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Investment and Saving Opportunities for Different Socio-Economic Groups in Medieval and Early Modern Europe

Investitions- und Sparmöglichkeiten verschiedener sozioökonomischer Gruppen im mittelalterlichen und frühneuzeitlichen Europa

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Abstract: This special issue focuses on the financial behaviour of different participants in European medieval and early modern financial markets. It extends our knowledge of the financial strategies employed by households, merchants, charities, city governments and corporations by asking what investment opportunities, ways of saving money and maintaining cash flow were available to different socio-economic groups in premodern societies. Borrowing and lending activities were not limited to formal capital markets, but also included informal financial transactions within social networks. In many cases, people did not rely on a single financial institution, but used a variety of financial intermediaries and strategies, each with its own advantages and disadvantages. Medieval and early modern capital markets often involved different institutions that complemented each other. The current issue contributes to our understanding of early financial behaviour by highlighting specific historical markets and actors, ranging from institutional actors (governments, charitable institutions) to merchants, craftsmen, and peasants, including many women.

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The role of capital markets has recently moved to the centre of the economic and political debate, especially the question to what extent capital gains contribute to increasing social inequality.[1] Capital markets can reinforce economic inequalities, leaving those with few resources behind and widening the gap between the rich and poor.[2] The combination of different economic activities, such as wage labour, producing for a market, or borrowing and lending have long been practiced and arose from specific economic needs.[3] Already in the Middle Ages, the spread of commercialisation and the money economy made it easier for people to pursue their own economic agenda and react to age- and gender-specific needs.[4] Market economies made it possible to separate transactions over space and time and to save money for later use.[5] These economic options allowed for better risk management and enabled economic growth through investment. However, much remains to be learned about how these activities were carried out in detail and what they depended on.

1 Recent Historical Literature on Saving and Investing

Capital markets intermediate borrowing and lending. These activities in turn offer market actors access to larger amounts of capital at an earlier point in time

1 The importance of capital markets and their impact on society is discussed by *T. Piketty*, Das Kapital im 21. Jahrhundert, München 2020.

2 *B. van Bavel*, The invisible hand? How market economies have emerged and declined since AD 500, Oxford 2016, pp. 28-29.

3 *B. Kuske,* Die Entstehung der Kreditwirtschaft und des Kapitalverkehrs, in: *Idem (Ed.),* Köln, der Rhein und das Reich. Beiträge aus fünf Jahrhunderten wirtschaftsgeschichtlicher Forschung, Köln 1956, pp. 48-137.

4 *U. Pfister*, The Protoindustrial Household Economy. Toward a Formal Analysis, in: Journal of Family History 17/2, 1992, pp. 201-232.

5 *S. Ghosh*, Rural economies and transitions to capitalism: Germany and England compared (c.1200–c.1800), in: Journal of Agrarian Change 16, 2016, pp. 255-290.

and the opportunity to accumulate and distribute funds and earn returns.[6] However, the performance of capital markets depends on combining two inherently opposite requirements: The provision of security and liquidity to savers, i.e. the conversion of their assets into cash at low cost and at short notice, and the provision of a secure supply of long-term investment capital to borrowers, which enables economic investment.[7]

While the provision of funds was particularly important for governments and merchant companies in the past, the aspect of saving money and maintaining cash flow was especially important for small savers such as agricultural workers, artisans, or poor households.[8] Both functions are equally important, but economic historians have traditionally focused on one or the other. The latter, in particular, the maintenance of the liquidity of individuals and households in the lower socio-economic strata, is an imperfectly studied field and the importance of this has been pointed out by Heidi Deneweth, Oscar Gelderblom and Joost Jonker: "[T]he prime concern of poor households is not saving, borrowing, or insuring, but cash flow".[9] The economic behaviour of households has been described as a black-box.[10]

In contrast, most research on late medieval and early modern financial history has focused on the history of public finance, government fundraising and spending, and the origins of the so-called *financial revolution*. The term refers to a series of events connected with the Glorious Revolution of 1688 in England, from the creation of a national debt to the establishment of the Bank of England.[11] James Tracy and Larry Neal identified a similar development in the United Prov-

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6 *M. O'Hara*, Designing Markets for Developing Countries, in: International Review of Finance 2/4, 2001, pp. 205-15.

