

VENETIAN BANKERS, 1496-1533: A STUDY IN THE EARLY STAGES OF DEPOSIT BANKING

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THE development of negotiable commercial paper in the seventeenth century marks the end of the "primitive" stage of deposit banking. Earlier bankers, unable to discount bills so as to spread the risk of their loans over a multitude of mercantile operations, were lured into overambitious ventures. They held a volume of deposits which enabled them, in ordinary times, to satisfy their depositors without keeping all their funds on hand in cash. But their efforts to draw profits from the money intrusted to them led to direct participation in commercial undertakings and loans to princes. Such firms as the Bardi of Florence or the Welsers of Augsburg touched dazzling profits, grew bolder, and, engaging their depositors' funds yet more deeply in government loans or speculations in commodities, ended in sensational failures. The well-known stories of such international bankers leave the impression that the great dangers of bank failure in that early stage of deposit banking came from the two sources named—commercial speculation and loans to princes.

The international bankers supplied the needs of some centers; those of other cities were met by local banks. The latter were sometimes profit-seeking ventures of private bankers, sometimes public institutions subject to the city government. Although the municipal banks of Barcelona (1401) and Valencia (1407) have sometimes been confused with *giro* banks, on the assumption that they merely transferred payments on their books and did not make loans, this is a mistake. *Giro* banks did not come into existence until the late sixteenth century, at Venice in 1584 and at Amsterdam in 1609. It is true, however, that the chief function assumed later by the *giro* banks had been performed earlier by the public or private local banks. Through the transfers of deposits

from one account to another, they furnished a method of making payment which was easier than handling coins.¹

Venetian banks about 1500 were primarily local banks. They have been studied hitherto almost entirely from a single type of source, namely: official enactments.² The difficulty with this source is that the texts of laws tell little concerning their enforcement. A fuller picture of the activities of the Venetian banks may be gained from contemporary chronicles and diaries.³ The diary of Marino Sanuto has almost the reportorial scope of a newspaper, and permits piecing together a picture of the opportunities and dangers facing the Venetian bankers during the years 1496-1533.

Like international banking firms, the Venetian bankers indulged in risky ventures in trade and government finance. But two other factors also threatened their solvency. One was connected with the tight-money crises produced by the Venetian system of war finance; the other with the temptations arising from coinage difficulties and from the fluctuation of the market ratio of gold and silver. Judged by the history of the Venetian banks from 1496 to 1533, these two factors were more responsible for banking difficulties than were short-term loans to the government or excessively ambitious commercial enterprises.

Sanuto describes the fortunes of the ten banks of his time.

¹ Abbott Payson Usher, "The Origins of Banking: The Primitive Bank of Deposit, 1200-1600," *Economic History Review*, IV (1932-34), 401, 406-9; Armando Saponi, *La crisi delle compagnie mercantili dei Bardi e dei Peruzzi* (Florence, 1926); Richard Ehrenberg, *Das Zeitalter der Fugger* (Jena, 1912), I, 193-211.

² E. Lattes, *La libertà delle banche a Venezia dal secolo XIII al XVII* (Milan, 1869); Fr. Ferrara, "Documenti per servire alla storia dei banchi veneziani," *Archivio veneto*, I (1871), 107-55, 332-63; and "Gli antichi banchi di Venezia," *Nuova antologia*, XVI (1871), 177-213, 435-466. The documents published by Lattes and Ferrara were the basis, as far as the period here considered was concerned, of the studies of Charles F. Dunbar, "The Bank of Venice," *Quarterly Journal of Economics*, VI (1892), 308-35, and of E. Nasse, "Das venetianische Bankwesen in 14, 15, u. 16 Jahrhundert," Conrad's *Jahrbücher für Nat. Ok. u. Statistik*, XXXIV (1879), 329-58. Ferrara referred to material collected from private sources but all that appeared in the *Archivio veneto* were official acts.

³ Marino Sanuto, *I diarii* (58 vols.; Venice, 1879-1903); Domenico Malipiero, "Annali veneti dell'anno 1457 al 1500," *Archivio storico italiano*, Vol. VII (1st ser.; Florence, 1843); Gerolamo Priuli, *I diarii*, in *Rerum italicarum scriptores* (2d ed.; Citta di Castello, 1911), Vol. XXIV, Part III.

These were: (1) the Garzoni: founded in 1430 by Messer Nicolo di Bernardo e compagni; passed under direction of Andrea Garzoni; failed in 1499; reopened and failed again in 1500;⁴ (2) the Lippomani: founded in 1480 by partnership of Tommaso Lippomano and Andrea Capello, managed in 1499 by Girolamo Lippomano; failed in 1499;⁵ (3) the Pisani: founded in 1475, liquidated paying in full in 1500; reopened in 1504; liquidated paying in full in 1528, after the death of Alvise Pisani who had managed it;⁶ (4) Matteo Agostini: survived the crisis of 1499 but failed in 1508;⁷ (5) Girolamo di Priuli: founded in 1507; forced to liquidate in 1513;⁸ (6) the Capelli: founded in 1507 by Antonio, Silvan, and Vettor Capello and Luca Vendramin; continued after 1528 by Silvan Capello and sons;⁹ (7) Matteo Bernardo: founded in 1521; liquidated, paying in full, in 1524; reopened in 1529;¹⁰ (8) Antonio di Priuli: founded in 1522 in close alliance with the Pisani bank and continued until 1551;¹¹ (9) Andrea e Piero da Molin: founded in 1523, forced to liquidate in 1526;¹² and (10) Andrea Arimondo: founded in 1524, failed in 1526.¹³

