

## **Credit Reallocation and Trade Finance in the Early Modern Age: The Fair Deposit**

### *Summary*

Based on the private records of a 16<sup>th</sup> century prominent merchant-bank (Salviati of Lyon), this paper brings to light an important instrument of trade finance in the early modern age: the fair deposit.

While financial history of deposit banking has often been separated from that of merchant-banking, this paper demonstrates that in the 16<sup>th</sup> century, a specific type of deposit banking emerged on the fair locations, intrinsically connected to merchant-banking and international trade.

The fair deposit, revealed by analysis of the Salviati books, appears to be both a clearing and credit instrument, sustaining the financing of European big business. Credit mostly derived from international trade and banking, where it was re-injected forthwith. Investments were stimulated by the numerous advantages offered by the Lyon fairs – i.e. licit lending at interest, alternatives for investments, possibilities of purchases and rapid transfers. Loans to local and foreign businessmen nourished the trade of commodities and, above all, the exchange business, conferring on Lyon a crucial position in European trade and exchange system. Such form of deposit banking was closely related to the development of merchant banks working mostly on commission, which drew substantial profits from it without specializing in it or ever becoming deposit banks.

## 1. INTRODUCTION

The financing of firms in the early modern age is usually examined through partnership contracts (Weber 1889; Lane 1544; Carmona 1964; Mazzei 1970) or through the study of the institutional and cultural conditions which favored the emergence of specific forms of credit relations among merchant communities (Muldrew 1993; Padgett 2006; Harris 2009). While these aspects are of undeniable importance, they cannot explain a fundamental feature of European early modern markets, which is the fact that international private firms engaged in business requiring far more than their share capital – such as government loans or luxury trade. On the other hand, studies devoted to early modern credit markets are rare and offer only snapshots of how merchants financed their enterprises. Most of the recent works focus on government finance, annuities and stock markets (Drelichman & Voth, 2014; Hoffman, Postel-Vinay and Rosenthal 2000; Gelderblom and Jonker 2004). Despite the pioneering works of De Roover and Mandich, much yet remains to be done on the two main instruments of commercial credit in the early modern age: exchange and deposit. Firm archives documenting these activities from the inside are abundant, especially in northern Italy, and still largely unexploited.

This paper focuses on deposit banking and on Lyon, the main European credit market in the mid-16<sup>th</sup> century<sup>1</sup>. It is based on the business records of one of Lyon's most prominent firms: the Salviati<sup>2</sup>. Their account books contain special accounts devoted to the deposit business that occupy some 20 folios per ledger, each incorporating about 60 entries. This particular feature follows the transition, in the 1530s, from a business primarily on their own account and still very oriented towards commodity trade (silk in particular), towards one based on commission, mostly consisting in bills of exchange – in accordance with the development of the Lyon fairs as a major exchange market. The demand for credit generated by the commission trade, whose volume and intensity had to remain very high in order to produce significant profits, gave new impetus to the deposit business. The Salviati bank is the only one in Lyon which has left archives documenting deposit banking on such a large scale<sup>3</sup>, and thus constitutes a specially privileged observatory for this activity.

On the great fair locations of the 16<sup>th</sup> century (Lyon, Antwerp, Castile, Besançon), Italian, German and Spanish businessmen borrowed and lent on the deposit market at 8-12 % per year, e. i. 2-3% from one fair to the next. (Ehrenberg 1955, 213; Lapeyre 1955a, 319; Gascon, 1971, 261). Although deposit banking has generally been accepted as a primary resource for the businessmen who provided credit to the sovereigns in these fairs, the fair deposit has not been the object of any advanced study. This lack of interest seems related to the distinction established by historiography between local banking and international trade.

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<sup>1</sup> On Lyon's economic importance in the 16<sup>th</sup> century, see Ehrenberg 1896, 69-107; Brésard 1915; Lapeyre 1955a, 124-125, 439-476; Da Silva 1969, 465-528; Gascon 1971; Braudel 1979, vol. 3, 124; Boyer-Xambeu *et alii* 1986, 145-155; Goldthwaite 2009, 163-167, 224-225, 258-262).

<sup>2</sup> For a demonstration of the Salviati's powerful position on the merchant-banking scene of the time, see Matringe 2016, 28, 95).

<sup>3</sup> Account books from the beginning of the 16<sup>th</sup> century belonging to the Dei, Gondi and Salviati themselves, do not seem to contain any deposit accounts (See ASF, *Gondi*, 7, 8, 9; and ASF, *Strozziiane Saccati*, 554, 556, 557 for the Dei ledgers, which have never been exploited). According to Tognetti (2013, 34), the Lyon Gondi were involved in deposit-banking, but the particulars of this activity were contained in auxiliary records, which have not been preserved. Deposit accounts appear in the records of the Martelli and Capponi banks of Lyon in the second half of the 16<sup>th</sup> century. However, the bank of Luigi di Cosimo Martelli was much smaller than that of the Salviati, and so were its deposit accounts (ASF, *Strozziiane*, V, 1508, f.41, 52, 58, 68, 76). The Capponi bank on the other hand was just as important, but the fair books which contained the deposit accounts have not been preserved (see references to these deposit accounts in the main ledger: Biblioteca Nazionale di Firenze, *Libri commerciali Capponi*, 29, f. 531).

Many scholars have indeed emphasized that the origins of deposit banking lie in manual exchange, *ie.*, the conversion of species materially present at a single location (Usher 1943, 15; De Roover 1946, 114; Lapeyre 1955 a, 253; Mueller 1997, 3-32; Murray 2005, 154; Goldthwaite 2009, 412). In medieval Italian and Flemish cities, this operation was the specialty of local banks, which were seldom if ever directly, involved in international trade. Only the growth of their metal reserves through deposit banking would have induced them to invest in commercial and industrial enterprises (Lane 1937, 187; De Roover 1942, 64; Murray 2005, 161). The historiography of deposit banking thus tends to merge with that of public credit (Luzzatto 1934; Usher 1943; De Rosa 1956; Somma 1956; Felloni, 1990) and local private banking (Lane 1937; Goldthwaite 1985; Hoffman, Postel-Vinay & Rosenthal 2001; Temin & Voth 2013), while the studies devoted to international merchant-banking seldom if ever dwell on deposit banking, which is considered to be of secondary importance at the great marketplaces and among international trading networks (De Roover 1953b, 1013; Goldthwaite 1987, 6). The fair deposit, however, was inextricably linked to the simultaneous involvement of the fair merchant banks in big business and local banking.

The scope of the present research is to demonstrate the crucial role of the fair deposit in the financing of 16<sup>th</sup> century international trade, and thereby tease out what appears to be a crucial factor of Lyon's centrality in the European commerce and banking at the time of its prominence. It concerns the particular configuration of the European trade and exchange system in the 16<sup>th</sup> century and the position of Lyon in this system. Until now, this role has not been satisfactorily expounded, partly for lack of research in this direction, and partly because of the nature of sources used by the scholars who did consider this question. Indeed, while the structuring of international financial flows and their evolution have been a subject of interest for some time amongst economists and historians, 16<sup>th</sup> century Lyon is not included in the narrative. When considering how and why certain cities gained prominence in international financial networks, scholars usually start at the beginning of modern times (Kindleberger 1974, Reed 1981, Jones 1992, Cassis 2006) or, even when taking earlier developments into account, simply omit Lyon and focus on Antwerp and Italian cities (Spufford 2006, Van Peter 2007, Fratianni 2009). When it comes to Lyon's historiography, the few authors who have examined its position in international trade have expressed contradictory views on the matter. According to R. Gascon (1971, 338), who studied the Lyon market using local administrative and judicial archives, the city was a passive marketplace, the activity of which was directed from abroad by Italian businessmen. This conception ignores the importance of the hinterland in the success of major commercial centres, and the fact that the Italians settled in Lyon needed to adapt to pre-existing economic structures in order to integrate Lyon into their international trading networks (Matringe 2016). The vision brought forth by three economists (Boyer-Xambeu, Deleplace & Gillard 1986) in their collective work on the European exchange in the 16<sup>th</sup> century, mostly based on existing literature, directly contradicts (without acknowledging it) Gascon's thesis. According to these economists, Lyon occupied a central position in the European exchange, dictating trends on foreign markets, thanks to its central geographical position and to the inner organization of its exchange market. Study of the Lyon exchange market from the inside through firm archives (Matringe 2016, chap. 6), however, did not confirm such views. It revealed the interactive nature of exchange dynamics, which cannot be understood from a hierarchical perspective: in the complex system of multilateral exchanges, the positions of markets appear interchangeable and the relations that connect them, complementary. In other words, we believe that Lyon was a convenient stop-over for arbitragists rather than "the head of the exchange".

Further research in the deposit business of the stakeholders who created, shaped and developed Lyon's financial market offers new elements of appreciation of Lyon's position in international trade and banking, and helps understand the basis of Lyon's prosperity and

international outreach in the middle of the 16<sup>th</sup> century. Our approach focuses on economic mechanisms, and does not involve a set of quantitative criteria (such as the number of foreign banks or the relative amount of non-residents' banking deposits) to determine the degree of centrality of Lyon in international trade. We focus on one particular factor of centrality, and do not attempt a comprehensive picture of the Lyon money market, whose size, efficiency, openness or closeness are impossible to evaluate on the basis of extant documentation<sup>4</sup>. To understand the role of the function of the fair deposit in international trade, the specific form that this activity takes on fair locations needs to be examined. The particular features of the fair deposit is scrutinized through a series of simple, yet fundamental questions: what was deposited and how? Was the fair deposit a short term credit instrument? Were collaterals in use? Special attention will also be devoted to the relations between deposit and the bill of exchange as a credit instrument, and to the functional similarities between the fair deposit, endorsement and discount. The international significance of the fair deposit will then be demonstrated from an analysis of the Salviati's clientele composition and of the use its members made of deposit. The funds mobilized through the fair deposit mostly came from international trade and banking, where they were instantly re-injected. Intermediaries such as the Salviati, helped the system finance itself through intertemporal reallocation of credit. Seen through their records, the fair deposit appears to assign Lyon a central position in the European exchange. The last part of this paper examines the profits that merchant-banks earned from the fair deposit business. Highlighting the strategies by which the Salviati maximized profits and enhanced social capital – here used in a Bourdieusian sense<sup>5</sup> – while acting on behalf of others brings out the complexity of the bankers' role in the marketplace and helps refine their identity as economic operators.

The primary database of this study is the deposit accounts. Entitled “Deposits to be shared with our friends and committents” (*Depositi da spartire tra i nostri amici e committenti*), these accounts offer a clear conceptualization of the nature of deposit banking (table 1). Their structure shows how the circulation of credit was organized through accounting offset, the deposits of some clients compensating for the loans drawn by others. The balance representing the rate spread – or the difference between the remuneration of deposits and the imposition of loans – was regularly transferred to the Profit and Loss account. The related personalized deposit accounts and current accounts of clients in the Salviati main ledgers (*libro grande, libri di fiere, libri di committenti*) have been used to contextualize each deposit transaction. The frequent recourse to books of *copia lettere* (copies of letters sent), *ricordanze* (contracts and letters of high importance) provided additional information on the client's motivations and on the economic and political factors of rate variations.

The sheer volume of documentation has necessitated chronological delimitation. The study focuses on the five years from the 1544 August fair to the 1549 Easter fair. Referred to by Braudel (1966, vol. 2, 225) as an era of “peace in the Mediterranean”, marked by a pause in the Italian wars between Charles V and his French rival, Francis I. Lyon was at the time experiencing prosperity based on stable economic growth. The Salviati's business was

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<sup>4</sup> Judging from the Salviati records, there were at least a hundred merchant banks active in 16<sup>th</sup> century Lyon. Only a few of them have left archives – of which the Salviati records constitute the most complete series. As to notarial and judicial records, they are, for this period, fragmentary at best, and provide only scattered evidence of the activity of different stakeholders in the financial market. What remains clear is that any contemporary stakeholder involved in banking on the Lyon market could not have conducted business outside the fair regulation, and was thus involved in lending from fair to fair at a rate that could not exceed the official 15% (see part II), and that was most likely very close to the rate fixed by Italian businessmen during the Payments.

<sup>5</sup> That is, “the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition.” (Bourdieu 1980, 2).

booming, as attested by the opening of its Antwerp sub-branch (1539) and of a sub-company in Lyon devoted to the silk business (1544-1547). These years were also marked by an increasing coherence in the company's direction. After several estrangements, Averardo Salviati became the sole head of the Lyon bank. The criteria determining the choice of period under study were two: 1. it enabled analysis of the functioning of the firm and of the Lyon market outside of exogenous disruptive factors; 2. the period known as the golden age of the Lyon fairs was not well known, most historians having focused on its decline. While the economic growth of the Lyon market was often attributed to Italian firms, the reasons behind their success had not been investigated. Furthermore, we believe that explaining the Italians' achievements in mid-16<sup>th</sup> century Lyon provides the only valid basis for understanding of the social and economic upheavals encountered by these firms and by the marketplace at the end of the century.