7 *O. Gelderblom/J. Jonker*, Completing a Financial Revolution: The Finance of the Dutch East India Trade and the Rise of the Amsterdam Capital Market, 1595–1612, in: The Journal of Economic History 64/3, pp. 641-672, here p. 641.

8 On the importance of saving money and maintaining a cash flow, see: *R. Naismith*, Money and Society, in: *Idem (Ed.),* Money and Coinage in the Middle Ages, Leiden 2018, pp. 179-202; *P. Delcorno/I. Zavattero (Eds.),* Credito e Monti di Pietà tra Medioevo ed età moderna. Un bilancio storiografico, Bologna 2020.

9 *H. Deneweth/O. Gelderblom/J. Jonker*, Microfinance and the Decline of Poverty: Evidence from the nineteenth-century Netherlands, in: Journal of Economic Development 39/1, 2013, pp. 79-110, p. 80.

10 "This task requires that we attempt to peer into the "black box" that is the family." *J. de Vries*, The industrious revolution. Consumer behaviour and the household economy, 1650 to the present, Cambridge 2008, p. 215-216.

11 *P. Dickson*, The Financial Revolution in England: A Study in the Development of Public Credit, 1688–1756, New York 1967.

inces (in the Netherlands) already in the 16th century.[12] The *financial revolution* has mostly been connected to public finances and public debt management; stable monetary and payments arrangements; sound banking systems; an effective central bank; good securities markets for debt; equity, and money-market instruments; and sound insurance companies (or more generally, institutional investors) – genuine phenomena of the modern age.[13] These are all important innovations in government funding and the development of capital markets. However, it is relevant to examine markets and market mechanisms before the financial revolution and ask about the scope and potential of pre-modern institutional arrangements. As studies of the economy of early modern Paris have shown, this can be worthwhile.[14] Philipp Hoffman, Gilles Postel-Vinay, and Jean-Laurent Rosenthal document that some countries, such as early modern France, did not have central banking institutions, which are generally considered necessary for the constant reallocation of capital that feeds economically important investments.[15] Instead, there were ways to borrow and invest before the banks opened their doors. How this *dark matter credit* – dark matter because it cannot be directly observed, though it makes up about 85 percent of the total credit-functions, has so far not been studied in depth in different settings.[16] Therefore, this issue of the Economic History Yearbook focuses on formal and informal market arrangements for saving and investing money in the Middle Ages and Early Modern period, which are challenging to study and reconstruct.

2 Medieval Finance History

Recent research has highlighted the financial innovations of northern Italian city-states, such as Genoa, Venice and Florence, in the late Middle Ages, as an important link in the long chain of financial evolution, including public banks

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12 *J. Tracey*, A Financial Revolution in the Habsburg Netherlands. Renten and Renteniers in the County of Holland, 1515–1565, Berkeley 1985; *L. Neal*, The Rise of Financial Capitalism: International Capital Markets in the Age of Reason, Cambridge 1991.

13 *R. Sylla*, Financial systems and economic modernization, in: Journal of Economic History 62, 2002, pp. 277-292, here p. 280.

14 *P. Hoffman/G. Postel-Vinay/G.-L. Rosenthal*, Priceless Markets. The Political Economy of Credit in Paris, 1660–1870, Chicago 2000.

15 *P. Hoffman/G. Postel-Vinay/G.-L. Rosenthal*, Dark Matter Credit. The Development of Peer-to-Peer Lending and Banking in France, Princeton 2019.