These were probably all the banks existent in Venice between the triumphant liquidation of Pietro Soranzo in 1491 and the opening of a new group of banks about the middle of the sixteenth century.¹⁴ The list does not include mere money-changers,¹⁵ nor

⁴ Sanuto, II, 391; Malipiero, p. 531.

⁵ Malipiero, p. 671; Sanuto, II, 723.

⁶ Ferrara, in *Nuova antologia*, XVI, 198; also Sanuto, III, 158; V, 942; XLIX, 124, 240.

⁷ Malipiero, p. 716; Sanuto, VII, 283.

⁸ Sanuto, VII, 30; XVII, 328, 354, 369.

⁹ Sanuto, VII, 81; XLIX, 7.

¹⁰ Sanuto, XXXI, 182; XXXVI, 484; LI, 132-33.

¹¹ Sanuto, XXXIII, 545-46; Ferrara, in *Nuova antologia*, p. 438.

¹² Sanuto, XXXIV, 279; XLIII, 376, 388.

¹³ Sanuto, XXXVI, 203; XLIII, 57, 80.

¹⁴ Ferrara (*Nuova antologia*, XVI, 185-207, 434-51) gives the same names for the bankers of these years, but is not in all cases informed concerning the years in which they operated.

¹⁵ Mentioned as a quite distinct business, but as being in debt to the banker (Sanuto, III, 1040; Priuli, I, 112). The law of 1528 (Lattes, p. 95; Sanuto XLIX,

does it include the Jewish banker, Anselm, who during this interval performed many of the functions of contemporary Christian bankers.¹⁶ The ten firms named were the *banchi di scritta*, those which did business by writing transfers of deposits from one account to another. Payments from one merchant to another were made by the two parties appearing before the banker and personally ordering the transfer made on his books. This was a great convenience both because it avoided the slow counting-out of imperfect coins and because the entry on the banker's book was an official record of the whole transaction which made unnecessary any other legal papers.¹⁷

These *banchi di scritta* were essential to the economic life of the city. The total deposits of the four banks doing business in 1498 were something over one million ducats.¹⁸ The number of depositors of the Lippomano bank at the time it defaulted was 1,248, of whom 700 were Venetian nobles. If it were assumed that the other two large banks of the time had a similar number, and if no allowances were made, on the one hand, for those having accounts in more than one bank or, on the other hand, for those who got out before the crash, the figure for the total number of bank depositors would be about 4,000. This would mean that one out of every thirty of the population of Venice had a bank ac-

89) said they had begun to accept coin on deposit at illegal rates and forbade it, but it is unlikely that they had become a means of avoiding the bank laws to any great extent or there would have been more comment in Sanuto.

¹⁶ Sanuto, XXIII, 182, 407. The Jews had a different legal status.

¹⁷ Dunbar, pp. 311-14; Lattes, p. 125.

¹⁸ The Garzoni failed in February, owing between 96,000 and 250,000 ducats, and said they had paid out 128,000 ducats since Christmas (Sanuto, II, 391, 401). The Lippomani owed about 120,000 ducats, and it was said they had paid out 300,000 ducats (Malipiero, p. 715; Sanuto, II, 731). The Pisani, after two severe runs on their bank, had more than 95,000 ducats in deposits left (Sanuto, III, 158-59). They had stopped one of the runs by raising a guaranty fund of 320,000 ducats, besides a previous reserve of 100,000 ducats in government bonds (Priuli, I, 124). The Agostini deposits were at that time less (Malipiero, p. 716). Any exaggeration by the bankers of the withdrawals immediately before the failures is probably more than offset by the previous slow drain of deposits. The *Banco di Rialto* had liabilities in 1588 of 546,082 ducats, in 1594 of 705,889 ducats (Lattes, pp. 163-64).

count. When Lippomano closed down, more than 600 of his depositors had accounts of less than twenty ducats. His enemies reviled him for the loss of the dowries of young maidens, of savings which had been put aside in presumed safety by citizens and nobles for the payment of taxes, and of the deposits of monasteries and hospitals. Obviously, besides the big accounts of merchants, the bankers carried many small accounts and many not mercantile.¹⁹

Some of the funds in the bankers' hands were what may be called "conditioned deposits," deposits earmarked for specified future payments under certain conditions. The many deposits which were intended for dowries may be considered in this class.²⁰ The guaranties which the renters of the state merchant galleys gave to the state might be in the form of deposits made by the guarantors in the banks.²¹ Tax collectors had on deposit in the banks funds which could be seized in case they did not fulfil their commitments.²² On some occasions the bankers may have guaranteed future payments without requiring a deposit. References in the diary to payments guaranteed by a banker frequently do not make clear whether the banker had received a deposit to be used for the purpose.²³

Of the ten banks listed, only four ended definitely insolvent—not as bad a record as is usually implied.²⁴ In all four failures, those of the Garzoni, Lippomani, Agostini, and Arimondo, a statement of the resources remaining after the bank had failed was attempted by Sanuto. These figures include, besides the assets of the bank, all the available possessions of the banker.

