The Foreign Exchanges

from

The Historical Introduction to A Discourse Upon Usury

by

R. H. Tawney

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edited by Peter Etherden

A

DISCOURSE UPON USURY

BY WAY OF DIALOGUE AND ORATIONS, FOR THE BETTER VARIETY AND MORE DELIGHT OF ALL THOSE THAT SHALL READ THIS TREATISE

[1572]

BY

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WITH AN HISTORICAL INTRODUCTION BY

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In inserting in his discussion of problems of credit a special section upon the *Foreign Exchanges*, Wilson was paying a significant, if hostile, tribute to what was the most typical and most important of the financial developments of his age.

A century before, few writers on the subject - certainly few English writers would have thought it necessary to select the *Exchanges* for particular examination from among the other forms of *Merchant Practice* comprised under the general heading of usury.

By the fifties of the sixteenth century, thanks to repeated depreciations of the currency, to the heavy payments which the *English Government* had to make to *Continental Armament Firms*, and to the large loans, which it was obliged to raise from *Continental Bankers*, the *Foreign Exchanges* had become a public question of the first importance.

From the accession of Edward VI to, at least, the late seventies, with short intervals of optimism, the *State Papers* are full of the apprehensions of *Statesmen* and *Publicists* at the low standing of sterling on the *International Market*, and, less than five years after Wilson's book appeared, the Government made one of the recurrent efforts at ‘controlling’ the *Exchanges* which continued at intervals down to 1628.

The public debate upon exchange questions profoundly influenced economic thought. It was as an incident in it that *Bullionists* and *Mercantilists* hammered out their rival theories of *Foreign Trade*. And, since problems of *Currency* and *Credit* lent themselves more readily than other economic questions to discussions in terms of mechanical causation, it was a potent factor in accelerating the transition from the casuistry of economic conduct represented by Wilson to the objective analysis of the *Political Arithmeticians*.[1]

Space forbids us to do more than allude to the *Financial Mechanism* presupposed in Wilson's account of the *Foreign Exchanges*. The conditions of the development of an *International Money Market* are partly economic and partly political - the existence of *Financial Centres* by whose opinion the standing of different firms is gauged and of *Financial Houses* with sufficient resources to provide ready money against acceptable paper, close contact between deferent *Commercial Centres*, reasonably *Stable Currencies*, and confidence that liabilities will not be repudiated by *Government* or rendered incapable of discharge by war.

In its *International Politics* and its *Public Finance*, the sixteenth century was but little superior to the twentieth. The economic life of a great part of the continent was repeatedly paralysed by war. Its commercial and financial capitals, South Germany, Antwerp, and Lyons, were in turn ravaged or sacked. *International Commerce* was interrupted by recurrent blockades.

The currencies of all states were execrable. In Wilson's lifetime the *French Government* defalcated once, and the Spanish twice, while the latter, in addition to practising repeated confiscations, was again to repudiate part of its debts in 1596.[2]

In its economic organisation the machinery of *International Trade* had reached a state of efficiency not noticeably inferior to that of three centuries later. Before the most highly-organised economic systems of the age were ruined by the struggle between Spain and the Netherlands, and by the French *Wars of Religion*, there were perhaps ten to twelve *Commercial Centres* whose *Money Markets* were the financial power-houses of *European Trade*, and whose opinion and policy were decisive in determining financial conditions.

In the Flemish, French and Italian cities where it reached its zenith, and of which England was the pupil, the essence of the *Financial Organisation* of the sixteenth century was *Internationalism*, freedom for every *Capitalist* to undertake every transaction within his means, a unity which had as its symptom the movement of all the principal markets in sympathy with each other, and as its effect the mobilisation of immense resources at

[1] It is not possible here to enter into the details of the movement in exchange rates, for the study of which, however, considerable materials exist. A short account of public policy is given in my essay entitled *The Struggle Over the Exchanges*. Among the most important contemporary discussions of the question are the following: - *Harl. MSS*. 660, fo. 107 (a memorandum prepared for the Royal Commission of 1564); *Ibid*. 251, 57, fo. 112 (a collection of precedents as to the office of Royal Exchanger); *S.P.D. Eliz*., vol. LXXV, no. 54 (*a Device for the remedyinge of some parts of the inconveniences which daylie growe in this realm by usury and dry exchange*); *Handelspolitik*, vol. II, pp. 611-48; Burgon, *Life of Gresham*, vol. I, app. VII, XI, and XXI; Pauli, *Drei Volkswirthschaftliche Denkschriften aus der Zeit Heinrich VIII*; Goldsmiths’ Library, MS. No. 10, *Policies to reduce this Realme of England unto a prosperous Wealthe and Estate*; Camden Miscellany, vol. II, *Request and suite of a true-hearted Englishman*, by Wm. Cholmley; Malynes, *The Canker of England’s Commonwealth*. The best modern study is still that of Ehrenberg, *Das Zeitalter der Fugger*.

[2] The French repudiation took place in 1557, the Spanish in 1557, 1575, and 1596. For short accounts of the circumstances see Häbler, *Die Wirthschaftliche Blüte Spaniens und ihrer Niedergang*, and Ehrenberg, *op. cit*., II, pp. 147-82 and 259-61.

the strategic points of *International Finance*. Its centre and symbol was the exchange at Antwerp, with its significant dedication, '*ad usum mercatorum cujusque gentis ac linguae*' where, as Guiccardini[3] said, every language under heaven could be heard, or the fairs at Lyons which formed, in the words of a Venetian,

> "…the foundation of the pecuniary transactions of the whole of Italy and of a good part of Spain and of the Netherlands."[4]

Apart from the crowd of *Traders*, *Speculators*, and *Promoters* who hung upon its outskirts, the personnel of the *International Money Market* consisted of the *Resident Correspondents* maintained by the *Great Financial Houses* of South Germany, Italy, France, and Spain, of the *Agents* employed by *Governments* either to negotiate their loans, or when, like Portugal and Spain, they traded themselves, to dispose of their products, and of an inner ring of *Successful Merchants* who found finance more profitable than trade.

The supply of capital concentrated at these nodal points flowed from every country and from every type of undertaking, productive enterprises such as the silver and copper mines of the *Fuggers* in the Tyrol and Hungary, the profits of trading ventures such as those of the *English Wool Staplers* and *Merchant Adventurers*, successful investments and speculations on the part of the *Financiers* themselves, and to a 1ess extent, since the habit of leaving money on call at a fixed rate of interest had already gone some way in parts of the continent, from savings invested with them by the *General Public*.[5]

The demand came from the need of large sums to finance the purchase of the produce handled on the world markets, such as spices - above all, pepper - copper, alums, and the precious metals, the insatiable appetite of *Governments* engaged in, or contemplating, war, and the requirements of *Merchants* occupied with *Foreign Trade*.

