ORTELIUS LECTURE 4

From Antwerp to London. The Decline of Financial Centres in Europe

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When Ortelius, Abraham Ortel, the humanist son of a successful merchant, was born in Antwerp in 1527, it was already the commercial metropolis of Europe and had also become its dominant financial centre. As a young man in the 1540s and 1550s he lived through the years of Antwerp's greatest prosperity. He did not die until 1598, by which time Antwerp had been reduced from the great metropolis of the west to a place of only regional commercial importance for the Spanish-occupied Netherlands. Nevertheless it was still the financial centre of Europe. This time lag between industrial and commercial decline on the one hand and decline as a financial centre on the other is one that has been repeated time and again.

As an historian whose metier compels him to study change over time, I am aware that our present arrangements, like those of Ortelius' lifetime, are not anything more than temporary. Antwerp was by no means the first financial centre in the west. London will by no means be the last. And in this lecture, named after Ortelius, I will try to explore some aspects of the continuous rise and fall of financial centres like Antwerp and London over the last seven centuries, and even to glance back a little earlier to Arras and Genoa.

At the beginning of the fourteenth century there were two dominant financial centres in Europe, Florence for southern Europe, and Bruges for northern Europe. Communication between the two was by couriers, who, by the mid-century, were setting out in each direction once a week and took about three weeks to cover the distance.

What then gave Florence and Bruges their financial pre-eminence? Both developed as focal points for industry, and as commercial centres, before becoming financial centres. This turns out to have been the normal pattern for seven centuries.

Florence

At the beginning of the thirteenth century, Florence was no more than one of the small city states in the hinterland of Pisa. Siena, with its access to local silver mines at Montieri, looked likely to dominate in land Tuscany. Pisa with its access to the sea, and its early network of merchants resident around the Mediterranean from Tunis to Constantinople and to Acre, also seemed far more likely to prosper. But by the end of the century Florence had eclipsed both to become the dominant industrial and commercial centre of Tuscany.

In industrial terms, Florence had become the leading city for the production of cheap woollens for southern Europe. Its woollens were on sale in Venice by 1225, in Palermo by 1237 and at Ragusa by 1252, and competed successfully in Mediterranean markets with the cheaper cloths of the Low Countries. According to the Florentine chronicler Giovanni Villani, writing in the 1330s, over 100,000 rolls of cloth were being produced annually in the city in 1300. Although by the 1330s production had dropped to some 80,000 rolls a year, this now included so much luxury cloth that Villani estimated that the value of the cloth had risen to 1,200,000 gold florins, approximately equal to the combined annual incomes of the kings of France and England at that time. Florence, however, was not alone. Woollen textile manufacture also dominated the economies of other Tuscan cities like Prato, Pistoia, Arezzo and Volterra, which all lost their independence to Florence, and Siena which did not. In Lucca, which also remained independent, the dominant manufacture was of silk fabrics.

Florentine merchants, on the basis of this domestic cloth production, and that of their neighbours, were naturally heavily involved in the sale of woollen cloth, and in the purchase of wool, for example in Spain and North Africa and later in England as well. They were also heavily involved in the supply of grain for the cities of Tuscany and Lombardy and in the import of spices and oriental luxuries from the Levant. By the mid-thirteenth century we have evidence for the first multinational trading companies based in Tuscany, like the Cerchi and the Velluti of Florence, with permanent branches scattered around the Mediterranean, and permanent agents at the Champagne Fairs (a sequence of six fairs in the towns of Champagne that essentially lasted all year). In the second half of the century such companies opened branches in Bruges, Paris and London. The so-called Commercial Revolution of the thirteenth century was heavily focussed on Tuscany. This transformation in the way of trading, involved the replacement of merchants who travelled with their goods by merchants who remained in a head office with agents or subordinates permanently resident in the principal places with which they wished to do business, and professional carriers seeing to the transport of goods, both by sea and by land. This change brought along with it, the development of international banking using the bill of exchange, marine insurance, companies with large numbers of shares that could be sold without breaking up the company, double entry book-keeping, and regular courier services to carry commercial post across Europe. At the same time 'high street banking' was also evolving. Some of these developments did not begin in Tuscany (both local payments through banks and long distance transmission of funds with paper instruments were to be found in late twelfth-century Genoa), but it was in Tuscany and particularly in Florence that all the elements of this commercial revolution came together. Further developments took place there in the fourteenth century, like the holding company and the use of cheques.[1]

The largest commercial companies of their time grew up in Florence. At the end of the thirteenth century the largest company was the Cerchi company (rivaled only by the Buonsignori of Siena), in the first half of the fourteenth century the largest were the Bardi and Peruzzi companies, in the second half of the century the Alberti group of companies and in the middle of the fifteenth century the Medici Group. And this was possible although Florence was not a sea-port, and had no shipping of its own until the fifteenth century. For ports it relied primarily on Pisa at the mouth of the Arno, and its outport, Porto Pisano. For shipping it relied primarily on Genoese shippers from Porto Pisano, which was controlled by Genoa from the 1280s to the 1420s.

As far as commercial finance was concerned, Florence was the leading city in which to raise funds, either for shares in trading companies (the *corpo*), or in additional finance (the *sopracorpo*).[2] When I set out to collect as much as possible of the surviving evidence for exchange in late medieval Europe, I found that, for in the fourteenth century, I was automatically dealing largely with exchange to

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1 Peter Spufford, *Power and Profit. The Merchant in Medieval Europe*, London and New York, 2002, pp.12-59.

2 Peter Spufford, 'Access to Credit and Capital in the commercial centres of Europe', in Karel Davids and Jan Lucassen (eds.), *A Miracle Mirrored; The Dutch Republic in European Perspective*, Cambridge University Press, Cambridge, 1995, pp.303-38. Dutch translation, *Een wonder weerspiegeld*, Amsterdam, 2005, pp.313-340.

and from Florence.[3] For a long time there was no differentiation between international dealing in commodities, and international dealing in exchange. It was the largest commodity companies that dealt most in the transmission of funds from one country to another, and it was these companies that lent to rulers not only from their own resources, but by mobilising funds from others on the basis of the company's creditworthiness. This remained so until the seventeenth and even the eighteenth century. Even at the end of the eighteenth century those dealing with international transmission of funds by bill of exchange still called themselves 'merchants'.

From an early date domestic banking was a particular business, not combined with commodity dealing. In Florence local bankers, members of the *Arte del Cambio*, operated in the *Mercato Nuovo* under the supervision of a *proveditore del cambio* who kept an official record of local exchange rates at the close of each working day.

For the first time public finance, in the sense of loans to rulers, became possible in the course of the thirteenth century. Earlier there had only been loans against the pawning of crown jewels, or on the security of land. It was only when rulers had regular sources of money income from taxation, or expectations of such sources of income, with which to pay the interest, and eventually re-pay the capital, that merchants were prepared to lend to them. Those who lent to the Kings of Naples, or of England relied on the yield of the new customs dues for their repayments.

As far as public finance was concerned it was Florentine companies, the Guidi (nicknamed the Franzesi) and the Frescobaldi, who financed Philip IV of France in his attempt to conquer Gascony and Edward I of England in his defence of it in the 1290s. Two generations later it was the Bardi and Peruzzi companies of Florence who financed Edward III of England in his defence of Gascony against Philip VI's attempt to conquer it. Florentines were not alone in providing public finance. Sienese financiers preceded them, from the Tolomei and Buonsignori who had been financing the political ambitions of successive Popes from the 1250s onwards. In 1265 they, with Florentines like the Cerchi, had been instrumental in helping

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[3] Peter Spufford, *Handbook of Medieval Exchange*, Royal Historical Society, Guides and Handbooks 13, London, 1986.

Charles of Anjou conquer the *Regno* (Sicily and Naples), whilst other Sienese, like the Salimbeni and Piccolomini of Siena had backed the defeated Manfred. For three generations after the conquest of the *Regno*, it was Sienese financiers like the Buonsignori and the Salimbeni, as well as Lucchese merchants, and Florentines like the Cerchi, the Scali and the Bardi in turn, who provided finance for the Angevins rulers in Naples. It was the Riccardi from Lucca who helped Edward I of England to conquer Wales and to bring Scotland into temporary subjection.[4]

Florentine businessmen continued to be important sources of public finance into the fifteenth century. The successful establishment of the Sforza dynasty as rulers of Milan depended in part on Medici money, as did the expansionist policies of Charles of Burgundy, whilst in the 1450s the Castellani had been funding Charles VII in the final stages of his re-conquest of northern and western France from Henry VI of England. At the end of the century the Catholic Kings, Isabella and Ferdinand of Castile and Aragon partially relied on Genoese and Florentines for short-term loans.

Public finance at home in north Italy was based on consolidated funds, *monte*. These were war loans that had been consolidated into permanent state debt. Holdings in the debt received regular payments of interest (out of indirect taxation), and could be sold on an open market for such securities. The Venetians were the first to develop such an institution. For wars and other emergencies the state had relied on loans from its leading citizens since 1197. They had been funding their loans from the 1290s. The consolidation of debt was followed by other Italian cities in the course of the fourteenth century. In Florence such a consolidation of the un-redeemed war loans of the 1330s took place in the 1340s. The new *catasto* of 1427, a complete record of assets of all Florentine subjects throughout Tuscany gave a basis for direct taxation. It was rarely used for such, but more commonly as a basis for yet further forced loans, even when Florence had deeply over-borrowed in the renewed war from the 1420s to the 1450s.