¹⁹ Sanuto, IV, 244-45; V, 654-55, 1056-57. The second Garzoni bank had only 518 creditors when it failed in March, 1500 (Sanuto, V, 707) but this was the bank opened within a year after its failure in 1499. To it were transferred the accounts of those large creditors, from 20 lire up, who agreed to wait for this money. To the others the Garzoni offered their money at once (Sanuto, III, 96-98; Priuli, I, 260-61).

²⁰ Usher, *op. cit.*, pp. 413-14; Sanuto, II, 425-26; IV, 245.

²¹ Sanuto, II, 732. ²² Sanuto, II, 120. ²³ Sanuto, II, 452; III, 112.

²⁴ Ferrara, in *Nuova antologia*, XVI, 442, 459-60; P. Molmenti, *Storia di Venezia nella vita privata* (Bergamo, 1925), II, 38-40. With more reserve, Dunbar, p. 319; Roberto Cessi and Annibale Alberti, *Rialto* (Bologna, 1934), pp. 300-301.

LIPPOMANI*

	Ducats
<i>Liabilities</i>	<i>ca.</i> 120,000
<i>Assets</i>	
Private loans	18,000
Jewels	14,000
Real estate	12,900-27,500
Cash	10,000
Government bonds and interest	34,000-41,000
Credits against Salt Office	18,000
Advances to the government, unsecured	8,000
	<hr/>
	114,900-136,500 †

* An attempt to combine and reconcile: Sanuto, II, 731, 738-39; III, 1066; V, 1056-57; Priuli, I, 122-23; Malipiero, p. 717.

† Plus personal debtors for unknown sums.

GARZONI ‡

	Ducats
<i>Liabilities</i>	96,000 to 200,000
<i>Assets</i>	
Total loans	55,000 or 85,000
Less bad loans	10,000
	<hr/>
Net loans	45,000 or 75,000
Jewels and silver	15,000
Government bonds and interest	20,000
Real estate	45,000
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	125,000 or 155,000

‡ Sanuto, II, 391, 401; Malipiero, p. 531.

AGOSTINI §

	Ducats
<i>Liabilities</i>	110,000
<i>Assets</i>	
Good private loans	10,000
Jewels	25,000
Real estate	Undetermined
Cash	
At state treasurers	3,000
At mint	6,000
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Net cash	9,000
Government bonds	Undetermined

§ Sanuto, VII, 283, 298, 307. An arrangement for payment over two years was approved (Sanuto, VII, 722).

ARIMONDO||

Ducats

Liabilities

Total debts	27,000	
Less insured debts¶	16,000	
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Net debts		11,000

Assets

<i>Merchandise</i>		
On ships		Indeterminate
Alum or potash in warehouse	1,500	
Government bonds	1,500	
Real estate }		Value not stated, but believed sufficient to cover the balance by more than 6,000 ducats
Jewels }		

|| Sanuto, XLIII, 80, 144.

¶ This passage reads: ".... Il debito è ducati 27 milia, et asegura di questa per ducati 16 milia...." In the report of the run on the Molin bank in 1526 it was said ".... Voleno asegurar et pagar tutti...." (Sanuto, XLIII, 376). When news of riots in Alexandria reached Venice in 1524, the credit of Matteo Bernardo suffered, and he sought insurance (Sanuto, XXXVI, 146, 149). There are no similar references to insurance during the crisis of 1499.

These figures are probably not often accurate, for they were gathered from common rumor, or the avowals of the defaulting banker, or the impressions of the receivers when they first took over the closed banks. They are nevertheless valuable, for Sanuto's repeated references to the same categories of assets, even when he was unable to state the amounts, reveal the accepted categories of bankers' resources. These were long-term government bonds, short-term credits secured by assignments of income to be received from governmental bureaus, personal loans, jewels, real estate, cash or bullion, and merchandise.

In these financial statements no distinction has been made between the personal resources of the bankers and those of the banking enterprises. Even though such a distinction was made in the account books, it was of little legal importance, for the banker was fully liable for the debts of the bank.²⁵ Only in the

²⁵ Even the heirs of Nicolo Bernardo were held as principals to pay the debts of Garzoni's first bank, although they claimed that for years they had had nothing to do with the bank except as guarantors of 2,000 ducats each. But because their

case of the Lippomani is there given an accounting in which any distinction is drawn between the assets of the bank and those of the bankers:²⁶

LIPPOMANI BANK		Ducats
<i>Liabilities</i>	<i>.....ca.</i>	120,000
 <i>Assets</i>		
Loans, good	.....	18,000
Loans, bad	.....	4,000
Due from Soranzo, silversmith for the bank	.....	20,000
Due from good debtors of Soranzo	.....	18,000
Due from the Cappelli, former partners	.....	13,000
Due from the Lippomani personally	.....	17,000
Cash	.....	10,000
Unsecured advances to the state	.....	8,000
		108,000