Linked to each other by the presence in each of the *Great Financial Houses* of the continent, with abundant capital seeking investment, a considerable class of *Financial Specialists* and a highly-developed financial technique, Antwerp, Lyons, Frankfurt, and Venice, and, in the second rank, Rouen, Paris, Strasburg, Seville, and London,[6] apart from their importance as centres of industry and as markets for public loans, formed together the departments of an *International Clearing House* where bills could readily be discounted, drafts on any considerable city could be obtained, and the papers of *Merchants* of almost every nationality changed hands.

London, when Wilson wrote, possessed neither the resources nor the organisation of Antwerp and Lyons. Its exchange, though projected by Sir Richard Gresham in 1537, was not completed till 1567, and not formally opened by Elizabeth till 1571.

In spite of the merchant's boast that the city was 'the queen's ante-chamber' the *Government* down to the seventies was dependent mainly upon *Foreign Capitalists*; few of the *Great Financial Houses* who maintained agents at Antwerp, Lyons, and Seville, seem to have thought it worth while to do the same in London.

Though later in development, however, and humbler in the scale of its operations, *English Finance* reproduced most of the features of the more famous *Financial Centres*, and there was a close connection between the *London Money Market* and that of the continent.

Its personnel consisted partly of old-established foreign firms, principally Italian, partly of *English Merchants* connected with the *Wool Staplers'* and *Merchant Adventurers'* organisations, who had more recently entered the business. The Florentine houses, who had largely financed Henry VIII, had been superseded towards the end of his reign, as far as public loans were concerned, by the South German firms at Antwerp. But financial business continued to be largely in the hands of Italians.

When, in 1553, Cecil prepared a programme for controlling the exchanges, what he emphasised most was the necessity of keeping a tight hold on the Italians, who:

> "…go to and fro and serve all princes at once…work what they list and lick the fat from our beards."[7]

Italian financiers, such as Pallavicino, Vellutelli, and Spinola, were employed by the *Government of Elizabeth* to raise loans abroad and to transmit subsidies to the Netherlands.[8] In the middle of her reign it was *Italian Bankers*

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[3] Lodovico Guiccardini, *Descrittione di tutti I Paesi Bassi*.
[4] Tommaseo, *Relazioni degli ambasciatori Veneti*, I, 36 (quoted Ehrenberg op. Cit., p. 73.)
[5] See, e.g., the remarks of Wilson's apprentice, Guiccardini, *op. cit*., and Ehrenberg, *op. cit*., I, pp. 391-2, where the practice is defended as a convenience to the general public.
[6] I take this list from *S.P.D. Eliz*., CVI, no. 6.
[7] *Hist. MSS. Com., MSS. of the Marquis of Salisbury*, pt. I, pp. 162-4.
[8] *Ibid.,* pt. II, pp. 6 and 316; pt. VII. *S.P.D. Eliz., passim*.

who took the initiative in organising opposition to the proposal to impose a tax upon exchange transactions.[9]

The prominence of the *Italian Colony* in connection with the *Money Market* is significant, since it suggests that the more highly-specialised and intricate type of financial business, involving international connections and an accurate knowledge of foreign conditions, was still something of an exotic.

But it was everywhere the nature of finance to be cosmopolitan; in Antwerp itself the role played by native Flemings appears to have been insignificant; and from an economic point of view it obviously made no difference to the *English Exporter* whether his bill was discounted by a Londoner or by a Venetian.

What is more remarkable, as an indication of the growth in the complexity and resources of *English Economic Organisation*, is the increase in the number of *English Firms* who specialised in exchange business. By the latter part, at any rate, of the fifteenth century, and doubtless much earlier, the provision of credit for *Merchants* had become a regular trade, in connection with financing both imports and the principal English export of raw wool and, somewhat later, of cloth.

The policy of the *Wool Staplers*, it was complained,[10] was not to bring home the proceeds of their sales of wool at Calais, but to advance them to *English Merchant Adventurers* engaged in an import business between the continent and England who used the money to buy foreign wares, and subsequently repaid the *Lenders* in London.

The wool exporting business of the Celys was a case in point. Their practice was to sell to the foreign buyer partly for ready money, but mainly on six to nine months' credit. When paid in ready money at Calais, they frequently left it in the hands of their *Agent* there to advance to other *Merchants* till the next market.

Their bills they discounted almost invariably with one particular class of *London Tradesman*, namely the *Mercers*, who evidently were *Specialists in Financing the Wool Trade*, advanced *Exporters* sums of several hundred pounds at a time, and, in addition, carried on a certain amount of *Money-lending* of a more miscellaneous character.[11]

A new impetus to this class of business was given by the enormous expansion of *Foreign Trade*, particularly of the export of woollen cloth, which took place in the reign of Henry VIII.[12] The personnel of the new enterprises was drawn, as was natural, from the ranks of the *Successful Merchants*, who had accumulated considerable capital in *Foreign Commerce*, acquired a knowledge of the markets, and saw in the financing of *Foreign Trade* a more profitable and less risky employment of their capital than in trade itself.

It was a common impression among observers of economic conditions that more than half the profits of the export trade, and far less than half the trouble, went to the *Financier*, who,

> "…knowing certainly whether and what the *Merchants* gain upon the wares they buy and sell, [was able] to get a part and sometimes all his gains that employeth money taken up by exchange on wares, and so make others travell for his gains."[13]

The result was a movement precisely similar to that which Guiccardini described in Antwerp, and which had carried the *Fuggers* first from their humble textile business into financing silver mines, and then from mining to their dominant position in the *International Money Market* The successful *Trader*, while continuing - to the confusion of posterity - to be called by the generic term of *Merchant*, retired from trade and became, in effect, a *Banker*.

The process was described by a hostile critic[14] who wrote at the close of the reign of Henry VIII, and a few years later by Gresham, who saw in it a cause of the catastrophic fall in the exchanges. According to both, what had happened was that the boom in the cloth trade had been followed by a period first of cut-throat competition and then of depression. Gresham complained that:

> "*Young Merchants* hathe from time to time run in headlong into the feat of merchandise and so entered into credit; and when they had overshot themselves, and had burdened themselves with more than their substance would bear, both here and in England, then, for saving of their name and credit, they were fain to run upon the. Exchange and rechange; and the *Merchants*, knowing they

[9] Their protest is printed Schanz, *op. cit*., pp. 642-3; see also *MSS. of the Marquis of Salisbury*, pt. II, p. 143, and pp. 151-3.
[10] Pauli, *op. cit*., pp. 19-20.
[11] Camden Society, *The Cely Papers*, pp. 5, 6, 11, 15, 17-8, 39, 41, 107, 134, 204.
[12] Schanz, *op. cit*., II, p. 18, where statistics are given.
[13] *S.P.D. Eliz*., vol. CVI, no. 6.
[14] Pauli, *Drei Volkswirthschaftliche Denkschriften*.