During the 20 fairs between August 1544 and May 1549, the Salviati handled 513 deposits from 111 clients, for a total sum of 2 259 966 crowns (*écus de marc*<sup>6</sup>). From this amount, 642 loans were granted to 178 recipients, for a total sum of 1 995 241 crowns<sup>7</sup>. Several frames of reference are available for determining the relative significance of deposits handled by the Salviati bank. The quantum loaned in the course of those five years, for example, is equivalent to the total debt of the Grand Parti at the time of its creation, in 1552<sup>8</sup> or to the yearly Extraordinary budget between 1542 and 1546<sup>9</sup>. It also exceeds by far the annual cost of financing the court of Francis I during the same period<sup>10</sup>. On the other hand, this amount represents only money transiting through the Salviati bank – not the sums effectively deposited and borrowed by it during five years. Since each deposit could be renewed indefinitely, it is necessary to follow each operation in its duration to reconstruct the average level of deposits during five years. Consequently, the deposit of each client over a specified period of time has been multiplied by the number of fairs over which it was renewed, and the result was divided by twenty – the number of fairs which took place during the five years under scrutiny (20). This calculation provides a series of average deposits per five-year period. The total that emerges from these results is 113 265 crowns for deposits placed in the Salviati bank, and 99 195 crowns for loans. Between 1544 and 1549, the Salviati thus borrowed 22 653 crowns and lent 19 839 crowns per year on average. Each of these amounts represents more than the quarter of annual pledge loans granted by the *Monte di Pietà* of

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<sup>6</sup> Money of account created in 1533 by the Florentine merchants of Lyon, defined as a constant amount of cents (sous tournois) unaltered by the monetary manipulations of the current money, the sun crown. (Boyer-Xambeu, Deleplace and Gillard 1986, 275). In this paper, all monetary amounts are expressed in *écus de marc*, including those that were initially expressed in *écus au soleil* in the Salviati ledgers, and that have been converted according to the rate in use in the Salviati and other Florentine and Genoese ledgers from the 1540s (103 *écus* and 9 *sous de marc* per *écu au soleil*). At the time, *écus au soleil* were worth 3.399 grams of gold (Felloni 1984, 252) Hence, the equivalent in gold of the *écus de marc* is 3.5 grams.

<sup>7</sup> Archivio Salviati, Lyon company, deposit accounts: I, 561 (1544-47) : f. 10; 33; 67; 103; 104; 154; 155; 197; 223; 224; 259; 288; 290; 317; 318; 319; 337; 351; 352; 367; 368; 372 ; 573 (1547-49) : f. 95, 105, 106, 133, 134, 135, 155, 156, 157, 187, 188, 189, 205, 214, 218, 219, 241, 242, 243, 260, 272, 274, 275, 304, 305, 306, 307.

<sup>8</sup> That is to say 2 028 366 crowns (Doucet 1933, 492-93).

<sup>9</sup> After the Crépy-en-Laonnois peace, Francis I continued to borrow huge sums on the account of the Extraordinary, in order to deprive European market of capital and impede Charles V in financing his war against the Schmalkadic League (Bodin 1577, 681; Doucet 1933, 481; Hamon 1994, 170). The Extraordinary budget reached 1 773 445 livres tournois during the five year period under study (Hamon 1944, 44), that is to say, 4 256 268 livres tournois per year or 1 934 667 *écus de marc* (in the Salviati ledgers, the livre-écu de marc ratio is 2,2 on average during this period).

<sup>10</sup> According to Hamon (1994, 12), the « weight of the court » can be estimated at about 2 million livres tournois in 1546. In 1545 and 1546, the cost of “pensions and crues” spent by the monarch on courtiers went up to 1 168 024 livres tournois. Converted in *écus de marc*, these amounts represent an expense of 530 920 crowns over two years.

Florence during the 1540s<sup>11</sup>, and about 14% of annuities on the Hôtel de Ville of Paris, a booming market<sup>12</sup> – even though deposit banking constituted a secondary activity in the Salviati bank.

## 2. THE INTER-FAIR DEPOSIT: PLASTICITY OF A CREDIT INSTRUMENT

What was deposited in the fair banks? The follow-up on each operation throughout its duration in the personal accounts of the Salviati's clients enabled identification of the cause and nature of the deposits. The results show the minimal role of species, which represent only 7.3% of deposits and 7% of loans. Thus deposits mostly consist of “bank money” or book entries. Such banking activity cannot be apprehended in the light of a bullionist theory of convertibility, in which bankers should always be prepared for eventual withdrawals of most deposits from their banks in the form of species. The balances calculated regularly by the cashier after verifying the cash accounts and counting the money available in the till<sup>13</sup>, confirm the absence of nexus between the quantum of loans and the cash reserves (table 2). Depending on the fair, cash at hand varies from 1% to 90% of loans. The Salviati thus operate on a system of fractional reserve, widespread in Italy and in Flanders since the Middle Ages (De Roover 1942, 60; Goldthwaite 1985, 37-38; Mueller 1997, 17, 48, 152).

Examination of the deposit's function through the analysis of clients' accounts sheds light on the origins and development of this banking practice on the fairs. It reveals that, while some clients resorted to deposit for specific reasons – for example, in order to obtain credit to purchase merchandise, or to profitably invest savings – the clients who conducted an intense business in the Lyon fairs used deposit to settle their current account at the end of each fair, as illustrated in table 3. Here, the Lucquese bankers Jacopo Menochi and Martino Gigli offset the debt they have contracted at the Salviati bank through bills drawn on them from abroad (Florence, Rome and Medina) in favor of the Salviati, and payment made for them to the Bartolini of Lyon, with the credit on bills drawn in their favor from Paris on the Salviati, and payments made to them by other Lyon bankers (Antinori, Pecori, Montecatini & Malpigli, Passi). However, the Menochi and Gigli's credit in the Salviati bank at the end of this fair does not completely offset their debt. Consequently, the overdraft is charged at the deposit rate, and payment of the remaining 2500 écus de marc (plus interest) is postponed to the next fair.

Such operations are recurrent, especially among Lyon banks, and indicate that deposit often had a *clearing function*, the origin of which seems to lie in the custom of delaying payments from one fair to the next, already widespread in the Champagne fairs (Bautier 1970, 58; Sivéry 1984, 225; Boyer-Xambeu *et alii* 1986, 143). In 1311, Philip IV of France indeed set at 15% the annual price of these deferments<sup>14</sup>. Review of the literature shows that the term *deposito* appeared in relation to these practices only in the 16<sup>th</sup> century international fairs of

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<sup>11</sup> In 1545, the loans of this institution reached 425 826 lires (Menning 1993, 290) or, according to the equivalences provided by Menning (1993, 308), 60 832 florins / 56 773 florentine *scudi*, that is to say, 57 773 *scudi di marco*. The exchange rate used here is the Lyon-Florence current rate in the Easter fair of 1545, as it is recorded in a letter from the Salviati to the D'Adda of Valencia (A. S., I, 565, f. 56). In 1548, loans granted by the *Monte di Pieta* reached 73 867 florins, hence 68 938 *scudi* or 70 152 *écus de marc* (equivalence based on the current exchange rate of August 1548 fair (Salviati letter to the Foresi & Minorbetti of Palermo, A. S. I, 579, f. 66).

<sup>12</sup> The total amount of annuities on Hôtel de Ville reached 643 000 livres tournois between 1547 and 1549, that is to say, approximately 292 300 écus de marc (Schnapper 1957, 173).

<sup>13</sup> *Entrate & Uscite* records: A. S., I, 564, f. 9-10; 18-19, 27, 40, 48-49, 52-53; 575, f. 9-10, 21-22, 29.

<sup>14</sup> Royal ordonnance issued in July 1311 (Sismondi 1826, 282; Bourquelot 1865, 123).

Lyon, Antwerp, Castile and Besançon (Bulteau, 1674, 63-64; Lapeyre 1955, 313; Spooner 1956, 63, 300; Van der Wee 1963, 353; Da Silva 1969, 35, 36, 557, 576, 603). We can infer from it that the fair deposit grew from the specific fair practice of charging overdrafts and remunerating surplus on current accounts on fair locations – as opposed to the free nature of such transactions in most banking centers of medieval and Renaissance Europe, such as Venice, Florence or Bruges. There indeed, money-changers lent money to their clients without charging interest and commission fees, and mostly derived their profit from the conversion of species and the reinvestment of loans (De Roover 1948, 295-297; Melis 1972, 87; Lane & Mueller 1985, 80-81; Goldthwaite 1985, 27, 35; Goldthwaite 2009, 436, 446; Mueller 1997, 10-11; Murray 2005, 161, 174, 213, 287). On the fair locations, the cessation of all payments between fairs transformed any positive or negative balance at the end of a fair into a time deposit or a loan that would be settled at the next one. The specific, targeted use that some of the Salviati's clients make of deposit, as well as the presence of official deposit rates on lists of exchange rates established during these fairs<sup>15</sup>, both attest that autonomous deposit markets developed in the 16th century fairs. Our hypothesis, in other words, is that the old fair practice of deferments gave birth to deposit markets which could potentially attract investments from “external” clients, who otherwise had no business at the fairs. While the clearing function of deposit ensured fine-tuning of the crucial fair institutions of Payments, enabling the perfect balancing of accounts at the end of each fair, the development of an autonomous deposit market determined Lyon's position in international trade and banking, as will be demonstrated in section 2.

The prevalence of bank money necessitates questioning the practical modalities of transmission of orders. In Lyon, clearance was performed following oral orders in a Payment session taking place after the period allowed for acceptance or refusal of exchange bills, which was attended by all merchants frequenting the fairs<sup>16</sup>. Deposits aiming at compensating the credits and debits of different merchants obviously took place during the clearance period, and were thus initiated by oral orders. However, when deposits came from clients located abroad, written procedure became necessary. In their letters, the Salviati often ask their correspondents to place their credits on the deposit market or on the exchange: it is highly probable that they receive similar orders – a simple method which avoids the issuing of specific bills or checks.

While taking place in a strict institutional framework, the fair deposit is nonetheless a remarkably flexible credit instrument, in many respects more attractive than the annuity or the bill of exchange. Indeed, annuities, as well as participation in the share capital of societies, had fixed terms. Deposit banking, on the other hand, offered lenders the advantage of easy withdrawal in the event of need, combined with the possibility of unlimited renewals. This flexibility perfectly met the requirements of commerce. If some depositors leave their money in the Salviati bank for decades, the most common case, however, is that of a client who constitutes a credit fund in which he can tap at will and also restock.

Calculation of the average duration of deposits (tables 5.1 and 5.2) shows that the fair deposit cannot be defined simply as a short term credit instrument. The majority of investments (80% of deposits and 90% of loans) are fully or partially renewed after the first term. While 15% of the deposits are renewed only once, a quarter are renewed for six months to a year, yet another quarter for two to four years. Most deposits are for one to two years. The duration of loans is even longer. Half of them (51%) are extended for more than three

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<sup>15</sup> See Gillard, 1994, 67. Several examples are also found in the Salviati books. See, for example, the list of exchange rates copied in the *ricordi* in 1550 and 1551, where deposit rates systematically appear at the end of the list (A. S., I, 566, f. 49-50).

<sup>16</sup> On the Lyon fairs' schedule, see Gascon 1971, 242-248.

years, and almost a third (30%) for one to two and a half years. In sum, the average duration is found to be one year for deposits, two and a half years for loans. In light of the period under study here being five years, these are minimum values. The fact that some clients have deposit accounts with the Salviati bank for dozens of years indicates that the fair deposit could be and was sometimes used as long-term credit instrument<sup>17</sup>. Furthermore, deposits are often split in several time periods because the Salviati, overwhelmed by demand, put their depositors' money on the exchange from one fair to another, before restoring it in deposit on the next fair – the intention of the clients clearly being to leave their deposits in the Salviati bank.

Bills of exchange offered a similar flexibility but with higher risk. In case of deposit, clients know in advance the rate of interest. At worst, they will earn no profit due to unexpected congestion of the marketplace. On the other hand, exchange remains, as the Salviati say, “a matter of adventure” (*cosa di ventura*): profit is uncertain, just like the return of capital at the expected time: both largely depend on the situation of foreign marketplaces. Losses, although rare, are always possible. It is precisely this uncertainty that justified profits in a context where interest bearing loans were prohibited by the Catholic Church<sup>18</sup>.

In fact, the condemnation of usury explains the assimilation of deposits with exchange operations. In the Salviati books, deposits take the form of remittances from one fair to the other, and loans the form of drafts. Entries indicate that the Salviati have “remitted/drawn to themselves until next fair [capital] to receive/to pay [capital + interest]”. Counterparties appear in the personal account of the commitment (principal) on behalf of whom the remittance or draft is executed: he lends when the Salviati remit for him, and borrows when the Salviati draw for him. Subsequently, capital and interest appear in the opposite column of the deposit account, and are stated to be due “for the exchange” of the sum lent or borrowed. In these single-entity fictitious exchange operations, which involve no spatial difference or money conversion, the assertion of “exchange” relies on the mere time interval between two fairs. The interest rate represents the cost, at a given fair, to receive in Lyon, at the next fair, the funds so invested. At a time when bills of exchange were still the main banking instrument and the most acceptable procedure for lending at interest, it is not surprising that businessmen tended to relate to it the other credit instruments at their disposal. This reflex also appears in the field of maritime insurance. Throughout the early modern era, the *cambium maritimum*, expressed in a percentage of profit, refers to the price of risk in bottomry, even in operations not involving any conversion of money<sup>19</sup>. The representation of deposit as an exchange operation goes beyond the need for concealing usurious practices. The Salviati view deposit and exchange as two related processes of accumulation of wealth, which are systematically provided to clients as alternatives. When interest rate are deemed insufficient, the Salviati put their client's capital on the exchange, and vice-versa when exchange rates are unattractive. Deposit is termed “exchange” in Lyon, and exchange often termed “deposit” in Florence<sup>20</sup>.