Most of the assets of the Lippomani bank, at the time of its failure, were loans due from the Lippomani personally or their business associates. Similarly in Agostini's failure, the Agostini were the chief debtors of their bank. Perhaps other and sounder bankers financed their mercantile ventures largely out of their own capital and borrowed less from their banks. Agostini and Lippomano were the two bankers most blamed for dishonest banking. This may have been more because of their attempts to avoid the liquidation of all their personal possessions to pay the debts of the bank²⁷ than because of their excessive borrowing from their banks. But the combination was certainly damning. Practically, the resources of the bank and of the banker were considered the same, and he was counted the dishonest banker who tried to keep his own wealth after he had taken that of his depositors.

names still appeared in the firm and they shared in profits, they were sentenced to pay (Sanuto, IV, 304).

²⁶ Sanuto, II, 738-39. From Lippomano's own account, but he gives the total assets as 98,000 ducats, apparently allowing for some duplication in the accounts with Soranzo. Soranzo's debt is elsewhere put as high as 40,000 ducats (Sanuto, III, 1017, 1066).

²⁷ Sanuto, VII, 307; II, 731.

Which types of investment were made in the name of the bank, and which in the name of the banker, or that of his son or of a business associate, is a question of bookkeeping which from the diarist sources can be answered only tentatively. Long-term government bonds, merchandise, and real estate generally appear to have been assets of the banker, not assets entered on the books of the bank. Mercantile ventures were probably not made in the name of the bank although they were financed by loans from the bank to the banker and his associates.²⁸ On the other hand, personal loans, loans on jewels, and short-term credits to the government were, quite clearly, investments made in the name of the bank.

The distinction was of little importance to depositors so long as all the banker's resources were fully liable for the debts of the bank and the banker used the resources of the bank for his trading ventures. Contemporary references, including those of Girolamo Priuli, a merchant and banker himself, make practically no distinction between the affairs of the bank and those of the banker. When there was a run on the bank the important question was how much cash could the banker and his family realize from all their resources. In sixteenth-century Venice banking was not a specialized business; it was a part of the larger operations of merchant nobles.

The purchase of silver bullion from German importers was an important function of the banks.²⁹ When the Garzoni failed they were found to have suffered heavy losses from buying silver at a price above the mint ratio in order to increase their specie reserves.³⁰ The Lippomani not only financed the silversmith Soranzo, but they also bought silver themselves by giving credit for it on their books.³¹ The Pisani are pictured as one of the chief silver customers of the Fuggers.³² When in the autumn of 1500 there

²⁸ Alvise Pisani acting in the names of his son and others (Sanuto, XXVI, 48, 495; XXVII, 219).

²⁹ Despite the laws (Lattes, pp. 34, 55, 70).

³⁰ Sanuto, II, 391; Malipiero, p. 531.

³¹ Sanuto, II, 736.

³² Alfred Weitnauer, *Venezianischer Handel der Fugger*, in *Studien zur Fugger-Geschichte*, IX, 96, 171.

was no bank left at Venice save that which had been the smallest, that of the Agostini, the German merchants complained before the doge that they had no satisfactory market for their silver. Agostini would buy only on his own terms. Therefore the bullion was not finding its way to the mint.³³

Jewels played a consistent part in the bankers' reserves, for they were extensively used as securities for loans. The Venetian bankers were pawnbrokers not only for princes but for men of lower station. Bernardo loaned on jewels to the pope, Garzoni to the Marquis of Mantua, Agostini to an army captain who had pawned his wife's wedding ring.³⁴ These firms combined the now distinct businesses of pawnbroking and commercial banking.

Merchandise and shipping occupied a larger part of the bankers' funds than is suggested by the statements of the assets left in the defaulting banks. During the crisis of 1499 the Pisani had about 40,000 ducats invested in the "western voyage," in wool and in cloth, and they had recently purchased a large ship.³⁵ During the winter of 1518-19 a combine headed by the Pisani bank financed the voyages of the merchant galleys of Flanders and Barbary.³⁶ The Molin bank had much of its resources in merchandise.³⁷ The bankers Antonio di Priuli and Matteo Bernardo were counted among the four leading merchants of Alexandria,³⁸ and in 1533 Bernardo was accused of seeking to monopolize the export of English wool to Venice.³⁹

The loans of the banks, both to private individuals and to the state, were more voluminous than shown by the statements of the defaulters. Loans to merchants were in the form of overdrafts, sometimes for hundreds of ducats, sometimes for thousands.⁴⁰ Very large credits were extended to the state, but the dangers to

³³ Sanuto, III, 1091; cf. II, 736, 930.

³⁴ Sanuto, LV, 79; II, 736; III, 862.

³⁵ Sanuto, I, 780, 935; Malipiero, p. 551; Priuli, I, 124.

³⁶ Sanuto, XXVI, 48, 495.

