count on capital growth for his company as a result of the accumulation of an undivided patrimony through several generations. In this respect the Medici company was exceptional: it tapped the enormous patrimony that accumulated as a result of the extraordinarily limited growth of secondary lines from the main branch of the family that we are interested in here.

III

With access to family wealth limited, the Florentine entrepreneur had little choice but to go into partnership with others in order to increase his operating capital; but here too the potential for capital formation was limited. In the first place, he preferred fewer rather than more partners. Although there are, as I have said, some notable early fourteenth-century examples of companies consisting of as many as twenty partners, nothing of the sort has been turned up for the fifteenth century; and the typical company even in the early period had only several partners, some of these contributing their service (*persona*) rather than much capital. In the second place, partners were reluctant to develop devices for mobilizing additional capital beyond what had been pooled through the articles of association of the partnership — even though legal instruments in fact existed for attracting outside investment.

These instruments were primarily two, a form of limited liability investment and the time deposit. The former was instituted by legislation in 1408, permitting businesses to accept capital *in accomandita* without committing the investor to the unlimited liability of the partners. Although this legislation in effect provided only for limited liability deposits from outsiders, who did not in any way enter into the partnership arrangements, the eventual evolution, already in the fifteenth century, of the *società in accomandita* — that is, a partnership in which such investors in fact became fully-fledged partners — indicates an awareness of the full implications of the original legislation. Nevertheless this kind of business organization remained rare. To judge from the surviving registers of the merchants' court (Mercanzia) where such contracts were required to be recorded, the legislation of 1408 did not lead to a large flow of new investment, at least not in the fifteenth century; and no company is known to have used the device for major capital enlargement.⁷

In the fifteenth century a much more popular instrument for raising additional capital (*sopracorpo*) was the kind of loan known as a *deposito a discrezione*, a time deposit on which the company paid a rate of return presumably determined at its "discretion" (to avoid charges of usury) but in practice fixed in advance. Some men, like Lorenzo di Buonaccorso di Luca Pitti, were veritable *rentiers* living off investments of this kind: for over forty years Pitti kept shifting his money around in various businesses under this arrangement, and towards the end of his life, in 1493, he had 6,000 florins in seven businesses earning from 8 to 10 per cent interest. However, if on the one hand men like Pitti can be found who invested heavily in such time deposits, on the other hand no company is known to have used the instrument to the extent of significantly increasing its original capital formation.⁸

In short, although business practice included these techniques for mobilizing resources beyond the private means of partners, offering investors both limited liability — with or without participation in the

⁷ The legislation of 1408 and the development of the limited liability partnership have been most recently discussed by Federigo Melis, "Le società commerciali a Firenze dalla seconda metà del XIV al XVI secolo", in *The Third International Conference of Economic History [Munich, 1965]* (Paris, 1974), pp. 47-62; on the later use of the *accomandita* contract, see J. Goodman, "Financing Pre-Modern European Industry: An Example from Florence, 1580-1660", *Jl. European Econ. Hist.*, x (1981), pp. 424-5.

⁸ The *deposito a discrezione* is discussed in my "Local Banking in Renaissance Florence", pp. 32-4.

partnership — and fixed rates of return, Florentines showed little inclination to make full use of these possibilities to enlarge the scale of their business operations.

In his study of the Medici company de Roover noted what he called a holding-company pattern in its investment portfolio; and his use of the analogy with modern business practice — so characteristic of a generation of business historians anxious to establish early precedents for modern capitalism — points to yet another technique the Florentine businessman could have used, and yet did not, to increase the power of his capital. In contrast to the great business families of the early fourteenth century, who organized their companies as a single juridical entity with partners or factors located in branches abroad, merchant bankers of the fifteenth century worked through a more fragmented business structure, investing separately in different partnerships in different places, and in some instances investing through partnerships rather than individually. The Medici, for example, acted through a single company in Florence that established its branches abroad (as well as its cloth shops in Florence) by going into separate partnerships with the men who managed these branches. In other words, the Medici company acting as a corporate body used some of its capital to go into partnership with other investors. This pattern of subsidiary companies has been verified for other businesses, including even a relatively modest partnership of brickmakers that invested part of its capital in a second partnership with other kiln operators. In at least one instance the practice was used to build a three-tiered structure: in 1485 Piero Capponi had two partnerships (one in Florence, the other in Lyons) each of which invested in subsidiary companies, and one of these subsidiaries in turn invested in yet three other companies, a commercial operation in Pisa and two industrial shops in Florence. It is easy enough to see how a comparison with the modern holding company might be made. Nevertheless Florentine entrepreneurs, unlike modern capitalists, did not use this technique to expand the power of their capital exponentially, for the outside partners in the subsidiary companies usually contributed a relatively small part of the capital. Rather, the device probably gave business operations more flexibility so that the problems created by the monolithic corporate structures of the early fourteenth century could be avoided.⁹

