

# BUSINESS HISTORY

## Merchant in Medieval Europe (1200/1600)

### The great divergence

Happened after 1800 between EU and Asia, after the II Industrial Revolution in EU for two characteristics:

- Eu had a lot of coal,
- EU started to conquer other territories, → colonies so it becomes richer than other, because it use the resources to improved its business.

Someone said that the divergence started earlier → from 1500 to 1800 the northwest Eu took the lead of the all EU this divergence is called the **little one** because was only in Eu and not in the all world.

Grafico great divergence tra 900 - 1800 (IT / CH): during 1300 IT is the richest country from 1600 EN, after 1500 Eu divided in NW - C - S.

There are three explanation for the little divergence :

- 1) **Culture or mentalities** : the pre-modern economics stagnate because people didn't make rational economics choices, not calculate costs and benefits, didn't like markets, didn't understand money.
- 2) **Resource endowments and geography** : it look at the natural world, someone is rich for the natural resource. Also the geography is important → a long coastline, navigation rivers. Epidemics had a big role in the economies it brings a lot of inequality.
- 3) **Institutions** : they can play a big role, good or bad. The differences between institutions can hel us to explain divergences. → **Serfdom** strong institutional powers of landlord over the population, obliged to forced labour. Not having it is good to redistribute the resources and to increase the productivity of agriculture.

There's no monocausal explanation but a mix.

ITALIANS regional states tried to express a **political economy and a commercial policy** → there was a clear **institutional intervention in favour of innovations**. Venice was the first state to issue the general law on patents and the protection of intellectual property. Society that provide incentives and opportunities for investment were richer than others.

## The role of merchant

Were the most innovative and dynamic economic agent of the period, most of the **GDP** comes from national trades not from trades across transnational borders, merchants were the leading businesspeople of preindustrial times.

Was a world of personal business, merchant were bound together by **kinship connections**, the agreements were based on family and kinship ties → personal trust was extremely important. They provided much of the direction for the economic growth of their nations and regions, they control the policy.

→ Ties were needed to overcome the tremendous risks of doing business in that era, communications slow and

unreliable informations fragmented and uncertain.

## CHARACTERISTICS OF ECONOMIES

- **Agriculture was becoming market-oriented** : became commercialized, farmers sold big portions of crops in markets, improvements in agriculture techniques = increased the output.
- Domestic and foreign trades were growing
- **Trades were regional specialised** : trade allowed each area to develop its comparative advantage in economic development, they traded with others for that which did not produce.
- **Big urbanization** : cities stimulated the trade, became also the locus for some early industry. Lots of merchants lived in cities where they had their offices → shows of their wealth and power. Their activity was not selective able in all types of trade. The rapid urbanization gave rise to increasing manufacture production and intensive regional trade.

## Dynamic of medial trade

The major dynamic is the **imbalance in the development between Eu and Near East**, a rural Eu and the developed economy of Byzantine and the Muslim world.

In Eu arose the **demand for luxury products** the East had large urban market and political stability for the conduct of trade, **Italy was the fulcrum between this two areas** → Italian merchants sell the products of Eu (raw materials- weapons-cloth), lots of sectors **went through a major development** (banking-sea travel-manufacturing), Venice became the most powerful city on the coast.

Eu started to development especially the capital city (**commercial revolution 13th century**) → in the capitals were both ordinary people who need normal products and the aristocrats that wanted high-priced luxuries products, these two demand created the trade of Europe.

By the 15th century Italy started to export some products to the Muslim world, a sign of the Eu development → **growth of the silk industry in Italy** at the beginning were an imitation from Byzantium and Muslim world, after Lucca started to produce silk fabrics and also Venice - Florence

Originally Italy imported paper from Levant, in 13th century Fabriano started a production of paper and to spread in all Italy and Eu, after also started an exportation to the east (in Italy the paper were white). Also for the **glassmaking** the production was better than Levant, in general the manufacturing were superior than Levant.