³⁸ Sanuto, XXXVI, 146, in 1524.

³⁷ Sanuto, XLIII, 394.

³⁹ Sanuto, LVIII, 249, 257.

⁴⁰ Sanuto, II, 391, 487. Cf. the apparent prohibition in 1467 of any large loan on one signature (Lattes, pp. 72-73). Cf. Dunbar, p. 315. But could not this be interpreted as limiting only the loans made by a single member of the banking firm?

the banks of these advances have been overemphasized.⁴¹ The defaulting bankers did not have any large percentage of their funds in short-term loans to the government.

The bankruptcies which occurred between 1496 and 1533 cannot be ascribed to the failure of the government to repay loans from the banks. In the first part of this period, however, the bankers suffered from dangers arising in connection with the funded debt and the system of war finance. The financial panic of 1499-1500, in which the Garzoni and Lippomani failed and the Pisani, although hard pressed, paid 100 per cent, came during a political crisis. In 1499 Venice was involved in war on two fronts and was obliged to maintain an army in Lombardy at the same time that it armed its navy to match the fleet which the Great Turk was preparing at Constantinople. Although wars were a constantly recurring feature of Venetian life, they were all treated financially as if they were unusual emergencies. They were financed by forced loans levied upon all the well to do in proportion to their wealth. In return for the payment of a fraction of his wealth the investor, for so we may here call the taxpayer, received a government obligation. Since interest was paid at 4 or 5 per cent, these government bonds would have been possessions welcome to the taxpayers had they not been issued in excessive amounts. When they were forced out too rapidly, however, some people did not have enough ready money to pay for their new allotments. Since the bonds formed a forced loan to which the taxpayers had to subscribe, many taxpayers were forced to sell the government bonds they already possessed in order to pay for their share of the new issue. These sales drove down the price of the bonds. When the government then proceeded to demand more loans, the low price of his old bonds increased the difficulties of the taxpayer in finding the funds needed to buy the new bonds. Collection of the loan became extremely difficult, despite the seizure of the property of those who failed to subscribe. Rendered desperate by mounting war expenses and difficulties of collection,

⁴¹ Ferrara, in *Nuova antologia*, XVI, 204-13, 459-60; Molmenti, II, 38-40; Enrico Magatti, "Il mercato monetario veneziano alla fine del secolo xvi," *Nuovo archivio veneto*, XXVII (new ser., 1914), 245.

the government issued yet more bonds and these forced the price even lower. The first series of government bonds of this type, the *monte vecchio*, became so depreciated that they were abandoned and in 1482 a new series started called the *monte nuovo*.⁴² But these also were issued in excessive amounts. From eighty in 1497 their price dropped to fifty-two in 1500.⁴³ Property to the value of more than 300,000 ducats was in default for tax payments, but no one would buy.⁴⁴ This "tightness" of money produced by excessive demands on the taxpayers and the great military expenditures were the chief explanations of the 1499 failures offered by contemporaries.⁴⁵

It is easy to imagine how these excessive issues of government bonds reacted unfavorably on the banks. Clients withdrew funds to pay for the government loans.⁴⁶ A good part of the bankers' personal wealth as well as that of their friends and relatives was likewise absorbed by the government bonds, and the guaranty funds, which the state required from all the bankers, were, at that time, composed of such bonds.⁴⁷ These securities diminished in value on the very occasions when they were most needed because the banks were endangered by the withdrawal of funds by depositors. It was the general dependence on the money market, which in turn depended on the volume of government borrowing and taxation, which placed the bankers in jeopardy, not demands for loans made on the banks by the government. When Andrea Garzoni revealed his embarrassment, the state repaid what it

⁴² Gino Luzzatto, *I prestiti della Repubblica di Venezia* ("Doc. finan. della Rep. di Venezia" [3d ser.; R. Accademia dei Lincei, 1929], Vol. I, Part I), carries the story of these loans to 1482.

⁴³ Priuli, I, 71, 141, 321; II, 7, 27; also Sanuto, I, 575.

⁴⁴ Sanuto, II, 1121-22; Priuli, II, 61, 64; Malipiero, p. 532.

⁴⁵ Sanuto, II, 391-92; Malipiero, p. 532; Priuli, I, 290-91. I presume that most of the funds borrowed were disbursed outside Venice—e.g., to the army in Lombardy, to merchants bringing wood, iron, and copper from Germany, and to the fleet at Corfu.

⁴⁶ Sanuto, II, 391.