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⁹ On the acceptance of the term “holding company” by Melis, de Roover and Saponi, see Melis, “Società commerciali a Firenze”. The structure of the Capponi firms is laid out in my *Private Wealth in Renaissance Florence: A Study of Four Families* (cont. on p. 16)

Given the limits on the resources an entrepreneur could tap — the weakness of family financial ties, few partners, the failure to exploit techniques to raise outside capital or to extend the power of one's capital — a business could grow only so large. The Medici is certainly the largest on record: it had a total capital formation in 1451 of 72,000 florins (of which 54,000 florins came from the Medici themselves) and of its capital, 54,307 florins were put out with other investors in separate enterprises that collectively had a total capital of only 68,994 florins. Nevertheless other companies on record did not run far behind: in 1367 the company of Carlo Strozzi had a capital of 53,600 florins; in 1485 Gino di Neri Capponi had 43,500 florins of his own money invested in companies with a capital formation of 61,000 florins; Francesco Datini's companies had a capital formation of 40,000 florins in 1398; and Filippo Strozzi left an estate in 1491 that included investments worth 35,000 florins in commerce and banking (and as much again in cash to pay for the completion of his great palace). Such figures do not seem so enormous in a society where the private patrimonies of men like Francesco di Marco Datini, Palla Strozzi and Filippo di Matteo Strozzi could reach as high as 100,000 florins. At these levels of operation, in any case, no one company could control a significant share of the business in banking and commerce, let alone dominate the entire sector.¹⁰

Probably no company was as widely extended abroad as the Medici. At one time or another it had branches in all the most important places of business — London, Bruges, Avignon, Geneva (later Lyons), Venice, Milan, Rome and Naples. Nevertheless it by no means dominated any one of these markets. In Lyons, for example, the Medici company was no larger than the Capponi, and there were almost a hundred and forty other Florentine firms that operated there

(*n. 9 cont.*)

(Princeton, 1968), p. 200, table; and the example of a kilnman's use of the same structure is cited in my *Building of Renaissance Florence*, p. 194. Not all early fourteenth-century merchants, incidentally, worked through the kind of unified corporate structure that characterized some of the more famous firms: see Giulio Mandich, "Una compagnia fiorentina a Venezia nel quarto decennio del secolo XIV (un libro di conti)", *Rivista storica italiana*, xcvi (1984), pp. 141-2, who cites the examples of the autonomous companies (within larger structures) of the Covoni in Padua, 1336-9, and of Duccio di Banchello e Bancho Bencivenni in Venice, 1336-40.

¹⁰ The financial power of these companies was, of course, increased beyond their original capital formation by their ability as banks to operate on fractional reserves, but for the moment little is known about this subject; see Goldthwaite, "Local Banking in Renaissance Florence", pp. 37-8. Mario Del Treppo has analysed a journal of Filippo di Matteo Strozzi's bank in Naples to say something on this subject, but the validity of his method has yet to be verified: Mario Del Treppo, "Aspetti dell'attività bancaria a Napoli nel '400", in *Aspetti della vita economica medievale*, pp. 583-90.

at one time or another in the last third of the fifteenth century. In Rome and Naples the Medici commercial operations were probably not as large as those of Filippo Strozzi. To judge from account books surviving from the second half of the fifteenth century, dozens and dozens of merchants in Florence conducted their business abroad without ever having any dealings at all with the Medici. The Medici, in short, although the largest company on record, and the one with the most geographically extensive organizational structure, did not have a commanding position in the system. The history of international banking and commerce in Medicean Florence could be written without so much as mentioning the Medici — and such a study would be a healthy corrective to the current historiographical situation.

* * *

This last proposition points to something new on the fifteenth-century banking scene. It is enough to mention the Bardi and Peruzzi, and to recall the disastrous city-wide and even international consequences of their failure, to recognize that something had changed in the mean time. No longer did one or two firms — neither the Medici nor any other — have the dominant position earlier enjoyed by these corporate giants in the mythology of medieval economic history. The difference lay not in the decline of banking, as some would like to see it, but in changes in the overall economic world in which the Florentines operated. The very structure of the Renaissance economy of Florence, with its wide-ranging and dispersed activities and lack of central focus, precluded dependency of its various parts on any one function, so that it was virtually impossible for any one operator to hold the key to the whole system.