> had need thereof, would not from time to time deliver their money but at their price."[15]

In other words, the new businesses which entered the trade, having little or no capital of their own, could only keep their heads above water if given long credit by the *Clothier* and financed by some firm of *Merchants* which helped them with overdrafts. The author of a memorandum submitted in 1564 to a *Royal Commission* on the exchanges wrote to the same effect, that:

> "A greate number of young *Englishe Merchantes* doe exercise merchandise with small stockes, who, selling the strange wares hastelly and needfully, retorne the money thereof still by delyverynge the same upon the exchange in Lombard streete."[16]

The better established firms, seeing that while the market for cloth was overstocked and prices were falling, there was a golden opportunity for anyone who had capital to lend, gave up the export business in order to specialise in finance.[17]

What they did therefore, was to make advances to *Wool Staplers*, *Cloth Exporters* or other *Merchant* trading to Flanders, by discounting bills, usually at two months, on Antwerp. Having been paid in Antwerp they brought their money home by lending it to *English Traders* who did an export business from the continent to England.

The profits of this double process were reported to be high. Gresham said that the banks made the *Merchant* pay through the nose; Armstrong said they charged fourpence or fivepence for an English noble; and a writer in 1550 put the interest at sixteen per cent.[18]

This account was that of a partisan and must not be taken too much *au pied de la lettre*. There were obviously other elements which contributed to the growth of the money market besides 'the rich old merchants' of the woollen trade who 'occupied their money by exchanges'.

What is evident, however, is that at any rate by the third quarter of the century the *Financing of Foreign Trade* had become sufficiently profitable to form the main business of a special group of *Brokers*[19] and *Discount Houses*. The discounting of bills, by means of which the *Merchant* received his money 'a great while before it is money indeed', is obviously of the essence of any regular *System of International Trade*.

As far as concerned the simplest aspect of the *Foreign Exchanges* - their use as a mechanism for the settlement of debts between *Merchants* of different nations - neither the practice nor the theory of the age differed much from our own. *Foreign Trade* was universally carried upon credit;

> "the greateste quantitye of wares transported ether outward or inward is boughte by money taken up by exchange."[20]

In England, which had as its principal export cloth, and its chief market in the countries of Northern Europe, the exchanges which were of decisive importance were those on Antwerp; later when the *Merchant Adventurers* moved to North Germany, those on Hamburg; and throughout, though to less extent, those on Lyons and Rouen.

Down to the sixties of the sixteenth century the bill on Antwerp was the commonest form of *Commercial Currency*; the exchange between Antwerp and London was the measure to which *Merchants* and *Statesmen* recurred as the index of the condition of *English Credit*; the seasons when money was plentiful in London were those at which the *Flemish Importer* settled his account.

The *English Cloth Merchant* timed his supplies for the two great *Antwerp Fairs*, held in the spring and autumn, which continued to be the pivot of the cloth trade long after all other business had passed from them to the new *Bourse* erected in 1531, drew bills when the cloth was shipped, and either discounted them at once in London or was paid the settling days which followed the conclusion of these great markets.

Whenever there is:

> "a soodene intellygence that thear wilbe presently a goode salle and a greate vente of English ware in the Lowe Countreyes…the merchantes of all nations run headlonge to the exchange for moneye

[15] Burgon, *Life and Times of Sir Thomas Gresham*, vol. I, App. VII: "So that by this ytt may apere unto your grace, thes men that be maid fre by this new hansse, for lacke of experience and knowledge, haythe bynne and is one of the chiffest occasions of the fall of the exchange."
[16] *Harl. MSS.*, 660, fo. 107.
[17] Pauli, *op. cit.*, 34. "Then began old merchants to forsake occupying of clothes to occupie their money by exchange."
[18] Burgon, *op. cit.*, vol. I, app VII; Pauli, *op. Cit.*; Schanz, *op. cit.*, vol. II, p. 642.
[19] For brokers, see Burgon, *op. cit.*, vol. I, pp. 98-9, 464-5, and I James I, cap. 21, which forbids malpractices on the part of "brokers…concluding bargains…concerning…moneys to be taken up by Exchange."
[20] *Harl. MSS.*, 660, fo. 107.

> to buy and transport accordingly."[21]

Imports were financed in the same way, and what Antwerp was for the northern trade, Lyons was for the southern. It was by bills on Lyons, for example, that the *English Vintners*, with the help of *Italian Bankers* in London, paid for wine imported from Bordeaux, while the trade with France in Welsh friezes and 'cottons' was financed by *London Merchants* who discounted bills on Rouen.[22]

The *Merchants* of the *London Hanse*, who, in spite of ceaseless attacks of the *Merchant Adventurers,* did a large business both as importers and exporters, were, in the words of Gresham, 'men that ran all upon the exchange for the buying their commodities'.[23]

Foreign Exporters were either paid through the agents of *English Merchants* on the continent, or drew bills on London and discounted them on whichever of the *Continental Markets* they found most convenient. The heavy payments abroad in which the *Government* was involved by its debts and by its military intervention on the continent, were normally discharged in the same way, without the movement of *Bullion*, by bills on some continental market arranged through *the English Merchant Adventurers* or through the *Foreign Correspondents* of the *Italian Bankers* in London.[24]

Statesmen and *Publicists* suffered paroxysms of nervous apprehension lest the country should be denuded of *Bullion* by an excess of *Imports* and by *Smuggling*; and it was true that a considerable business in exporting under-valued coins was done by *Goldsmiths* and *Bullion-brokers*. But as far as the general course of trade was concerned these petty malpractices, in spite of the excitement they produced, were without significance.

How rare it was for debts to be settled by any other way than by *Bills of Exchange* was shown by the dislocation produced by the recurrent spasms of *Government Intervention*. In the reign of Henry VIII it was noted as a surprising piece of bad management on the part of the *Government* that £20,000 had been sent abroad for the Swiss troops *in specie*, instead of by bills, which would have saved £2,000.[25]

Richard Gresham warned Cromwell in 1538 that the effect of a recent proclamation restricting liberty of exchange would be the collapse of the English export trade in cloth, which got its money by bills on Antwerp, and a movement of gold from London to the continent to finance imports which could no longer be paid for in the ordinary way.[26]

When, in 1551, the *Council*, characteristically mistaking the symptom for the cause, ascribed the rise in prices produced by repeated depreciations of the currency to the fall in the exchanges, which had reduced sterling from thirty shilling to fifteen shilling Flemish on the Antwerp market, and endeavoured to correct it by renewing the prohibition of exchange transactions, the result was a *Commercial Paralysis* which compelled it in nine months to reverse its policy.[27]

The significance of the machinery of the exchanges for *Foreign Trade* was set out clearly a quarter of a century later in the protests[28] of the *Business Community* against the proposal to make exchange business a *State Monopoly* and to impose a tax on each contract, with which the *Government* was coquetting in 1574.