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<sup>17</sup> The Paretos of Avignon, for example, left capital with the Salviati from 1508 to the 1550s. Their assets were alternatively placed on Lyon deposit and exchange markets, sometimes also in government loans (A. S., I, 437, f. 59, 148, 209; 443, f. 54, 60, 171, 251, 310, 468; 450, f. 101, 104, 146, 191, 194, 239; 455, f. 86, 87, 139, 187, 190, 149, 251; 456, f. 164, 228, 291, 292; 463, f. 96, 157, 158, 208, 280; 468, f. 93, 159, 176, 214, 217, 288, 353, 423, 473, 558, 565, 688, 735; 476, f. 108, 109, 111, 147, 157, 168, 218, 219, 240, 252, 270, 294, 328, 332, 333, 362, 419, 441, 490, 522, 525, 568...)

<sup>18</sup> On the exchange business in early modern times and its cultural context, see De Roover 1953 a.

<sup>19</sup> See Emerigon 1827, especially vol. 2, chapter 3: « Du change maritime ».

<sup>20</sup> To lend and borrow capital on the marketplace, the Florentine parent company of the Salviati firm proceeds to exchange and re-exchange operations (sometimes taking the form of *ricorsa*) between Florence and Lyon. In Florence, such transactions are registered in the clients' “deposit accounts”. See, for example, the deposit account of Francesco Franchini, shopkeeper from Prato, whose capital is invested on the exchange between Lyon and Florence by the Salviati for seven consecutive years (A.S., I, 820, f. 215; 830, f. 119, 338; 840, f. 131, 331; 848, f. 156, 369; 859, f. 138). On the *ricorsa* technique, see Mandich 1953. The author claims that it was a



Apart from its being morally suspect, which often led to it being (unsuccessfully) proscribed<sup>21</sup>, the fair deposit was also a financially risky business for lenders. Several customary and legal procedures were adopted to protect them against borrower's insolvency. All did not offer the same level of protection. The most common was the written promissory not, which was in use between lenders and borrowers settled in Lyon. The Salviati's *ricordanze* contain copies of promissory notes (*cedole*) written by the Salviati to their Lyon creditors, established in order to conceal the interest. Borrowers indeed record their debt – both capital and interest – as the sums initially received, with a template certifying that the note is “faithful to the truth” (*per fede della verità abbiamo fatto questa cedola*). When new clients wish to borrow substantial sums, bankers require specific bonds (*obbligazione*) executed before a notary<sup>22</sup>. These bonds can sometimes be underwritten by third parties, who are the banker's regular clients or commercial partners<sup>23</sup>. When bankers lend on commission, the principals' reliance on insufficiently known third parties can be obviated by procuring guarantor agents. This *del credere* guarantee, deriving from Roman law, is available to the principal in exchange for a 2‰ increase in the commission fee on deposits<sup>24</sup>. While the Tribunal of the Conservation rendered fraud highly unattractive<sup>25</sup>, the *del credere*, on the other hand, relied as indicated by its name on the reputation of agents – which primarily depended on their financial capacities, secondly on their verified liability.

The proliferation of promissory notes raises the issue of their circulation. According to prevalent historiography, the transferability and negotiability of bonds was a Flemish innovation that contributed to the shift in economic power from the Mediterranean to Northern Europe as of the end of the 16<sup>th</sup> century (De Roover 1953a, 115-118; Van der Wee 1967; Van der Wee 1977). Several examples of earlier endorsements effected by Italian and Spanish merchant-bankers active in the Mediterranean led to challenge this narrative (Melis 1958; Lapeyre 1955b). The question remains as to why these practices never developed on a large scale in Southern Europe – since Italian and Spanish merchants were familiar with them. The Salviati case suggests some answers concerning Lyon. In the 16<sup>th</sup> century, assignment is used only on occasion and invariably requires execution before a notary<sup>26</sup>. As opposed to the deposit certificates (*fede di credito*) delivered by the public Bank of Naples (Ajello 1882), those issued in Lyon do not seem to have circulated through successive endorsements. The structure of the credit market helps explain this difference. In Lyon indeed, Italian banks are all in account with one another – as is obvious by a mere perusal of the indexes of their

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Genoese specificity of the Bizensone fairs while, in fact, it appears to have been a common practice in Lyon already in the first half of the 16<sup>th</sup> century.

<sup>21</sup> Forbidden in Castile through two royal ordinances in the beginning of the 1550s, the fair deposit is also hindered by a general prohibition issued by Pie V in 1571. While bankers temporarily pretend to abandon this litigious practice, they come back to it quickly in Lyon as in Castile (Lapeyre 1955a, 313-319).

<sup>22</sup> See the accounts of Pierre Marchand & Guillaume Cottereau (A. S., I, 560, f. 136, 176, 230, 274, 366, 420).

<sup>23</sup> See for example the notes of Ottomar Zollikofer, Swiss merchant of Saint-Gall, underwritten by Antoine Singisen, another Swiss merchant of Soleure (A. S., I, 560, f. 187).

<sup>24</sup> *Del credere* is not to be confused with acceptance. Indeed, the bills that merchant-bankers guaranteed through a *del credere* clause were never presented to them or drawn on them: they were bought or sold on behalf of their correspondents. For example, the Salviati could buy a bill of exchange on Medina del Campo on behalf of the Affaitadi. If the bill was not honored when it fell due in Medina, on account of insolvent drawee, the Salviati, having agreed to a *del credere* clause, would compensate the Affaitadi – independently of whether the drawer of the protested bill would reimburse them or not. No signature on the bill was involved.

<sup>25</sup> This fair institution was controlled by Italian merchants. Any merchant who did not show up at the Payments was considered failed and excluded from the fairs, while those who could not pay their debts were severely punished through torture (Brésard 1914, 294-322; Gonthier 2008, 38).

<sup>26</sup> See, for example, the bond transfers ordered by the Bini & Strozzi's company of Lyon before the notary Pierre Dorlin on October 1545 (A. S., I, 563, c. 19).

books. When the client of bank A wants to transfer credit in favor of bank B's client, he just needs to order his banker to debit his account and credit bank B's: endorsement is unnecessary. The Salviati books also contain – to our knowledge – the earliest attested examples of bond discount<sup>27</sup>. These examples show that the interest rate on such transactions is similar to that of deposit (i. e.: 2.5% per fair). Given that deposit, as opposed to discount, did not require a provision, it is difficult to see why borrowers would have chosen the second over the first method to obtain credit.

### 3. THE AUTO-FINANCING OF INTERNATIONAL TRADE THROUGH LYON'S DEPOSIT MARKET

The flexible credit instrument described hereinabove was widely used among various groups of stakeholders in Lyon and abroad. Identification of these stakeholders and analysis of the use they made of deposit help categorize the different functions of this credit instrument and shed light on the position of Lyon on the European scene<sup>28</sup>.

As apparent in the geography of deposit (figure 1), most clients are settled in France, Italy and, to a lesser extent, the Low Countries, with clear points of concentration at Lyon, Venice, Florence, Avignon and Pistoia. Such geography in itself indicates the attractiveness of the Lyon deposit market, since it is not only determined by the Salviati's "national" background and specific business. Indeed, Florence, the Salviati's rich industrial home city, is neither the main source nor the main outlet for credit. Moreover, the geography of deposit does not entirely reproduce the contours of the Salviati's exchange and merchandise trade, indicating that some clients used the Salviati's services only to invest or borrow money on the Lyon deposit market. For example, the importance of Avignon does not reflect the Salviati's business with the city, but the existence of a very important depositor located there (Bartolomeo de Paretis). The same applies to Venice, which occupies a secondary position in the Salviati's exchange business compared with Florence, but one where the Salviati also had important depositors (the Mendes clique).

Quantitative analysis of the distribution of clientele according to the professions and origins of stakeholders (table 4) reveals that businessmen form the vast majority of lenders (84%) and borrowers (95%) of the Salviati bank. Thus, while the Salviati could not eliminate lending to politicians, princes and nobles – who were bad payers, but facilitated access to the corridors of power<sup>29</sup> – they did so only to a very limited extent, focusing instead on inter-banks finance. While the vast majority of the Salviati's correspondents appear to be Italian when considering the Salviati's business as a whole (Matringe 2016, 357), New Christians and Catalan bankers played a crucial role as depositors (table 4), confirming the asymmetry between the Salviati's general business and their deposit activity.

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<sup>27</sup> On February 28, 1547, see the discount of 13 *cedole e dette* belonging to the Oliveri of Naples (a coincidence?) and bought by the French merchant Jean Camus in the *ricordanze*, I, 577, f. 6.

<sup>28</sup> Let us already note that around 2% of the stakeholders have not been identified, due to the extensive use of *conti aparte*, in which the holder of the account is acting on behalf of a person who remains hidden behind actual or fictitious initials (for example, "Averardo Salviati aparte A.C.", stands for an activity led by Averardo Salviati on behalf of "A. C." – who could be Antinio Capponi as well as Gherardo Martellini). The governor of the Salviati Lyon bank in particular, Leonardo Spina, deposited several thousands of écus de marc in the bank through such accounts. While auxiliary documentation (in particular, the *ricordanze*, where the Salviati reproduced documents of importance) helped discovering the most important of these anonymous lenders, many of the smaller ones remain unknown.

<sup>29</sup> To learn more about the relations between the Salviati and the world of politics see Matringe 2016, chapter 5 in particular.

Being particularly well placed to choose the best alternatives for investing money or obtaining credit, businessmen's resort to Lyon deposit market was necessarily calculated. Relating these stakeholders' deposit activity to their social profile and their broader business will lead to explain the allure of the Lyon deposit market.

The first striking feature of the depositors is their diversity. Firm members, of course, deposit into their own bank. Such investments are secure and can double profit – at least for partners: profit as lenders, and profit from management of the deposit by their bank. On the whole, however, firm members are in minority among the depositors (table 4). Most deposits come from businessmen who have no direct interests in the Salviati bank. Although lenders in Italy or in the Low Countries had other profitable alternatives (*eg.* local banks, public banks, pawnshops, etc.), they still chose to invest in Lyon.

The main depositors exhibit an unexpected profile. They are not fellow Florentines of the Salviati, but wealthy businessmen of Jewish origin, who have suffered a long haul from the Low Countries to the Levant through Italy, having been chased out from the Portugal under Joao III. The most illustrious of these is the renowned Beatriz Mendes, in charge of the firm of her deceased husband and brother in law, Francisco and Diego Mendes<sup>30</sup>. In 1544, Beatriz departs Antwerp for Venice in an attempt to salvage her fortune threatened with expropriation by Charles V and his sister Mary of Hungary. History seems to indicate that the Mendes succeeded in retrieving most of their assets, but omits to explain how this was accomplished. Salviati archives, however, reveal their leading role in this achievement. During the period under study, Beatriz herself, her family, friends and agents remit colossal sums on the Lyon deposit market and in French finances. The Salviati seem to have been the main interlocutors and agents of the Mendes on the Lyon market. Scattered items of information contained in the correspondence and *ricordanze* disclose the cover-names, acronyms and symbols used by the Mendes to conceal their identity<sup>31</sup>. The other important depositors of Jewish origin in the Salviati bank are the brothers Nuño Henriques and Henrique Nuñez<sup>32</sup>, whose agenda is similar to that of Mendes, and who resort to the same devices for concealment<sup>33</sup>. All these stakeholders move their capital through a foreign market in order to avoid plunders and confiscations.

On the other hand, Italian, French and German businessmen who deposit in Lyon are essentially commercial partners of the Salviati, and lend and borrow alternatively depending on the status of their current accounts. Their deposit activity is connected with their main business in Lyon, which consists of banking and/or merchandise. Most of them, located in France, have all the more reason to invest in Lyon – the only developed deposit market in the kingdom. Of these, the Italian bankers of Paris form the most important group. This feature reveals the long-denied existence of Italian banks in the French center of political power in the first half of the 16<sup>th</sup> century, and their intensive relations with the economic center of Lyon<sup>34</sup>. As apparent from the Salviati records, Parisian and Lyon Italian banks together manage the king's finances, organize communication between the Court and the Roman Curia and ensure the financing of diplomatic missions between France and Italy. The Paris banks

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<sup>30</sup> On this powerful woman and her life of exile and insecurities, see Roth 1948.

<sup>31</sup> Some of the Mendes deposits were, for example, registered in the accounts titled “Averardo Salviati aparte †” and “Rede di Pandolfo della Casa aparte D” (A.S., I, 577, f. 15; I, 565, f. 74, 157).

<sup>32</sup> On these businessmen see Nelson Novoa 2008, 166-167.

<sup>33</sup> The *ricordanze* tell us that the transactions recorded in the accounts entitled « N°B » were executed on behalf of the Henriques & Nuñez of Antwerp (A.S., I, 577, f. 17).

