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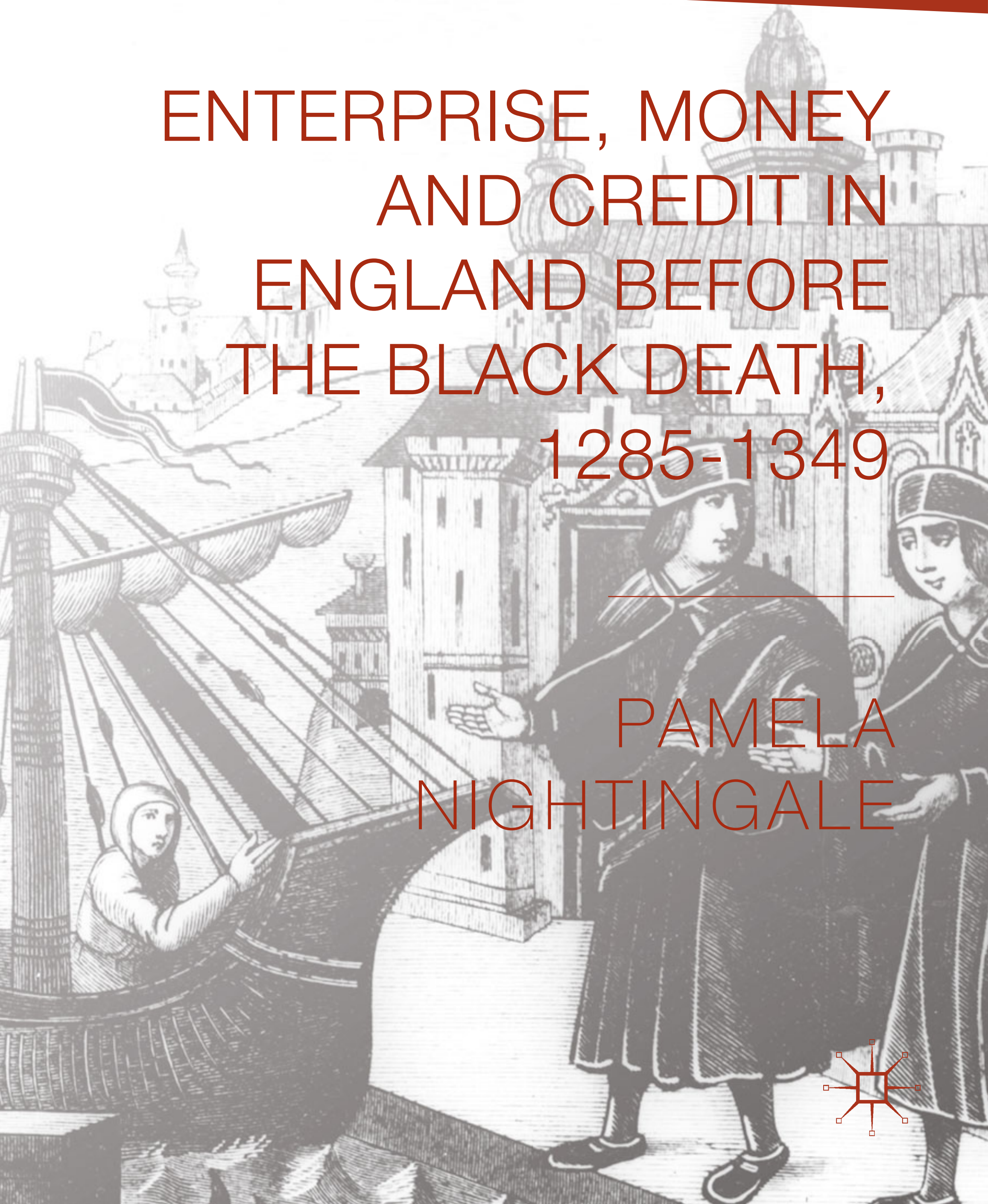