The political decision to use indirect taxes and loans, as opposed to direct taxation of various sorts which was more common in national states, was one that taxed

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4 Peter Spufford, 'The Role of Entrepreneurs in State Formation in Late Medieval Europe', in Simonetta Cavaciocchi (ed.), *Poteri Economici e Poteri Politici secc. XIII-XVIII*, Istituto Internazionale di Storia Economica 'F. Datini', Prato, 1999, pp.492-4.

spending and exempted saved income, and so promoted economic growth. The poorer consumer rather than the rich entrepreneur bore the brunt of taxation in the north Italian city-based states. It was a pattern to be repeated in Flanders, the fifteenth- and sixteenth-century Burgundian Netherlands as a whole, Holland and the United Provinces in the seventeenth and eighteenth centuries. England in the eighteenth century followed the same pattern, and even when the cost of the Napoleonic Wars compelled a direct income tax, it was abolished as soon as possible. In the second half of the twentieth century, west European states partially shifted away from direct taxes to indirect taxation like value added taxes. These taxes, now as then, bear more on the poorer consumer than the richer saver.

Florentine politics was dominated by the richest, aristocratic, members of the key commercial guilds: *Calimala* (import-export merchants), *Cambio* (bankers), *Lana* (cloth manufacturers), *Seta*, (silk dealers and manufacturers) and *Speziali* (dealers in culinary spices, dyestuffs and medicaments). These were men who combined trade or industry with property owning and large holdings in the public debt. Legislation was automatically in favour of business, and the same was true of Venice. The Estates of Falnders, the 'Four Members of Flanders' and the later Estates General, first of the Burgundian and Habsburg Netherlands, and then of the United Provinces were equally trade-focussed. English legislation was much less business oriented, since the landed element dominated the English parliament until well after the reforms of the 1830s. Nevertheless England passed mercantilist legislation, like the Navigation Acts, to protect English trade in the seventeenth century.

The Decline of Florence

By the fifteenth century Florence had lost much of both its industrial and its commercial roles, but it still kept its financial role. Tuscan industry shrunk noticeably by the end of the fourteenth century. The production of cheap woollen cloth collapsed in Tuscany and moved to Lombardy. The silk workers of Lucca too were largely dispersed. Some remained in Tuscany in Lucca itself, and in Florence, but the principal centres for silk fabrics were north of the Appenines in Bologna and Venice. Furthermore the native linen industry of Lombardy expanded enormously. A cotton industry grew up there based on imported Syrian cotton, and a fustian industry evolved combining native flax and imported cotton. The industrial focus of southern Europe had moved from Tuscany to Lombardy.

After the War of Chioggia (1378-81), when they eventually defeated the hitherto expansionist Genoese, the Venetians dominated European sea-trade at a time when land trade had fallen to a minimum. Since the Genoese had been the preferred carriers for Florentine merchants this, combined with the collapse of the domestic industrial base from the 1370s had a restrictive effect on Florentine commerce. After the brief recovery in the years of relative peace from 1402 to 1423, Florentine trade continued to contract. This does not mean that Florence had become poorer. The wealth of the ruling group of Florentines continued to grow, from investment in state bonds, and from investment in trade and industry north of the Appenines. This was a pattern to be repeated in the Dutch Republic in the eighteenth century.

Venice had become the most important commercial city of the Mediterranean in the fifteenth century, with an underpinning of its own silk and glass industries and with textile- and metal-working Lombardy as its hinterland. Just as most of the fourteenth-century exchange rates in my *Handbook of Medieval Exchange* were expressed in Florentine florins, so most of my fifteenth-century rates were expressed in Venetian ducats. The key place for arranging such business was the *loggia dei mercanti*, in the midst of the Venetian financial district at the south end of the Rialto bridge. Across the grand canal was the *Fondaco dei Tedeschi*, where the increasingly important German merchants, with their supplies of central European gold and silver, were based. However, international finance in Venice, as everywhere else in Europe, was still largely controlled by Florentines. Florentine financial hegemony was surviving in the fifteenth century even after the industrial and commercial base for it had gone. This is a pattern which repeats itself again and again.

Bruges

Bruges succeeded Arras as a financial centre after the whole economic focus of the southern Netherlands shifted northwards in the first half of the thirteenth century. In the twelfth century Arras, Lille, Cambrai, Tournai and Valenciennes, in Artois, southern Flanders and Hainault, had been the key producers of woollen cloth. In the thirteenth century they were succeeded by Bruges, Ghent and Ypres in northern Flanders. Cloth production in Ghent was of the same order of magnitude as in Florence, and that at Ypres not appreciably less. Of the earlier centres further south only Douai remained an important producer.

Montreuil-sur-Mer, at the mouth of the Canche, was succeeded as the principal port for the southern Netherlands by Damme, then at the mouth of the Zwin. Bruges itself was higher up the Zwin, which was canalized from Damme.

At the end of the twelfth century the principal route for land trade across the Southern Netherlands was the Cologne-Montreuil road, which from Aachen passed through the Mosan metal-working region, and the textile areas of Hainault and Artois, and then through Arras to the sea. So much was Montreuil the port for textiles that a greater value of textiles was sold at Genoa in 1197 with Montreuil as its declared place of origin, than from any of the actual textile producing towns.[5] In the thirteenth century the traffic artery changed to the Cologne-Damme route, which crossed the Meuse at Maastricht, went across Brabant, through Leuven and Brussels, to Ghent and Bruges in northern Flanders.

Bruges not only became the focal point for the export of the woollens produced in this industrial belt, but also for its linens and its metal goods, both in iron and brass. At the same time it became the key place of sale for imported English wool and of grain, furs, and wax brought by Baltic merchants. When Italian merchants, occasionally at the end of the thirteenth century and more regularly in the early fourteenth century, began bringing goods by galley and carrack straight from the Mediterranean, Bruges was the natural distribution point for such luxury goods for the rulers of Flanders, Brabant, Hainault, and of the principalities of west Germany, and their courts. It was also the point at which Mediterranean merchants met Baltic ones, so that its outports Damme, and later Sluys, became the key places for the trans-shipment of goods from Spain, Italy and the Levant to England, North Germany, Scandinavia and northern Russia – such trans-shipment being arranged, of course, in Bruges. As a consequence, a huge number of different communities became established in Bruges by the fifteenth century. From the south there were not only Florentines, Genoese, Milanese, Venetians, and Lucchese (although not Sienese any more) but also Catalans and two groups of northern Spaniards. From the north there were Hansards and English.

The shift of industry and commerce seems partially to have been an effect of the political expansion of the French king, Philip II. He acquired Artois in 1191. Arras,

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5 R.L. Reynolds, 'The Market for northern textiles in Genoa 1179-1200', *Revue Belge de Philologie et d'Histoire*, viii, 1929, pp.831-51.

however, remained the key mint for the area to at least the 1240s.[6] This suggests that finance stayed longer in Arras, but by the second half of the thirteenth century minting for the southern Netherlands was concentrated at Bruges and Ghent.

As well as taking on the local financial role of Arras, Bruges also inherited the financial role of the Fairs, which, growing up on the basis of the local linen industry, had been the great meeting place for merchants from northern and southern Europe. From the end of the twelfth century Italian merchants, initially Genoese and then predominantly Tuscans, had built up mechanisms for international payment, the prototypes of bills of exchange, and kept agents permanently at the Fairs to transact commercial and financial business, moving from one Fair to the next around the year. In commercial terms the Fairs declined from the mid-thirteenth century as various Italian merchant groups, came to have resident agents in Bruges, Paris and London, closer to their suppliers and customers. However, even when goods were sent by sea rather than overland, the Fairs survived as places for making international payments into the early fourteenth century. Furthermore the Fairs were places where public finance could also be organised. It was at one of the Fairs in 1269 that the Salimbeni and Buonsignori of Siena together with a consortium of Florentine and Lucchese backers provided a loan of 30,000 *livres provinois* for Charles of Anjou, the new King of Sicily.

The Italian communities in Paris and London were in many ways dependent on those in Bruges – which thus became the key place for the financing of business in northern Europe. It is at first sight surprising that Paris was dependent on Bruges and not vice-versa, since Paris, as the largest concentration of customers for Italian goods, might have been expected to succeed to the Fairs! However, when the galleys and carracks rounded Spain to come to the north, they made for the Zwin rather than the mouth of the Seine, since the central position of Bruges had already been established because of its industrial base and its commercial role. This brings us back to the greater importance of industry and exports and trans-shipments as opposed to the immediate market of a great consumption centre.

[6] On the evidence of the Gisors hoard. See Peter Spufford, *Money and its Use in Medieval Europe*, Cambridge, 1988, pp.198-9.

As well as financing business locally and making international commercial payments, it was possible for non-commercial payments to be arranged at Bruges. Papal collectors from Germany and Poland brought cash to Bruges for onward transmission by bill to the *Camera Apostolica*, the papal exchequer.