<sup>34</sup> On the supposed absence of Italian bankers in the capital from the 14<sup>th</sup> to the 17<sup>th</sup> century, see De Roover 1968; Favier 1973.

also encash payments due to Lyon banks by customers of Northern France (Paris, Tours, Orléans and Poitiers), who have bought merchandise at the fairs. The most important Parisian depositor is Riccardo Delbene, a banker perfectly assimilated in the local environment, as attested by his marriage with Jeanne Louan, from a Parisian *haute-robe* family. Other important bankers are Gerardo Bartoli, Antonio Buonaccorsi, Francesco Capponi and Roberto Rossi, many descendants of whom will have important administrative and honorific functions at the Court in the 17<sup>th</sup> century (Dubost 1997). For these families, the Lyon-Paris financial pairing appears to be a driving force in their ascent to political power and influence.

The other Italian depositors settled in France are, of course, from Lyon, but also from other important French commercial centers, such as Rouen, Tours, Bordeaux and Marseille, in diminishing order. The Lyon depositors are mainly other Lyon banks, who are local banking partners of the Salviati. They buy, sell, pay and cash bills of exchange that the Salviati sell, buy, cash or pay in Lyon. To a lesser extent, these banks also perform payments to third parties in relation with the Salviati bank through book and, more occasionally, species transfers. The feature of such deposits is that they are not proper investments, but rather overdrafts granted to the Salviati by the other Lyon banks. Such loans are in fact the only ones the Salviati contract on their own account. Among them are members of the main Italian “nations”<sup>35</sup> in Lyon, like the Florentines Bartolomeo Panciatici & Giovan Battista Carnesechi, Niccolo & Paulo Manelli and Giovan Battista da Sommaia & Ci; the Lucquese Antonio & Lodovico Bonvisi, Niccolo Montecatini & the heirs of Lorenzo Malpigli and Paulo Burlamachi, and the Genoese Angelo Spinola & Ottaviano Pallavicino. Other Italian communities are also represented. For example, Giovan Battista Gabrielli, from Gubbio, in association with Galeazo Paselli, from Bologna, appear as important depositors.

In Rouen, Tours and Bordeaux, the depositors are factors of the Salviati, whose function can be compared to that of a subsidiary: they manage the Salviati’s business in regions where the Salviati have interests but from which they are physically absent. In fact, these agents often handle the Salviati’s property (merchandise, bonds, species), which can serve as guaranty funds for their own deposits. Thus, the principal depositor of this category, the Florentine Anton Francesco Scarfi of Rouen (a first class businessman in his city<sup>36</sup>), collects the revenues that the cardinal Bernardo Salviati receives on the abbey of Redon. He also transfers to Paris part of the merchandise sent to him by the Antwerp branch of the Salviati firm. The company of Piero Tovaglia of Bordeaux (another important depositor) also functioned as a relay node in the redistribution of merchandise exported by the Salviati Antwerp house. In Tours the Salviati’s agents-depositors, the Lucquese Giovanni Forniconi and Francesco Licciani, encash the revenues of the raw silks sales made by the Salviati to the Tourangeau artisans at the fairs<sup>37</sup>.

Rome provides the bulk of depositors in Italy. All of them are papal bankers. In the 16<sup>th</sup> century, the banking community in Rome grows steadily under the impulsion of the Roman alum trade and the development of the pontifical state. A few decades after the swift ascent of Jacopo Salviati on the Roman political scene (Hurtubise 1985, 137-156), the Lyon Salviati are in business with some twenty *mercatores curiam sequentes* (Bullard 1976) – Florentine for the most part, but also Lucquese, Genoese and Spanish. Together with these papal bankers, the Salviati organize the financing of clerks’ pensions, the collection of ecclesiastical revenues in France and the circulation of ambassadors between the French court

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<sup>35</sup> Nations were political, economic, juridical and religious associations that protected the rights and established the duties of all citizens originating from the same city-state. For more details see Gascon 1971, 358-362).

<sup>36</sup> In 1544, he obtains the monopoly of alum distribution for the whole kingdom, just as the Salviati have been granted similar monopoly in Antwerp. In the 1560s, he is Master of the Ports, and defends the city of Avignon from the Protestant’s assaults (Bazin de Bezons 1759, vol. I, 21, 245).

<sup>37</sup> On all these characters see Matringe 2016.

and the Roman Curia. However, the most important Roman depositors, the heirs of Pandolfo delle Casa, seem to be acting exclusively on behalf of the Mendes<sup>38</sup>. Consequently, there deposit have not been credited to them, but to the Mendes, when constructing the database. Other Roman depositors include papal bankers who take part in farming contracts concerning Rome's customs, like Mariotto Guiducci (Guidi Bruscoli 2007, 121), Bartolomeo Bettini (*ibid.*, 127) and Luigi del Riccio, a close friend of Michelangelo (*ibid.*, 60, 89, 116). All of them use the Lyon deposit to grant loans to each other. The Guiducci lend to the Olivieri by buying to them bills on Lyon, before asking the Salviati, as beneficiaries of the bill, to place the sum so provided on the deposit market. At maturity, the Salviati to draw a bill corresponding to the amount of deposit plus interests on the Olivieri, payable at the Guiducci, who then stand reimbursed – and thus benefit from both differences in exchange rates and profits on the deposit<sup>39</sup>. Del Riccio and Bettini use the same method to lend respectively to the Olivieri<sup>40</sup> and the Orsini<sup>41</sup>. Such operations indicate that the Roman financiers, who act in cartels when lending to the pope, are closely interconnected through interbank credit, as are the Lyon banks. Finally, Martino Bernardini & Vincenzo Spada, holders of the most important office in papal finances (Depositary General, cf. Guidi Bruscoli 2007, 81), proceed to important deposits by asking the Salviati to draw on them in Rome. Apart from the product of their farms, we cannot exclude that these Roman banks deposit the savings of some rich prelates and cardinals in Lyon. Papal policy against usury can explain their resort to the Lyon market. Indeed, the popes approved only those credit institutions that were under its control – the *Monti* (Delumeau 1959, II, 783-791), which paid out 6% per year, against 8 to 15% for the Lyon deposit market.

As for French depositors, they are located in Lyon, in the South of France and in Paris. All are members of the French mercantile elite and doing regular business with the Salviati.

Some “French” merchants of Lyon are in fact Italians long settled in France with “frenchified” names, such as the Genoese grocers Pierre Sève, Jean Scaron or Julien and Jean Henry of Lyon (Gascon 1971). Pureblood French merchants are nonetheless present, such as the grocers Jean Passy and Antoine Bonin, the bookseller Hughes de La Porte, the drapers Humbert Faure, Pierre Tassard, Pierre Guérin and Claude Lemaître, or the merchant-blacksmiths and road-surveyors Henri, Humbert and Jacques Gimbre. All are among the most taxed citizens of Lyon and are members of the consular dynasties (Gascon 1971). Bonin and Gimbre also hold offices in municipal finances<sup>42</sup>.

In Carcassonne, the brothers François, Stéphane and Jean Sapte use deposit as an inter-temporal medium to offset the debt they contract towards the Salviati at times with the credit they perceive in the same bank at other times. Indeed, like the Scarfi of Rouen, they collect the annuity that the cardinal Bernardo Salviati perceives on the diocese of Saint-Papoul<sup>43</sup>. However, they also send cloth and pastel to the Salviati to be sold on their behalf in

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<sup>38</sup> Indeed, while most of their deposits are operated through the account “Della Casa aparte D” (cover name used by the Mendes, cf. A. S., I, 577, f.15), even when the Della Casa seem to act on their own account, the balance of their deposit account is transferred to Guglielmo Fernandez, one of the Mendes' agents in Venice (A. S., I, 567, f. 323). In fact, the Portuguese Marranos had influence in Rome, where they frequently sent delegates with ample cash, to secure restrictions on the activities of the Holy Office (Roth 1948, 135). A Mendes family member, Fernando, is even established in the Eternal City as a “dottore” – probably a jurist, since he ends up as a Judge in the Rota of Florence a few years later (Nelson Novoa 2007, 266-267).

<sup>39</sup> A. S., I, 570, f. 122, 219.

<sup>40</sup> A. S., I, 559, f. 259.

<sup>41</sup> A. S., I, 572, f. 407, 472 / 573, f. 205.

<sup>42</sup> On Bonin see Longeon 1975, 164. On the Gimbre, see the municipal archives of Lyon, CC 0133 et 0136-4 : description des registres de « Taxes perçues au nom du Roi ».

<sup>43</sup> A. S., I, 560, f. 25, 78, 95, 147, 197, 250, 315, 365, 420.

Lyon or exported in Italy and England. Not having the necessary infrastructure at home to repatriate their Lyon assets through exchange, and in order to limit risky species transports, they keep the cardinal's income until revenues from their sales is cashed in Lyon, paying the rate on deposit in the meantime. Another important borrower is Pierre Albertas, from a great merchant family of Apt, and one of the most prominent figures in Marseille<sup>44</sup>.

If the presence of rich grocers and drapers from Lyon and Marseille in the 16<sup>th</sup> century is well known, the commercial life of Paris on the other hand, is more of a mystery. For this reason Antoine Lemasson of Paris deserves special attention. His deposits are part of an intense exchange activity that the Salviati lead on his behalf between France, Spain, the Low Countries and Italy – clearly indicating Lemasson's involvement in international trade<sup>45</sup>. His credit is mostly due to remittances operated from Florence. This stakeholder is visibly a prominent businessman involved in the Atlantic and Mediterranean trade, perfectly familiar with the art of exchange. Such profiles of depositors invite us to nuance the traditional dichotomy between Italian masters and French merchants of lower status, confined to the internal trade and ignorant of the art of exchange (Gascon 1971 203, 232-36, 240, 273; Boyer-Xambeu *et alii* 1986, 49- 63). Conflicts of interest were unavoidable, yet French and Italian businessmen were in constant collaboration.

While being the official financiers of Charles V, German merchants of Augsburg and Nuremberg do not hesitate to deposit in the Florentine banks of Lyon, which finance Francis I. They even participate directly in French finances. Most of the Salviati's German depositors are located in Lyon, of whom the most prominent are Bartholomä Welser, Hans-Paulus and Hans-Heinrich Herwart, and Endres & Simon Imhoff. The source of their credit is the payments they receive at the fairs, and it is used for the same purpose. Unlike most depositors, they lend and pay mostly in species. This practice is of course related to their monopoly over the exploitation of Central European mines (Ehrenberg, 1896 ; Strieder 1926 ; Kalus 1999). As financiers of Charles V, they also benefit from the increasing import of precious metals from America (Carande 1967, 256-309).

Unlike Italian, German and French depositors, who use deposit in the framework of a larger commercial activity partly rooted in Lyon, the two Catalan depositors, Bartolomeo de Paretès (Avignon) and Francisco Beltran (Venice), have only deposit accounts in the Salviati bank, and make their money grow over extended periods without using it. Paretès – by far the biggest with 98% of the total Catalan deposits – is the second largest investor in the Salviati bank after the Mendes. The Salviati correspondence shows that he is not interested in the Lyon market for commodities – for which he never seeks information. On the other hand, he is very active in the banking sector most of his life, alternatively placing his money on the exchange, the deposit market and royal finances. While no studies are available on the commercial life of 16<sup>th</sup> century Avignon – which supposedly declined economically after the departure of the papacy – Paretès' example illustrates its survival as a banking center<sup>46</sup>. Paretès is, in all likelihood, the heir of a major financier of the Order of the Knights of Saint John<sup>47</sup>. Part of his deposits are remitted from Rome, indicating that his bank may still play a role in papal finances. He also receives substantial monies from the French Treasurers. In light of the colossal amounts placed by Paretès on the Lyon market, it is highly probable that

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<sup>44</sup> Possessor of several seigneuries, he also holds the first municipal office while continuing his business as an active member of the Coral Company (Masson 1928, 1928, 24-27, 40, 69, 145, 229, 241, 244, 254).

<sup>45</sup> A. S., I, 559, f. 44, 115, 170, 288.

<sup>46</sup> Banking in Avignon was already dominated by Catalans in the 15<sup>th</sup> century (Labande 1920).

<sup>47</sup> Also called 'Bartomeu de Paretès'. See Sarnowsky 2001, 357, 453, 491-2, 508-10, 569-71, 579; Bonneaud 2012, 520-522. Avignon was at that time the hub of the Hospitaller's Treasury.

he has his own clientele of depositors in Avignon, and benefits from the geographical proximity of Lyon.

An analysis of depositors' profiles in the Salviati books thus indicates three main reasons for business investments in Lyon: temporary surplus procured by commerce on the marketplace; convenient concealment of capital; or (as in the case of Paretos) lack of infrastructure to invest capital at home. The heterogeneous and "cosmopolitan" nature of the Salviati's depositor clientele can also be found in the Medici bank of Lyon in 15<sup>th</sup> century (De Roover 1946, 54). On the other hand, the clientele of the Salviati's parent Florentine company is composed largely of clients from the city and its environs. Such contrast underlines the opportunities offered by centers of international trade, where it is variously advantageous to hold credit. Lyon offers an alternative between exchange and deposit – an option particularly attractive to businessmen who fear, above all else, the unproductive stagnation of their capital. Credit in Lyon can be used to make purchases, and is easily transferrable – bills of exchange being sold on all important marketplaces of Europe. Furthermore, bills drawn from Lyon have limited payment terms, given the geographical centrality of the marketplace on the North-South axis. The possibility of rapid transfer seem especially inviting to clients beset by circumstance, who value the opportunity to react expeditiously to the hazards of political exigency. Such clients also benefit from the confidentiality of Italian banks that do not reveal, even to each other, the names of their privileged clients. In such circumstances, it is not surprising that Italian businessmen of Lyon are able – to a greater extent than they could ever do from their city of origin – to entice the savings concealed within the Kingdom and all across Europe. On many levels, Renaissance Lyon appears a precursor our modern financial havens.