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Pamela Nightingale

Enterprise, Money and Credit in England before the Black Death 1285–1349

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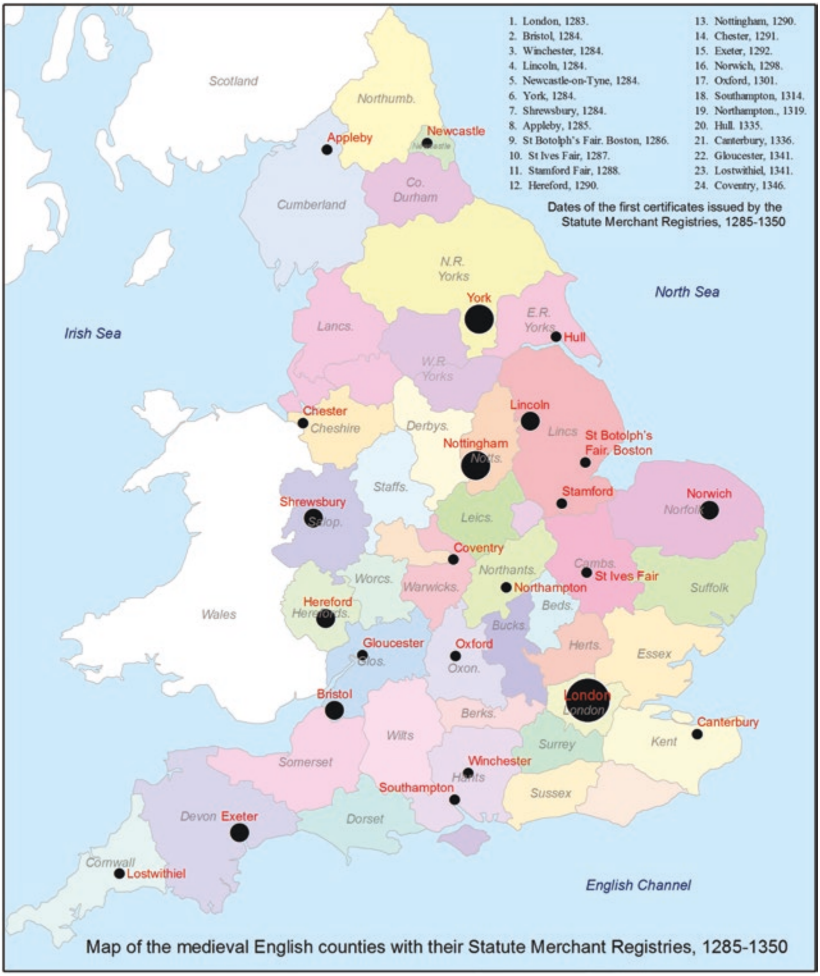

Map of the medieval English counties and their Statute Merchant registries 1285–1349, with the dates of their first certificates

In memory of my husband, John Stuart Nightingale (1935–2010),
who contributed much to this book.

Preface

I first used the Statute Merchant and Staple certificates in the 1980s in search of material about the merchants who were members of the London Grocers' Company, whose medieval history I was writing, and which I eventually published under the title of A Medieval Mercantile Community (Yale University Press, 1995). I realised then what a fruitful source the certificates were for the economic and social history of England between 1285 and 1530, although it was also obvious that the great bulk of the collection meant that would be a task of many years to create from it a comprehensive, online, searchable database. I was fortunate to gain the support of Professor Nicholas Mayhew, of the Ashmolean Museum, Oxford, whose own publications on medieval monetary history meant that he appreciated their value in assessing the relative contributions that money and credit made to the English economy in the late medieval period. He helped me to obtain grants from the University of Oxford, the Leverhulme Trust, and the Economic and Social Research Council. I am most grateful to these funding bodies, and to the Ashmolean Museum which administered the grants, for making possible the lengthy work of calendaring the documents. (For the details, see the Acknowledgements). By agreement, my data will be given to the National Archives to improve, and make searchable, the descriptions of the Statute Merchant and Staple certificates, and Extents for Debt which form Classes C.241, C.152/65, and C.131 in Discovery (the National Archives Catalogue). I am also grateful for the help I received from the staff of the National Archives, and from fellow historians who were working there, as well as from others in Oxford, particularly in the Coin Room of the Ashmolean Museum, and from its long-serving secretary and administrator, Mrs Roz Britton-Strong. Most recently I have been given exemplary assistance, way beyond the normal duties of her post, by the Continuing Education librarian of Rewley House, Oxford, Angela Carritt. My daughter, Mrs Sophia Joyce, has been a constant source of practical help, advice, and information which has rescued me on numerous occasions from the problems posed by the size and complexity of the database. She was also responsible for producing all the tables and charts in this book.

Although I planned originally to extend this book to cover all the certificates which I have calendared, and with that purpose I assessed their evidence for the economic developments of the post-Black Death period in my article 'Gold, mortality and credit : Distinguishing Deflationary Pressures on the Late Medieval English Economy' (published in the Economic History Review, 63 (2010): 1081–1104), and had also written additional chapters on that later period for the book, I have now chosen 1349 as its concluding date. I took this decision when I was first made aware of the publication in this series, in 2016, of Dr. Goddard's book on the Staple certificates for 1353–1532, which uses my C.131 database, and therefore includes much of the material that I had analysed for my own book. It was also the only way to meet the word limit imposed on this series. As the Black Death of 1348–9 inflicted on England the catastrophe of losing between one-third and one-half of its population, this book's focus on the connection between money, credit and changing levels of enterprise, required an assessment of the extent to which their relationship was influenced by developments in the economy before this date. To do this adequately required a more thorough survey, decade by decade, than any hitherto attempted, of the information contained in the 23,878 certificates of debt for 1285–1349. This book endeavours to provide it in the hope that it will be a useful work of reference and comparison for all historians of late medieval England who need to relate their own findings to what the certificates reveal of the diverse developments in the economies of England's regions, and its capital before 1349.