The major transitions in the 13th century were initiated **by merchants** from the great trading cities of north and central Italy., the commercial techniques began to spread to South Germany

### Three separated parties :

- **Sedentary merchants** : remaining in northern Italy, specialized in financing and organization of import-export trade
- **Specialist carriers** : by land or by sea, who took the goods from the principals to their agents.
- **Full-time agents** : who sales or purchases according to the instructions from the principals, they could open a branch of the home-office.

Merchant started to found different colonies near to the most important cities for the trades, in the mid-14th century there were colonies of Italian merchants in all the major North Africa ports but the relations with the host community were often tensed and precarious.

## Learning Merchant Skills

Italian trading and banking companies transformed medieval trade → the merchants created **new business technique and mathematical skills** to deal with money and goods over long distance, they had to train their employees to maintain the predominance.

Merchants began a new group, an elite, they didn't belong to nobility or clergy → **create a new culture** characterised by dynamism, vision, pragmatic knowledge. Fibonacci created: **ABBACO** Used to solve practical mathematical problems and taught in Italian not in Latin like all the other subjects.

• monet exchange problems • measurement and weight problems • partnership problems • interest and discount

Abbaco taught mathematical skills of considerable innovation and utility

**ACCOUNTING** was an essential element in the education of Renaissance merchants, in Florence accounts were legal documents. **WOMEN** worked in the accounting sector, there were also female students in the abbaco schools.

### Bookkeeping was used :

1. Factor of the expansion of commerce : a response of merchants to the challenges of their activities, which were to be documented with ever more precision and differentiation.
2. A medium of reduction of entrepreneurial risks : helped to control - business transactions - accounting - strategic decision - profitability.
3. Instruments of vitalization of economic growth : give commercial and industrial inner stability that could promote success in the long term.

## Helps and hindrances to trade

A commercial revolution cannot take place without **infrastructure**, in a vast part of Eu there were a network of Roman roads and bridges but by the 12th century only few of them remain usable (like Via Appia).

In the biggest states like Germany - France - UK was the king who take care of the infrastructure, in Italy was an obligation of the city state, each of the rising city began to take interest in this → **road revolution of the 13th century**, they set up **boundary stones** along the roads to design the passage from one community to another.

The **bridges** were the weakest links in the road network, there was a wave of bridge-building that saw it as a charitable enterprise.

A big improvement was the **access to mountain passes** → Alpine passes were key for the Eu trades they connected

north Italy with the other states, most of the passes were known also by the romans, one of the most important new passes was the = ST. GOTTHARD PASS connecting Milan with Rhineland (SV).

Also the rivers system was used by the merchants, sometimes even preferred, these systems were connected to a big port in north Italy the port was Venice. But canals demanded continuous and expensive maintenance.

The choice of what combination of road and rivers to use depend on th time and on the value of the bulk and goods and how quickly they were needed.

There were **two sorts of carries** : - ordinary carriers - longer-distance carriers, but were an expensive investement so was needed a great deal of capital, there were also a specialized wagons for people, but were were expensive.

### Inns and taverns

Innkeepers were an essential part of the roads system, they served all the merchants but different customers were treated differently, but a single bed was were expensive so the customers have to share it.

Functioned like **brokers** : introduced buyers to sellers, inners and bankers worked together.

There were some **taxes**, imports were taxed lightly, axports and transit goods were taxed heavily, these taxes were used to organised the roads system but the merchants didn't accept it, some city state tried to form a unified customs system but only in 1450 sforza created a regional free trade area.

## The economy in Florence

### Three dynamics of growth :

1. Linked to the search for food, essential to sustain the population, its size generated intense efforts to supply its growing population with food.
2. Trade arose from the chief industries that provided the employment of so many people. It required the importation of raw materials and the export, textile industries was the major dynamic of Florence.
3. Large number of florentine merchants who went abroad. Many florentines devoted themselves to foreign trade, creating an extensive trade network abroad.

### POLITICAL LIFE

Policy in Florence was extremely conflicted and turbulent, businessman were actors to protect their own businesses, important **merchants** became involved in politics → they needed to **control government policy** to advance their commercial business, became essential that they remained in their cities : sedentary merchants.