Public finance too was arranged in Bruges. In the 1270s Sienese merchants were already providing funds for the Countess of Flanders and the Duke of Brabant. In 1306 the Gallerani were making loans to the counts of Flanders and Namur. From then onwards rulers in the Low Countries could rely on being able to raise loans from members of the Italian merchant communities in Bruges. In the fifteenth century loans to the Burgundian rulers were arranged by both Lucchese and Florentines there.[7]

Bruges then was not the first financial centre in northern Europe, but by combining activities previously carried out at Arras and the Champagne Fairs, it became the first to provide a whole range of activities and to dominate financial activity in other cities of the Low Countries as well as in Paris and London.

Antwerp

The strength of Flanders and Brabant originally rested first and foremost on woollen and linen cloth manufacture. By the fifteenth century the manufacture of woollen cloth had shifted appreciably within the southern Netherlands. No longer was it concentrated in the great cities of northern Flanders. It was greatly dispersed. Some manufacture survived in the cities of both Flanders and Brabant, but much was to be found in the small towns of the Lys valley, like Hondschoote, and more in the small towns of North Brabant, where linens were also woven, and in the growing towns of south Holland. In the mid-fifteenth century the Celys, English wool exporters, were selling some of their wool to clothiers in Holland. Holland was even more heavily urbanised than either Flanders or Brabant by the end of the fifteenth century. Forty-four percent of the population of Holland lived in towns in 1525.[8] Meanwhile the metal industries of the Meuse valley had largely moved to Mechelen in the second half of the fifteenth century. All this provided an

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7 Daniel Waley, *Siena and the Sienese in the Thirteenth Century,* Cambridge, 1991, pp.28-32 and 117-118.
8 Jan de Vries and Ad van der Woude, *The First Modern Economy*, Cambridge, 1997, p.61.

industrial hinterland for Antwerp, which was reinforced by new industries that sprang up in the first decades of the sixteenth century, silk manufacture and crystal glass making, which depended on the movement of entrepreneurs from Italy, as did. diamond cutting, when the Portuguese began to import uncut diamonds direct from India, which had hitherto passed through Alexandria to Venice. The printing of books was yet another industry in which Antwerp replaced Venice as the key centre. The growth of the city in itself provoked such industries as brick making, as it had earlier done around Bruges. The demand for energy provoked the development of wind power and the import of peat from Utrecht and coal from Liège. The needs of transporting goods to and from the city provoked road improvement and the digging of canals, with locks, as they had done earlier around Bruges.

The commerce of Antwerp began as intermittent Fair commerce, split between a cycle of Fairs at Antwerp and Bergen op Zoom. The Fairs gradually extended themselves to make a complete yearly cycle, like their predecessors in Champagne and came to be the key places where merchants of many nations based in Bruges met those coming overland from western Germany, particularly from Cologne. The Bergen op Zoom Fairs shrank away leaving the rapidly expanding Antwerp Fairs in possession of the field.

The English were among the first to set up a permanent base in Antwerp, not merely a temporary presence during the Fairs. The English cloth exporters, ‘the Merchant Adventurers’, many of them London Mercers, were not allowed to sell English woollen cloth in Flanders, but were permitted to do so in Brabant, began to keep agents in Antwerp between Fairs. They had been renting warehouses for their cloth in the Bullinckstraat, which acquired the nickname, Engelandstraat, for some time before 1474, when the Antwerp magistrates gave the ‘Fellowship of Merchant Adventurers’ the spacious mansion of the aristocratic Van der Werve family in that street as a corporate base. Since much English cloth was exported unfinished, a considerable finishing industry, particularly dyeing, naturally grew up in and around Antwerp, so that English cloth could be finished there before being sold on to north and west Germany.

The Portuguese too were early in setting up a permanent base in Antwerp. In the fifteenth century merchants from Portugal were bringing in wine and sugar from their newly acquired Madeiras off the African coast. Just as cloth finishing sprang up because of the import of unfinished English cloth, so sugar-refineries sprang up in the vicinity of Antwerp to cope with Madeira sugar. Hitherto European sugar-refining had been concentrated in the vicinity of Venice, but Italian entrepreneurs, seeing the new opportunity, moved, with their capital, to Antwerp. Soon gold and ivory from the African mainland followed. From Lisbon the ivory reached Nuremberg where an ivory carving industry grew up, either via Antwerp and the Rhine and Main rivers, or since ivory was sufficiently valuable, by the long overland across Spain and France.

Shipping from Portugal was partially provided by the ports of northern Spain, with both the trade and the shipping financed from Burgos, partially by Genoese ships, and partially by Portuguese ships, themselves partially financed by the Sephardic Jewish community there, and partially by the Genoese. Genoese merchants, although generally eclipsed in the fifteenth century by the Venetians, still maintained a very strong presence in the south of the Iberian peninsula, at Malaga, Seville and Lisbon. Lisbon and then Seville proved to be the great centres for growth in the second half of the century and even more in the sixteenth century. First Lisbon developed trade to African islands, then to West Africa itself, then to India and more of Asia around Africa. Finally Seville developed an enormous trade with the New World after the discovery of silver in large quantities at Potosi in 1545. In the sixteenth century the Genoese were again far more important than the Venetians both in trade and finance.

In the north, too, change was taking place and shippers from Zealand and Holland were taking over the role at Antwerp, of shipping to and from the Baltic, that Hanseatic merchants had occupied in Bruges. Initially it was Cologne merchants who dominated the overland trade from the Antwerp Fairs eastward to the Elbe and southwards to the Frankfurt Fairs, where they traded with Nuremberg and Augsburg merchants, like the Kress and the Stromer, who themselves were dominating trade between Frankfurt and north Italy, particularly Venice and Milan. By the end of the fifteenth century a new generation of South German merchants, Fuggers and Welsers, came to dominate the whole of land trade between Antwerp and Venice as well as controlling the mining of base and precious metals from Thuringia to Slovakia. Their access to the silver production of central Europe from the 1460s gave them enormous commercial clout.

Furthermore the chance of numerous deaths of rulers without male heirs meant that nearly all the principalities of the Low Countries were combined in the hands of Philip (the Good) of Burgundy. This meant that instead of a large number of princely courts there was a single, immensely rich court in Brussels. In the mid-fifteenth century Philip was the richest ruler in Europe. He began to integrate the administrations of his different principalities in Mechelen. This was a process carried further later in the century by his son Charles and his great-grandson Philip (the Fair). There was no longer a resident count and his court in Ghent was easily supplied from Bruges. The princely market in Brussels and Mechelen was more easily supplied from Antwerp.

Antwerp was gradually taking on the commercial mantle of Bruges. In the same way as Bruges had done, Antwerp was exporting the products of local industry, importing for the benefit of the local ruler and his nobility, and acting as a trans-shipment place between Italy, Spain and Portugal in the south, and in the north, the countries of the North and Baltic Seas.

However finance remained securely in Bruges, where exchange rates continued to be fixed daily on the *Place de la Bourse*. Significantly this was carried out at the Florentine consular house, under its wooden loggia facing onto the square. Goods were increasingly delivered in Antwerp, but payment continued to be arranged in Bruges, just as earlier goods had been delivered in Bruges, but paid for at the Champagne Fairs.

The gradual shift to Antwerp was greatly accentuated by a political shock. This was the civil war of the 1480s, between those who supported the Austrian Archduke, Maximilian, as regent for his young son, Duke Philip (the Fair), and those who supported an indigenous noble council of regency for him. During the war Bruges in the area was controlled by the nobility and Antwerp was in the area controlled by Maximilian. Large numbers of the Italian communities moved from Bruges to Antwerp for the duration of the war. When Maximilian retreated from the Netherlands, peace was restored and Philip declared of age, essentially ruling with the advice of an indigenous noble council. At this point many foreign merchants returned to Bruges where they had consulates and property, but many more remained in Antwerp. In this way an end to the commercial dominance of Bruges was brought about by a political upheaval. In the following years the commercial pull of Antwerp's rapid growth meant that, little by little, those who had returned to Bruges went back again to Antwerp. It was only then that Antwerp replaced Bruges as the financial as well as the commercial and industrial focus of northern and western Europe. There was a time lag of at least three decades between the shift of the commercial focus in the 1480s and the final removal of the money-market from Bruges to Antwerp. In this respect Bruges kept its importance into the 1510s and even 1520s.[9]

In 1485 a wooden loggia called the *Bourse*, after the *Place de la Bourse* in Bruges, was erected in Antwerp, where brokers could be found to bring together merchants who wished to deal in commodities.[10] In 1515 this was replaced by a stone arcade, a northern gothic version of the *loggia dei mercanti* in Venice. Fifteen years later this *Beurs* was regarded as cramped, and in 1531 the city paid for the much grander arcaded courtyard, which became the pattern for *Bourses* and *Exchanges* elsewhere in northern Europe. Specialist exchanges like Stock Exchanges, *Bourses* in the modern sense, lay far in the future. At this point in time the *Beurs* was a place for brokers of every sort to meet. Later came a differentiation amongst brokers, then a differentiation in the places within the single Exchange where they could be found, and only later still a differentiation in the buildings in which they were to be found.