Oxford, UK Pamela Nightingale

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Abbreviations

CCR	Calendar of Close Rolls
CPR	Calendar of Patent Rolls
Cal. Letter Book	Calendar of Letter-Books preserved among the archives of the Corporation of the City of London at the Guildhall, 11 vols., edited by Reginald R. Sharpe, London: John Edward Francis, 1899–1911
D.N.B.	Dictionary of National Biography
V.C.H.	Victoria County History
T.N.A.	The National Archives, Kew

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CHAPTER 1

The Place of Credit and Coin in the Medieval English Economy

The world banking crisis which began in 2007–2008 showed how major developed economies could be brought close to financial catastrophe by the failure of the institutions which provided them with credit. Crises of this kind were not new, although in previous centuries they did not have such a global reach.[1] Nations, cities and individual speculators have frequently borrowed excessively on what turned out to be the flimsiest of securities. They thereby created inflationary bubbles of debt for which the means of repayment proved to be quite inadequate. These led to financial crashes, and sometimes to long-lasting economic depressions. Although these crises tend to associate the idea of debt with disaster, the financial systems which have evolved over centuries to lend capital have shown that loans and credit are 'one of the driving forces behind human progress' since they finance the enterprises which lead to the growth and development of economies.[2] This has proved true not just of the activities of Wall Street and the City of London, but of less advanced societies which engage in borrowing and lending without the aid of formal banks. In today's undeveloped economies, the loans of village co-operatives have shown how small amounts of cash, lent to peasant women, without collateral, to buy a cow, or a sewing machine, can produce incomes which enable them to send their children to school. By inspiring their neighbours to do the same, these loans have created a culture of enterprise and investment which has helped to lift whole villages out of endemic poverty.

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This example of what credit can accomplish today in the most impoverished communities raises the question of how it functioned in medieval England, and what it contributed to the country's economic and social development. Historians are familiar with the part that foreign, especially Italian, mercantile companies played in funding the medieval English monarchy and its wars, but the contribution of domestic credit to the shaping of the economy has received far less attention, despite the copious evidence which survives of the essential part it played in medieval life. By expanding a payment system which would otherwise have been tightly constrained by an inadequate supply of coin, credit became an integral part of rural and urban economies.[3] Debt accounted for a high proportion of all the cases heard in the royal courts and in local borough and rural manorial courts. These involved as creditors and debtors people of every social class, from the Crown, and its ministers, downwards, to chancery clerks, knights, manorial lords and bishops, as well as parish priests, peasants, merchants and craftsmen, while the sums of money lent ranged from a few pence, to hundreds, and even thousands of pounds. Although these examples show that money was lent extensively, the huge bulk of the records has deterred historians from compiling samples from them able to throw light statistically on the economic and political factors which influenced the expansion and contraction of credit overall. These factors included international trade, and bullion flows, the decisions of governments, and the warfare they engaged in, or, more fundamentally, regional differences of geography, and climate, which determined local resources.

The Relationship of Credit to the Monetary Economy

From the earliest times, the expansion of credit was linked with the development of a monetised and commercialised economy because coins provided a common measure of value, and a medium of exchange which could be invested in a greater diversity of undertakings than could cattle, or crops, or other commodities which might be bartered as payments. Since debts can be precisely quantified, it is not surprising that 'money and debt appear on the scene at exactly the same time' with the consequence that 'a history of debt …is thus necessarily a history of money'.[4] Both were closely linked In England with the development of the kingdom's overseas trade which earned the bullion from which the currency was struck. Its growth, though, was unpredictable. In the seventh century, overseas trade provided England with sufficient gold to produce up to one million coins a year, but these were replaced in the following century by a far greater number of the small silver coins called sceattas which were most likely brought by merchants from the Netherlands to purchase wool. The lower intrinsic value of these coins gave them a wider currency which helped to commercialise the economy, only for it to collapse in the ninth century under the impact of Viking raids. It revived in the tenth century when England was unified under the house of Wessex, and it expanded markedly towards its end when silver mines were discovered in the Harz mountains in Germany which revived the flow of bullion throughout northern Europe.