### THE NETWORK

Florence was not a port city so its merchants were more **aggressive in extending their network into hinterland trading areas**. Firms were scattered all about the western Mediterranean and northern EU, these firms were part pf an international network, florentines operated in - commerce - banking (extension of commerce) - government finance. The **Florin** found instant success abroad, the circulation abroad took place extremely rapidly → the reputation lay in his fixed and guaranteed value, from 1500 florin losts his power, other commercial cities began to minting thei own coins.

## The firm

Florentines conducted their business activities as a social enterprise were organized by *compagni*. By the 14th century the partnership was a **fully evolved institution**, with articles of association according to which they agree : - name of the firm

- duration - place of business - activity - the partner - mark. The contract was a private document not a notarized one, the **capital** was primarily start-up capital to make initial investments, the head office was located in the residence of the principal investor, partner often left some profits in the firm, moreover firm accept time deposits from outsiders → this one were more significant. The first documented firms were family affairs, representing a pooling of capital by close relatives.

If an investor in one firm wanted to expand his business he set up a new firm with different partners → partnership agglomerate.

The organization is divide in two areas : **management** **long-distance transmission** , about management we now little there in no corrispondenze about this. There are more letters regarding political negotiations, the principal investors dominated the management of the firm.

The number of a company's staff varied according to the size of it, there was also some youths who were learning the trade in the job → they attend *Abacus* school, the career began at about age 13 although he was not given full legal autonomy until the age of 18, the boy was introduced to the basic techniques of accounting, sometimes they were sent abroad where they gained experience from direct engagement, **mobility** in the staff was high.

The merchant worked with a business organization that gave them the flexibility they needed with respect to capital, time, and management to meet the challenges of doing business in the fluid economy of EU.

## The economy in Venice

Favourable position connecting Eu markets with the East, they development superior technological skills in commercial management and navigation → higher productivity of its capital. Venice had also a powerful military force.

From the 13th century Venice constructed a chain of fortifications in the order to offer permanent protection to ships leaving the city, the government organised a system of **convoys** composed of armoured vessels, this sistem was regolamented by the government.

The **trade of spices** was the key of the commercial of Venice. Eu used the spices in different way, and Venice glad the monopoly, the profits reached the 40 % , for the governement the long-distance commerce constituted the principal source of fiscal revenues, the doge was also a merchant. By the beginnings of the 1570s arrive some competitors to Venice in the Mediterranean Sea : - French - Dutch - English.

In the 16ty century most of the members of aristocracy leave the merchants life to the comfortable life of the landed aristocracy, there was a huge wave of Venetian investments in Terraferma. Why =

- market increase in food prices, so agrarian production were particularly profitable, land acquisition was considered an

excellent investment.

- The availability of land represented a fundamental tool in ensuring the patrimonial transmission.
- Increasing of the belief that agriculture could constitute an even nobler activity than commerce.

Venice represented a favourable environment for foreign merchants, this ability to attract foreigners allowed Venice to maintain an important role on the network of transnational markets.

In the **16th century Venice was the greatest industrial power in EU**, - naval construction - textile - glassmaking - chemical metallurgical - printing, Venice was a world leader. → Rialto bridge area hosted the market for the large number of shops.

### Printing in Venice

Was a German who introduced printing in Venice, the first printer in Venice tended to concentrate on classical and humanistic books, linked with the humanistic movement. After 1473 a gradual change is observable → more universities books and religious books of liturgies. In Venice existed a German community that played a crucial role in the financing and development of the printing industry (**fondaco dei tedeschi**). German merchants were obliged to live, trade and store in fondaco, it formed an ideal commercial meeting place for the community, they could not trade directly in the Mediterranean but only through the Venetian galleys, venetians were prohibited from exporting any goods to German. The German colony was a numerous and prosperous one, the development of printing was permitted by networks these German merchants had created, printing industry was born as an export trade, **book prices could fluctuate according to supply and demand**, large number of people were engaged in this sector → part of the Venetian population drew their income from the press. **ALSO THE GOVERNMENT BENEFITED** = tax - offer of work - fame and prestige.