It is well known how in the early fourteenth century the great Tuscan bankers got themselves inextricably tied up with royal finances in England. In an international economic situation where Florentines needed credit to pay for raw materials essential to their home industry in a place where there was little market for the luxury goods they sold, bankers performed the essential function of the transfer of credits by, on the one hand, tapping the royal treasure to pay for wool and, on the other, providing the king with the credits he needed abroad where they made their profits. This arrangement gave them enormous economic power, with which they spun a vast network of credit that caught up most other operators and even the Florentine

commune itself through the public debt; but it also tied the fate of the Florentine economy to a precarious relation between these bankers and the king that eventually erupted in the crisis of the 1340s. Subsequently, however, the Florentine economy freed itself from this dependence on an essential function performed by just one set of bankers. By the fifteenth century the cloth industry was taking wool from other places, from Spain and southern Italy, and had expanded also into silks, which came from the middle east; and the economy as a whole was much more oriented to a complex network of markets largely centring on the Mediterranean and less focused on the exploitation of one relatively undeveloped area. Banking as an activity serving to effect the international transfer of payments was therefore more dispersed. No firm could grow head and shoulders above the others by monopolizing a major function in the economic system, and no longer was the economy so linked to the activities of several large firms.

This restructuring of the banking system precluded the repetition of anything like the disastrous banking failures of the 1340s. The international banking scene was also healthier from the second half of the fourteenth to the beginning of the sixteenth century because of the relative stability in the gold-silver ratio, so that exchange problems in international payment were less disruptive to banking than had earlier been the case. Bankruptcies were always occurring, of course, but they never set off a chain reaction that brought down the whole sector, let alone the economy. The biggest crisis of the fifteenth century, in 1464-5, produced only ripples that left most companies in the banking community untouched. The severe difficulties the Medici firm encountered during the life of Lorenzo the Magnificent, who began to exploit the family business for his own political purposes, seem not to have pulled other firms into its financial morass: and when the Medici were finally expelled from the city in 1494 the rest of the banking community was hardly affected. Indeed, had these other bankers been so inextricably tied into Medici finances, support for the family's exile would not have been a matter of such wide consensus among the business class.

Nor did the Medici bank in any way dominate the local economy. In this early stage of commercial capitalism merchant bankers did not pursue a systematic policy of extending loans in other sectors of the economy — for example, for real-estate development and industrial investment — and their investment in the local economy was therefore limited. Like most Florentines of their class, the Medici invested in

partnerships for the production of cloth, but the amount of capital they put in this sector of the economy was inconsequential. In 1451 they had investments in two wool shops — 2,500 florins in one, 3,500 florins in the other — and 4,800 florins in a silk shop. In an industry where cloth shops that produced wool and silk numbered in the hundreds, and where the largest, with a capital of more or less 5,000 florins, had at the most not more than 2-3 per cent of the total production of the industry, these three Medici manufactories had no significant share of the market. Moreover, although the textile industry depended on large companies like the Medici for both the supply of raw materials and outlets for sales abroad, none of these companies, including the Medici bank, exerted an oppressive control over the industry through a tight network of client-producers. For instance, the company of Filippo Strozzi, about which we are much better informed on these matters, sold raw materials to and bought finished cloths from dozens of shops, not one of which was any more dependent on him than he was on any one of them; and the list of the cloth shops he dealt with was in a state of constant flux. In the industrial sector, as in the commercial and banking sectors, the structure of business organization precluded any tendency towards market domination by the Medici — or by anyone else.

IV

A third structural feature of the Florentine commercial-banking system that would have made it difficult for any one firm to get a commanding grip on this sector of the economy was the lack of any corporate organization — indeed of any cohesive sense of identity — among operators. With their economic interests so diffused throughout Europe and the Mediterranean, they felt no need to organize themselves for the collective exploitation of any one area; and, in any case, they had no political base from which they could gain much leverage in the far-away places where they operated. Moreover demand for the high-priced luxury goods they dealt in was strong, just as it was for their services in the international money-market that they virtually monopolized; and they could hardly have improved their control of these markets through any kind of collective action.