English kings encouraged the spread of coin for their own purposes, and the numerous mints they established in the kingdom between 973 and 1158 are evidence of its widespread use.[5] They profited from these by forbidding the circulation of imported foreign coin, by controlling and taxing the moneyers who ran the local mints and by regulating the weight and fineness of the coins they issued.[6] They gained even more from their ability to collect taxes and rents in coin, instead of in produce, because this freed them from the necessity of moving about from one royal estate to another to feed their household and retinues. Coin also allowed rulers to pay professional administrators and to hire mercenary troops to fight for them instead of relying on levies of untrained peasants, or on the service of knights paid by holding land from the Crown. Domesday Book shows by its monetary valuations of land, animals, crops and services how monetised the economy had become by the reign of Edward the Confessor. When the supply of silver from the Harz mountains diminished after the Norman conquest, there was a period when coin was in short supply until new mines were discovered in Saxony in the 1160s which allowed Flemish merchants to bring a fresh wave of silver to England to buy wool for their cloth industry. This again expanded the English currency and promoted the growth of internal trade.[7]

Although agriculture was responsible for at least three-quarters of England's national income in the thirteenth century, and the ownership of the land was concentrated in the hands of no more than 5% of the population, the growth of the currency affected all social classes and all regions through their greater dependence on coin as merchants, producers, wage earners, landlords and taxpayers, whose combined activities expanded the market economy.[8] To increase their own cash incomes, and, also, because they found it more productive to use hired, rather than servile labour, landlords in the thirteenth century commuted into money rents the labour services that their tenants had previously owed them.[9] Peasants, too, preferred to pay rents and taxes in coin to save them carrying food renders over long distances for their lords, or from having to work for them without pay. Consequently, cash rents became the largest single component of most landowners' income, and by the early fourteenth century, labour services accounted for less than 3% of agricultural production.[10] Conservative ecclesiastical landlords like the Bishop of Winchester, and most monastic communities, continued to use labour services to grow food on their estates for their own consumption, but they also raised at least one cash crop to give them the coin they needed for the wages of their personal staff and estate administrators, as well as the substantial amounts of cash required by royal and papal taxes.[11] For similar reasons, landlords continued to farm their demesnes to feed their households, but most of them also took an active interest in trade to obtain ready cash from their surplus produce.

Since at least two-thirds of all the land in the kingdom was occupied by tenants, more cultivators were forced into the market economy to pay the cash rents that lords demanded. Fairs and markets proliferated throughout the kingdom to serve local and regional trade, with most growth occurring between 1250 and 1274.[12] By 1300, about 2400 places had markets or fairs.[13] Lords founded many of these on their estates to increase their own cash incomes from tolls and market rents, while their appreciation of the greater income they could earn from trade led them also to invest in bridges, roads and the improvement of ports. Profits earned from the growth of the market economy, and particularly from wool exports, also paid for the building of castles, cathedrals and churches in stone. These enterprises, and more mundane ones such as mining, cloth making, fishing and coastal trade, provided paid employment for labouring families which had no land of their own to farm. However, money earned from such sources encouraged more of the young to marry earlier and produce more children, leading to a more pronounced growth of the population in the thirteenth century, and increased pressure on the land for their livelihood.[14] This meant that by 1300 well over half of tenants held insufficient land to feed their families, and they could only buy the food and other goods they needed by working for money wages.[15] Not only were they now exposed to all the uncertainties of employment, but they also had to cope with one of the most constant problems which dogged the economy in the middle ages, namely a limited, and often inadequate, supply of coin.

The Shortage of Coin

In Edward I's, reign, the mints were striking an average of £40,000 of coin annually.[16] However, as the population continued to grow, there was often not enough coin in circulation to meet the demand for it. Even those peasants who had sufficient land to grow their own food, and still paid rent in the form of labour services, needed coin to buy the metal tools, cloth, salt or pottery that their villages could not supply, while only the very poor could escape the monetary demands of royal tax collectors who raised, for example, £114,400 from the lay subsidy of 1290.[17] An expanding economy also required more money to invest in greater production. Landowners needed it to build up their flocks and herds to increase their incomes; peasants needed cash to rent extra plots of land, and to buy animals; craftsmen to pay for raw materials; and merchants to invest in stock and to give sales credit.

Unlike modern economies in which central banks can print as much money as government judge is needed, rulers in medieval Europe were dependent for the size of their currency on the amount of bullion which merchants brought to their mints. This meant that those kingdoms which did not possess gold or silver mines had to attract bullion by means of a favourable balance of trade, or by their mints offering a more attractive rate of exchange than those of foreign competitors. England had some silver mines in Devon, Derbyshire, Cumberland, Northumberland and Durham, and there were some in north Wales. However, the amount of bullion these contributed to English mints was normally small. At the end of the thirteenth century when the mint records still distinguish between the English and foreign bullion they received, the latter accounted for c. 80% of the output of coin between 1281 and 1290, and for more than 90% between 1302 and 1330. Most of England's silver came from mines in Germany and in Central Europe through a favourable balance of trade with Flanders and the Rhineland.[18]

There were, also, continuing drains upon the kingdom's stock of silver which had nothing to do with trade. Papal taxation drew substantial amounts of coin out of the country, and bullion was lost in shipwrecks. When English kings went to war on the continent, they invariably exported large amounts of coin to pay for troops fighting there, or to bribe allies. More rarely they profited from victories by ransoms, spoils and from payments by the vanquished to secure peace. More long term were the bullion famines which periodically afflicted Europe and the Islamic Mediterranean lands, inhibiting the supply of fresh coin. They could occur because there was usually a steady outflow of bullion to the east from Europe to buy silks and spices, or because European mines became exhausted, and decades could pass before new ones were discovered.