Early in the sixteenth century, the Portuguese began to import pepper and other spices obtained in India, and Antwerp supplanted Venice as the centre for the distribution of spices in Europe. South German merchants bought their spices at Antwerp rather than Venice for distribution to central and eastern Europe. At the same time these same merchants began to arrange for Slovak copper to be sent by way of the Vistula and the Baltic to Antwerp, rather than overland to Venice. There it could be bought by Portuguese merchants for export to Africa, as well as being worked up in Antwerp and its hinterland. Gradually Antwerp was taking on the commercial role not only of Bruges, but also of Venice. Augsburg and Nuremberg merchants were more and more focussing their attention on the Antwerp, rather than the Venetian, end of the main land route of early sixteenth-century Europe. As well as trade with Lisbon, there was also increasingly trade with Seville, financed by a mixture of Genoese, Burgos and Jewish capital. The Seville-Antwerp link grew much stronger in the 1540s with the discovery of the silver of Potosi and later that of Zacatecas, which stimulated a huge demand from

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9 Herman van der Wee, *The Growth of the Antwerp Market*, ii, The Hague, 1963, pp.109ff, 140ff, 199ff.

10 In 1485 a group of Antwerp citizens, wholesale merchants engaged in foreign trade, were permitted by the magistrates to form a 'common college' and to set up a 'common exchange'. It seems to have consisted of a wooden gallery in which brokers could meet. Leon Voet, *Antwerp in the Golden Age*, Antwerp, 1973, p.275.

the New World for European goods, many supplied through Antwerp.

The largest group from the Jewish community in Castile, previously so prominent in financing commerce in Seville, who chose exile rather than baptism in 1492, moved, with their capital to Portugal, only to be presented with the same choice again a few years later. Some chose both baptism and exile, and moved as 'New Christians' to Antwerp where they were initially welcomed and played a large part in the trade with Portugal.

Antwerp was at its most dominant as the commercial metropolis of the west in the 1540s and 1550s. It was just at this time that Christoffel Plantijn came from France to set up what was to become the most prestigious printing house in Europe. He gave as his reasons: "No other town in the world could offer me more facilities for carrying on the trade I intended to begin. Antwerp can be easily reached; various nations meet in this market-place; there too can be found the raw materials indispensable for the practice of one's trade; craftsmen for all trades can be easily found and instructed in a short time."[11]

The boom went on into the early 1560s. By this time the key financiers were no longer Florentines, but south Germans, who had learned from them and overtaken them. It was at Venice and Bruges that the South German business houses of Augsburg and Nuremberg had had dealings with Tuscan businessmen, particularly Florentines, and adopted their patterns of financing business. In the third quarter of the fourteenth century South Germans, like Ullman Stromeir of Nuremberg, were already involved in state finance, with loans to Charles IV, Emperor and King of Bohemia.[12] By the early sixteenth century the Fugger group of businesses had surpassed in scale the previous largest business in Europe, the Bardi company of early fourteenth-century Florence. It was the Fugger who lent to the Emperor Charles V, a Netherlander by origin. Charles V continued to look to Antwerp for finance, even when he succeeded his grandfathers as rulers of the Spanish kingdoms and the Empire. In the late medieval Low Countries a system of public finance had evolved in terms of *renten*, annuities some for a limited number of

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[11] Margaret Spufford, "Literacy, trade and religion in the commercial centres of Europe", in Karel Davids and Jan Lucassen (eds.), *A Miracle Mirrored. The Dutch Republic in European Perspective*, Cambridge, 1995, p.238. Dutch translation, *Een wonder weerspiegeld*, Amsterdam, 2005.

[12] Wolfgang von Stromer, *Oberdeutsche Hochfinanz 1380-1450*, 3 vols., Wiesbaden, 1970.

years, some for life, many perpetual, the interest paid by indirect taxes. In many ways it parallelled the *monte*, the consolidated public debts of the late medieval north Italian states. What the Fuggers were able to provide to Charles was a larger and more instant scale of loan to support him in his French and Turkish wars, to be repaid out of the revenues of his whole group of kingdoms, particularly his Spanish kingdoms. After the 1540s, the imperial fifth of the silver mined in the Americas, provided fresh security for loans when it arrived, or was expected to arrive in Seville. Genoese and Spanish financiers, involved with bullion and with the Seville-Antwerp trade, joined their south German counterparts in lending to governments. During this long commercial boom Antwerp entrepreneurs lent extensively to the English, Portuguese, Spanish and French governments.

The Decline of Antwerp

The first symptom that the expansion of industry, trade and finance in Antwerp would not go on for ever came in the late 1550s when the French, Spanish and Portuguese monarchies all declared that they although they could no longer consider the repayment of the capital of the loans made to them, they would pay perpetual interest on them, at the low rate of 5%. At the same time the English government moved away from Antwerp-based finance and relied instead on loans raised in London. This failure to repay the capital owed to them slowly effected the finances of the firms that had borrowed to lend to governments. During the period 1533 to 1560 Charles V had increased his debt to the Fuggers from 147,000 florins to 2,160,000 florins. Without any repayment of capital from the Emperor, the Fuggers were unable to pay their own creditors and ceased trading. The family retreated into living on the landed estates it had built up during its prosperity and on the precarious income from state bonds. The Fuggers were not alone. Numerous other south German firms became bankrupt in these years and so did those Spanish merchants who had become over involved in state finance. The principal gainers from their collapse were the Genoese, who now became the leading financial element in the city.

The government defaults of the 1550s were followed by a severe commercial and industrial downturn. The long running expansion in trade came to an end in 1563, and in the following year the lack of demand for locally produced products began a period of industrial contraction. With high unemployment and high grain prices, skilled craftsmen began to leave Antwerp and its vicinity in large numbers. In

1564 English merchants had already moved their principal outlet for English cloth to Emden, and Brabançon cloth finishers soon followed them there, and then followed them to Hamburg when the English moved on a few years later. From 1566 other merchants began to leave Antwerp. In that year the farmer of the tolls on goods coming into Brabant by land reported that the number of merchants coming from Germany had dropped by a half. French shipping halved by 1568. In the meanwhile the situation in Antwerp and the surrounding region had become appreciably worse in 1567, as the activities of the newly arrived Spanish army under Alva inspired terror.

The flight of entrepreneurs with their capital and their workforce accelerated. Neither the Flemish linen industry nor the manufacture of says in the Lys valley in and around Hondschoote ever recovered. The de-industrialisation of the southern Netherlands was beginning. Over the next twenty years the commercial and industrial situation went from bad to worse. The sack of Antwerp by the Spanish army in 1577 included the plundering of many of the foreign merchant warehouses. The Hanseatics left Antwerp never to return. The Portuguese *Nation* moved to Cologne and so did most Spanish enterprises. When the *Nation of Portugal* moved from Antwerp to Cologne, the Sephardic Jews amongst them moved away from Antwerp too. The quarter century from 1585 to 1610 saw small groups of Portuguese merchants, including ones of Jewish descent, scattered in Rouen, Middelburg, Flushing, Amsterdam, London, Hamburg and Emden as well as Cologne. Numerous firms from the Netherlands themselves also moved their base of operations to Cologne.

The farmer of the toll on goods entering Brabant by land surrendered his farm as there were no longer any goods being transported. By sea, Middelburg, which had hitherto been a place for trans-shipment of goods destined for Antwerp from sea-going vessels to barges, became the terminus for trade and added a growing merchant community to its existing elite of ship-owners. In its early phases the Revolt of the Netherlands was very destructive to both trade and industry. The 1580s saw both an invasion by an undisciplined French army and the Spanish re-conquest of much of the southern Netherlands including, in 1585, Antwerp itself, whilst the northern provinces were consolidating into a separate state. The 'closure' of the Scheldt by northerners reduced the shipping coming to Antwerp considerably.

Despite this Antwerp still remained the key financial centre in Europe in the following years. Genoese bankers remained the dominant group, but there were also bankers from Burgos and from Lisbon, The prosperity of Burgos rested on wool, iron, wine and woad, that of Lisbon on its Asiatic spices. In 1595 Philip II of Spain was still able to raise a loan of four million écus, secured against his regular income, to be repaid in monthly installments at Antwerp. And it was not only state finance that depended on the Antwerp money market. Even the trade with the 'rebellious' northern Netherlands by Italian, Spanish, Portuguese and southern Netherlands merchants was financed in Antwerp.

It was only at the end of the 1590s that the money market in Antwerp began to collapse. The third default by the Spanish state in 1596 provoked a wave of bankruptcies in Spain itself and in Antwerp. For finance, although no longer for industry or trade, Antwerp still remained the centre until the first decades of the seventeenth century. Just as there had been a four-decade time-lag at Bruges between the decline in its roles as a commercial centre and as a financial centre, so there was a similar time-lag in Antwerp.