The effect, it was urged, would either be to bring *Foreign Trade* to a stand-still, or else to produce the very drain of gold to the continent which the *Government* desired to avoid.[29] The *Government*, in short, as another *Critic* pointed out, could not have it both ways. It could prohibit the export of *Bullion*, or it could prohibit exchange transactions. What it could not do, unless trade were to be paralysed altogether, was to prohibit both.

> "Seeing that the carriage of money from one realme to another is forbidden, it is necessary for the trade of merchants that there should be an exchange…merchants natural exchange was first devised and used by the true dealing merchants immediately that princes did inhibit the carriage of

[21] *Harl. MSS*., 660, fo. 107.
[22] For Lyons, Schanz, *op. cit*., II, pp. 642-6; for Rouen, *S.P.D. Eliz*. CLVII, 4, 85.
[23] Burgon, *op. cit*., App. XXI.
[24] E.g. through the Merchant Adventurers, Burgon, *Life of Gresham*, I, pp. 257-62 and 348-53; *MSS. of the Marquis of Salisbury*, pt. IV, p. 529, and pt. XIII, pp. 259-60; through Pallavicino by bills on Rouen, *ibid*., pt. VII, p. 21; see also *Harl. MSS*., 660, fo. 107, for the lowering of the exchange "by makynge overe of the Princes' money for paymente of debtes beyond the seas."
[25] Gairdner, *Letters and Papers of Hen. VIII*, vol. II, pt. I, no. 1459. Knight to Wolsey (from Brussels, Jan. 29, 1516). "…They marvel that money should be sent from England to the Switzers when 2,000 might have been saved by the exchange. It is reported 20,000 pieces of English gold were sent over."
[26] Printed Schanz, *op. cit*., vol. II, pp. 632-3.
[27] Frazer Tytler, *The Reigns of Edward VI and Mary*, vol. I, pp. 38-9; Schanz, *op. cit*., vol. II, p. 67.
[28] *Ibid*, vol. II, pp. 642-7.
[29] For the argument used, see my essay entitled *The Struggle Over the Exchanges*.

> gold and silver out of their realme."[30]

Practical men realised, in short, that *Bullion* and *Bills of Exchange* were substitutes, and that, if left to himself, the *Merchant* would pay in the medium which was cheapest. The author of a memorandum on the exchanges wrote that:

> "When wee have plenty of these (French) crownes hear…then will the cunynge merchantes forsacke the exchange in the streete and convey over their money by stelthe in crownes to serve their turnes therwith at Antwerp. And so, for lacke of ordenary returne by exchange to Lombard street, the bankers and money merchantes shalbe driven to raise the exchange to an equall value to renewe the recourse thereto againe."[31]

It was not a long step from that position to the theory of gold points, and Gresham, at least, came near taking it. He wrote to Elizabeth in 1568:

> "The exchange, being at this present at xxii *s.*, all *Merchants* seek to bring into your realm fine gold and silver; for, if he should deliver it by exchange, he disburses xxii *s.* Flemish to have xx *s.* sterling; and to bring it in gold and silver he shall make thereof xxi *s.*, iv *d.*, whereby he saves viii *d.* in the pound; which profit, if the exchange should keep but after the rate of xxii *s.*, in a few years you should have a wealthy realm, for here the treasure should continue for ever, for that all men should find more profit by £5 in the hundred to deliver it for exchange than to carry it over in money."[32]

The dependence of *Foreign Trade* upon exchange transactions was so obvious that it hardly required the explanations which *The City* from time to time addressed to an incredulous *Government*. Even Wilson, with all his scruples, allowed that, for the settlement of debts between *Merchants* of different nations,

> "…the exchange according to the first institution thereof is very good and most necessary."

It was one of the verdicts after which the defendant leaves the court with everything except his character, since what it omitted to acquit was nothing less than nine-tenths of his business. For the *Exchanges* were not only, of course, the means by which payment was made for *Imports*. They were also a *Mechanism* for the mobilisation of *Commercial Credit*.

When the *Business Man* of the sixteenth century protested that:

> "The merchants can no more be without exchanges than the ships in the set to be without water,"[33]

he was not thinking of anything so elementary as the simple conversion of sterling to francs and guilders at the mint par of exchange, which was the form of transaction that commended itself to *Governments* imbued with traditional doctrines of *par pro pari*.

In theory, no doubt, a *Bill of Exchange* might be a mere instrument for the transference of money from place to place, as unaffected by the condition of the market or the standing of the *Drawer* as a modern *Post Office Order*, and it was this theory which the *Canon Law* and the legislation of *English Parliaments* had attempted to enforce.

In practice, of course, since even the simplest transaction involved the element of time - 'since the bill after delivery will be going to the place where it should be paid'[34] - even a bill payable at sight was necessarily an *Instrument of Credit*.

The *Drawer* who discounted a bill in order to receive in London the value of money which stood to his credit in Antwerp, or which would stand to his credit in a few months time, was obviously borrowing. The *Discounter* was making a loan for which he charged 'half usance', 'usance', or 'double usance' according to whether it was for thirteen days, one month, or two months.

The exchange dealings on which the whole fabric of *European Business* depended, in which immense sums of money passed in a morning from hand to hand, and to which the *Greatest Financial Houses* of the day devoted

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[30] *S.P.D. Eliz.*, LXXXV, no. 54. The connection between the prohibition of the export of bullion and the development of transactions by bill is perhaps not so fanciful as might be thought. The same point was made in the next century by Fynes Morison, *Itinerary*, I, iii, 6. The writer was, of course, mistaken in speaking as though the prohibition of export had been introduced in comparatively recent times, i.e., under Henry VII, though probably this part of the traditional trade policy, like others, was administered more energetically under the Tudors than it had been previously.

[31] *Harl. MSS.*, 660, fo. 107.

[32] Burgon, *op. cit.*, vol. I, pp. 483-6, app. XXIV.

[33] Richard Gresham to Thom. Cromwell, 1538, printed Schanz, *op. cit.*, vol. II, p. 632-3. The phrase was common form; see its use by an Antwerp financier quoted Ehrenberg, *Das Zeitalter der Fugger*, II, pp. 22-3.

[34] *S.P.D. Eliz.*, CVI, no. 6.

their resources, were obviously, in short, not the mere money-changing of *Goldsmiths* to which *Moralists*, obsessed with the doctrine that 'value should be given for value', and, therefore, that any deviation from the mint par of exchange involved fraud, extended a grudging recognition.

They were the *Financing of Commerce* by means of discounts and overdrafts, loans to *Government* and *Municipalities*, *Speculations* on the *Money Market* effected by *Arbitrage Dealings* between the different *Financial Centres* of Europe. In the language of the age, they were not *exchange real* or *natural exchange*, or exchange *'solo per commodo delle mercanzie*', but *dry exchange* or *merchants' exchange*, or exchange '*solo con ogetto di guadagna*'.