Internally, too, substantial amounts of coin could be withdrawn from the circulation as savings by the privileged few. Such was the £12,000 that Adam de Stratton stored in his London house in 1289, and the £50,000 that Walter Langton, the last treasurer of Edward I, was accused of accumulating in silver coin.[19] By the Earl of Arundel's death in 1376, he had locked away £60,240 in various strongholds.[20] Undoubtedly, these rich men profited by lending cash, but the uncertainties of life, and the needs of old age, encouraged far more ordinary people to hoard cash for their future needs, either in the form of jewellery, or plate, or as coins which they buried with the expectation of retrieving them. Coins were also lost to the depredations of coin clippers, while silver was rubbed away in their constant passage from hand to hand, possibly up to seven tons of it from the coinage of the 1290s.[21] Such a deterioration left the king little alternative but to order periodically the entire currency to be melted down and exchanged for new coins, a process which also lost silver. Re-coinages were carried out in England in 1180, 1247, 1279–1281, 1299–1300, 1344–1351, partially in 1411–1412 and 1465.

Even in the early fourteenth century, when both the population and the silver currency were at their highest in medieval England, the former may have numbered up to 5 million, compared with a currency worth £1.8–£2.3 million in 1319, and a national income from goods and services that has been roughly estimated at c. £4–£5 million.[22] Although gold coins increasingly took the place of silver in late medieval European coinages, and they became officially part of the English currency from 1344, they had too great an individual value to be used in the everyday transactions which made up the bulk of economic activity. In the fifteenth century, even the smallest English gold coin was worth three or four days' work for a craftsman. Also, gold coins introduced the problems of a bi-metallic currency. In competing with mints of neighbouring countries to attract bullion, a ruler could raise the price of one metal at the expense of the other and thereby create international bi-metallic flows which drew the favoured metal away from the mints of others.[23] In the fifteenth century, England lost much of its silver in this way because its mint price favoured gold.[24] Thus, monetary policies, both at home and overseas, could exert a powerful influence on the economy, for good or ill, which was quite independent of the success of English exports.

The Crown and the Coinage

Whereas on the continent the usual remedy for shortages of silver was for governments to debase the metallic content of their coins, this was not a policy favoured in England. From Anglo-Saxon times until the sixteenth century, the Crown followed a policy of maintaining the fineness of sterling silver to preserve the intrinsic value of its coinage. This mattered to the government as a tax collector, particularly when it wanted to use the proceeds to pay mercenaries to fight on the continent. It also mattered to merchants, especially those trading overseas. They benefited from the high reputation of sterling when they exchanged it for foreign coins, or used it to buy imports. It mattered, as well, to landowners who did not want to receive their rents in inferior coin of questionable value which tax collectors might reject.[25] It was also crucial to the confidence of investors and creditors because few were willing to lend money if they were uncertain about the value of the coin in which they could expect repayment. The Crown therefore gained general support for its policy of maintaining sound money, even though its own reckless spending on military adventures overseas was often the chief threat to it. When the king's monetary and foreign policy conflicted in this way, his subjects could force his hand. Edward III attempted in 1335 to solve his monetary problems by reducing the fineness of his coins, as well as their weight, but opposition in parliament in 1344 forced him to restore the old sterling standard.[26] The reward for this monetary consistency was that sterling became highly sought-after overseas as a reliable 'hard' currency, and in 1282, it was even allowed to circulate officially in France.[27] The drawback was that for several periods in the later middle ages, the English domestic economy was seriously short of coin.

The Crown was fully aware of the importance of coin to the health of the economy and to the effectiveness of its government and policies. Edward I, forbade the export of foreign silver coin and plate from 1278, of sterling coin from 1283 and gold bullion from 1307. He also banned the use of foreign coin in his realm from 1282, obliging merchants to exchange it at his mints for sterling.[28] Nonetheless, competition with

European mints for scarce supplies of silver, or the demands of wartime finance, could reduce the output of the English mints to the point that, to maintain liquidity in the economy, the Crown could and occasionally did resort to devaluation. Edward did this in 1279 by increasing the number of pence struck from every mint pound of metal from 242 to 243, and in 1344 to 270 pence thereby lowering the weight standard of the individual coins. This measure was more acceptable to the population than debasing coins by reducing the amount of fine silver or gold they contained. It was easy to weigh them, but only a goldsmith could test their fineness. Despite such measures, there were decades in the early fourteenth and fifteenth centuries when the supply of silver coin per head fell substantially, causing prices, wages and profits to fall, thereby making rents more difficult to collect and tenants harder to find.