The Succession to Antwerp

The scattering of commerce was very considerable. Since the 1560s, traders had been moving from Antwerp to Seville, Rouen, London, Liege, Aachen, Cologne, Frankfurt, Middelburg, Emden and Hamburg as well as Amsterdam. It was by no means clear which if any of these places might be heir to Antwerp. The scattering of merchants meant a spreading of financial know-how to a number of new places. Bills of exchange were much more widely used in northern Europe and companies with shareholders were set up in places where they had not been known before. By 1610 it was as possible to buy and sell shares in Amsterdam, Middelburg, Hamburg, Cologne and Rouen as it had been earlier in Antwerp and Frankfurt. Hamburg had been the first to build a *Börse* in 1558 in imitation of the Antwerp *Beurs*, even while the commercial boom in Antwerp was reaching its climax. It had a developed infrastructure ready to receive Antwerp merchants as they left that city from the 1560s onwards. During the first wave of difficulties in Antwerp, London too began building an Exchange in 1566, equally in imitation of the Antwerp *Beurs*. It was opened in 1571 and also made London attractive to those leaving Antwerp.

Rather later than Hamburg or London, Amsterdam, too, deliberately competed to attract wealthy and enterprising migrants in the 1580s by offering a safe haven from the Spanish. In 1588 the States General gave those of the Nation of Portugal permission to trade freely in the United Provinces, and by 1592-3 this included some New Christians. The first Portuguese to acquire citizenship in Amsterdam was one of these, Manoel Rodrigues Vega. He had been born in Antwerp and reached Amsterdam by way of London. One of his brothers moved first to Rouen and then to Rotterdam, another went to Brazil, and another to Guinea. He was a very worthwhile migrant to have attracted. Not surprisingly he used family and Portuguese contacts to trade not only with Portugal itself, but also with the Madeiras, Brazil, Morocco, Venice, and Emden, and also Gdansk. He invested in the United East India Company (the VOC) on its foundation in 1602 and brought silk spinning to Amsterdam. He was not alone. By 1610, 350 of the scattered Portuguese Jews of Antwerp had re-concentrated themselves and their capital in Amsterdam, where many of them felt free enough to throw off their forced 'New Christian' identity and worship as Jews once again. They shared in the great growth in the overseas trade of Amsterdam during the 12 years truce from 1609 to 1621, specialising in trade with the New Christians remaining in Lisbon and Oporto, and in importing Portuguese colonial wares, ranging from Brazilian sugar, for which they set up refineries in Amsterdam, to uncut diamonds from Goa, which they proceeded to have cut in Amsterdam as they had earlier done in Antwerp

Furthermore in southern Europe there was another pole of financial activity to attract. Although Antwerp was the greatest clearing house for international payments, it was not alone. For much of the sixteenth century Lyons was important for southern Europe. Here too the Genoese had replaced the Florentines as the key group of Italians, as they had at Antwerp. When the Genoese moved away from Lyons, the Genoese-regulated 'Besançon' exchange Fairs held at Piacenza took their place for over forty years from 1579 onwards.

Amsterdam

Although the commercial elements in Antwerp, particularly the foreign Nations, scattered very widely, the native industrial craftsmen moved in a much more coherent pattern from Flanders and Brabant into Zeeland and south Holland, where they could speak the same language and could still look to Antwerp as the principal market for their products. The exception seems to have been the French speaking textile workers from the upper Lys valley who migrated to England in 1560s and

1570s, where they helped expand the English ‘new draperie’. Holland was already heavily urbanised and well developed before 1580 in both trade and industry. The key trade of Holland merchants was the mother-trade (*moedernegotie*) with the Baltic, in which, together with the control of the bulk trades in the North Sea, they had succeeded to the Hanseatic merchants of the later middle ages. The brewing industry of Holland depended on imported Baltic grain. The ship-building industry provided for the Baltic and North Sea shipping of Dordrecht, Middelburg, Enkhuizen and Amsterdam, and for the herring fishing fleets. Peat digging was already commercially developed to supply Antwerp’s huge demand for fuel in the sixteenth century. Peat reserves in an area to the east of Utrecht were exploited by commercial *veencompagnie*, peat companies. In 1550 Gilbert van Schoonbeke, an Antwerp brewer and urban developer, led such a company. It was rapidly copied by Utrecht investors. Included in the costs were digging canals to bring the peat out. The company format was also used for mobilising shareholders into the expensive business of land reclamation. From the 1540s coastal poldering began on the pattern of that carried out in Flanders. This preceded lake drainage, which began with small lakes around Alkmaar in the 1560s. There were already woollen and linen industries in Holland, and these expanded remarkably with the huge influx of textile workers from the south in the decades after 1580. Migration slowed in the early seventeenth century, but by then there was a solid industrial base to bolster the trade of the ports of Holland and Zeeland. Well into the seventeenth century, however, there was a continual, if reduced, flow of textile workers to the north, especially to the area around Leiden. There was also a considerable migration of shipbuilders and seafarers from North Holland, Friesland and the German coasts.

It was this industrial base, and the commerce that went with it, that ensured that Amsterdam, out of all the possible places, should be the city to which the financial centre moved from Antwerp. It is not surprising that Antwerp contracted from a city of around 100,000 people to around 40,000, nearly back down to the numbers implied by the 1496 hearth tax. At the same time Amsterdam grew to a population of just over 100,000 by 1622.

For those with property, movement was more difficult. Arrangements had to be made. For example Ortelius’ good friend the printer, Christophel Plantijn, bought Lodewijk Elsevier’s houses and other properties in Antwerp to enable him to leave in 1580. Five years later he handed over his printing house and other property in Antwerp to his daughter and son-in-law before leaving himself to join Elsevier in Leiden in 1585, when the Spanish re-conquered Antwerp. Others left property behind. Under these circumstances it is not surprising that many of those who left Antwerp in these years thought of their move as temporary. Some indeed returned, like Plantijn who came back to Antwerp to die there in 1589. Elsevier remained in the northern Netherlands with his publishing business. The temporary feel of the exile from Antwerp can be seen in the way that, for two decades, brokers in Amsterdam carried on their business of bringing merchants together in the open air on the Nieuwe Brug, or in wet weather inside the Oude Kerk. It was only with the opening of the twelve-years truce in 1609 that it was apparent that the old Burgundian Netherlands had been permanently transformed by the course of the war into two separate states and that there was to be no general return to Antwerp. Seen in this light the eventual building of a Beurs building in Amsterdam in 1611, self-consciously modelled on the eighty-year old Beurs building in Antwerp was profoundly symbolic in its statement that the Netherlands economic community, and indeed that of western Europe, was now definitively centred on Amsterdam, rather than happening to be there temporarily, waiting for a return to Antwerp. It was now worth while for great merchants to take root and build themselves permanent housing on an appropriate scale. The grand canals were laid out. Work began on the first section in 1613, and the great Amsterdam building boom took off.

The existing range of enterprises all revived. For example from 1612 Amsterdam investors were setting up companies to exploit the Drenthe peat. There was a short period of intense drainage activity by companies set up for the purpose between 1610 and 1640 and a longer period of canal construction between 1631 and 1665.[13] Holland became a major exporter of windmills, ships and ribbon frames. As well as reviving and expanding existing undertakings, fresh industrial enterprises continued to be attracted to Holland. Fustian weaving was borrowed from Swabia. Leadership in print was taken over from Antwerp. Information was one of the keys to successful trade in all the successive commercial centres. In Amsterdam printed newspapers with a commercial slant were available for the first time, as well as the traditional manuscript reports. A chemical industry grew up drawing on technology from Venice, previously the centre for chemical industry. Processes involving mercury were brought to Amsterdam in the 1690s direct from Venice.[14]

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13 De Vries and van der Woude, *op.cit*., pp.28-9 and 39.
14 Karel Davids, 'Shifts', pp.344-5.

As well as continuing commercial and industrial enterprises, there were also some new ventures. The most spectacular of these was the deliberate promotion of trade with the East Indies, breaking into what had been a Portuguese monopoly. The precursors of the United East India Company (VOC) began to be set up in the 1590s. One of these, the New *Brabant* Company, proclaimed by its title its roots in the south. It was set up by entrepreneurs who had moved from Antwerp and was heavily financed by capital brought from Antwerp. Some of these *voorcompagnies* merged into the *Verenigde Zeeuwse Compagnie* and the *Verenigde Compagnie te Amsterdam*, which were the immediate predecessors of the Middelburg and Amsterdam chambers of the VOC. When the united company was formed in 1602, over 300 of the initial 1,143 shareholders in the Amsterdam chamber were men from the southern Netherlands, largely from Antwerp, and they contributed some 40% of the initial capital.

For local banking Amsterdam initially used the same system as in Antwerp of *kassiers*, who held accounts and made payments for their clients. Not all *kassiers* were financially sound, so another new venture was the *Wisselbank*, set up on the model of the Venetian central bank, in 1609. It was not a central bank like the later Bank of England, but a secure replacement for the insecurity of banking with a *kassier*. Payments could be made from account to account like medieval local banks, but with a great deal more security. Like medieval local banks it also supplied the mints with bullion, or old or foreign coin brought in by depositors. Furthermore the *Bank van Leening* was set up, initially along the lines of the *monte die pieta*, the charitable municipal pawnshops so common in Italy. It soon became a source for loans for trade and industry as well.