The words *Dry Exchange* suggested sinister possibilities, and contemporaries were not slow to emphasise that the thing was as unpleasant as its name. Its definition had lured the *Parliamentary Draughtsmen* of Henry VII into prodigious if laborious obscurity;[35] Wilson visited it with invectives surprising even in a prospective Dean; and, a generation after Wilson wrote, another *Publicist* explained the phrase by the fact that having:

> "…no more juice or sap than a painted tree, either in charity or in equity, but being a griping usury under the title of exchange, it drieth up the fountain of both."[36]

The cause of these Jeremiads was that the *Bill of Exchange* was being applied to new purposes. It had been used in the *Middle Ages* mainly as an instrument for paying *International Debts* and had been drawn against *Tangible Goods*. What puzzled and enraged *Moralists* and *Statesmen* in the sixteenth century was that its use was being extended from *Paying for Imports* to the *Making of Advances* and the *Raising of Loans*, without goods passing at all.

> "*Dry Exchange* is to deliver money is one realme to be payd in another realme, where the *Deliverer* seeketh not to employ his money either upon wares or otherwise but only to exchange his said money home againe with lucre."[37]

The purpose of these transactions was, of course, simple enough. *Dry Exchange* was nothing more mysterious than what today would be called a *Finance Bill*. It was sometimes distinguished from *Merchants' Exchange*, and sometimes, when both were contrasted with *Exchange Real*, treated as a particular species of it.

The difference between *Exchange Real* or *Natural Exchange* and *Merchants' Exchange* including *Dry Exchange*, was put in a nutshell by a *Publicist* who wrote about 1575.

> "*Natural Exchange* is upon a certain sum of any *Prince's Money* containing certain number of ounces of fine silver in every pound weight, or carats of fine gold in every ounce of gold delivered in one place, to agree by bill to deliver like number of ounces of fine silver or like carats of fine gold coined in another place where it is desired.
>
> "*Merchants' Exchange* is upon credit and a bill to deliver an able man that seeketh it any sum of money he requireth in any place, where exchange lieth, to repay there a certain sum that containeth more number of ounces of fine silver or carats of fine gold coined than the money did that was delivered him.
>
> "In *Natural Exchange* the *Deliverer* seeketh out the *Taker*, maketh suit to the *Taker* to pay him his money where he desirers it, requireth only of the *Taker* value for value, delivereth his money for ease of carriage and danger of losing.
>
> "In *Merchants' Exchange* the *Taker* seeketh out the *Deliverer*, maketh suit to the *Deliverer* to help him with so much money to have it at such a place again, agreeth the *Deliverer* shall gain by him, taketh it up either to pay his credit, or to employ it about profit, or to pay his necessaries, or to serve another man's necessity."[38]

Wilson's own classification of exchange transactions was more elaborate. He distinguished not only between *Exchange Real*, or *Money Changing*, and *Exchange of Bills*, or *Merchandising Exchange* but between two kinds of the latter, the first of which consisted of *Bills Drawn Against Goods*, the second of *Finance Bills*. Both involved the use of credit and he regarded both as usury, though he reserved his special denunciations for the last.

The point was that in *Merchants' Exchange* the *Borrower* did not merely give 'value for value', but took up money 'to pay his credit or to employ it about profit', and paid interest for it. English writers laboured the fact,

[35] See 3 Henry VII, c. 5. An Acte against usury and unlawfull Bargaynes.
[36] Fenton, *A treatise of usury* (1612).
[37] *S.P.D. Eliz*., LXXV, no. 54.
[38] *S.P.D. Eliz*., CVI, no. 6.

because the comparative immaturity of *English Finance* and the public ignorance about it - an ignorance which enveloped most members of most *Elizabethan Privy Councils* - made what was a commonplace in Antwerp, Lyons or Venice still something of a novelty in London.

But in insisting, whether by way of criticism or of commendation, on the credit aspect of exchange transactions, the point which they made, if obvious, was fundamental. What gave the *Exchanges* their economic significance, their political importance, and their moral ambiguity was the fact that they were the machinery used by the *Money Market* as the foundation of a system of *International Credit*.

In so far as they worked smoothly, they enabled *Traders*:

> "…to lay their money with gain in any part of the world where merchandise lieth…to compass ready money to get any proffered bargain…and to furnish their need for money that tarry the selling of their wares in any country until they come to the price they would have them for."[39]

In other words, the exchanges kept capital fluid throughout the whole world of commerce, put the reserves, not merely of the national, but of the European, market at the disposal of any firm of good standing, and supplied a convenient channel of investment to *Merchants* and *Bankers* who desired to earn a high rate of interest on short loans. The ordinary method by which advances were made was, of course, the discounting of bills, and, in particular, the more complex form of the transaction known to contemporaries as *Cambium* and *Recambium*.

Cambium and *Recambium*, or *Double Exchange* appears to have reached its highest degree of elaboration in transactions between Flanders, Lyons and Spain, where, a scandalised *English Traveller* wrote,

> "The chief merchandise now is clear and plain usury."

But it was practised on all markets, including London, and, in spite of his objection to it on moral grounds, the account of it given by Wilson was sufficiently accurate. A *Pamphleteer* wrote:

> "The *Exchanger* outward, seeketh either the *Stapler* or *Stranger* that hath any money beyond sea payable and lakketh money here in England to be fayne to take money to his losse, for an English noble to give a 4. or 5*d.* the more for a five or six weeks' respite to be paid again at the mart at Antwerp…After which money so received again in Flanders, with the gain thereof, [he] seketh out adventurers of London, who will receive that money again to bestow it upon strange merchandise to bring it to England, and for the loan of every noble to give as much usury to the *Exchanger* again."[40]

The *Lender*, that is to say, advances money by discounting a *Time Bill* drawn by the *Borrower* on Antwerp, the latter paying it at Antwerp out of the proceeds of a second bill drawn on London; or, conversely, he advances money in Antwerp by discounting a bill on London, which the *Borrower* meets by selling a bill on Antwerp.

His profit in either case depended partly on the difference between the rates of interest in Antwerp and London, partly on the course of the exchanges, the *Borrower* standing to gain if sterling fell and the *Lender* if it rose. To quote a contemporary who describes another form of the same transaction:

> "I being at Antwerp have delivered to another *Merchant* at London £18 Flemish, for the which the said *Merchant* must repay me again at usance, which is within a month after the date of his bill, £20 sterling in London. Then I deliver it to another, or peradventure the same, *Merchant* back again to Antwerp to pay in Antwerp £20 Flemish. That being so paid, have I not gained in three months £2 upon £18, which [is] £16 upon £100 by the year. Is not this a pretty gain?"[41]

The convenience of the arrangement to both parties was obvious. To the *Lender* it offered a safe investment which did not lock up his capital. An *English Merchant* in Spain, for example, advances 600 ducats to a *Local Agent* of the *English Government*, on condition that the latter binds himself to repay within a fixed time 'by *Cambeo* and *Recambeo*, in other words, that his *Employers* return the money from London by bills on Valladolid or Seville.[42]

The *Borrower* not only, as was constantly complained by the critics of *Dry Exchange*, evaded the *Usury Laws*, but could, of course, use the advance for any one of half a dozen purposes, to meet pressing liabilities, to take advantage of a low rate of interest ruling abroad, to hold stock till the market rose, or simply as a means of insurance against the risks of business.