Barter

Barter could do little to remedy such rises because it was a clumsy and limited means of payment, which required either 'a double coincidence of wants' for trade to take place, or small communities whose inhabitants knew each other's needs and could usually exchange goods, labour or services over an extended period.[29] It could possibly work in some specialised commercial transactions, such as cloth making, where trading partners could make specific arrangements, for example, for one to supply materials, and the other the labour. Nonetheless, an individual example of such an arrangement, which was made by the London merchant, Gilbert Maghfeld, in the 1390s to supply woad, alum and iron to a Suffolk clothier in return for finished cloth, shows that the partners still needed to hand over cash to each other at intervals to settle their accounts. Moreover, the arrangement did not survive a period of monetary contraction, and it ended with Maghfeld suing his former partner for the cash sum of £24. By contrast, an agreed and plentiful medium of exchange, which coin normally provided, made possible the almost unlimited expansion of credit, trade and investment, and it is therefore not surprising that, even in a time of monetary shortage, Maghfeld used barter in less than 5% of his transactions.[30] It was clearly not an adequate means of overcoming serious shortages of coin in an economy as monetised, commercialised and taxed, as that of medieval England had become. Chris Briggs's detailed work on manorial credit has led him to conclude that 'money was central to most rural credit transactions… and there is little sign that non-monetary alternatives emerged or were used on any significant scale as coin shortage began to bite in the later fourteenth and fifteenth centuries'.[31]

The Constraints on Credit

If the currency at its height c. 1310 had only half the value of the goods and services that made up GDP, it appears that, depending on the extent to which coin circulated and was used repeatedly, credit was financing much of the rest. Since the currency could not be expanded by government *fiat*, could credit still make up for a shortage of coin, as some historians assert?[32] Certainly, in the thirteenth century, credit given by alien merchants helped England's wool trade to expand. They, though, were encouraged to increase their credit by their access to the vast new quantities of silver which were mined in Europe from the 1160s to the 1320s.[33] English merchants, moreover, did not have access to financial institutions comparable with the banks in Italy which evolved from the work of private money changers, largely because from the Anglo-Saxon era the royal government had exercised strict control over the coinage and the mints for its own profit.[34] Furthermore, since the great majority of English creditors acted alone, with very few of them even appearing in pairs, the risk of investing fell on individuals and not on partnerships, whereas Italian companies operating in England usually had many partners and could call on the support of their European branches. This meant that English investors were likely to be more cautious and risk-averse, because their own money was at stake.

Caution also encouraged merchants to divert some of their capital and profits away from trade into property since it provided the collateral they needed to encourage others to lend to them.[35] However, landed investments were unlikely to meet a merchant's urgent need for capital in a crisis, and they only increased the general illiquidity of the economy. People needing loans therefore tended to be dependent on a narrow range of personal and local connections, such as members of their family, neighbours, or a few trusted business associates, who knew their circumstances and so were better able to judge the likelihood of repayment. For this reason, most English credit dealings before the fifteenth century, apart from those dealing with large consignments of wool, or conducted by

Londoners, were confined within the same county. Caution also dictated that credit was generally given for short periods of no more than two years, and more often for only a few months, because in a society which depended for its economic well-being on good harvests, and where the supply of coin was uncertain, no one could predict how easy or difficult it would be to secure repayment. Bad harvests occurred in most decades, and often more than once, while grain prices fluctuated annually in the period 1280–1350 by nearly 27%.[36] This meant that since many peasants needed to borrow to make up for their inadequate incomes, their ability to repay their loans was often in doubt. Moreover, since creditors also needed to safeguard their own liquidity, and they knew how many different circumstances could reduce the chances of repayment, they were generally ultra-cautious about giving credit in the first place. The arrival of plague in the fourteenth century created new hazards by making it more likely that debtors, and even their families, might die before a debt was repaid, leaving creditors to extract payment from tardy executors who might be dealing with numerous conflicting claims.

To some extent, the development of parochial and trade guilds in medieval England did help to widen networks of credit and encouraged more continuity of finance, because the social pressures they imposed on members encouraged them to lend more freely to each other. Such institutions, though, had generally a limited geographical influence. The lists of guild members of Shrewsbury, which date from the early thirteenth century, include some who lived outside the town, and, as was natural for an important centre of the wool trade, they included a few who lived more than 150 miles away from London and York. Consistently, though, the guild membership shows that over the period 1209–1319 fewer than 30% of these 'foreign' members lived at a distance of more than twenty miles, while up to 41% of them came from villages less than six miles from the town.[37] Six miles was also the average distance for most retail transactions of low value which are recorded in borough courts. This suggests that the relationships of trust based on personal knowledge and social connections which underpinned most local credit transactions were normally an inadequate foundation for the scale of credit needed in long-distance or international trade.