The lack of any corporate organization among operators beyond their partnership arrangements is perhaps the most notable feature of the Florentine commercial-banking system in contrast to other places at the time. Outside the Mercanzia, the merchants' court that

had jurisdiction over private economic affairs, they had no common institutional affiliation. Only those who kept a local bank open — and many did not — belonged to the bankers' guild (the Cambio); and in any case this guild's regulatory power did not extend into banking activity in the international sphere. Abroad, wherever merchant bankers constituted a foreign colony of significant size, they organized themselves into *nazioni*, but these existed for legal purposes to deal with local authorities. In the absence of any kind of regulatory corporate organization, merchant bankers were relatively free to operate on their own. For example, access to their ranks was relatively easy; new men were always appearing on the scene — the most notable example being the well-known merchant of Prato, Francesco di Marco Datini (d. 1410), who rose from modest origins as an orphan in a provincial town to become one of the city's wealthiest men (and from whose patrimony of business documents much of the economic history of the period has been written).

Furthermore, these merchants, who obviously constituted the ruling class, apparently did not regard the state as a corporate possession that could serve as an instrument for the creation of more favourable business conditions. In fact the government of Florence pursued a limited economic policy by standards of the time, certainly in comparison with Venice. Most of the matters it legislated on, such as food provisioning, control of weights and measures, supervision of artisans involved in essential services, etc., fell in an area of the general interest of the public that was the concern of all medieval towns and cannot be described under the rubric of exploitation in the interest of the dominant class. In the fourteenth century monetary policy had been a matter of pressing concern to merchants and cloth producers anxious to promote debasement to their own economic advantage, even at the cost of social harmony, but by the fifteenth century policy in this area no longer aroused much debate.¹¹ Much economic activity, in fact, went completely unregulated: for example, whereas Venice closely regulated its local banks, Florence took a *laissez-faire* attitude towards them except in those matters, supervised by the guild, that de Roover defined more as professional standards than economic regulation.

¹¹ On the problems in the fourteenth century, see Carlo Cipolla, *Il fiorino e il quattrino: la politica monetaria a Firenze nel 1300* (Bologna, 1982); and for the different situation in the fifteenth century, see Goldthwaite, *Building of Renaissance Florence*, pp. 301-17. Compare the situation in Venice: Frederic C. Lane and Reinhold C. Mueller, *Money and Banking in Medieval and Renaissance Venice, i: Coins and Moneys of Account* (Baltimore, 1985), pp. 442-59.

Beyond regulation of the most essential kind, the state seems to have had a very limited economic policy. Perhaps the best evidence for the reluctance of Florentines to use the state to carry through a positive programme for economic development is the ultimate failure of the galley system inaugurated in the 1420s — an enterprise that would seem to have been in the keenest interest of the very men we are talking about. Similarly, the growth of the territorial state in the fourteenth and early fifteenth centuries did not lead to much legislation to establish the domination of the capital city over its countryside for purposes of economic exploitation.¹² Foreign policy for a state whose economy was oriented to international markets of all kinds had, of course, economic implications, and this is one area of politics of vital concern to merchant bankers. Thus control of Pisa, relations with the papacy and a French alliance all reflected the interests of both cloth manufacturers and merchant bankers. Rarely, however, are there hints that policy in these areas was a matter of much debate among different interest groups or a cause of tension between economic classes. For example, even when the Medici, at least for a moment, supported the crusading programme of Pius II after the fall of Constantinople, presumably giving priority to their own banking interests in Rome at the expense of the interests of the textile industry in the growing commercial opportunities opening up in the Ottoman empire at that time, there does not seem to have been any political agitation against them.¹³

Other than in foreign affairs, however, the state did not have a coherent policy that impinged directly on the major sectors of the economy dominated by business interests. To judge from what the political historians tell us, economic matters (as distinct from fiscal policy) hardly ever entered into the debates about policy; and in fact almost none of the extraordinarily large number of contemporary historians, chroniclers and other commentators on the political scene has anything at all to say about economics — in striking contrast to Venetian chroniclers, who are a major source for the economic history of that city. Since there was a close correlation between membership of the political élite and the business community, it goes without saying that if the areas of economic and political decision-making did not overlap, it was because Florentine capitalists — including the

¹² The literature on this subject is surveyed in the introduction of Judith Brown, *In the Shadow of Florence: Provincial Society in Renaissance Pescia* (Oxford, 1982).

¹³ Robert Black, "La storia della Prima Crociata di Benedetto Accolti e la diplomazia fiorentina rispetto all'Oriente", *Archivio storico italiano*, cxxxii (1974), pp. 3-25.

Medici — wanted it that way. And if things were that way, how could the Medici have used their political power to gain more influence in this sector of the economy? It is not apparent that they did.