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[39] *S.P.D. Eliz*., CVI, no. 6.
[40] *Pauli*, op. cit.
[41] Schanz, *op. cit*., vol. II, p. 642.
[42] Gairdner, *L & P. Henry VIII*, vol. IV, pt. I, no. 1132.

The *Merchant* who was pressed by his *Creditors* could not take the risk, as the *Italian Bankers* explained to the *Government*, of asking them to wait till he had got in the money due to him from his own *Debtors*. For the sake of his credit he must meet his bills on demand. What he did in practice was to have recourse to the *Money Market*. He 'takes up money by exchange to Lyons or Antwerp', discounts a bill for the benefit of his *Creditors,* and later, when he has collected his own *Debts*, remits by bill to the same place.

The *Foreign Exporter* who has discounted a bill on the strength of shipments to London, and then finds that the bottom has dropped out of the market, meets the situation by instructing his *London Agent* 'to take up by exchange again'. He draws a bill, for example, on his *London Agent* which is discounted on some *Continental Market*; his *Agent* meets it by drawing on him a bill, which the *Exporter* meets by discounting a further bill, and this in turn is met when finally, with the lapse of time, the vital element in the transition, the goods are sold.[43]

Even *Outsiders*, whose connection with this *International Financial System* was remote, took advantage of it to secure an occasional advance. An aunt of George Cely, for example, held a bill for ninety-one pounds Flemish which she discounted with a *London Mercer* for eighty-five pounds, sixteen shillings and eightpence.[44]

The transactions of *Capitalists* and of the *Government* were naturally on a larger scale and had more extensive ramifications. The *York Merchant Adventurers* in 1563 owed between £500 and £600 in Antwerp in advances made from market to market, and were in difficulties, their *Treasurer* wrote, because, having borrowed in addition their share of the money lent by the *Merchant Adventurers* to the queen, the *Company* would not allow their ships to be cleared till the debt was paid.[45]

The international character of the sixteenth century *Money Market* is illustrated even more clearly by the instructions for raising a loan which Gresham received from *Mary's Government* in 1554.

He was first to arrange with a *Financial Syndicate* of eight Antwerp firms, mostly German, to pay him 300,750 ducats in Spain at the two great fairs in which money was most plentiful and loans usually made, then to put the loan to the credit of *English or Foreign Houses* engaged in trade between Spain and England, and finally, as a condition of so doing, to obtain from them an undertaking to advance a corresponding sum in London to the *English Government*.[46]

As an instrument for raising loans, the mechanism was obviously a powerful one. It is significant, indeed, that in all these accounts it is assumed that the *Money Market* is a unity throughout Europe, and that the *English Merchant* can borrow as easily in Antwerp, Frankfurt, Lyons or Rouen, as in *The City*.

Further, it will be observed that these transactions, resting, as they did upon a calculation of the future course of the exchanges between London and foreign centres of commerce, necessarily involved a considerable element of speculation.

In all dealings of the kind there were at least three factors to be considered, the rate of interest at which the bill was discounted or the loan made, changes in the course of the exchanges from day to day, and differences in the rates for money on different markets.

The degree to which the two last - *Futures* and *Arbitrage* - outweighed the first was the measure of the degree to which *Speculation* entered into the transaction. It is clear that on some *Continental Markets*, and, in particular at Antwerp and Lyons, this aspect of exchange business was of great, and sometimes of preponderant, importance.

The *Antwerp Agent* of a Nürnberg firm, who, with the aid of astrology, had invented an infallible *system* for forecasting the course of the exchange, wrote:

> "You must often have noticed in my reports how often there is a great change from day to day in the exchanges on Germany, Venice or Lyons, so that in eight, ten, fourteen, to twenty days, with other people's money, one, two, three, four, or five per cent. more is won."[47]

The movements gave rise to a special class of business, in which *Dealers* betted on the percentage movements up and down, and settled their debts by transferring the margin between the loser's speculation and the actual course of the exchanges.[48]

There was a similar development of arbitrage dealings between different markets: a *Factor* of the great German

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[43] See the statement of the Italian merchants to the Government, 1576. (Schanz, *op. cit.*, vol. II, pp. 642-6).
[44] Camden Society, *Cely Papers*, p.39.
[45] Surtees Society, vol. CXXIX (1917), pp. 170-1.
[46] Burgon, *op. cit.*, vol. I, App. XI, pp. 472-4.
[47] Quoted Ehrenberg, *op. cit.*, II, 15-16.
[48] Quoted Ehrenberg, *op. cit.*, II, 19-20.

firm of *Imhof* for example, calculates the rates for money in Antwerp, Venice, Frankfurt and Nürnberg, and decides that, money being tight, the instructions of his firm to borrow in Nürnberg and remit to Antwerp cannot be carried out at a profit.[49]

The gains to be reaped by buying currencies which stood low but were likely to rise were large, and naturally led to attempts to influence the course of the market by spreading false information, or by buying exchange heavily on a particular market so as to create an artificial stringency. It was for a corner of this kind that Gaspar Ducci, the *Financial Agent of the Empire*, was forbidden for three years to deal on the *Antwerp Bourse.*[50]

Against the last type of transaction at Antwerp - against 'the *Bankers* and *Rich Merchants* of the Low Countries who…will be able to make the exchange to rise and fall as they think good for their gain and our loss'.[51] - there were frequent, and doubtless exaggerated, complaints in England.

Publicists drew a distinction between firms which did a straightforward export and import business -'*Merchants Traffiquers* of wares, who use the exchange only for need' - and the *Financial Houses* at Antwerp which handled *Futures* and *Arbitrage* transactions:

> "*Great Bankers* or *Money Merchantes* that use the exchange onely for gayne by merchandysynge of money, who lye watching to take advantage of the tyme and occasyone to fall or raise the exchanges to their most proffyte."

While admitting that temporary movements were due to changes in the balance of indebtedness on *Private* and *Government* account, they believed that there was a deliberate conspiracy on the part of the *Antwerp Bankers* to depress sterling, carried out with the encouragement of the *Spanish Government*.