While borrowers are more numerous than lenders, they are even more concentrated in terms of geographical location and "national" background. Here too, firm members are in minority (table 4). Partially relieved from accusations of embezzlement, they do not hesitate to tap into the bank's reserves in the event of need. The black sheep of this group is the Antwerp sub-branch, which is on the verge of closing down and whose debts date back to the previous society deed of the Lyon bank. Most depositors (71%) are Italian businessmen settled in France and in Italy. Spanish businessmen settled in Spain and France – who do not appear as depositors – also borrow in Lyon, and are responsible for 7% of the loans. A similar proportion of borrowers are French merchants settled in France and in Italy. Finally, German and Swiss merchants settled in France and Switzerland account for 3% of the debtors.

Three particular features of the Lyon market stand out in the utilization of deposit by most borrowers. In the first place, Italian Lyon banks account for approximately 50% of the loans. Interestingly, Lucquese, rather than Florentine firms, dominate this group. The most important are Bartolomeo Cenami, the heirs of Urbano Parenisi & Vincenzo Saminiati, followed, in decreasing order, by Giovanni Bernardi & Bernardo Cenami, Jacopo Menochi & Martino Gigli, Niccolo Montecatini & the heirs of Gianlorenzo Malpigli, Giovanni, Filippo & Matteo Balbani, Giovanbattista Bernardini & Ludovico Bernardi, Adriano, Niccolo & Paulo Burlamachi and finally, Martino Bernardini & Vincenzo Spada. The group of Florentine banks is more restricted. Only three of them borrow significant sums to the Salviati: Niccolo & Paulantonio Manelli, Andrea Rinieri & Ci and Carlo Antinori & Ci. As to the Genoese, like Benedetto & Filippo Poggi, Bernardo Centurioni & Niccolo Lomellino or Niccolo de Grimaldi & Ci, they borrow on average less important sums than the two other groups. The Lucquese predominance indicates either that the Salviati try to reply to the intense competition between the Florentine and Lucquese communities by imposing themselves as necessary banking partners, or that the Lucquese are more active on the exchange market than the Florentines. Indeed, all of these Italian banks utilize deposit to finance their exchange

activity. A careful examination of their accounts shows that overdrafts granted to them at the end of each fair enable them to purchase bills of exchange on foreign marketplaces without provision, and to defer payment of those drawn on them. This feature is crucial, because it shows that while France occupies the first position as an outlet for deposits, the credit mobilized by the Lyon banks in fact supports their activity abroad, that is to say, on foreign exchange markets, where their bills are bought and paid without their paying for it in Lyon. The Lyon deposit market therefore provides credit in Venice, Florence, Rome or Antwerp exchange markets, and, in this sense, Lyon is indeed vital to the functioning of the European exchange system.

Secondly, Italian and Spanish merchandise providers, who account for almost one quarter (24%) of the loans, utilize the deposit to encash, in advance, the product of the sales made by the Salviati on their behalf. Distinguished among them, in the first place, are the furriers-merchants of Pistoia: Tomaso & Taddeo Rospigliosi, the heirs of Giovan Battista Riccardi, Lodovico Bracciolini & Anton Cellesi, Piero Cellesi & Ci, Piero Cancellieri & Ci and Ansalon Cellesi & Ci, who export to Lyon domestic skins for mass consumption. The profile of this clientele typically reflects the relation established, during the Renaissance, between international capitalism and urban arts and crafts, especially in the silk industry (Tognetti 2002, 155-159; Gascon 1971, 331-333). Loans granted to these Pistoian companies help them obtain their raw material and ensure a continuous flux of exports westward. All benefit from the double implantation of the Salviati firm in Lyon and Florence, from where the mother house of the Salviati firm draws in advance, on behalf of the Pistoians, the product of the sales made for them by the Lyon branch<sup>48</sup>. Two important Burgalese providers of Indian spices imported by the Portuguese also proceed to considerable loans: Lesmes de Astudillo and Leonor del Rio & Girolamo de Paredes, who cash the sums advanced in Lyon through intermediaries located in Castile (the Aicciauoli, the Affaitadi and the Tamajo)<sup>49</sup>. Second in importance to these furrier-merchants are the raw silk exporters located in Italy and in Switzerland: Michele & Alessandro Olivieri and Antonio Bruni of Naples, and Claudio Mai from Bern. Lastly comes Jacopo Giovanni of Ancona, who sends Levantine camlets and mohairs to the Lyon Salviati, also receives payments in anticipation, through bills drawn on his behalf from Florence, Venice and Rome.<sup>50</sup> For all these merchants, the Lyon's deposit enables purchase of merchandise abroad and, in the case of merchant-artisans, the financing of their local city's industry.

Finally, the case of an Italian banker of Paris, Manuello Riccio (who himself is responsible for 5% of the loans) shows that deposit banking in Lyon can be part of arbitrages partially based on external economic conditions. Riccio, indeed, borrows on the deposit market through bills of exchange drawn from Antwerp, issued by Dominique Roche, his agent in the Brabant capital<sup>51</sup>. Being one of Francis I's main suppliers of art and jewelry, which he imports from the Low Countries (Coornaert 1961, I, 237 n. 2, 352; t. 2, 73 n. 1, 238), this Genoese merchant apparently pays in Lyon for his pricey purchases. These operations are typical of triangular arbitrages between Lyon, Antwerp and Paris, evidenced in other parts of the Salviati documentation. Here, however, the deposit is an integral part of such arbitrages: Riccio, although he does not have credit in Lyon, finds it more advantageous to pay in Lyon than in Paris. Hence, the interest he pays on the deposit is lower than the loss he would suffer on account of unfavorable exchange rates between Antwerp and Paris, or the cost of transferring species.

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<sup>48</sup> See for example the accounts of the Rospigliosi: A. S., I, 559, f. 168, 234; 567, f. 106, 183; 572, f. 147, 323; 580, f. 10, 227.

<sup>49</sup> A. S., I, 567, f. 128; 572, f. 30, 302.

<sup>50</sup> A. S., I, 567, f. 33.

<sup>51</sup> A. S., I, 572, f. 88, 187.



Analysis of the Salviati archives thus shows how the fair deposit supports the auto-financing<sup>52</sup> of international trade, the credits of some businessmen compensating for the temporary shortfalls of others. Whether exchange operators, merchants, or both, most borrowers seek to obtain credit *in foreign marketplaces*. In this sense, the Lyon deposit can be viewed as a factor of the centrality of the marketplace in international trade and exchange. Through the accounting books of one of its major banks, Lyon appears to be not an “Italian colony” (Gascon 1971, 340) or a mere commercial outlet of Italian cities, but rather the financial support of an entire segment of the commercial and banking activities pursued in Italy.

Functionally, the Lyon deposit effects an integration of the local, regional, national and international markets at different levels. French merchants who borrow on the deposit, such as drapers (Sapte of Carcassonne) or booksellers (Bonin of Lyon), use international capital to finance their business, part of which is grounded in France. Similarly, foreign businessmen sometimes benefit from money placed on the deposit market by local merchants. Integration is also operated at a secondary level, in the payments processes. International businessmen often reimburse their advances by assigning debts of their own clients – some of whom are French merchants involved in the local trade<sup>53</sup>. Such transactions clearly show that, where early modern international centers like Lyon are concerned, the concept of a frontier between local bank and international exchange is not viable.

The fair banks promoting auto-financing of international trade do far more than simply broker demand and supply. By the perfect balancing of accounts at the end of each fair through deposit-overdraft, they ensure fine-tuning of the crucial fair institution of Payments and, while so doing, determine Lyon’s position in international trade and banking. It is inevitable that banks with such a defining role in the marketplace and on the international scene will seek to optimize the economic advantage of their position. An analysis of the Salviati’s strategies reveals the nature of the profit made by intermediaries, and how they seek to augment it. These results invite a reexamination of the notion of financial intermediation.

#### 4. AN UNPROFITABLE BUSINESS FOR CREDIT INTERMEDIARIES?

Examination of the Salviati books throughout the company’s life exposes an important discrepancy between the volume of money handled through deposit and the seemingly poor returns on such activity. Between 1544 and 1553 (the year of the company’s official closure after the death of its director, Averardo Salviati), only 1 817 crowns are registered as profit. Since the inclusion of external profit and loss factors in the deposit account, occasional at most, cannot significantly influence the final result, how is this zero sum game to be explained?

As credit intermediaries, the Salviati draw their profit from the difference between the interest rate on loans and on deposits. However, comparison between the volume and average rate of single term deposits (figure 5), reveals unexpected results. First, the overall difference between interest rates of loans and deposits is minimal (0.05% on average). In fact, on six occasions, the rate on loans exceeds that on deposits (Rois 1546, Pâques 1547, Août 1547, Toussaint 1547, Août 1548, and Toussaint 1548). Furthermore, the level of profit does not automatically determine the volume of deposits. For example, in T45, the volume of deposits

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<sup>52</sup> Here used in a macro sense: international trade circulated most of the funds businessmen needed.

<sup>53</sup> In the August fair of 1546, the *Centurioni & Lomellino* of Lyon reimbursed 3 065 crowns borrowed at the previous fair through assignments on the Lyon draper Claude Gelat and the goldsmith Jacques Brunicart (A.S., I, 560, f. 225).

risers while its rate decreases; in P47, the volume of loans triples, while the interest rate is stable and even undergoes a slight increase (from 1.81% to 1.85%). Absence of systematic correlation between the decision to borrow or lend and the profitability of operations can also be measured in the light of non-invested deposits at the end of each fair (figure 7). Far from always managing to re-invest the funds of their clients, the Salviati often end up with tens of thousands of crowns remaining uninvested at the end of a fair. The volume of deposits exceeds that of loans only one third of the time (6, over 20 fairs).

Is deposit banking an economically unprofitable way to generate social capital and acquire a dominant position on the marketplace? It does not seem so. In fact, the Salviati make most of their profit on the commission fees they received on each transaction – which only appear in the personal accounts of clients. At the rate of 0.8 to 1.2% per year (0.2 to 0.3% per fair), this fee has the effect of increasing the gap between the rates of returns on loans and on deposits<sup>54</sup>. The Salviati are in the very convenient position of both lending and borrowing on commission – with only other Lyon banks exempted from commission fees, unlike other local depositors<sup>55</sup>. This practice signifies the deep interdependency between these banks, working together within the same organic system.

Since deposits and loans made by Lyon banks represent 24% of the total transactions, and the usual commission fee fluctuate between 0.2% and 0.3%, the average rate of commission fees applicable to the computation of global profit is about 0.19 – not 0.25 – percent. Profit can thus be estimated at 10 638 crowns<sup>56</sup> or 2 660 crowns per year, a revenue far from negligible, which represents about 52% of the Salviati bank's share capital (20 400 crowns) at the beginning of the period under study<sup>57</sup>, and 44% of the average annual profit (5 994 crowns) made by the Salviati between 1544 and 1564 (Matringe 2016, 109). Thus, despite the narrowness of the rate spread, deposit banking proves a profitable business for merchant-bankers working on commission. This observation contrasts with the findings of O. Gelderblom, J. Jonker and C. Kool (2016) on 17<sup>th</sup> century Amsterdam, according to whom the narrow interest rates explain why merchant bankers never went deeply into deposit banking.

Credit intermediaries naturally do their best to optimize their profits. In the first instance, this requires risk prevention, as they face moral hazard on both sides of the credit relation. Indeed, intermediaries need to protect themselves not only against the insolvency of borrowers, but also that of lenders. This is particularly true in the context of short term renewable credit that can easily be withdrawn and is therefore very volatile.

The social evaluation of risk by bankers materialize in the choice of clientele. The demand on the Lyon marketplace being intense, reputable Italian banks have no difficulty finding clients – in effect, they are in a position to select them at will. The Salviati's correspondence shows that they receive offers from potential clients, which they are free to accept or reject. They do not conceal their preference to deal with merchants rather than with “noblemen and lords”, whom they consider less wealthy and less reliable<sup>58</sup>. While all depositors are members of the mercantile elite of the time, the most important are not commercial partners with a credit balance, but bankers and financier who have reason to leave their capital in the bank for significant durations – either because they feel threatened

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<sup>54</sup> In itself, this fee was not very important. As a result, there was no major difference between the rate of interest on rentes annuities (around 10% at the time) and the rate on fair deposits.

<sup>55</sup> See, for example, the account of the notary Jean Fosson of Lyon, who payed a commission on his deposit (A.S., I, 580, f. 7).

<sup>56</sup>  $(2\,259\,966 + 1\,995\,241) \times (0,6 + 1,9) / 1000$ .

<sup>57</sup> See the capital accounts of the associates, Averardo Salviati and the two governors, in the main ledger (A. S, I, 561, f. 23).

<sup>58</sup> May 1549 letter to Giovan Battista Rustici in Paris (A.S., I, 579, f. 173).