It was not only merchants and craftsmen who moved from south to north. A minimum of 442 schoolteachers moved from the southern to the northern Netherlands especially, but not only, in the 1580s. From Antwerp alone 116 teachers moved, and there was a considerable exodus from Brussels also. Even the small towns and rural areas provided an important number of teachers for the Republic. The boost given to education in the north, and commercial education in particular, by these people can scarcely be over-estimated. There were, for instance, 132 teachers in Leiden between 1575 and 1630 of whom two-thirds had moved there from the southern Netherlands.[15] There was a corresponding

[15] Margaret Spufford, 'Literacy'.

vacuum in the availability of commercial education in the south.

As well as the Antwerp men who re-gathered in Amsterdam at the beginning of the seventeenth century, other merchants joined them at the same period, like the young Scots merchant Henry Hope who founded an increasingly prosperous Amsterdam merchant-banking dynasty. Throughout the seventeenth century more and more entrepreneurs with their capital were drawn into the city. Even at the beginning of the eighteenth century, merchant-banking immigrants were still moving to Amsterdam with their capital. They included the French and Swiss Protestant bankers Jacques and Daniel Hogguer from Lyons, Jean-Jacques Horneca from Geneva, George Grand from Lausanne, and Johannes Goll from Frankfurt, all following Manuel Teixeira, of Portuguese Jewish descent, who moved his centre of operations in 1698 from Hamburg.[16] Hogguer and Horneca joined to form the second biggest private bank in the city in the third quarter of the eighteenth century.

Industry and trade in the maritime provinces of the northern Netherlands, Zeeland, Holland, Friesland and Groningen went on increasing, albeit with setbacks, for most of the seventeenth century. The Baltic trade still continued to be the most important. In 1636, 40% of all European imports to Netherlands came from the Baltic, compared with only 15% from the British Isles. A handful of key commodities were carried in each direction. Salt, herring, wine, textiles and assorted colonial goods were shipped from the Netherlands into the Baltic, whilst rye, wheat, and other grains, wood and iron were carried on the return journeys. It was an unbalanced trade, as it had been in the middle ages. Attman's estimates show how large and imbalanced the Baltic trade was. Despite everything exported to the Baltic, the trade needed 4,375,000 guilders of bullion to be sent out annually in the 1660s.[17] On the other hand there was an enormous trade deficit from the southern with northern Netherlands in the seventeenth century, which meant a massive outflow of southern coin to the Republic, nearly as great as that from the Republic to the Baltic. Between 1612 and 1675 the Habsburgs had some 200 million guilders worth of silver *patacon* and *ducaton* minted in the southern Netherlands, a large part of which circulated in the north.

[16] De Vries and van der Woude, *op.cit*., p.156.
[17] J. Thomas Lindblad, 'Foreign Trade of the Dutch Republic in the Seventeenth Century', in Karel Davids and Leo Noordegraaf (eds.), *The Dutch Economy in the Golden Age*, Amsterdam, 1993, pp.229, 233.

Decline of Amsterdam

The long running expansion of Dutch trade clearly slowed appreciably in the late seventeenth century, but there is argument about dating the onset of Dutch economic decline. Jonathan Israel put the 'zenith' of Dutch world-trade hegemony in 1672.[18] On the other hand Thomas Lindblad believed that the dynamism of Dutch foreign trade had not succumbed by the end of the seventeenth century. He admits that there was contraction from the 1650s to 1670s linked to increased protectionism in England and France and to prolonged warfare. There were Anglo-Dutch wars in 1652-3, 1665-7 and 1672-3 and Baltic wars in 1657-9 and 1674-80. Nevertheless recovery began immediately in 1681, and gained momentum through 1680s. The accession of the Stadholder William of Orange as King of England in 1689 opened up London's commodity and money-markets to Dutch traders. Their security and accessibility proved irresistible to them.[19] There was a fresh decline in wartime years around 1690 and 1696-7, but a further recovery began again after the Peace of Rijswik in 1697, which, among other things, strengthened Dutch commercial relations with France, by offering preferential import duties.[20] However the wars between England and France continued intermittently to 1713 and the Dutch could not but be involved. In 1703 England pressurized the States General to prohibit trade with France and Spain, but the embargoes lasted barely a year. There was a Dutch wartime boom, with English goods being transported to France and Spain via Holland. After the war there was a short lived recovery of Dutch woollens. In 1718 Leiden produced 82,000 pieces, rolls of cloth. However, the burden of servicing the loans necessary to wage the wars between 1672 and 1713 proved crushing in the long run, and there was little growth in either trade or industry after that date.

Some indicators suggest that the peak had been reached earlier. By 1675 the proportion of the population of Holland who lived in towns had risen to 61%, far higher than anywhere else in Europe, but then de-urbanisation began. There were no new urban extensions after 1680.[21] In 1670 the total capacity of Dutch shipping reached around 394,000 tons. It was no greater in 1780, and by then a

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[18] Jonathan Israel, *Dutch Primacy in World Trade 1585-1740*, Oxford, 1989.
[19] David Ormrod, *The Rise of Commercial Empires, England and the Netherlands in the Age of Mercantilism, 1650-1770*, Cambridge, 2003, pp.88-9.
[20] Lindblad, 'Foreign Trade', p.228.
[21] De Vries and van der Woude, *op.cit.*, p.65.

lot of the capacity was used for carrying goods for foreigners. Only a small part of this shipping was destined for Asia. The tonnage of shipping going from the Netherlands to the East had reached 16,680 tons by 1675 and went on growing slowly to 19,700 tons in 1715. The scale of Dutch Asiatic trade then remained static for the next half century. The tonnage of shipping going from the Netherlands to Asia remained at around the 20,000 ton level until 1765.[22] It then collapsed, even before the by then ill-managed VOC succumbed to the English onslaught in the Fourth Anglo-Dutch War of 1780-4. In the meanwhile English shipping had enjoyed rapid growth in and from second half of the seventeenth century. With 323,000 tons in 1702 it was already not so far behind the Dutch. The scale of English merchant shipping overtook the Dutch in the first half of the eighteenth century. It reached 421,000 tons in 1751 and just went on growing into the twentieth century.[23]

The northern Netherlands also ceased to be the most industrialised and technologically advanced area of Europe. In this too they were gradually overtaken by England. Innovations still continued through the eighteenth century, right up to the introduction in the last years of the Republic of cotton-velvet or ‘Turkish’ satin in Leiden, which had never been made in the city before. However manufacture increasingly suffered from restrictive practices, not so much from regulation by their own guilds, which often fostered innovation, but constraints placed by others, for example importers who pushed up prices of raw materials for their own profit. The faience makers of Delft complained about the difficulties and costs of getting the appropriate clay from Tournai. Gouda pipe-makers suffered too. Haarlem silk manufacturers were unable to enforce formal agreements with the VOC to import regular supplies of raw silk for them and not to bring in finished silks. Not only did institutional rigidities grow in the eighteenth century, but there was no longer spare civic money for financial aid to industry, because of the high level of public debt. The lack of energy does not seem to have been a great problem. Dutch industry did shift from peat to coal as its next most important source of energy after wind-power. But there was a comparative price disadvantage to the Dutch, for coal imported from Britain was naturally dearer than coal used in Britain. Karel Davids has pointed to the “Stark

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22 Russell R. Menard, ‘Transport costs and long-range trade’, in James D. Tracy, *The Political Economy of Merchant Empires*, Cambridge, 1991, p.251.
23 Ormrod, *op.cit*., p.276.

fact that collaboration between science and industry failed to emerge in the very period that relations between the two became rapidly closer in Britain", that is in the first three quarters of the eighteenth century. This was not due to a lack of potentially useful knowledge. Herman Boerhave's significant advances in chemistry were made at the University of Leiden, but they were taken up not in the Netherlands but in England by industrial chemists like Thomas Henry, and in Scotland by engineers like John Roebuck and James Watt. Boerhave's *Elementae chemiae*, published in Latin at Leiden in 1732, was already available in English by 1735.[24]

Even if Dutch trade, industry and technology were stagnating, Amsterdam still remained the financial centre of Europe right through the eighteenth century. The actual buying and selling of bills of exchange was centred on Amsterdam. When at the end of the seventeenth century the correspondent of a Scottish firm received the order from Scotland to buy Swedish copper to send to Scotland, the business was transacted in Stockholm, and the copper sent direct to Scotland, but payment was made in Amsterdam.[25] In the 1760s and 1770s continental purchasers of Wedgwood's pottery and Lancashire and West Riding textiles still naturally paid with bills in Amsterdam. The buying and selling of bills was largely conducted by the city's colony of Sephardic Jews, who connected it with the precious metal trade. These linked Jewish specialisms, in the hands of firms like Goldsmid and Moccata, continued well into the nineteenth century, but by then in London rather than Amsterdam.