> "Because keepinge of the exchange low is the comone benefyt of the Lowe Countreyes, gained upon the common detriment of the *Realme of England*, therefore it seemeth that the counsell of the finances in the Lowe Countrey have continually spurred the *Bankers of Antwerp* to keepe the exchange lower than the just proportyon of the vallues of the moneys of eythere realm hath duly required."[52]

This theory of 'a raid on sterling' has always had its supporters; in the sixteenth century it was naturally more popular than would have been a reference to the fact that, less than four years before these words were written, the *Government Debt* in the Low Countries had stood at £279,000, and had been reduced to a more manageable figure only by parting with capital in the shape of *Crown Estates*.

In reality, if *English Financiers* were not equally successful in the *Machtpolitik* of *High Finance*, it was not from any lack of will. An economic writer solemnly advised the *Privy Council* to 'make England *Lord of the Exchanges'* by using public funds to 'make a store of money upon the *Bourse of Antwerp'* to be subsequently used in selling dollars and buying sterling.

Gresham favoured the same plan, and, as his letters show, suffered from no exaggerated squeamishness as to the ethics of cornering the market. Till nearly the end of the century, however, the *English* cockleshell was towed by the *Continental* leviathans, and the financial resources needed for these grandiose *coups* were not available in London.

In other types of exchange business, as far as their humbler means allowed, Englishmen had little to learn from the continent. The very essence of the transaction known as *Dry Exchange* - the quality which gave it its sinister character in the eyes of *Moralists* - was that its object was not to pay for wares bought abroad, but to make a profit out of movements in the relative values of different currencies.

The growth of this kind of business is shown not only by the frequency of the denunciations of it, but by the long series of attempts to prevent it made by the *Government*, which are examined shortly below.[53]

Between 1552 and 1571, the period during which, under the *Act of Edward VI*, any interest whatsoever was forbidden, the movement was said to be due in part to the desire of *Capitalists* to evade the *Prohibition of Usury* by putting their money into an investment which could not easily be controlled by the *State*.

But in reality it had been taking place since, at least, the latter part of the preceding century, probably, indeed, much earlier, and its development was obviously a natural result of the growth of exchange transactions caused by an increase in *Foreign Trade*.

[49] Quoted Ehrenberg, *op. cit.*, II, 21-2.
[50] Quoted Ehrenberg, *op. cit.*, I, p. 222 and II, pp. 311-16.
[51] Printed Schanz, *op. cit.*, II, pp. 648-9.
[52] *Harl. MSS*. 660, fo. 107.
[53] See my essay on *The Struggle Over the Exchanges*.

Richard Cely, for example, watched with anxious eyes the movement of sterling and foreign currencies, received reports from his nephew that:

> "Money is still at Calais 2s. 2d. lower than it is in Flanders…there is no *Merchants* that spend a groat in the town of Calais but they lose a halfpenny'.

And, horrified by the fall of sterling, instructed him:

> "…to send me no sterling money for the loss is so great."[54]

The increase in the more risky kinds of these transactions which took place about the middle of the century was widely commented on.

English Merchants speculate on the course of the exchanges by selling sterling and buying dollars or guilders or vice versa;[55] take advantage of the lower interest of the *Continental Market* to borrow at five per cent. in Antwerp from *Westphalian Usurers* and lend at ten per cent. in London;[56] make advances in depreciating currency in Spain and are repaid when sterling has risen in London; plan to sell German currency for French, and than, by converting 50,000 French crowns into sterling, to make the not inconsiderable profit of £1,747;[57] when they will be *Deliverers*…receive in another place above the standard of the mint of the *Prince's Money* delivered, and when they will be *Takers* they will pay the same in another place under the standard of the mint of the prince's money taken up."[58]

The familiar phenomenon of to-day, by which the exports of a country with a depreciating currency receive, while the process is going on, an artificial stimulus, was turned to account by *English Dealers* who bought in a falling and sold in a rising currency and supplied them with the conventional arguments against stabilisation.

When Sir John Gresham stormed at the attempts made by his nephew to raise the value of sterling on the *Antwerp Market*, the latter explained his attitude by remarking:

> "It is no marvel…for that he hath bought £4,000 or £5,000 of wools."[59]

Thomas Gresham himself was under no illusion as to the shortsightedness of *The City*; his argument was always that, though the process of raising the value of *English Currency* might be painful, the *Business Community* would benefit by it not less than the *State*, once it was carried out. Of a transaction described below he wrote:

> "Wherein there was no man touched but the *Merchant*, for to serve the *Prince's* turn; which appeareth to the face of the world that they were great losers; but to the contrary, in the end, when things were brought to perfection, they were great gainers thereby."[60]

If his uncle, who bought in England and sold abroad, was a bear, Gresham himself, since he bought abroad, was a bull. Engaged in *Purchasing Munitions* and raising loans, he watched the markets in order to take advantage of movements in the rates between Antwerp and London, and when possible to influence them, with the result that the *Government* itself, in spite of its theoretical objections, was involved in highly speculative business undertakings. Into the complicated details of Gresham's financial proceedings, illuminating as they are, we must not enter. But consider, as an example, two of the transactions which he carried out, or tried to carry out, for it.

Gresham had the combined vanities of a successful *Business Man*, a *Financial Expert*, and a confidential *Agent of the Government*, and the third person of this inharmonious trinity was perpetually at war with the two first. As a *Merchant* he was the champion of freedom, attacked the *Usury Laws*, and opposed proposals to control exchange transactions. As an *Official* he regarded his fellow *Merchants* with profound, and perhaps not unjustified, suspicion, was convinced that they depressed the exchanges for sinister motives of personal profit, and was fertile in expedients for manipulating trade with a view to keeping up the rates for sterling.

It would seem that, like some others of his contemporaries, he confused an alteration in the mint par of exchange caused by the repeated depreciations of *English Currency* with a movement in the exchanges above or below the mint par due to ordinary commercial movements - the supply of, and demand for, money on different markets - habitually talked of the exchanges as being 'unfavourable' when what had really happened was that the mint par had changed because *English Currency* contained less *Bullion*, and congratulated himself on having 'restored'

[54] Camden Society, *Cely Papers*.
[55] Hall, *Society in the Elizabethan Age*, p.52.
[56] Roxburgh Society, *Dialogue of two Travellers*, p.32.
[57] *S.P.D. For.,* 1575, no. 995.
[58] *S.P.D Eliz*., CVI, no. 6.
[59] Burgon, *op. cit*., vol. I, p. 100.
[60] Burgon, *op. cit*., vol. I, p. 261.

them, when, in fact, the mint par had been raised by currency changes.[61]

But though his account of his own exploits is not to be taken too literally, it is none the less significant as one specimen of speculative business between England and the continent, carried on on behalf of a *Government* which denounced speculation.

The foundation of his projects was the extreme sensitiveness of the *Antwerp Market*. 'The Antwerp Bourse', he wrote to the *Government*, 'is truly strange; on one day there is abundance of money to lend, on the next, nothing', and the difference in the rates of interest ruling in London and Antwerp.