(Mendes) or because they are themselves investing other people's money (Paretas). The choice of rich long-term depositors enables the Salviati to make substantial profits on their commission, and yet limit proliferation of clients and the concomitant paper-work. Borrowers, on the other hand, are mostly other Lyon banks, interdependent with the Salviati and therefore reliable on account of shared self-interest. Lyon banks, indeed, organize the exchange market as well as regional and international clearance together. Some are the buyers of bills sold by others. All of them regularly assign debts to each other through book transfers. Any difficulty encountered by one of them has direct consequences on the others. Being located in the same area (the Saint Jean quarter) of the same city makes it difficult for them to conceal, even briefly, their financial situation from each other<sup>59</sup>. This combination of physical proximity and economic inter-dependency is a key feature of inter-banks relations in Lyon, and explains, despite inevitable rivalries, the *de facto* cohesion of this financial group.

Once the clientele is selected, resort to commission trading further minimizes the risk. The Salviati correspondence shows that while commission agents are entrusted with investing the money deposited with them, they are not responsible for rates of return. The Salviati do not owe any capital or interest to their clients-depositors, who place money on the deposit market through the Salviati, rather than in the Salviati bank itself. This of course changes if a *del credere* clause has been stipulated. However, the Salviati seldom agree to it, and never when the amounts at stake are important<sup>60</sup>. Consequently, in the case of a borrower's insolvency, the Salviati lose no more than the profits they had expected as intermediaries.

Though this operational mode minimizes risk, it does have its own cost. Only bankers who benefit from a solid international reputation can specialize in deposit banking on such a large scale. The Salviati are among the richest and most prestigious citizens of Florence (Guichardin 1936, 58). Conscious of their preeminent status, they advise dubious clients to seek out other agents in case "they don't hold them in the same consideration as do all the lords of the world"<sup>61</sup>. If threatened, they remind the depositors that they are "not people who have to deal with justice"<sup>62</sup>. The few times they are in serious trouble, they resort to their contacts in various European courts to influence arbitration in their favor<sup>63</sup>. In such circumstances, it is not surprising that high-flying yet vulnerable clients, such as the Mendes, did not hesitate to put their colossal fortune in the Salviati's hands.

However, in order to maintain access to credit, bankers need more than mere reputation. The Salviati accord special treatment to their most valued depositors. In the winter of 1546, an unprecedented episode of *larghezza*<sup>64</sup> forces them to retain some 60,000 crowns in the till. Rather than deceive the Mendes and the Paretas, the Salviati offer them about 1%

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<sup>59</sup> In theory, banks could have concealed their financial situation from each other even while occupying the same building. However, in the context of a merchant culture based on credit and reputation, which promoted auto-regulation and the close surveillance of others, it was very rare for bankers to successfully conceal their difficulties for a long time – even from correspondents located abroad. On the circulation of information and risk-prevention mechanisms in the early modern period, see Neal and Quinn 2003; Velinov forthcoming.

<sup>60</sup> On this matter, the Salviati openly admit their politics in their January 1548 letter to Paretas (A. S., I, 579, f. 129).

<sup>61</sup> November 1547 letter to the *Del Rio & Paredes* of Burgos (A. S., I, 579, f. 31).

<sup>62</sup> November 1548 letter to the Delbene of Paris, who had informed them that one of their depositors, a clerk, was threatening judicial recourse against them (A. S., I, 579, f. 95).

<sup>63</sup> In the winter of 1544, Averardo requested the help of the Duke of Florence, Cosimo I, and of his friend Pedro Cassador, Treasurer of Catalonia, when Spanish admirals seized a boat loaded with his spices. The judges of the Rota of Barcelona ended up ruling in the Salviati's favor against their own compatriots (A. S., I, 565, f. 41, 53). In 1546, French merchants of the Atlantic coast, vexed to see part of the Portuguese spices diverted by the Italians of Lyon, tried to obtain the King's sanction that the entry of spices in the Kingdom be limited to Amiens and Rouen. "Through friends", the Salviati managed to preempt this measure (A.S., I, 565, f. 65).

<sup>64</sup> Abundance of money on the marketplace. See Davanzati 1988, 71.

compensation<sup>65</sup>. They also promise important clients that if they cannot handle their capital any longer, they will provide six months' notice for them to find new alternatives<sup>66</sup>. Consideration for senior clients is all the more necessary since the Salviati often relied on their recommendations to find new ones.

It appears, therefore, that bankers accept small losses and additional work in order to minimize risk and, above all, ensure long term profitability of their social capital. However, they do not hesitate to take advantage of their clients whenever they can afford. At times, indeed, the Salviati act against not only the interest but also the instruction(s) of their own clients.

The first evidence of this appears in the context of interest-rate fixation. Like exchange quotations, official rates of deposit are determined during Payments on the day of the Exchange by an assembly of Florentine, Genoese and Lucquese merchants gathered inside the the *Loggia*. Deposit rates usually appear at the end of the list of exchange rates (*conto*). Two principal factors determine the official rate: (a) the existence of an official rate limit (set at 15% per year by order of Charles VII<sup>67</sup>, and (b) the state of the money market, *ie.*, the abundance or scarcity of money available at each fair. From the Salviati's correspondence, it appears that sovereign borrowing is the decisive factor in determining the state of the money market and variations in the deposit rate. Other determinants of monetary trends in 16th century Europe — such as the Spanish King's remittances for maintaining his troops in the Low Countries and in Italy, and the repatriation of the Spanish Church revenues to Rome — have only secondary impact on the Lyon market, which merely performs a relay functions in these operations.

Legal limits and the economic parameters, however, are not the only determinants of privately agreed rates. Salviati deposit accounts exhibit substantial rate discrepancies between deposits concluded during the same fair. In August 1544, for example, rates are found to vary between 0.25% and 3%<sup>68</sup>. While the amount of deposits do not play a role in the determination of interest rate, calculation of average interest rates according to the duration of deposits (tables 6.1 and 6.2) reveals the existence of a temporal factor of rate variation. On average, the shorter the term, the higher the interest. There are various possible explanations for this occurrence. In the first place, very short deposits imply financial transactions taking place outside the official period of Payments. Most of the time, such transactions consist in advances of species between Lyon banks enabling the borrowers to perform immediate cash payments slightly before the dedicated period. Resort to species and withdrawal of money before the Payments, both generate costs — a gold premium and a special fee. Additionally, such transactions require greater effort for the bankers, who quickly have to find new opportunities of investment, with the resultant increase in paperwork and client contact.

Between deposits of equal duration, individual variations of rate are not uncommon. For example, in August 1544, Piero Pinadori, cashier of the bank, borrows 1 027 crowns until the next fair, at the rate of 2.25%, while Giovan Battista Mellini, a merchant from Florence, borrows an equivalent sum (1 034 écus) at 3% for the same due date<sup>69</sup>. Distribution of deposits according to the socio-professional status of clientele (tables 7.1 and 7.2) shows the less attractive rates applied to merchants of modest status, essentially active in the trade of

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<sup>65</sup> Deposit account, A. S., I, 561, f. 372; and corresponding letter to Paretis and the Mendes (respectively, A. S., I, 565, f. 168; 171).

<sup>66</sup> November 1546 letter to Paretis (A. S., I, 565, f. 149).

<sup>67</sup> Originally issued in the context of the Champagne fairs, this order was included in 1420 in the Privileges of the Lyon fairs (Barbier 1759, 10).

<sup>68</sup> A. S., I, 561, f. 10, 33.

<sup>69</sup> A. S., I, 561, f. 10.

commodities. Bankers have an undeniable ascendancy over this category of stakeholders, who rely on them to keep their business running. Lesser merchants potentially also pose more risk. Thus, their deposits are remunerated at the lowest rates and their loans are the most burdened. This tendency, however, changes when the merchants are also bankers – for example, the Olivieri from Naples or the Strozzi from Valladolid (both silk suppliers), can borrow at rates lower than available even to mere exchange partners (2.14% against 2.19%). Especially low rates of returns on borrowing are common among Lyon banks, thereby confirming the strength of interdependency above-mentioned. As can be expected, firm members allow each other low-cost credit and highly reward deposit. The Salviati adopt a controlling attitude towards their agents, burdening them harshly as borrowers, but incentivizing them to invest with relatively high interest rates. Individual variations in deposit rates also disclose the significance of geographical distance. In Lyon borrowers are lightly burdened and lenders modestly paid, while clients settled abroad pay more on their loans and are slightly better rewarded for their deposits. This difference can be explained by the cost of funds transfer and the reduced control over clients located abroad. Thus, variations of interest rates reveal how the Salviati try to minimize the cost of handling other people's money and to exploit whatever balances of power that they can. In this perspective, the minor differences in average exchange rate between deposits and loans seems to be the result of the difficulty in deviating from the official rate rather than disinterest of the bankers.

In fact, some interbank deposit operations raise the issue of agreements for manipulating the official rate. The magnitude of some loans subscribed in common by several Lyon banks seems to imply the existence of agiotages. In Easter 1545, the Salviati account a 0.6% profit of 268 crowns earned as participants, up to 45.000 crowns, in a common loan to the Bernardini & Cenami bank<sup>70</sup>. No trace of this operation appears anywhere else in the documentation. Some months later, in All Saints 1545, the Salviati earn 110 crowns on a deposit corresponding to 4/15th of a loan granted to the Guadagni by several other Lyon banks<sup>71</sup>. For this second operation, neither the interest rate, nor the sum initially advanced appear in the accounts. Assuming a minimal rate of 0.5%, the contribution of the Salviati would have been 22,000 crowns, and the total loan would have exceeded 80.000 crowns. It is unlikely that rescue operations account for such transactions, since debtor banks appear in perfect financial health in other parts of the documentation, and no reference in the correspondence is ever made to their eventual difficulties. It is therefore tempting to infer that the Italians sometimes try to tighten the market through deposit, in order to tame the frequent *larghezza* (see note 64) that inhibits their sale credit at a profit.

Finally, profit maximization is sometimes achieved through deviations which directly contravene the clients' orders. As appears from their business letters<sup>72</sup>, bankers are bound to follow their clients' directives concerning markets of investment<sup>73</sup>. Yet, gains on money

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<sup>70</sup> A. S., I, 561, f. 104.

<sup>71</sup> A. S., I, 561, f. 223.

<sup>72</sup> As a rule, the Salviati started to ask their clients whether they wanted to invest on the deposit or on the exchange (see a typical example in the letter to A. Scarfi from Rouen, A.S., I, f. 144). When they found it hard to invest their clients' money on the deposit market, they asked them for permission before moving it on the exchange (A. S., I, 565, f. 78, 128, 149). And, even when they did not agree with the choices of their clients, they had to respect it. In June 1545, they executed what they said to be a "whim" of Beatriz Mendes: to invest 30 000 crowns in royal finances (A.S., I, f. 149).

<sup>73</sup> The fair banks' investing in royal finances only the funds of the clients who had explicitly formulated their instruction so to do, shows that the market for government loans disposed of its own investors and should not be perceived as an extension of the deposit market, as it has often been done (Doucet 1939, 13; Gascon 1971, 252-254). The distinction between the two is also made clear by the mode of exchange quotations in Lyon, where the rates of deposit and government loans appeared separately (see, for example, the list of exchange rates in the Kings fair of 1556 (Archives Départementales du Rhône, Notaires, Pierre Dorlin, 4497, f. 399).

discretely invested in the exchange market and in government loans appear in the deposit account (tables 8.1 and 8.2). Exchange operations take the form of round trips of bills between two places. In such cases, the funds are not immobilized more than the interval between two fairs, and can be returned to the clients on schedule. Speculation on the exchange also involves movements of species that do not have the same value on different markets. The Salviati can, for example, ask their Antwerp governor to carry Italian ducats to Paris before having them remitted by bill of exchange on Lyon (where they are worth more). Finally, the inner variations of the sun crown's rate between Lyon and Paris enables the Salviati to make profits on funds transfers between both places. Such forms of private speculation with depositors' funds significantly increases the level of profit on each operation. Where the average rate of client's remuneration is 2%, the Salviati earn 0.3% when they reinvest the money on the exchange and 2% when they reinvest in government loans — in either case, much more than the 0.05% they make on average by reinvesting the money on the deposit. However, their prudence leads them to place only 1.5% of total deposits on the exchange and 0.8% in government loans. Since businessmen usually traded on behalf of each other, in all likelihood most of them were aware of these practices. Salviati documentation, however, does not provide any evidence that they are ever criticized for these transactions. These small side benefits seem to have been an integral part of business. They were, in a sense, collectively accepted deviances.

These aspects of credit intermediation on early modern markets question the traditional concept of intermediaries. Indeed, it appears that the world of international trade at that time was not composed of well-defined distinct groups of passive investors, active entrepreneurs and intermediaries — which appear to be the prevailing categorization of the literature on financial intermediation (see for example Engerman, Hoffman, Rosenthal & Sokoloff 2003, 2). Positions were in fact interchangeable. Businessmen financed one another through one another alternatively and sometimes simultaneously — such as when they borrowed and lent the same money for the account of third parties. Lyon banks working on commission were not mere “transaction costs” for businessmen located abroad. They were in fact the dominant players in the credit relation and on the marketplace. The same was true for Antwerp banks when they invested money on their deposit market for Lyon businessmen.