⁴⁷ Sanuto, II, 726; Priuli, I, 124; Lattes, pp. 71, 81-82. The investments in government bonds were not made by bankers as bankers but as individuals and as taxpayers. There is no evidence that the government demanded or even urged on the bankers the purchase of these government bonds.

owed to his bank.⁴⁸ The failure to settle promptly with Girolamo Lippomano was not the reflection of a general situation but the result of personal attacks on Girolamo.⁴⁹

The depression of 1499 was short-lived. By December, 1502, government bonds, *monte nuovo*, were again selling at seventy-five.⁵⁰ The failure of the Agostini in 1508 was attributed to no other cause than their own incapacity or dishonesty. Agostini owed his bank 65,000 ducats out of the 110,000 due, and had sent his wife, sons, and personal wealth off to Mantua a month before, “. . . so that one may say he wished to fail with the money of others.”⁵¹

Another crisis similar to that of 1499 came in 1509 when all the great powers of western Europe were leagued against Venice. In that emergency interest payments on the *monte nuovo* were suspended. There was a run on the Pisani bank. Pisani went to the government for help, received 15,000 ducats in cash, and with the aid furnished by his wealthy relatives outlasted the panic.⁵² No banks failed that year, yet Girolamo Priuli may be considered a victim, indirectly, of the crisis of 1509. He was forced out of business in 1513. His extension of credits to the government was a factor in his closing, but the basic element in his misfortune was his personal loss of 10,000 ducats by the suspension of payments on the *monte nuovo* in 1509. He did not fail, technically speaking, for many of his creditors accepted payments in credits on the government and his bank was not placed in the hands of receivers.⁵³

There remained, from 1513 to 1521, the great bank of Alvise Pisani, and the more modest firm of Capello and Vendramin. During this interval confusion of the coinage brought the bankers new difficulties and opportunities. By 1522 there was created a

⁴⁸ Sanuto, II, 332, 377. Malipiero (p. 531) says he was offered a loan of 30,000 ducats to tide him over and he refused, saying his debts were too great.

⁴⁹ Sanuto, III, 319, 324, 422, 423, 429, 1066.

⁵⁰ Sanuto, IV, 580.

⁵¹ Sanuto, VII, 283, 298, 307, 722.

⁵² Sanuto, VIII, 296-98.

⁵³ R. Fulin, “Girolamo Priuli e i suoi Diarii,” *Archivio veneto*, XXII (1881), 140-43; Sanuto, XVII, 328, 354, 369, 405. Priuli was imprisoned for debt in 1517, but that was for overdrawing the state treasury (Sanuto, XXIV, 492).

situation in which the banks could continue to do business although they did not pay cash on demand. Sanuto described the banking situation in December, 1522, thus:

. . . These [the banks] do business by transfers on their books [*fanno facende di partide*] but there is little cash in circulation, nor do they any longer keep money in the bank as they used to do, but, after a deposit is credited [*fata la partide*], if the depositor wishes to draw his money, even if not a large sum, they send above to get it. And this is because of the great variety of coins current in this country.⁵⁴

Again in June, 1523, he commented: “. . . The banks are in bad shape. They do not keep money in the bank nor can one withdraw without a loss . . . and they are banks, one may say, for transfer only [*solum di scrittura*].”⁵⁵

The slowness of the banks in paying cash was explained by the lack of good coins with which to pay. Especially scarce were good Venetian silver coins, for German silver which had formerly come to Venice to be minted and exported to the Levant went elsewhere when the pepper trade was diverted by the Portuguese. Furthermore, the market ratios between gold coins and silver coins frequently diverged from the legal ratios.⁵⁶ Difficulties over the ratios between the two precious metals were inherent in the bimetallic system. The “bank of St. George” at Genoa had given up its banking business in 1444 rather than obligate itself to maintain the gold-silver ratio at the point fixed by the state. When it resumed its general banking business more than a hundred years later at the end of the sixteenth century, it opened quite separate accounts for different coins.⁵⁷ The private bankers of Venice had met these difficulties about 1520 with the same method later used by the Venetian state bank.⁵⁸ They permitted bank money, the bank ducat, to become a unit of value and means of exchange which was distinct from any unit of coinage, and was bought and sold in the money market at a price of its own. Such a divorce be-

⁵⁴ Sanuto, XXXIII, 545-46.

⁵⁵ Sanuto, XXXIV, 237.

⁵⁶ Sanuto, XX, 155; XXXIII, 546; also Nicolo Papadopoli-Aldabrandini, *Le Monete di Venezia* (Venice, 1893-1907), I, 100-145.

⁵⁷ H. Sieveking, *Die Casa di S. Giorgio*, in *VWS Abhand. der Badischen Hochschulen*, III, 73, 200-201.

⁵⁸ Dunbar, pp. 330-32, on “ducat” of the Bancogiro.

tween the bank money and the coined money was, strictly speaking, illegal, but was made possible by the recognized shortage of good coins.

The divorce between bank money and coined money arising from the shortage of full-weight coins offered tempting but dangerous opportunities to the bankers. Since they could stall off depositors seeking cash, they could increase their loans, by writing new deposits to the credit of the borrowers, with relative impunity. Even though bank money sold at a discount the banker could hope that, by the time a shift in the international movement of specie made good coins plentiful, he would be able to pay in full. Meanwhile he could pocket the profits from his loans.