However, the demand for credit was not equally strong in all parts of the kingdom, because it depended not just on the supply of coin, but also on local opportunities for enterprise and trade. In areas where there were limited natural resources, poor communications, few towns and, therefore, little industry or trade, the supply of coin was also more limited, and inevitably, there was a smaller, and poorer, class of entrepreneurs and likely creditors. Although some historians have claimed that diversity in the patterns of medieval credit, prices and wages is evidence that they could not have been influenced by changes in the money supply, modern economies show similar regional and local differences, for example, in house prices, as well as in employment and wages, within broad national patterns which reflect monetary changes.[38] A medieval example of this is the borderland with Scotland, where three counties all suffered from damaging Scottish raids from 1296. While Northumberland's ports connected it with southern England and Europe, and thus with the main commercial and monetary developments in the kingdom, which enabled its economy to recover relatively quickly, Cumberland and Westmorland's routes to the east coast ports were easily disrupted by the Scots, and so the trade and credit of these two counties was affected much more severely by long-lasting insecurity.[39] Even within south-east England, there could be significant differences between, and within, the economies of neighbouring counties which tended to be reflected in differing levels of credit.[40]

Usury and Interest

A common supposition is that the usury laws acted as a severe impediment to any form of credit in the middle ages. Although there was a general royal prohibition of Christian usury in England from at least the twelfth century, Jewish usury was tolerated within certain limits until the reign of Edward I.[41] Accusations of usury were used to justify Henry III's occasional expulsions from England of foreign financiers, while Edward I, similarly justified the final expulsion of the entire Jewish community in 1290. Both acts, though, were probably also motivated by financial gain. Although the popular preaching of the mendicant religious orders against usury in the thirteenth century undoubtedly had a considerable impact on opinion, it did not stop bankers and merchants from levying substantial interest on loans.[42] Moreover, there are instances of Edward I, and Edward III profiting from Jewish usury, and, of course, they also assented to it as borrowers.[43] Fines were used as the common punishment for Christian offenders.[44] Laws against usury continued throughout the later medieval period to influence public opinion sufficiently for continental states which needed large public loans, to present interest in the form of *rente* contracts, or fixed annuities, which escaped the charge of usury. In England, though, church dignitaries, from the bishops downwards, were keen lenders of money, as, too, were many parochial clergy, even though they were supposed to seek out and denounce usurers among their flock.[45] However, prosecutions for usury in both the royal and church courts were rare except in the most extortionate cases.[46] It is most unlikely, therefore, that merchants, or other lenders, were influenced chiefly by fear for their souls in their decisions about credit. Should they have an uneasy conscience, they could leave legacies to the church by way of recompense.[47]

Nonetheless, creditors usually protected themselves against prosecution in private contracts by rarely recording interest rates. Instead, they would add the interest to the capital sum, or they disguised it as 'gifts', or 'damages' for the late payment of loans. Italian firms in England were not always so cautious. The treasurers of Canterbury Cathedral priory openly recorded the fact that when they borrowed 420 marks from Roman and Siennese merchants in 1221 they owed them 80 marks 'for usury', an interest rate of 19%.[48] Also, a letter written in 1260 by Siennese merchant bankers to a partner at the Champagne fairs shows how carefully they calculated the cost of loans in different coinages, and how they particularly valued sterling coins, 'because we draw greater interest in England than we would in France'.[49] Edward I, paid the Riccardi 5000 marks in 1294 as recompense for their services. This was almost certainly interest on their loans, which it has been estimated could have been up to 30% of the principal.[50] Interest rates varied hugely depending on the scarcity of coin and the risk that the debtor would default. The debts of Walter Chiriton and Company to English and alien wool merchants show large sums of more than one-third paid in interest.[51] Londoners obviously did not consider as usurious the levying of 10% interest on the funds they invested for the benefit of the city's orphans.[52] Although exorbitant gains aroused general condemnation on the grounds of the threat they posed to trade, as well as for moral reasons, it was nonetheless unusual for civil or religious authorities to investigate them, precisely because so many people in all ranks of life lent money at interest.[53]

Risks of Default

The most serious constraint on credit was the endemically high risk of default caused by a variable, but generally inadequate provision of coin. This meant that credit could not rescue the medieval economy from monetary-led depressions. Whereas a steady output of coin from the mints, and evidence of local liquidity, would give investors the confidence to expand credit, because they believed they would be repaid without undue difficulty, once coin became harder to obtain, they would reduce their lending, raise the interest demanded, or, in extreme circumstances, cease to lend entirely. This pattern of behaviour was no different from that of the banks in the long-drawn-out ‘credit crunch’ which afflicted sophisticated western economies following the global banking crisis of 2007–2008. As the ability of medieval bankers to expand the money supply was so limited, they showed their greater anxiety about, and vulnerability to, shortages of coin by their higher proportions of cash reserves. Whereas the Basle Committee on banking supervision agreed in 2010 on rules which required banks to insure against possible defaults by increasing their key minimum capital cushions from 2% of their assets to 7%, banks in medieval Bruges and in Barcelona were accustomed to hold nearer 30% of their cash in reserve for this purpose.[54]