This lack of exclusiveness within the community of Florentine merchants and the freedom which they had on their own abroad contrast sharply with the strong corporate spirit of international merchants in other places. In Venice the state itself functioned as a kind of gigantic merchants' guild, or (as Frederic Lane described it) as a company with the senate as its board of directors; similarly, in the north-German towns merchant oligarchies joined together under the superstructure of the Hanseatic League; in sixteenth-century London merchants organized themselves into regulated companies for trade abroad; and it has recently been suggested that in the south-German towns the readiness of merchants to form cartels and monopolies among themselves was a major reason for their eventual success in edging out the more individualistic Florentines from international banking and commerce in the sixteenth century.¹⁴ The corporate sense was strong among all these merchants because the heavy concentration of their commercial activity in just one area tended to induce a spirit of co-operation to find political protection or to keep out competitors from other places — the Venetians operated primarily as a port with a shipping empire in the Mediterranean; the Hanseatic merchants confined themselves to the Baltic and North Sea; the English concentrated on the selected markets for which they organized their regulated companies; and the south-Germans enjoyed the protective umbrella of the Habsburg empire.

V

Up to this point we have emphasized how amorphous the Florentine commercial-banking system appears if analysed in terms of structural organization. The main points are: (1) a large number of firms of relatively small size operated in various places as independent businesses unlinked by organizational networks; (2) their economic activity was highly diffused and unfocused on a single market or place; (3) their common interests were little served by corporate organization. In a sense, there was virtually no structure to this system, certainly none in any institutional sense of the term; and in

¹⁴ Jean-François Bergier, "From the Fifteenth Century in Italy to the Sixteenth Century in Germany: A New Banking Concept", in *The Dawn of Modern Banking* (Los Angeles, 1979), pp. 105-29.

this situation it is difficult to see how the Medici company, for all the wealth and political prestige of the family, could have had much of a grip on the business world of Florentines abroad.

Yet, in another sense, for all the lack of structure that characterized their system, there nevertheless must have been some system to the very complex and extensive relations among these men. They could not have conducted the kind of business activity they engaged in without continual contact with one another and without an implicit trust in one another, for independent as they were in an organizational sense, they had to work through the far-flung web of relations they all depended on. Their sensibilities about this system were such that relations within the business community were not often disturbed by the city's vicious factional politics. Even political exiles were not excluded from it. When Cosimo de' Medici himself went into exile late in 1433, having narrowly escaped condemnation to death, he simply opened up shop elsewhere (at Venice) and continued to do business as usual — as did others who took their turn in exile when he returned to power less than a year later. And no one could have stayed in this kind of business without dealing with other Florentines.¹⁵

It has rarely been remarked, in fact, how seldom a competitive spirit comes into play in the relations among these merchants. The vast correspondence of Datini and of the Medici themselves (the largest collections of business letters to survive before the sixteenth century) yields hardly a hint of competition; and the subject does not come up for discussion in the exhaustive studies of business historians like Armando Saponi, Raymond de Roover and Federigo Melis — all vigorous proponents of the “modernity” of Renaissance business practice and ever ready to describe it with the vocabulary of modern industrial and financial capitalism. Merchant bankers undoubtedly competed with one another for the sale of their goods and the attraction of clients — but not to the extent that they devised techniques for product variation and cost-cutting in their home industry and for underselling and market domination abroad, the techniques the Dutch and the English used to win out over the Italians when in the sixteenth century they moved into the latter's home area of the Mediterranean.¹⁶ So however individualistic the Florentine business

¹⁵ The problem of the exiled merchant is completely ignored in Randolph Starn, *Contrary Commonwealth: The Theme of Exile in Medieval and Renaissance Italy* (Berkeley, 1982).

¹⁶ See Richard T. Rapp, “The Unmaking of the Mediterranean Trade Hegemony: International Trade Rivalry and the Commercial Revolution”, *Jl. Econ. Hist.*, xxxv (1975), pp. 499-525.

world appears in contrast with the tight corporate structures elsewhere — the Venetian senate, the Hanseatic League, the south-German cartels, the London regulated companies — it was still permeated with something of the spirit of medieval corporatism. This is what the *fiducia* Florentine business historians make so much of really comes down to — that sense of trust in one another that in a way also kept everyone in line.

Moreover business relations inevitably overlapped and reinforced social and political relations, tying the businessman into networks that somehow fitted into Medici policy. In the political arena at home the Medici ruled from behind the scenes, using a well-developed network of personal relations in the way — as Ferdinand Schevill long ago remarked — that a political boss in large American cities earlier in this century could hold power without having any official position. At the moment some social historians — especially Dale Kent, F. W. Kent, Christiane Klapisch and Ronald Weissman — are trying to learn more about the fluid network of “relatives, friends and neighbours” that held the Florentine social-political world together. Conspicuously absent, however, from this triad of categories (used by Florentines themselves in talking about their relations with one another) is the business partner, associate and client. Unfortunately, hardly any business correspondence survives that might throw some light on the subject of how business interests impinged on social networks, and private correspondence — for instance, the letters of Lorenzo il Magnifico now being published — reveals little about the business world.