Amsterdam's importance as a capital market grew even in the midst of commercial decline. After the French wars government debt had reached the prodigious sum of 300,000,000 millions of guilders. Interest payments on the debt exceeded 20,000,000 guilders a year.[26] Just to pay this interest meant a crippling burden of mainly indirect taxes, which with high prices and consequent high wages was a crippling burden for manufacture. On the other hand it was a splendid source of unearned income for those who owned government securities. This income was not invested at home in industry or commerce, but rather invested abroad in

24 Davids, 'Shifts', p.353.
25 Jacob Price, 'Transaction costs: a note on merchant credit and the organization of private trade', in James D. Tracy, *The Political Economy of Merchant Empires*, Cambridge, 1991, p.284.
26 De Vries and van der Woude, *op.cit.*, Table 4.8, pp.120-1.

plantation loans, in foreign government bonds, and in English companies, especially the Bank of England and the East India Company. In this way although trade and industry were declining, Amsterdam became more and more the capital market for all of Europe. It was the ideal place from which enterprising owners of capital could invest abroad. Already in 1763 Dutch foreign investments totalled 200 million guilders, of which over half was invested in England. By the 1770s foreigners were paying Dutch investors some 15 million guilders a year in interest, and double that by 1790. In 1773 the first investment company was floated in Amsterdam for those who wanted to spread their risks. This was the principal reason why the wealth of the Netherlands continued to grow right up to the 1790s, just as it did in fifteenth-century Florence, in its own period of declining trade and industry.

In the last quarter of the eighteenth century, Dutch banking had however become extremely vulnerable.[27] Amsterdam's bankers, despite the city's pre-eminence as a financial centre had suffered a severe blow as a result of the crises of the 1760s and 1770s. Even some of the largest firms like Hogguer, Horneca & Co. or Goll & Co. were not immune. It is not surprising that many of them, foreseeing Amsterdam's possible collapse, transferred some of their assets to other places, particularly London, like Gerard van Neck and the Barings, and, in 1760 Abraham Ricardo, the father of David Ricardo the economic theorist. They were of course following in the steps of those who had moved from Amsterdam to London to open up new opportunities soon after 1688, like the Sephardic Machado and Medina families which had already moved from Castile to Portugal to Antwerp to Amsterdam.

Lending to foreign governments went on being carried on from Amsterdam to the end of the Republic and then the same people arranged similar loans from London. In the seventeenth century substantial loans had been made to the rulers of Brandenburg, Denmark and Sweden. William III as King and as Stadholder also borrowed heavily in Amsterdam, to finance his wars. Although the centre of European industry and trade had moved decisively to England in the course of the eighteenth century, finance remained in Amsterdam right up to the 1790s. Hope & Co., the most considerable banker there, arranged ten loans to Sweden

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[27] Pit Dehing and Marjolein't Hart, 'Linking the fortunes: currency and banking, 1550-1800', in Marjolein 't Hart et al (eds.), *A Financial Hhistory of The Netherlands*, Cambridge1997, p.61.

(1767-87) and then eighteen to Russia (1788-93). Loan contractors retailed bonds not only on the Amsterdam Bourse, but also throughout Europe by way of the Amsterdam Bourse. Loans were transferred by bills of exchange, and interest and repayments were remitted back in the same way.[28] From Amsterdam Henry Hope handled the Spanish loan of 1792 when Spain was fighting against France. When Henry Hope moved to London in October 1794 it was a sign that the end had come. Alexander Baring was left to follow in January 1795. Shortly afterward the Dutch Republic collapsed in the face of the French invasion.

London

In 1802, after the Peace of Amiens, Henry Hope remained in London, but financed John Williams Hope to start a new Hope firm in Amsterdam. He was still not certain that the Amsterdam market might not revive. By the end of the war it was quite clear that it would not.

Another Amsterdam banker, Aaron Goldsmid, with Ashkenazi not Sephardi roots, had moved to London shortly before 1750, where he and his son George carried on business as 'merchants'. They retained their business connections with Holland and, like other mercantile houses of Dutch origin settled in London, dealt extensively in drafts and remittances on Amsterdam, still the most important money market in Europe, and on Hamburg and other German towns. In 1797, after the fall of Amsterdam, their 'bill of exchange line' with Hamburg predominated. It was his second son Asher who entered into partnership with Abraham de Mottos Mocatta as bullion broker to the Bank of England. His third son Benjamin went to Amsterdam to gain business experience and on his return, with his younger brother Abraham, set up in 1776 as bill brokers. These were the middlemen between the merchant and the monied interest, a sort of broker hitherto unknown in London's Royal Exchange. They were the first of the London discount houses. Until then there had not been specialised brokers. The most natural course had been for the brokers who had put together buyers and sellers of merchandise to dispose of the bills received in payment. After 1793 the Goldsmid brothers turned their attention to acting as brokers, to find purchasers for short-term government

[28] S.R. Chapman, 'The Evolution of Merchant Roles in Eighteenth-Century Finance' in R.C. Michie (ed.), *The Development of London as a Financial Centre*, i, 1700-1850, London, 2000, pp.39-40.

securities such as Exchequer bills. These were negotiable instruments first issued in 1696 and transferable by endorsement. They carried interest and were sometime issued for three months and sometimes for a year. In wartime it was usually impossible to repay and so the owners were invited to exchange them for long term funded debt. Between 1797 and 1810 the Goldsmids found purchasers for the bulk of the £330,000,000 Exchequer bills not taken up by the Bank of England.[29] In 1815 Alexander Baring, also formerly of Amsterdam, was the leading member of the underwriters for £30,000,000 of 3% Consols, the proceeds being used to subsidize the allies against Napoleon when he escaped from Elba. The money, although raised in London, was drawn in from St Petersburg, Hamburg, Amsterdam, Frankfurt, Basel, and Vienna.[30] London was now the central point for public finance and Amsterdam one of the satellites. In 1792 the London market had still followed Amsterdam. In 1815, when the wars were over, the Amsterdam market was subordinate to London.

As well as those from Amsterdam, others fled to London during the Napoleonic wars, for example the Schroders from Hamburg, and the Rothschilds from Frankfurt. Nathan Rothschild, who had come over in 1799, was, by 1814, financing the war against France with the resources of the Continent mobilised through the London capital market.

Like eighteenth-century Amsterdam, nineteenth- and twentieth-century London was the ideal place for enterprising owners of capital to invest abroad. Already in 1860, British net holding of overseas assets, only some ten million pounds in 1810, had grown to £360 million.[31] That was only a beginning. In the second half of the nineteenth century English investors of capital began to build up a prodigious ownership of assets throughout the world. For more cautious investors, investment trusts, from the Foreign and Colonial Investment Trust onwards, followed the example Amsterdam investment companies a century earlier. If there had been a continuous history of growth in British overseas investment from the nineteenth century to the present, Britain would still be by

[29] S.R. Cope, 'The Goldsmids and the development of the London money market during the Napoleonic wars', in R.C. Michie (ed.), *The Development of London as a Financial Centre*, i, 1700-1850, London, 2000, pp.177-201.

[30] Larry Neal, *The Rise of Financial Capitalism*, Cambridge, 1990, pp.180, 186-9.

[31] C.H. Feinstein, 'Capital Formation in Great Britain', in Peter Mathias and M.M.Postan (eds.), *Cambridge Economic History of Europe*, vii, Cambridge, 1978, p.68.

far the world's largest creditor nation. However the British government compelled British investors to sell off all their overseas assets in both the First and the Second World Wars. Nevertheless, over the last half century, British investors have for the third time built up a huge portfolio of foreign assets.

The growth in British trade and industry in the eighteenth century accelerated in the first half of the nineteenth century. Textiles remained the leading industrial sector for a surprisingly long time, although iron and steel, coal and chemicals eventually overtook them. British industry kept ahead of the competition from Germany or the United States for much of the century, but there seems to have been a crisis of management after the 1870s, and competitors in manufacturing drew ahead. British trade, however, continued to grow until the First World War, helped by the expansion of Empire. When British trade and industry did decline it was a long slow process. Britain still had considerable remnants of its manufacturing capacity as late as the 1970s. Britain still had the world's largest merchant fleet in 1957. Although other fleets were growing much faster, Britain's went on growing slowly to the mid-1970s, when it reached a high point of 31 ½ million tons, and then went into a rapid decline. By then it was much like Dutch shipping in the eighteenth century, carrying goods for foreigners. By 2001 Britain's merchant fleet was only 3 ½ million tons, less than 1% of the world's shipping. Nevertheless London still remains the world centre for shipping finance, both ship-broking and marine insurance.[32]

Once again, a financial centre remained dominant even after it had ceased to be at the leading edge in trade and industry. Its survival is the more surprising in view of the actions of British governments. Not only was there the compulsory sell off of overseas assets, but a sequence of regulations of the activities of the City of London, made for the perceived advantage of the British government, or people, which made it less competitive from 1914 onwards and particularly after 1931. Sterling remained the predominant currency from the nineteenth century into the 1930s. It was only following its departure from the gold standard in 1931, that sterling suffered from recurrent troubles. At the end of the Second World War it seemed that London had already lost its position to New York as the world's leading financial centre. New York had added an international role to its leading

[32] Ian Friel, *Maritime History of Britain and Ireland c.400-2001*, London, 2003.

position in North America from the onset of the First World War, and London was clearly declining from the 1920s through to the 1950s. It seemed then that London, as well as ceasing to be most important globally, would also give way to Zurich as the most important centre within Europe. By 1946 the United States was the most significant economic power and consequently the importance of the US dollar increased. It was eventually the sterling crisis of 1957 which gave great impetus to the use of dollars to finance foreign trade. In the 1960s, both the emerging United States balance of payments deficit, and the corresponding growth in dollar holdings all over the world, accompanied a great growth in international trade, made for a huge international dollar market. It is surprising that it was not until the 1960s that the dollar became the dominant international currency rather than the pound.