## Women and early modern economic development

Women represent half of the world : a significant economic resource. Their impact cannot be measured if

- 1 we don't know how many women were free to express their potential
- 2 often that limited space of expression ended up being unrecorded-forgotten- disguised as men's contribution

**Women's agency** = capacity and ability to make independent decisions and take actions that shape their lives and influence their social-political-economic environments.

The position of women in society matters for economic progress, economists have begun to incorporate demographic behavior into theories of long-run growth, → **European Marriage Pattern** played a major role in EU economic growth, crucial for the great divergence, EMP benefited economic growth by improving women's position. The most striking feature of the EMP is that women have a relatively large say in the marriage itself, especially when they contribute to the income of their households.

The EMP emerged in N-O EU for three factors :

1. Stress on consensus instead of parental authority for the formation of a marriage
2. Position of women in the transfer of property between husband and wife
3. Accessibility of and size of labour market

The Western inheritance system was distinctive because of women's rights to inherit and the ability to transfer landed property, there were difference concerning the timing of women's access to their inheritance → the daughter's share of inheritance was transferred at the start of marriage = a married women received the inheritance from her father as an inheritance from the husband. The Southern system gave fewer opportunities for widows to take over their deceased husbands' businesses because they did not necessarily get their share of the inheritance, nor had they been as actively involved in the business as their northern colleagues.

### Access to labour market

After 1348 (black plague), the sudden fall in population levels as a result of the epidemics led to a booming labour market characterised by growing demand for labour—of both men and women, which resulted in a strong increase in real earnings, especially for women.

The fundamental difference between **servanthood** in the North versus in the South was:

- North, servanthood was based on free choice and the accumulation of a “marriage budget,”
- South, it was seen as a last resort that would reduce the girl's marriage options.

In short, the Black Death brought about a **considerable improvement in the labour conditions for women** in terms of the number of jobs they had access to and their remuneration. The degree to which European women took advantage of this situation was, however, quite different from region to region.

In **China**, and elsewhere, households were organized around the collaborative running of a family farm, and the father's authority was based on his control over productive resources.

### Human capital formation

The EMP was connected with the apprenticeship system that had emerged mainly in the guilds in medieval Europe, being a servant in another household is an important way of acquiring certain skills. There is evidence that Western European parents did invest heavily in their children.

Parents in Western Europe **invested in both their sons' and daughters' education and training**. The difference in human capital formation between the sexes becomes even smaller if we look at another parameter— **numeracy**. In the Low Countries in the early modern period, overall numeracy levels were already exceptionally high and the difference between men and women was exceptionally small

### Institutions and trust

EMP was quite individualistic : youngest left home at an early age didn't take care of their parents, → necessitated an alternative social support networks with the community, city and state. The **elderly** were the victims of this decline in parental authority.

**Saving for the future** became increasingly important in this new system, because having children was not a guarantee that one would be taken care of during old age

In the Low Countries, among the most popular innovations were renten, or whole-life **annuities** or **bonds** on which a relatively high interest was paid during the lifetime of the man or woman for whom the annuity was established. This was

an ideal means of **saving for one's old age**.

In late medieval Europe **child abandonment** was a regular practice and it showed an equal sex ratio. **Adoption of foundlings** (abandoned children) was encouraged by the Christian Church, and this can be considered a rationalization and institutionalization of abandonment. Starting from the mid-13th century, **specialized urban institutions** for the care of abandoned children were increasingly established and spread throughout most of Europe.

In **Southern Europe**, vulnerable members of society were helped by the family, while in **Northern** societies this was largely accomplished through public and private institutions.

## Gutenberg

### Printed books

Were very expensive, they can be quantified and analyzed → the content was important because is what generates impact

“Books that changes the world”.

Plaid a fundamental role in the knowledge economy, and their consumption is a measure of human capital, societies invested institutions to conserved books.