What the Medici presumably provided for the capitalist élite was political stability at home, with no expensive military involvements abroad and no political interference in private business affairs. Just as the Medici were extremely sensitive to the delicacy of the traditional republican mechanisms of the constitution in the exercise of their political power, so they obviously did not want to upset the tacit acceptance of their leadership by pushing the purely business interests of their company in the way that a modern corporation is driven to seize an ever larger share of the market for itself. Indeed it is doubtful that such an idea ever occurred to any of the Medici. Their ambitions, after all, were directed to political power and personal prestige, not to corporate monopoly.

In any case, the commercial-banking system — not to mention the economy in general — was not dominated by the Medici company nor inextricably tied into Medici operations, it was apparently not

weakened by the bad business policy of the Medici firm, and it continued intact on the family's departure from the city.

* * *

All this is not to say that the Medici were just another bank. Given the family's political prominence, that could hardly have been the case. It was a somewhat special company. Even though it did not have a significant share of the sector, it was the largest company on record, it had the most extensive and farthest-flung branch operations, it had the most stable continuity and, finally, it had behind it the most powerful family on the local political scene — and a family that was one of the most prestigious in all of Italy. If it is not clear how all of these advantages were exploited by the family to get more business for their company or to dominate the business community, they presumably used the wealth the bank generated to buy the support they needed to dominate the political life of the state. This proposition is virtually a commonplace among Florentine historians, although none has provided an analysis of just how the Medici “bought” political power.¹⁷

Economic power, however, not political power for its own sake is the subject of this discussion. Informed as we are by our knowledge of how business executives today use their political influence to promote their own business interests, we might ask of the Medici if they exploited their position in the state to strengthen the family bank. Historians have been all too disposed to keep alive the suspicions aroused by contemporary commentators like Alamanno Rinuccini, Giovanni Cambi and Piero Parenti, and repeated by both Machiavelli and Guicciardini (and many modern historians), that Lorenzo il Magnifico dipped deeply into the public till for all kinds of purposes, including shoring up the family business at a time when it was sagging under the heavy burdens of bad management and misdirected policy. De Roover, however, with his knowledge of the business records, could do no more than cite these contemporary charges without bringing any more documentation to bear on the matter. To judge from the inability of modern scholarship with all of its prejudices to uncover a single incidence of the Medici's use of political influence to exploit local government operations for their

¹⁷ Some of the political loans made by Cosimo are mentioned by Anthony Molho, “Cosimo de' Medici: *Pater Patriae* or *Padrino*?”, *Stanford Italian Rev.* (spring 1979), pp. 30-1.

private economic interests, they must have been masters at covering their tracks.¹⁸

The subject can be approached from a different direction by shifting attention away from an unpromising search for specific evidence about the Medici to an examination of the possibilities for the interaction between politics and business — that is, to an examination of the structure of relations through which they operated that might have opened up possibilities for exploitation. What kinds of specific dealings could a businessman have had with the state that he might have exploited to the advantage of his own business? In considering this problem a clear distinction must be made between the personal financial advantages to be enjoyed as a result of political influence, such as an adjustment to a tax bill, and the ways in which a firm could get more business by dealing with the state.¹⁹

Banks provided services to the state as tax-farmers, as managers of specific financial operations and as agencies of payment. Under Lorenzo, for instance, the Medici bank at one time or another acted as treasurer for the Parte Guelfa and as depositary for the Office of Wards (*Ufficio dei Pupilli*),²⁰ and we know of instances when other banks served as paymaster to the city's troops in time of war. How much business of this kind the state could contract out, however, is not at all clear, and more digging around in the political documents might reveal what we cannot learn from surviving business records. The most important function banks performed for the state in this capacity as agencies of payment was to make credit available to it, especially for payments abroad. It cannot be taken for granted, however, that government business of this kind was always a good thing for a bank. Francesco di Marco Datini was advised not to get involved in the banking business at all, since, as a recent citizen with weak ties in the establishment (he came from Prato), he was not in a good position to resist any request from the commune to enter into exchange dealings on its behalf — the implication being that more

¹⁸ All the contemporary charges are cited by Elio Conti, *L'imposta diretta a Firenze nel Quattrocento (1427-1494)* (Rome, 1984), pp. 70-1.