Oddly that was not the end of London's role as a financial centre, but the beginning of the revival of its position as the world money market.[33] Beginning with convertibility in 1958, and further deregulation in the 1960s, at the same time as tighter regulation in New York, the greater freedom allowed the city to expand its activities enormously and gave it a new lease of life, so that at the opening of the twenty-first century, although New York is the largest financial centre, by virtue of its place within the north American economy, it is again less important than London in international terms.[34]

The key to the revival of the 1960s has been attributed to government de-regulation. However, I see as more important the fact that the city of London kept command of an international payments network, through which financial transactions between nations could be channeled and in this respect always more important than New York. By 1913 there were already 73 foreign banks with branches in London. In 1961 this had barely changed, foreign banks had not closed their London branches. From the 1960s there was a colossal expansion in this global presence in London. By 1998 there were nearly six hundred foreign banks in London, when New York only had three hundred, and Tokyo only one hundred.[35]

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[33] R. Shaw, 'London as a financial centre' in R.C. Michie (ed.), *The Development of London as a Financial Centre*, iv, 1945-2000, London, 2000, p.200.

[34] R.C. Michie, 'Reconstructing a colossus - the City of London since 1945', in R.C. Michie (ed.), *The Development of London as a Financial Centre*, iv, 1945-2000, London, 2000, p.vii.

[35] R.C. Michie, 'The rise and rise of a global financial centre – the City of London since 1700' in R.C. Michie (ed.), *The Development of London as a Financial Centre*, i, 1700-1850, London, 2000, pp.x-xi.

Like late eighteenth-century Amsterdam, London at the beginning of the twenty-first century is thus host to a very cosmopolitan banking world. The Hong Kong and Shanghai Banking Corporation (HSBC) moved its headquarters from Hong Kong to London in the 1980s. Although it runs a large English retail banking operation (formerly the Midland Bank), the main areas of its business are still in East Asia and, more recently, in the United States, rather than in Europe. Without long roots in London such banks are free to move on when the time is ripe. In many ways the key banks in London are not the British clearing banks like Lloyds and Barclays, but the big international banks like the Citigroup, Goldman Sachs, Morgan Stanley and Lehman Brothers of New York, HSBC from China, Deutsche Bank from Frankfurt, ABN-Amro from Amsterdam, and UBS and Credit Suisse First Boston from Zurich. The only truly British Bank that even begins to be in this league is the Royal Bank of Scotland.

Despite the growth of the Frankfurt Börse and the combined Amsterdam-Paris exchange, the London Stock Exchange is still far larger and is the second largest in the world after New York and ahead of Tokyo. Increasing numbers of firms from all over Europe, including Russia, are obtaining listings. It is however a slightly bizarre phenomenon that both the German and the combined Amsterdam-Paris exchanges have very recently attempted to take over the London exchange, rather than vice-versa.

I hope I have shown that there is an extreme stickiness in financial centres. They fail to move until long after industry and trade have moved away. The presence of a sound industrial base and an exceptional trading network seem to be pre-requisites for the establishment of a financial centre. However the continuance of a financial centre does not seem to depend on the survival of either the industrial base or the trading network. From the Champagne Fairs through Florence and Bruges, Antwerp and Amsterdam to London, financial services have gone on for decades after the trading network went into decline. Nor does the financial centre depend on local financiers, but on a shifting group of international bankers. In Champagne the Genoese and Sienese were the most important players, in Venice and Bruges, the Florentines, in Antwerp the South Germans, the Genoese and eventually ‘New Christians’ from Spain and Portugal, in Amsterdam the same Sephardic Jews and bankers from Scotland and Geneva, in London initially men who had been active in Amsterdam, but now Americans, Swiss Germans, Dutch and Chinese. Jan de Vries and Ad van der Woude wrote of the “rootless cosmopolitanism” of the banking families of eighteenth-century Amsterdam with their origins in all parts of Europe, and consequently no loyalty to keep them in Amsterdam when it was no longer to their advantage. And yet they stayed in Amsterdam for half a century after Holland had lost its economic leadership to England. Now they have stayed in London for an even longer period since Britain lost its economic leadership to the United States. Is the financial centre in London now as fragile as Amsterdam in the last quarter of the eighteenth century?

The prime element in this survival seems to me the fact of the creation of financial networks that survive even when separated from trade networks. As late as the 1790s Henry Hope and Alexander Baring could still raise money from all parts of Europe from Amsterdam. Twenty years later Alexander Baring was using the same international network, but now from London. The only reason why Amsterdam eventually succumbed was political, the fear of what would happen to financiers when revolutionary Frenchmen were in charge of Amsterdam. Similar political reasons seem to have been at the end of other financial centres. The Champagne Fairs survived until the heavy hand of Philip IV of France was laid on Champagne. Antwerp survived because the scattering of its merchant community actually reinforced the financial networks. It was only when it became clear, during the twelve years truce, that Amsterdam was far more important a centre than Hamburg or London or Rouen, that it was apparent where to go. The end of toleration of ‘New Christians’ in Antwerp was a strong contributory reason. Now what of London? What political factors could move the financial centre from London? The British governments decision in 1986 to de-regulate the London Stock Exchange, opened up the securities market to multi-national, often foreign owned banks. This was a positive step for London since the rapidly growing global capital market is currently based in the City. On the other hand the British government failed to take the opportunity of joining the Eurozone when it was being planned, which means that Frankfurt rather than London gained the European Central Bank. The long-term consequences of this are not clear. Within Europe, if not in the world, Germany is still the leading manufacturing and exporting country. But is the future to be seen in European terms?

At the end of the twentieth century we became accustomed to the existence of three dominant financial centres in different time zones – New York for the Americas, Tokyo for East Asia and London for Europe, with instant communication between them. Together they provide for non-stop financial activity around the world and around the clock. But is the three-legged-stool already out of date? It may be that, with the use of electronic communication, there is already no need for three dominant financial centres in the world, in the same way that the two centres, one for southern Europe, and one for the north, of the fourteenth century had given way by the seventeenth century to a single dominant centre. Does there need to be a successor in Europe? If one financial centre is enough, New York looks likely. It is currently a larger, but far less global market place than London. However, political considerations may mean that a United States prone to swinging towards Republicanism, and even protectionism, would not be a good environment for a multi-national network, which is quite happy to deal with financing business or governments under régimes that might be temporarily anathema to an American government. In the longer term we need to consider that the south Chinese hinterland of Macao and Hong Kong has already become the 'Workplace of the World', and Shanghai is becoming, if it is not already, the world's most important port. In which case we might see Shanghai replacing first Tokyo in that time zone, but eventually both New York and London as the single financial centre operating non-stop around the clock.

For the time being London remains a global financial centre, and there is an inbuilt difficulty in moving it. That is the possession of real property by those of whatever nationality working there. One of the factors in keeping financial services in one place is the increasing difficulty of moving so many people. At the latest count the City of London had over 320,000 people working in financial services, in banking and insurance, in fund-management, corporate finance, and securities. Even in Ortelius' Antwerp there was this difficulty of moving for those with real property. We have seen how his friend Plantijn bought Elsevier's houses and other properties to enable him to leave, and when he wanted to leave himself handed over his printing house and other property to his daughter and son-in-law. Two centuries later Henry Hope had to leave his country estate behind in Holland when he moved to London. I believe that 320, 000 houses will hold those working in financial services in London for some time.

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About The Author

Peter Spufford, NIAS Fellow in 1992/93 and also Guest of the Rector in 2005, is Emeritus Professor of European History at the University of Cambridge and Fellow of Queens' College, Cambridge. He is a Fellow of the British Academy and has been a Visiting Professor at the University of Leuven and a Guest of the Japan Academy. At NIAS in 1992/93 he was part of the theme group that produced *A Miracle Mirrored* (in Dutch *Een Wonder Weerspiegeld*). Before acquiring tenure at Cambridge he taught at the University of Keele (1960-79). From there he was a Visiting Fellow at Clare Hall, Cambridge, where he spent the year (1969-70) reading and laying the foundations for his first big book, *Money and its Use in Medieval Europe*, 1988 and its ancillary *Handbook of Medieval Exchange*, 1986, which is an essential tool for any historian trying to change one currency into another. On a sabbatical in 1978 he and his wife and children used the medieval *Itinéraire de Bruges* as a guide to follow the land trade routes of thirteenth century Europe from Bruges to Florence to the mines of Bohemia and Slovakia and back to Bruges. This was the beginning of a quarter century of research which turned in 2002 into his second big book *Power and Profit. The Merchant in Medieval Europe*, which has appealed to a much wider audience than the academic community and has so far been translated into Swedish, German and Italian. He has written six other books and edited two more. He is currently preparing two volumes of collected papers for publication.

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