His first idea, explained in a letter of August 20, 1552, to the Duke of Northumberland, was that the *Government* should 'peg' the exchanges, by itself becoming a buyer of sterling. It was to put £1,200 or £1,300 a week to his credit in London; he, at the same time would improve the exchange by buying sterling and selling dollars in Antwerp.[62]

This plan was accepted by the *Government*, but, presumably on account of its expensiveness, abandoned within two months and Gresham, some years later, advanced another. It was to compel the *Merchant Adventurers* to pay the Government's debts in Flanders. The point of the proposal on which he prided himself as a stroke of genius, was not the forced loan, a device which would have occurred to the stupidest of *Privy Councillors*, but the connection of the loan with the exchanges.

After the half-yearly shipping of cloth to Flanders by the *Merchant Adventurers*, sterling stood in the *Antwerp Market* as high as twenty-five shillings Flemish to the pound, since there was a keen demand for bills on England. The ordinary rate was lower - in the spring of 1558, when Gresham broached his plan to Cecil, it was twenty-two shillings. What he proposed therefore, was that the *Government* should profit by the margin.

It was to say to the *Merchant Adventurers*: "the Queen's Majesty doth require at your hands to pay in Flanders for the pound sterling upon every cloth that is now shipped, after the rate of 25 *s*. Flemish for the pound sterling, and her *Highness* shall pay you again at *Double Usance'*, at the rate of twenty-two shillings Flemish for the pound sterling in London.[63]

The result would be that the *Queen's* most pressing *Debts* would be settled, and that on a loan of £30,000 - the sum involved - the *Government* would save by the difference between the value of sterling in Flanders and in London, at the times of borrowing and repayment, £4,500 at the expense of the *Merchants*.

Of the treatment of exchange transactions by public policy something is said below.[64] It is obvious that by the reign of Elizabeth practice had reached, even in England, a high degree of elaboration, and that some, at least, of those engaged in it had begun to work out with considerable success a theory of the conditions by which the *Market Rate for Money* was determined.[65]

It is obvious also, however, that the *Foreign Exchanges* confronted the traditional doctrines with an *experimentum crucis*. Plain men were frankly bewildered by the whole business, and could only murmur helplessly:

> "There is some mystery in the matter, pray God it may be discovered to the weal of our realm."[66]

To writers like Wilson, who were concerned with *Credit* as a problem of *Economic Ethics*, the *Practitioner* on

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[61] I am indebted to Professor Unwin for this interpretation of Gresham's ideas, as for much else in this section. Gresham in 1568 gave an elaborate account to the Queen (Burgon, *op. cit*., vol. I, pp. 453-6) of the methods by which he claimed to have raised the exchange. In fact, however, the value of the silver money was called down in 1551. It is possible that the latter change was more effective than Gresham's 'practice'.

[62] Burgon, *op. cit*., vol. I, pp. 92-3, "my request shall be…to apoynte me out weekly xii or xiii c poundes to be secretly reservyd at one man's hands…I shall so use this matter here in this towne of Andwerpe that every day I will be sure to take up ii or iii c *li* sterling by exchange…So that by this you may perseve, yf that I doo take up every daye but ii c *li* sterling, it will amount in one yere to Lxxi M *li*, and the King's Majesty oweth here at this present i c viii M *li*, with the interest money that was prolonged afore this tyme. So that by these meanes, in two yeres, thinges will be compassed according to my purpose set forth."

[63] Burgon, *op. cit*., vol. I, pp. 257-62 and 348-53. The transaction appears such a shady one, that it is perhaps worth while to quote Gresham's own words: "advertising you yf the exchange be better in Lombard Street than 22s. in any wise, to make them paye after that rate; or ells they do no service, but for their own lucer and gayen...To conclude, eftsoons, yf you can bringe them to 22s.; and yf the Exchange be better, according as the Exchange goeth to pay there, at the day aforesaid, and here at double usance (which ys two monthes) it wolle prove a more benefyciall bargayn to the Queen's Maiestie and to this her realme than I will at this present molest you withal."

[64] See my essay on *The Struggle Over the Exchanges*.

[65] See e.g. the able analysis in the Memorandum laid before the Commission of 1564 (*Harl. MSS*. 660, fo. 107).

[66] Frazer Tytler, *The Reigns of Edward VI and Mary*, vol. I, pp. 38-9.

the *International Money Market* seemed to epitomise every characteristic which had made the *Usurer* a moral abomination. The intellectual basis of their position was partly their inveterate persuasion - a persuasion shared both by *Statesmen* and, even a generation later, by some *Businessmen* - that values were objective realities with which only the criminal would tamper, partly the suspicion that the object of exchange transactions was to impoverish the realm by exporting money at a profit.

The relation between the two doctrines was that stated by Malynes, when he wrote,

> "The rule is infallible, that when the exchange doth answer the true value of our moneys, according to their extrinsick weight and fineness and their extrinsick valuation, they are never exported, because the gayne is answered by exchange, which is the cause of transportation. This cause being prevented maketh the effect to cease."[67]

The logical result of that principle of *par pro pari* was the attempt to prevent market rates from moving above or below the mint par by the various kinds of public intervention touched on in a subsequent section.

The truth is that the practice of the sixteenth century was greatly in advance of its theory. *International Exchange* business was not clearly distinguished by public opinion from mere *Moneychanging*, and conservative writers, as well as official policy, applied to the former ideas applicable only, if at all, to the latter.[68]

To change one currency into another was permissible enough, provided 'value was given for value'. To take advantage of deviations from the mint par of exchange, still more to cause them, was an *Act of Fraud* the more heinous because it corrupted the very life-blood of legitimate trade.

It was an aggravation of the offence that its motive was to realise a gain which, in itself, was forbidden by the law, both of the *Church* and of the *State*. For usury, and continuous usury, was avowedly the very essence of the whole business.

The *Honest Merchant* who laboured in his vocation might slip from the straight path under the stress of temptation. The sin of the *Dealer* on the exchanges, where, in the discounting of bills, usury as the payment for time appeared naked and unashamed, was not accidental, but a trade. As in Marinus's terrifying picture of the *Moneychangers*, he represented the pure essence of economic appetites, unalloyed by any tincture of public spirit or private charity.

Principal Types of Credit Transaction
other essays by R. H. Tawney

◄The Peasant and Small Master►
◄The Needy Gentleman►
◄The Financing of Capitalist Industry►
◄The Antecedents of Banking►

[67] Malynes, *Maintenance of Free Trade*, quoted by Br. Suviranta, *The Theory of the Balance of Trade*, p. 11.

[68] The confusion was clearly realised by *The City*: see the objections advanced by the *London Merchants* in 1576 to the *Government's* proposal to control *Exchange Business*, Schanz, *op. cit*., pp. 646-7, where the "shops of the Lombards" are contrasted with "commutacion by bills of exchange."