¹⁹ The importance of personal relations for tax assessments is discussed by D. V. and F. W. Kent, *Neighbours and Neighbourhood in Renaissance Florence: The District of Lion Rosso in the Fifteenth Century* (Locust Valley, 1982).

²⁰ The Parte Guelfa connection was turned up by Alison Brown, "The Guelf Party in 15th Century Florence: The Transition from Communal to Medicean State", *Rinascimento*, xx (1980), pp. 63-4. The bank is mentioned as "depositori dell' Ufficio de' Pupilli" in a private record of payment to an estate administered by the magistracy: *Archivio di Stato, Florence, Conv. sopp. 100, filza 125, no. 2* (record book of Francesco di Tommaso Acarigi, 1481-90), fo. 5^r.

established bankers could avoid such involvement, and that it was wise to do so.²¹

Bankers also made direct loans to the state, especially to maintain the floating debt; and although they often did not have any choice in the matter, their political influence assured a good return. During the decade preceding Cosimo's rise to power, when the state was much pressed to find the funds to pay for expensive wars, many bankers made quick profits on these short-term, high-interest loans to the state. All used the device of dry exchange to hide interest payments of 20-40 per cent from suspicious churchmen, and the loans seem to have been amortized quite rapidly with the income from forced levies. Moreover, since these very bankers were the men selected to serve on the committee in charge of administering public funds, their loans were in effect fully secured. The Medici loaned enormous sums during these years, more than anyone else; but some historians have seen this activity as directed more to Cosimo's objective of gaining influence within the political élite than to turning a quick profit.²² Opportunities to invest in the floating debt, at any rate, were sporadic and temporary; and neither public records nor the numerous surviving bankers' accounts yield evidence that suggests there was anything like a narrow financial oligarchy of bankers with large sums tied up over long periods in business dealings of this kind with the fisc.²³ In short, the government did not loom large in the strategy of a bank to maximize profits, however attractive bankers found the occasional opportunity for investing in the state debt.

Foreign governments were another matter. Large profits were to be made in providing banking services — exchange operations, extension of credit and financial administration — to the princes of Italy and even Europe. The founder of the Medici company, Giovanni di Bicci, established his business at the papal court for this purpose, and it was to improve his ability to serve papal needs that he opened branches in Naples, Venice and Florence itself. Especially lucrative were services bankers could perform as tax-collectors and managers of state operations, for which they needed no capital at all, only the technical expertise of a financial administrator and access to the

²¹ Federigo Melis, *Aspetti della vita economica medievale (studi nell'archivio Datini di Prato)* (Siena, 1962), p. 213.

²² Anthony Molho, *Florentine Public Finances in the Early Renaissance, 1400-1433* (Cambridge, Mass., 1971), p. 177.

²³ See Goldthwaite, *Private Wealth in Renaissance Florence*, p. 246 n.; cf. F. W. Kent, *Household and Lineage in Renaissance Florence: The Family Life of the Capponi, Ginori and Rucellai* (Princeton, 1977), pp. 87-8.

international network of merchant bankers. This kind of activity lay in a realm somewhat beyond the usual operations of international commerce and banking. Moreover monopoly privileges were clearly the objective, and the Medici obviously had a lot more to throw into the competition for these stakes than the average Florentine. The branch manager in Rome was often selected as depositary-general, the office that in effect served as the fiscal agent of the Apostolic Chamber, handling the funds for the papal treasurer. Shortly after the opening of the alum mines at Tolfa in 1460, the Medici were able to become one of the partners in the contract with the curia for the exclusive marketing rights of one of the most important articles of trade at the time; and their business was no less profitable for having behind it the efforts of the papacy to assure its monopoly control over the market by directing the spiritual powers of the church against competing imports from the Muslim world. Outside the papal circle, Lorenzo il Magnifico's influence with the lord of Piombino won for the Pisan branch of the company (in 1489) controlling interest in the contract for the marketing of iron ore from Elba delivered at Pisa and Pietrasanta.

It was in this search for plums in the financial administration of foreign governments that the Medici faced outright competition, and other Florentines probably thought twice about competing with the city's most powerful family in this area. One family that did not and paid the consequences was the Pazzi, although for lack of any study of the famous conspiracy of 1478 we cannot assess the importance of business interests in their challenge to Medici power. A number of sons and grandsons of Andrea Pazzi (d. 1445) had several firms that on the surface seemed to be separate enterprises but were in fact interlocked, representing (as we have already observed) an unusual cohesion of family financial interests. Collectively their operations — in England, Bruges, Lyons and Rome — were almost as extensive as the Medici firm's. They cultivated particularly friendly relations with Sixtus IV at a time when he was at odds with the Medici in the political arena; and in 1476, just two years before the conspiracy, they were awarded the lucrative alum contract.