This is explicable when one considers that the normal rate of default among the debtors of the statute merchant and Staple certificates was 20%, even though subsequently up to half of them repaid their creditors by selling their assets, rather than languish in prison. Although it is likely that most of these loans were recorded because they were of high value and therefore presented a greater than average risk, the normal rate of default for non-registered small debts which the London merchant Gilbert Maghfeld recorded in his accounts for 1390–1395, was 12%. The probability of losing from 12 to 20% of their loans in good times encouraged lenders to be ultra-cautious in bad ones, and, like Maghfeld, they were conditioned to respond quickly to any threatening events by refusing to give or renew credit.[55] This outlook was shared by the rich Medici bankers in Bruges in the fifteenth century.[56] Even in Venice 96 out of 103 recorded banks failed, and bankruptcies were also common in Bruges.[57] Accordingly, there was little likelihood of run-away booms based on too-easy credit in medieval England. The absence of a public debt open to investors also meant that there were no speculative bubbles of the South Sea kind that ruined many people in the eighteenth century. Equally, though, there was far less likelihood that shortages of coin could be circumvented by credit in any of its forms, formal or informal.[58]

The Instability of Credit

Although Italian companies used bills of exchange to transfer money from one country to another, the system only worked if the receiving banks held sufficient funds in cash to honour them. When imbalances between two banking places became too great this affected the exchange rate between them, making it cheaper to send bullion.[59] Peter Spufford concluded that the use of bills of exchange did not, in fact, diminish the quantity of bullion which was transported across medieval Europe to finance trade, government and ordinary domestic transactions.[60] Moreover, in England the Crown banned payments from Europe by bills of exchange from 1283 on the grounds that they were depriving the kingdom of bullion.[61] Bonds, also, had a limited use in the place of coin. Those known as *littera obligatoria*, which were usually drawn up by scriveners and sealed by the debtor, were transferred between merchants in England from at least the thirteenth century, and they developed in the fourteenth into informal unsealed bills like modern promissory notes. Nonetheless, even though the London Mayor's Court recognised the transferability of a bill in 1437, which was a crucial step towards full negotiability, it was not enforceable at common law.[62] This may explain why there is so little evidence in the records of the Court of Common Pleas, or Chancery, that bills assigned in this way in medieval England were protected by law.[63]

Most crucially, because bonds were not guaranteed by financial institutions, or by the state, even when they were transferred they still relied on the ability of the final acceptor to repay the sum recorded, and if he was unable to do so, it could be very difficult, if not impossible, to enforce it.[64] Similar problems arose when merchants offset in their ledgers debts incurred by one, against others owed to them. These methods might extend the period of repayment, but they also bred new dangers by trapping men who were nominally solvent in complex chains of debt. It could take only the failure of one substantial debtor in the chain for many others to be brought down with him.[65] Accordingly, instead of solving the problems caused by a shortage of coin, payment by means of transferable bonds could exacerbate them by causing more businesses to fail. Hence, when coin was in short supply, merchants knew that they were increasing their risks when they accepted payment in bonds, and, for that reason, they were more reluctant to give credit. The survival of a merchant in business very much depended on his ability to balance what he owed to his creditors with the sums his debtors owed him, and to assess how much of the latter was likely to be repaid. The margin of safety could be precariously small, or even non-existent. When the wealthy London stapler, William Lynn, died in 1424, he had working capital worth £4842, but over 62% of this total was in the form of debts owed to him. Furthermore, he himself owed 33% of the total to others, while his stock of coin, worth about £965, only covered 60% of his obligations. He was therefore dependent on others paying him to repay his own creditors.[66]

Such considerations meant that creditors would not lend cash, give credit, or accept transfers of debt, incautiously. They themselves were usually indebted to others, and they needed cash to pay rents and taxes, and in the case of exporters, to pay customs dues, and the costs of storage and transport. Accordingly, they were heavily influenced in their financial decisions by their assessment of the general ease or tightness of money, as well as by their judgment of an individual's solvency. They could guess at the availability of coin from the liveliness of sales in their local markets and from the ease or difficulty of gathering in rents. If they lived in London or had frequent dealings with Londoners, they would know something about the output of the mints and the likely buoyancy of the currency. Moreover, no county was cut off from news about the city's affairs. It was carried by merchants, coastal shipping, by lawyers and royal messengers who brought orders almost weekly from the Exchequer and Wardrobe to sheriffs, mayors of towns, bailiffs of royal manors and officials of ports.[67] London also had its own private messenger service.[68] News from London could be known within a week in Northumberland, and inevitably, it influenced the outlook of local creditors. However, the relative slowness of these communications meant that rumour could magnify the dangers that investors might not recover the money they lent, and creditors would react, as the stock market does today, with a herd mentality which exaggerated the threat. In such circumstances, as Mervyn King has said of modern banking crises, 'only an increase in overall liquidity of the system will meet this demand'.[69] Whereas central banks can provide such liquidity