As early as 1520 the bank money had depreciated in terms of full-weight specie. Its depreciation was accounted for by Sanuto entirely in terms of the many bad coins in circulation, but one may suspect that an expansion of bank credit was partly responsible. Such an expansion is understandable in light of the large activities of the Pisani bank. Alvise Pisani was in full stride on a political career which made him one of the chiefs of the Council of Ten at forty-six, which was then considered a youthful age for such a post. He placed his bank at the service of the state to such an extent that in 1519 he had the government in his debt to the amount of 150,000 ducats. At the same time he was deeply involved in mercantile ventures.⁵⁹

The ways in which the banker loaned to the state were various. He sent cash to the camp to pay troops,⁶⁰ furnished a letter of credit to an ambassador, drew a bill of exchange for the payment of a subsidy or tribute,⁶¹ or met the expenses of galley commanders.⁶² But Pisani had performed more than these ordinary services. Since the system of forced loans had broken down, the

⁵⁹ Sanuto, XVIII, 173, 250; XXI, 465-67; XXVI, 48, 495; XXVII, 219, 526-27. When in 1520 the Council of Ten found it necessary to reaffirm the legal ratio at which the banks must pay in gold, Pisani seemed to take it personally (Sanuto, XXIV, 414-15).

⁶⁰ Sanuto, XXI, 503.

⁶¹ Sanuto, XXIII, 426, 563, and "lettere di cambio et lettere di credito," XXIX, 584.

⁶² Sanuto, XX, 92, 225.

Venetian Republic had been making more use of voluntary loans, and in 1516 it was provided that such a loan should be repaid in credits on the books of Pisani's bank, which thus underwrote the loan.⁶³

In return for the cash he had furnished, or for the obligations to pay at a future date which he had assumed, the banker was assigned certain revenues to be paid to him as collected.⁶⁴ Most of the banker's loans to the state did not involve an immediate outlay of cash; they usually resulted merely in creation of deposits on the banker's books. The holders of these deposits would not in all cases wish at once to draw out the cash. Their deposits were probably used as were the others recorded on the banker's books. The holders of these deposits could and probably would use them to settle many of their debts, and this would frequently have no other result for the banker than a transfer of credit on his books from one account to another. There was, therefore, a reasonable chance that the credits created on the banker's books would not be drawn out until after he had collected the revenues assigned. Meanwhile the amount of bank credit circulating as a medium of exchange would have increased. Any loans to the government which the banker could manage simply by crediting additional deposits on his books would produce a certain inflation. The dominance of Pisani's bank between 1513 and 1521 would have made it easier to engineer and control such an inflation.

The situation in 1521-22 may be summarized thus: There had been a depreciation of bank money in terms of specie. Sanuto looked to the confusion of the coinage as the explanation of this depreciation. Ordinarily we would look to an expansion in the volume of the money. The evil state of the coinage really explains only the capacity of the bankers to avoid the law requiring them to pay on demand in full-weight coins. A considerable in-

⁶³ Text of the decree authorizing the loan (Sanuto, XXII, 508-9).

⁶⁴ Usually the revenues assigned were not paid to the banker until after the obligation he had assumed for the state had become due. When Antonio di Priuli collected from taxes assigned him 6,000 ducats out of the 14,000 owed him for a bill of exchange on Lyons before the bill was due, he was compelled to surrender the 6,000 ducats and accept assignment on other taxes (Sanuto, XLVIII, 398, 406-8, 438).

crease in the quantity of bank money is suggested by the large credit operations of Alvise Pisani as well as by the depreciation of bank money.

The resulting situation certainly offered dangerous temptations. The immunity of the banks from the necessity of meeting their current obligations in full made banking appear a very attractive enterprise, and the number of banks increased from two to six within two years. The great merchant Nicolo Bernardo opened a bank in 1521.⁶⁵ Antonio di Priuli entered the business in 1522 to supplement, strengthen, and ultimately take over the business of his father-in-law, Alvise Pisani.⁶⁶ In June, 1523, there were three or four other firms planning to open banks, and two of these projects, those of the Molini and the Arimondi, materialized within the next year.⁶⁷

In the midst of this sprouting of new banks came new banking laws—those of 1523, 1524, and 1526. The existent situation was thought to be dangerous and two basic changes were proposed to render the banks sound. The easiest to enforce was the change in the bonds which each banker had to post before he could enter the business. Surety could no longer be posted in government bonds.⁶⁸

The second essential change ordered was a resumption of cash payments at the full legal rate. This was harder to enforce. The section of the law of 1523 ordering the bankers to pay in full-weight gold coins at the legal ratio remained a dead letter. Bank money continued to sell at a discount.⁶⁹ In June, 1524, a means of enforcement was provided in three bank commissioners with offices in the Rialto and with adequate clerical assistance. Every banker was required to deposit 500 ducats in the hands of the commissioners, and, if the depositor could not get his money from the banker at the legal rate, the commissioners were to pay it to him and collect from the banker so that there would always be

⁶⁵ Sanuto, XXXI, 182.

⁶⁶ Sanuto, XXXIII, 545-46. ⁶⁷ Sanuto, XXXIV, 237, 283; XXXVI, 203.

⁶⁸ Lattes, pp. 81-94; Sanuto also gives the text of the laws of 1523 in XXXIV, 251; mentions that of 1524 in XXXVI, 382; and gives full lists of the bondsmen and the sums for which they were guarantors in XXXV, 467-72; XXXVI, 33-35, 348-51; LI, 83-84.