## 5. CONCLUSION

Study of the Salviati bank records provides an insight into the genesis of a specific international deposit market in 16<sup>th</sup> century Europe, in the context of development of the great exchange fairs. Rooted in the fair practice of delaying payments from one fair to the next, the fair deposit developed as an autonomous market whose rates were circulated through commercial correspondence, and attracted international capital from different groups of businessmen — whether or not they were involved in other sectors of the fair's economy, such as merchandise trade. In the case of the Salviati bank, most depositors sought only to make their money grow rather than feed their current account to enable payments. The fair deposit appears to be both a clearing and credit instrument facilitating circulation of credit throughout the world of big business and sustaining the European payments' system.

Study of the fair deposit through the archives of the Salviati bank challenges the historiography of international trade and banking in the early modern age at various levels. First, it introduces a new dimension to the debate concerning Lyon's centrality in the European payment's system of the 16<sup>th</sup> century. While we have demonstrated elsewhere (Matringe 2016, 270-299) that the structure of Lyon's exchange market cannot account for its

centrality, the fair deposit, on the other hand, certainly assigned a privileged position to Lyon in the international economy. Indeed, Lyon banks siphoned off the credit surplus in some areas to offset the deficit in others, becoming the source of financing of an entire exchange, trading and industrial activity conducted abroad.

The crucial role of the Lyon deposit in relation to the commodity trade also invites reexamination of the traditional view that early modern banking was driven by commerce, which still dominates the recent historiography of merchant networks and banks (see for example Cassis & Cottrell 2015, 8, 10, 40). In fact, even if financial transactions were often necessitated by commodity trade, this trade would have been considerably different without a deposit and exchange system to support it. Significantly, when the British government sought to impose a regulation of the exchange system in 1576, the representatives of Italian businessmen declared that any obstacle to the free functioning of the exchange would cause a collapse of the merchandise trade (Bland, Brown, Tawney 1914, 420-424). At that time banking stimulated commerce no less than commerce stimulated banking.

The third challenge concerns the nature of financial intermediation in the early modern period. Indeed, while functioning as intermediaries, merchant-bankers in effect organized the market and determined its position on the international scene. Their action was not piloted from outside but oriented by their own quest for profit and intimate knowledge of the market dynamics. Just as traders do today, they operated for themselves and on behalf of others, alternately or simultaneously, in the deposit as well as the exchange business. Just as today, far from just channeling money, commission traders determined the course of the global economy. These results are in line with the observations of various historians regarding the interchangeability of the principal/agent positions in early modern trade (Braudel 1979, vol. 2, 127; Mentz 2003, 113; Velinov 2012, 233-236; Matringe 2016, 162; 247-248), and with recent research on 18<sup>th</sup> century brokers, which underlines their involvement in proprietary trading (Santarosa 2013).

Finally, analysis of the Lyon deposit invites a reconsideration of Mediterranean banking being rudimentary in comparison with the Northern model later developed on the basis of endorsement and discount (Lane 1937, 187; Usher 1943, 8; Goldthwaite 2009, 229-230; Van der Wee 1963, 1082; Van der Wee 1977). Indeed, the fair deposit amounted to bank money circulating in the market, with most clients using it through simple book transfers: as such, its function was similar to endorsement. Just like discount, it enabled borrowers to cash bills of exchange prematurely. These features nuance the primitive nature of deposit as well as the innovative nature of Flemish methods. The notions of efficiency modernity have also been associated with the centralization of clearing processes (Usher 1943, 4, 183-188; Neal 2000, 121; Gillard 2004, 241 249, 261; Kahn, Quinn & Roberds 2016). Yet in Lyon, without any centralizing organ, the deposit ensured perfect functioning of clearing mechanisms — a group of private banks related *inter se* without any central authority, organized the monetary market as efficiently as a central bank, which was also the case in Antwerp (Velinov 2012, 103-111; Puttevils 2015). It is noteworthy, however, that despite such consensus, these banks did not constitute a homogenous banking fabric. The strategy of the Salviati, who were little in debt vis-à-vis other Lyon banks but lent them large sums of money, indicates a drive to dominate the market — hence the existence of a hierarchy. The absence of any correspondence documenting the exchanges between banks active on the same marketplace, however, circumscribes research in this direction.

While study of the Salviati archives enables assessment of the function of the fair deposit in 16<sup>th</sup> century Lyon, comparison is necessary with other major fair locations (Antwerp, Medina del Campo, Besancon, Frankfurt, etc.) in order to confirm whether the same mechanisms ruled the fair deposit in the rest of Europe. Furthermore, the extent to which other credit institutions (local moneychangers, pawnbrokers, notaries?) competed with

the fair banks, and how they eventually shared the demand, remains yet to be determined. Only further research in the archives of other fair banks and municipalities might help in answering these questions.

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## 1. Structure of the Salviati's deposit account

Debit		Credit
Sums lent by the Salviati (capital)	↔	Sums due by borrowers (capital + interests)
Sums due by the Salviati (capital + interests)	↔	Sums lent to the Salviati (capital)
Interests owed to creditors, calculated <i>a posteriori</i>	↔	Interests due by debtors, calculated <i>a posteriori</i> <sup>1</sup>

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<sup>1</sup> Related to the existence of negative/positive balances ongoing for years before being charged/remunerated for the first time at an aggregate rate.

## 2. Relation between debt and cash at hand

Fair	Total amount of loans	Till Balance	% Cash/debt
R 1544	66625	32935	49,4
A 1545	96255	25326	26,3
T 1545	37597	34122	90,8
T 1546	79960	5120	6,4
P 1547	130473	4837	3,7
A 1547	138037	2364	1,7
R 1547	171367	3334	1,9
T 1548	236363	11011	41,8
P 1549	166023	5234	3,2

### 3. Account of the Menochi & Gigli of Lyons in the August fair of 1546

DEBIT		CREDIT	
<i>Transaction</i>	<i>Écus de marc</i>	<i>Transaction</i>	<i>Écus de marc</i>
Bill Florence-Lyons	390.00.00	Bill Paris-Lyons	579.06.02
Bill Florence-Lyons	1777.06.03	Bill Paris-Lyons	284.07.04
Bill Florence-Lyons	1625.00.00	MG for d'Adda for Antinori	1000.00.00
Bill Rome-Lyons	195.00.00	MG for Simone Pecori	1500.00.00
Bill Rome-Lyons	455.00.00	MG for Mont. & Malp.	143.17.03
Bill Medina-Lyons	2000.00.00	MG to Passi	641.13.06
MG to Maréchal for Bartolini	206.18.00	<b>Deposit</b>	<b>2500.00.00</b>
TOTAL	6649.04.03		6649.04.03

*MG= Made good to: credited in the account of...; made good for: debited from the account of...*

(Arch. Salv., I, 560, f. 411).



#### 4. Distribution of clientele according to the profession and origins<sup>1</sup> of clients

LENDERS (111)	AMOUNTS	%	BORROWERS	AMOUNTS	%
<b>Businessmen</b>	<b>1 938 500</b>	<b>86</b>	<b>Businessmen</b>	<b>1 891 886</b>	<b>95</b>
<i>New Christians</i>	955 328	42	<i>Italians</i>	1 420 411	71
<i>Italians</i>	401 921	18	<i>Firm members</i>	161 464	8
<i>Catalans</i>	377 720	17	<i>Spanish</i>	126 008	7
<i>French</i>	52 408	2	<i>French</i>	118 044	6
<i>Germans</i>	51 869	2	<i>Germans and Swiss</i>	65 959	3
<i>Firm members</i>	99 254	5			
<b>Others</b>	<b>321 466</b>	<b>14</b>	<b>Others</b>	<b>103 355</b>	<b>5</b>
<i>(politicians, clerk, boat captains, artists and unkown)</i>			<i>(Politicians, clerks, notary, landlord)</i>		

<sup>1</sup> Origins refer to the places of origin of clients (based on their names and what we know of them) rather than their geographical location when they used the Salviati bank's deposit services (depicted in figure 1).

## 5. Average duration of deposits<sup>1</sup>

### 5.1. Salviati's deposits

<i>a. Number of renewals</i>	<i>b. Average amounts (écus de marc)</i>	<i>c. Totals</i>	<i>%</i>
0	395 224	395 224	20
1	146 198	292 396	15
2	23 742	71 226	4
3	55 529	222 116	11
4	37 292	186 460	9
5	25 039	150 234	8
6	36 384	254 688	13
7	1 312	10 496	0
8	14 708	132 372	7
9	2 873	28 730	1
10	6 328	69 608	3
12	10 221	132 873	7
13	2 677	37 478	2
		<b>1 983 901</b>	

The fairs take place 4 times per year: a term is equivalent to three months.

Average duration or  $\frac{\sum a.c}{\sum c} = 4,2$  renewals, or one year and a semester (15,6 months)

### 5.2. Salviati's loans

<i>a. Renewals</i>	<i>b. Average amounts</i>	<i>c. Totals</i>	<i>%</i>
0	229 377	229 377	10
1	51 804	103 608	5
2	19 173	57 519	3
3	7 734	30 936	1
4	44 426	222 130	10
5	9 035	54 210	2
6	32 062	224 434	10
7	1 784	14 272	1
8	18 199	163 791	7
9	573	5 730	0
11	52 223	626 676	28
12	1 402	18 226	1
15	1 069	17 104	1
16	4 411	74 987	3
18	19 172	364 268	16
19	2 798	55 960	2
		<b>2 263 228</b>	

Average duration: 9 renewals or 10 fairs. Close to two years and a half (30 months).

<sup>1</sup> Recourse to averages leads to a small discrepancy between total averages and actual total of deposits and loans: - 0,57% for average deposits compared to actual deposits (1 983 901 crowns vs 1 995 241 crowns), and + 0,14% for loans (2 263 228 crowns vs 2 259 966 crowns). These gaps are not important enough to affect the representativity of results.

## 6. Temporal factor of interest rate's variations<sup>1</sup>

### 6. 1. Salviati loans

<i>Duration</i>	<i>Sums</i>	<i>AIR</i>	<i>AIR/term</i>
<b>Less than one term</b>	<b>46 403</b>	<b>0,53</b>	<b>3,86</b>
< 1 week	2 069	0,50	25
≥ 1 week < 2 weeks	12 378	0,49	3,70
≥ 2 weeks < 1 month	24 311	0,48	2,74
≥ 1 month ≤ 2 months	7 645	0,68	1,99
<b>1 term</b>	<b>1 795 371</b>	<b>2,14</b>	<b>2,14</b>
<b>From 2 to 5 terms</b>	<b>168 185</b>	<b>4,37</b>	<b>1,96</b>
2 terms	149 642	3,91	1,95
3 terms	165	6,34	2,11
4 terms	18 178	8,08	2,02
5 terms	200	8,33	1,67

Sums = écus de marc ; AIR = average interest rate

### 6. 2. Salviati deposits

<i>Terms</i>	<i>S</i>	<i>AIR</i>	<i>AIR/term</i>
<b>Less than one term</b>	<b>38 262</b>	<b>0,95</b>	<b>4,29</b>
≥ 1 week < 2 weeks	11 356	0,63	6,66
≥ 2 weeks < 1 month	12 635	0,74	3,84
≥ 1 month < 2 months	10 006	1,29	2,92
> 2 months < 1 term	4 265	1,65	2,41
<b>1 term</b>	<b>1 668 615</b>	<b>2,18</b>	<b>2,18</b>
<b>2 terms</b>	<b>117 688</b>	<b>4,02</b>	<b>2,01</b>
<b>From 3 to 8 terms</b>	<b>22 822</b>	<b>5,12</b>	<b>1,54</b>
3 terms	14 240	4,18	1,39
4 terms	3 194	6,32	1,58
5 terms	1 005	2,00	0,40
7 terms	4 335	12,09	1,73
8 terms	48	11,18	1,40

<sup>1</sup>  $D$  represents the total of deposits. If  $d$  belongs to  $D$ ,  $t(d)$  is its term;  $r(d)$  its rate, and  $a(p)$  its amount.

