

Coins, weights and trust

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The medieval fairs took place in a monetary universe of a complexity that is hard to imagine today. Every sovereign, and sometimes every bishop or every town, struck its own coinage. Gold and silver coins circulated across borders, but their value depended on their weight, their fineness and the trust inspired by the issuing authority. Debasements, that is to say changes to weight or fineness decided by sovereigns in order to lighten their debts or finance their wars, were frequent. A merchant receiving a payment therefore had to assess not only the number of coins but also their quality.

In this context, gold coins of high reputation served as reference currencies. The Florentine florin, struck from the middle of the thirteenth century, and the Venetian ducat were accepted throughout Europe thanks to the stability of their weight and fineness.¹ Merchants kept their books in money of account, abstract units that made it possible to convert the various coins into a common measure. The coexistence of real coins and money of account called for a particular expertise, that of the money changers.

The Geneva money changers, seated at their tables during the fairs, weighed coins, verified their alloy, exchanged them for other coins and, increasingly, kept accounts on behalf of their clients. This transition from the manual exchange of coins to the keeping of accounts is one of the decisive steps in the birth of banking. A merchant who holds an account with a money changer can settle his debts by a simple book transfer, without handling coins. The risk of theft diminishes, payments become faster, and the money changer becomes a depositary.

Trust is the precondition of this system. The client must believe that the money changer will return his deposits; the money changer must believe that his debtors will repay him. That trust rests on reputation, on family and community ties, on supervision by the authorities and on the possibility of recourse to the courts. It nevertheless remains fragile.

Failures of money changers and bankers were frequent in medieval Europe, and even the great Florentine houses did not escape them.²

The question of trust will return at every stage of this book, right up to the contemporary debates on the soundness of banks and on prudential supervision. It already allows a simple idea to be formulated: a financial centre is first and foremost an infrastructure of trust. Its banks, its courts, its rules and its reputation are merely means in the service of that end.

1 Notes

1. Wikipedia (en), “Florin”: florin struck “from 1252 to 1533 with no significant change in its design or metal content standard”, 3.499 g of fine gold, imitated in the fourteenth century by some 150 issuing authorities; Wikipedia (en), “Venetian ducat”: gold ducat “originated in Venice in 1284”, 3.545 g of gold at 99.47 per cent. ↩
2. Wikipedia (en), “Compagnia dei Bardi”: according to Giovanni Villani, Edward III owed 900,000 florins to the Bardi and 600,000 to the Peruzzi; “In 1344, at about the same time as the Peruzzi company, the Bardi company went bankrupt”, the English defaults having probably done no more than aggravate wider Florentine difficulties. ↩

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