⁶⁹ Sanuto, XXXVI, 203, 355.

500 ducats for each bank in the hands of the commissioners. Eleven days after this law was passed the commissioners opened their offices and two days later they had received the deposits of 500 ducats from the Pisani, Priuli, Molin, and Arimondo banks. In the money brought by the cashier of the Pisani bank were some forbidden German coins, and that bank was accordingly fined 50 ducats. The next day the commissioners demanded the 500 ducats from Bernardo but he excused himself, saying he was liquidating. A week later he had settled with his depositors and closed his bank.⁷⁰

Thus for a year or so the law was enforced and the banks paid without discount. But by the spring of 1526 the two retiring bank commissioners reported that bank money was at a discount of 6 per cent or more. They suggested liquidating all the banks within the next eighteen months, because they feared the demand for a renewal of the surety bonds, as required by law, would cause some to fail. It was tacitly understood that the Molin and Arimondo banks were meant. Nothing was done, however, nor were new bank commissioners elected.⁷¹ In July bank money was at a discount of 14 per cent.⁷² In October Andrea Arimondo died "from melancholia of the bank" because he could not pay.⁷³ On November 6 the Senate finally acted. The prohibitions against in any way selling bank money at a discount were reiterated and elaborated, the order to pay in coin reaffirmed, and, what was more to the point, bank commissioners were again elected, one for each of the four banks.⁷⁴ The feared run on the Molin bank promptly materialized and by December 5 the Molini partners had to appeal to the chiefs of the Ten to come to the Rialto and by their authority restore some order among the crush of depositors seeking funds. The Molini doubled the guaranty fund pledged by their friends. At the ducal palace their capacity ultimately to pay in full was assumed. Their obligations were only 35,000 ducats, a small sum compared to the debts of the Garzoni, Lippomani, and

⁷⁰ Sanuto, XXXVI, 382, 395, 398, 399-400, 401, 484.

⁷¹ Sanuto, XLI, 141-42.

⁷² Sanuto, XLII, 181, "especially that of Molin and Arimondo."

⁷³ Sanuto, XLIII, 57.

⁷⁴ Sanuto, XLIII, 173, 187-93, 232.

Pisani in 1499. On December 7 the Senate approved and so imposed a program of liquidation over the term of a year. Thus by the end of 1526 practically all the mushroom banks which had sprung up since 1521 had been liquidated without serious loss.⁷⁵

An incidental feature of the banking law of 1526 was the prohibition of the use of checks. While checks were beginning to be used in other cities, Venice clung to the old-fashioned system requiring the depositors to appear personally at the bank when they wished to withdraw or transfer funds from their accounts. In this respect Venice was especially conservative,⁷⁶ yet, in view of the way bank deposits had developed at Venice into a form of money the value of which relative to specie rose and fell according to financial conditions, it is easy to understand the opposition of the Venetian government to the circulation of checks. Checks made easier speculations which accentuated the fluctuations of bank money.

Although Venice lagged behind other banking centers in developing the use of checks, banking practice was not stagnant at Venice. On the contrary, under the leadership of Alvise Pisani, steps were taken toward the successful use of an expansion of bank money to finance government expenditures. In the seventeenth century, through the facilities offered by the concentration of deposits in the state bank, the Banco del Giro, Venice used bank money extensively to finance war. Not only did the state then spend the specie reserve of the bank; they even paid for war expenses in bank money, i.e., by giving the sellers credits on the books of the bank. Since this bank money circulated as legal tender, the effect was much the same as if Venice had paid for war supplies with an issue of paper money. There was an inflation of the medium of exchange.⁷⁷

Earlier, in 1499 for example, war expenses had produced a contraction of the medium of exchange. The heavy wartime issues of forced loans were accompanied by a sharp drop in the value of government bonds, a piling up of property condemned for non-

⁷⁵ Sanuto, XLIII, 376, 388, 394, 396.

⁷⁶ Usher, *op. cit.*, p. 426.

⁷⁷ Guiseppe Siboni, "Il banco giro di Venezia," *Giornale degli economisti*, V (2d ser., 1892), 289-93; Dunbar, pp. 327-28, 332.

payment of taxes, and a general "tightness" of money. Specie became extremely scarce and the volume of bank money contracted sharply. This sort of a crisis had been characteristic during earlier wars: before the War of Chioggia (1378-81) government bonds had sold at 99½; toward the end of the war (March, 1381) they sold at 18.⁷⁸

The operations of the sixteenth-century bankers, especially those of Alvise Pisani, bring us much nearer to the seventeenth-century system. The "bank ducat" was treated as a distinct monetary unit with a value different from the specie ducat. Even when not readily convertible into specie, the bank ducat continued to serve as a medium of exchange within the city. The way Pisani helped finance the government had the effect of increasing the volume of his deposits and so the volume of bank money. The effect was like that of an inflation of paper currency in that the inflated medium of exchange depreciated. Thus many features associated with the operations of the later state bank are clearly forecast in the operations of sixteenth-century private banking.

⁷⁸ Luzzato, *I prestiti*, I, cxxix and cclxxiv.