$S = \sum_{p \in P} a(d)$  is the sum of all amounts. The current term  $t$  being set at 3 months, we define the rate  $r(d, t) = \frac{t}{t(d)} r(d) = \frac{t \cdot r(d)}{t(d)}$  associated to this term, relatively to deposit  $d$ . The average rate associated with  $t$  is calculated as follows:

$$r_a(t) = \frac{\sum_{d \in D} r(d, t) \cdot a(d)}{S} = \frac{\sum_{d \in D} \frac{t \cdot r(d) \cdot a(d)}{t(d)}}{S} = \frac{u \cdot \left( \frac{\sum_{d \in D} r(d) \cdot a(d)}{t(d)} \right)}{S} = \frac{t \left( \sum_{d \in D} r(d) \cdot a(d) / t(d) \right)}{\sum_{d \in D} a(d)}$$

**7. Individual variations of interest rate**  
(one term deposits)

**7. 1. Borrowers**

<i>Field of intervention</i>	<i>Sums</i>	<i>AIR (%)</i>
<b>Exchange</b>	<b>798 223</b>	<b>1,75</b>
Exchange partners in Lyons	731 927	1,72
Exchange partners abroad	46 182	2,19
Exchange partners in Paris	20 114	2,19
<b>Merchandise</b>	<b>328 008</b>	<b>2,25</b>
Providers abroad	278 789	2,69
Providers being also exchange partners	32 387	2,14
Buyers (Lyons)	16 832	2,13
<b>Deposit only</b>	<b>280 603</b>	<b>2,12</b>
Borrowers abroad	38 894	2,62
Borrowers in the rest of the Kingdom	115 010	2,09
Borrowers in Lyons	126 699	2,04
<b>Firm</b>	<b>140 928</b>	<b>2,04</b>
<b>Services</b>	<b>65 570</b>	<b>2,22</b>

*ARI = average interest rate*

**7. 2. Depositors**

<i>Field of intervention</i>	<i>S</i>	<i>AIR</i>
<b>Deposit only</b>	<b>1 400 826</b>	<b>2,14</b>
Depositors in France besides Lyons	514 785	2,10
Depositors abroad	938 573	2,19
Depositors in Lyons	61 736	2,00
<b>Firm</b>	<b>98 254</b>	<b>2,37</b>
<b>Exchange</b>	<b>84 909</b>	<b>1,97</b>
Exchange partners in Paris	23 202	2,07
Exchange partners abroad	18 974	2,02
Exchange partners in Lyons	42 733	1,88
<b>Services</b>	<b>52 749</b>	<b>2,19</b>
<b>Merchandise</b>	<b>17 220</b>	<b>1,66</b>
Providers (Marseille)	112	2,60
Providers (Lyons)	9 603	1,74
Buyers (Lyons)	7 505	1,54

## 8. Discrete use of deposits

### 8. 1. Exchange

<i>Fair</i>	<i>S</i>	<i>NP (%)</i>	<i>Account</i>	<i>Marketplace</i>	<i>Operation</i>
1545, 2	833	1,8	Lorenzo & Camillo Strozzi	Venice	Round trip
1545, 2	2638	2,9	Giovan Batt. Botti & Giovan Batt. Bellotti	Valladolid	Round trip
1545, 2	4847	1,5	Giovan Ant. d'Adda & Ci	Valencia	Round trip
1545, 2	4646	1,9	Rede di Pandolfo della Casa	Rome	Rome-Lyon
1545, 2	1915	1	Giovan C. degli Affaitadi & Ci	Antwerp	Round trip
1545, 2	6500	2,9	Jacopo & Filippo Guadagni	Naples	Round trip
1545, 2	2334	3	Bastiano da Montauto & Ci	Rome	Round trip
1545, 2	4131	3,6	Giov. August. d'Adda & Ci	Milan	Round trip
1545, 2	1608	0,8	Giovan Batt. da Dacieto & Ci	Paris	Antw-Par-Lyons
1545, 3	491	1,3	Giovan Batt. da Dacieto & Ci	Paris	Paris-Lyon
1546, 1	1034	2	Jean Boucher le Jeune	Paris	Lyon-Paris
1546, 1	621	2	Claude Chapelier	Paris	Lyon-Paris
1546, 1	2586	2	Nicolas Leriche	Lyons	Lyon-Paris
<b>Total</b>	<b>34 184</b>	<b>AR. 2,3</b>			

S = sums (*écus de marc*)

NP = net profit after costs deduction (commission fees, warrants, brokerage...)

AR = average rate of return

### 8. 2. Government loans

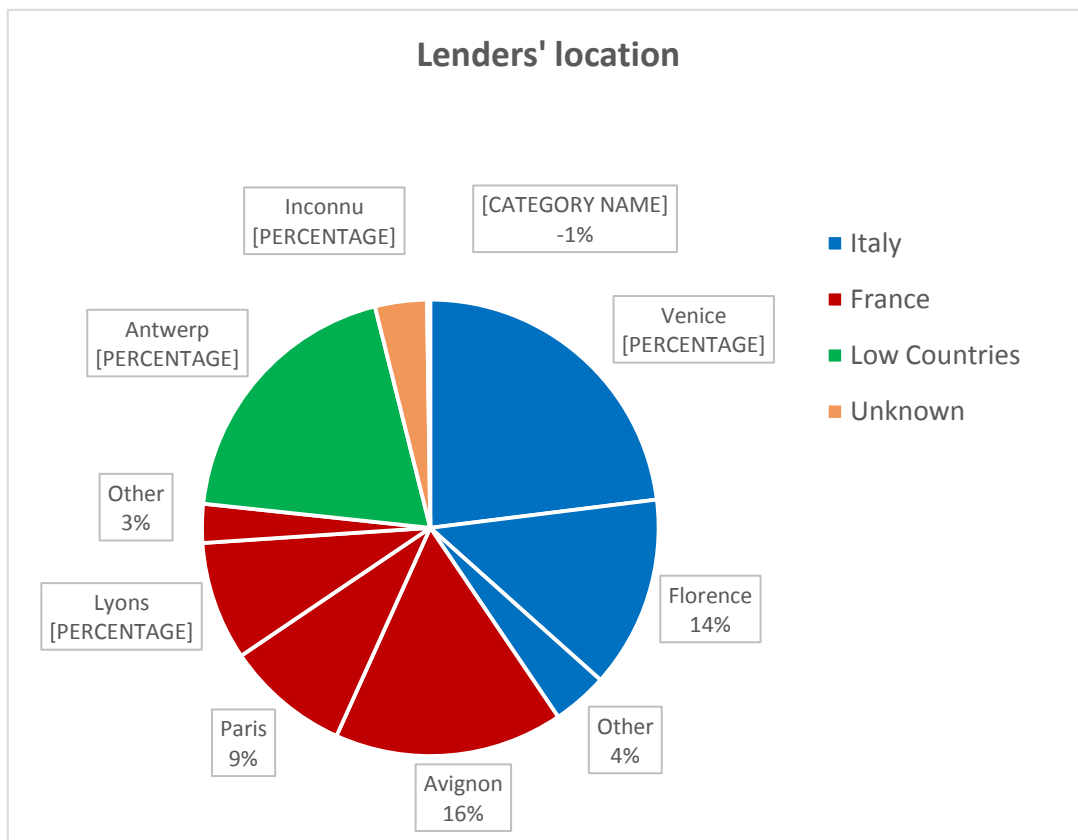
<i>Fair</i>	<i>S</i>	<i>R (%)</i>	<i>T</i>	<i>Borrower</i>
1545, 4	4138	4	1	Francis I
1546, 1	4138	4	1	Francis I
1546, 1	1759	2,75	1	Francis I
1546, 2	920	8	2	Treasurer (M de Troyes)
1547, 1	1733	4	1	Francis I
1547, 2	1813	4	1	Henry II
1547, 3	209	5,2	1	Henry II
1547, 4	1724	4	1	Henry II
1548, 1	102	4	1	Henry II
1548, 2	506	4	1	Henry II
1548, 3	284	4	1	Henry II
1548, 4	181	4	1	Henry II
1549, 1	434	4	1	Henry II
	<b>18 861</b>	<b>3,9</b>		

R = Interest rate

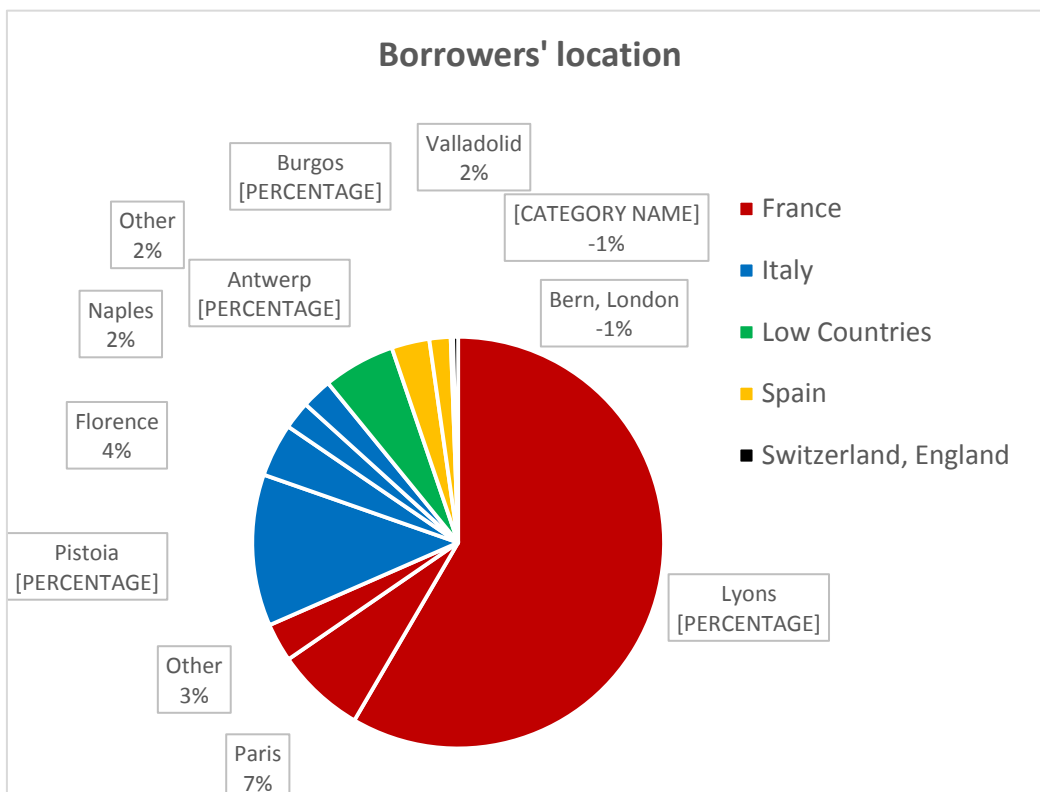
T = Term

FRANCE	812895
ITALIE	911148
PAYS BAS	436355
ALL ET FC	5090

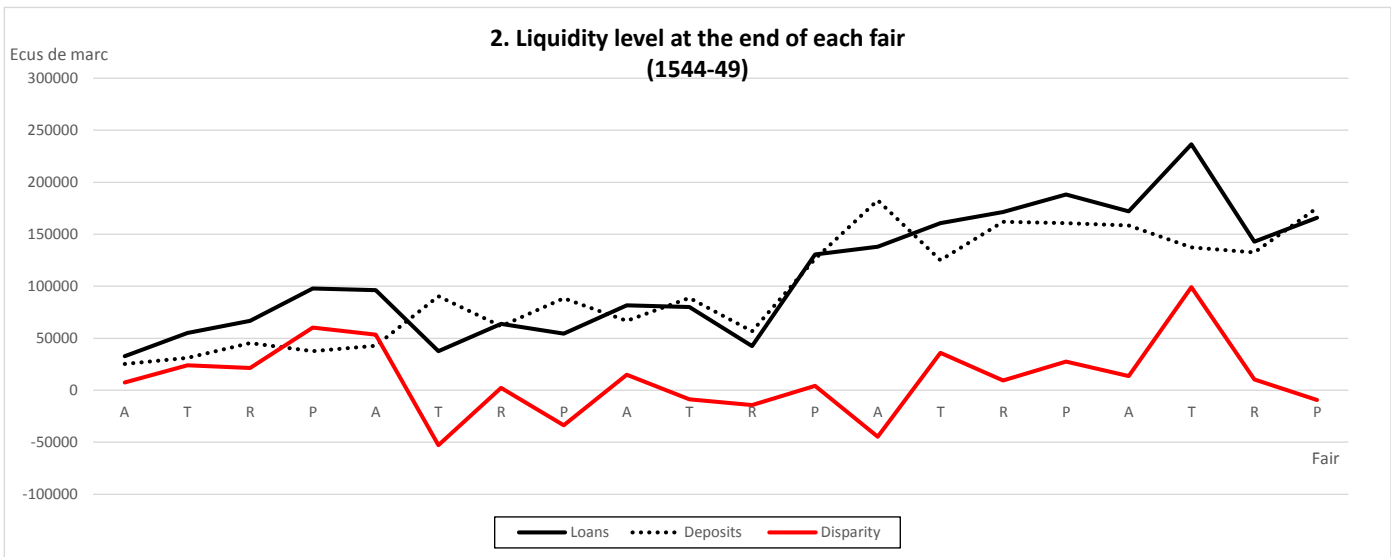
Italy	517534 (Venise)	
Florence	305478	
Other	88224	Castro 49654
		Rome 23243
		Milan 10317
Avignon	364268	Naples 3942
Paris	197607	Ferrare 1068
France	189042	(Lyon)
Other	61760	Marseille 27954
		Tours 15721
		Rouen 15469
		Villeneuve 2616
Low Countries	436355 (Anvers)	61760
Unknown	82636	Besancon 3937
Franche Comte,	5090	Augsbourg 1153
		Inconnu 82636



FRANCE	France	914633	Lyon		
	Paris	109642			
	Other		47378	Carcassonne	10015
				Mont martin	9306
				Bourg en Bres	5792
				Fontenay	4352
				Thiers	3724
				Marseille	3265
				Nantes	2980
				Toulouse	2899
				Tours	1990
		Bordeaux	1789		
		Rouen	748		
		Chatillon	518		
ITALIE	Italy	186562	Pistoia		
	Florence	65525			
	Naples	34122			
	Other		37579	Rome	20533
				Ancone	11076
				Lucques	3045
				Raguse	2304
PAYS BAS	Low Countries	88664	Anvers	37579	
	ESPAÑE	Spain	46581	Burgos	
ESPAGNE	Valladolid	26112			
	Other		2930	Valence	2430
				Salamanque	500
SUISSE	Switzerland, E	6158	Berne	5356	
ANGLETERRE			Londres	802	



## 2. Liquidity level at the end of each fair (1544-49)





### 6. Volume and interest rate variations of single term deposits (1544-1549)