There were clearly political advantages to be gained from service to foreign princes. The Medici rose to power in Florence partly because of the influence they had with the papacy, and the Pazzi probably looked like a threat to them because they were following the same route. Politics and business, however, did not always mix well; and in his tract on the merchant, Benedetto Cotrugli strongly

advised against involvement in government administration on the grounds that it had nothing to do with the merchant's proper activity and was dangerous. In the case of the Medici, since they were responsible for Florentine diplomacy, a wrong move in the diplomatic sphere could invite retaliation against their business interests. For instance, when the pope was at odds with Florence, it was the Medici more than any other Florentine firm that felt the brunt of his displeasure. After the Pazzi conspiracy in 1478 an angry pope, Sixtus IV, confiscated Medici property in Rome and repudiated the debt of the Apostolic Chamber to the Medici bank. In the mixing of business and politics the tendency was to sacrifice the former for the latter. The history of the final years of the Medici bank at the papal court indicates that, if anything, the political influence could be as bad for business as it was sometimes good. The decline of the Roman operations from this time onwards was not just a result of the indifferent management of Giovanni Tornabuoni: it is clear that the growing losses the bank suffered as a result of what was becoming chronic papal indebtedness were tolerated because Lorenzo's political interests took priority over what was good business for the company. In other words, if the bank was able to get some large accounts because of the family's political influence, it could also become an instrument the family could use to increase that influence — and that usually did not make good business sense.

This problem of politicizing a business operation beset the Medici branches established at those courts that figured in the Italian diplomacy of Lorenzo il Magnifico, for whom politics always took priority over business. Service to the court and the aristocracy was probably the chief reason for establishing branches in both Milan in 1452 or 1453 and Naples in 1471, and over-extension of credit through personal loans created severe and ultimately insurmountable problems for both operations. The palace where the company set up business in Milan symbolized the spirit behind such enterprises. Built on property donated by the duke, Francesco Sforza, it was an impressive palace, until recently attributed to Michelozzo. With its main entrance embellished with the arms and medallion portraits of the duke and his consort and the interior lavishly decorated, it seemed more suitable for a diplomatic residence than for the working headquarters of a firm.²⁴ It was by far the most splendid branch office in the Medici system; and yet Milan, although a large city and the

²⁴ Miranda Ferrara and Francesco Quinterio, *Michelozzo di Bartolomeo* (Florence, 1984), pp. 382-3.

capital of a prosperous state, was not an international banking centre. Most of the bank's activity was directed to supplying funds to the duke, a potentially unsound operation, since repayment was highly problematic. It operated largely on borrowed funds, on capital collected from interest-bearing deposits, which it then loaned out at higher interest. In 1460 one-third of those loans were out to the duke and duchess, and over the next seven years their debt rose from 53,000 florins to 179,000 ducats. Sforza's death in 1466 did not help alleviate the burden of this debt, and eventually, in 1478, the bank's lack of liquidity — its difficulty even in meeting interest payments due depositors — forced it to close its doors.

VI

This essay opened with some questions about the nature of power in the business world of Renaissance Florence. It has concentrated on the Medici, for if anyone had power it was the Medici; and the assumption has been that their use of power to promote their bank would tell us something about capitalism in one of its earliest stages. It is not apparent that the Medici company tried to edge out its competitors in any of the markets where it operated, and it was far from enjoying domination of any kind, or in any sphere, of the local economy. The political influence of the family in Florence, though pursued for their private interests, does not seem to have brought much business to their own firm, nor to have been used to promote a well-defined and positive economic policy in the special interests of the wider business class to which they belonged; and their political influence abroad was a two-edged sword that could cut both ways — they used it to gain some important investment opportunities, but too often they gained their influence at the expense of sound business policy. Their goal, in any case, was not market domination. The Medici bank, in short, did not behave according to our expectations of how a firm proceeds on what we perceive today as its “natural” course of self-aggrandizement, notwithstanding even the immense political influence of the family.

This behaviour was not simply a matter of the idiosyncracies of the Medici themselves. De Roover has clearly shown — and there is no reason to doubt his judgement — that after Cosimo the successive heads of the family had less and less interest in business pursuits and that their lack of interest, and even their incompetence, goes a long way towards explaining the decline of the company. The point here,

however, is that the structure of the business system in which the Medici operated, and which conditioned their assumptions about business and the way they approached it, evolved in a world lacking that spirit of competition and its concomitant desire for power that today we consider essential components of capitalism.

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