16 *Ibid.*, p. 1.

and new financial and monetary instruments.[17] The period from the 950s to the 1350s saw fundamental changes in the way business was done, with a rising monetisation, new forms of credit and trading companies emerging, which has been termed as the *Commercial Revolution* of the Middle Ages.[18] One of the consequences of this development was the use of money and the increased possibility for productive investment, coupled with a radical change in attitudes towards lending and investing money. Coins and bullion were beginning to be invested rather than hoarded.[19] Many of the innovations of the Middle Ages, such as the circumvention of the prohibition on usury through the *renten* contract, the pooling of capital through companies or the negotiability of debt instruments, are seen as important developments in the emergence of public debt. John Munro called these the medieval origins of the *financial revolution*.[20] Far less is known about what could be called the second pillar of the *financial revolution*, that is insurance and saving possibilities that enabled households to cope with risk.[21]

While the financing of public debt is a topic of great interest for the medieval period, less research has been done on other financial functions such as insurance. Literature has pointed to a missing market for insurance for a large part of the historical population in the Middle Ages. The only exceptions were the merchants who, from the 13th and 14th centuries onwards, had recourse to insurance contracts for the protection of their short- and long-distance sea trade.[22] However, for land, labour, and output there was no market available for risk-spreading techniques. Instead, villagers and peasants had to resort to a combination of storing grain and the scattering of fields to reduce risk (often at the expense of productivity).[23]

17 *M. Fratianni/F. Spinelli*, Italian city-states and financial evolution, in: European Review of Economic History 10 (2006), pp. 257-278.

18 *R. Lopez*, The Commercial Revolution of the Middle Ages 950–1350, Cambridge 1971.

19 *P. Spufford*, Money and its use in medieval Europe, Cambridge 1988, p. 259.

20 *J. Munro*, The Medieval Origins of the Financial Revolution: Usury, Rentes, and Negotiability, in: The International History Review 25/3, 2003, pp. 505-562.

21 *J. Zuijderduijn/T. de Moor*, Spending, saving, or investing? Risk management in sixteenth-century Dutch households, in: Economic History Review 66/1, 2013, pp. 38-56, here p. 38.

22 *M. Botticini/P. Buri/M. Marinacci*, The Beauty of Uncertainty: The Rise of Insurance Contracts and Markets in Medieval Europe, in: Journal of the European Economic Association 21/6 (2023), pp. 2287-2326.

23 *S. Fenoaltea*, Risk, transaction costs, and the organization of medieval agriculture, in: Explorations in Economic History 13/2, 1976, pp. 129-151; *D. McCloskey/J. Nash*, Corn at Interest: The Extent and Cost of Grain Storage in Medieval England, in: The American Economic Review 74/1, 1984, pp. 174-187; *J. Komlos/R. Landes*, Anachronistic Economics: Grain Storage in Medie-

With the increasing commercialisation of society and the emergence of capital markets from the 13th century onwards, new financial options became available to households.[24] Yet, apart from specific forms of investment such as deposit banking,[25] trade credit[26] and public debt,[27] the financial strategies at the household level remain understudied.[28] Recent research has shown that in preindustrial Europe, those who could only rely on their labour income diversified their economic strategies to survive the crises that could befall them, e.g. illness, unemployment, or high food prices.[29] People managed their financial portfolios through a variety of channels in an economy of makeshifts.[30] Saving money, investing in profitable businesses, or lending money to strengthen social relationships were rational choices. The analytical challenge comes in discovering who used which financial instruments in what combination and at what specific cost and benefits. This special issue addresses the question of how specific actors (governments, households, charitable institutions) chose whether or not and when to borrow, save, or invest money.

Finally, institutional arrangements determine the practical application of saving or borrowing. As studies have shown, market structures, together with transaction costs, are important determinants of whether and how economic

val England, in: The Economic History Review 44/1, 1991, pp. 36-45. An overview about the literature is given by *Zuijderduijn/de Moor*, Spending, saving, or investing, pp. 38-39.

24 *S. Ghosh*, Rural Economies and Transitions to Capitalism: Germany and England Compared (c.1200–c.1800), in: Journal of Agrarian Change 16/2, 2016, pp. 255-290.

25 *R. de Roover*, Money, Banking and Credit in Mediaeval Bruges: Italian Merchant-Bankers, Lombards and Money-Changers, Cambridge/Mass. 1948.

26 *C. Frohlin*, A Brief History of Investment Banking from Medieval Times to the Present, in*: Y. Cassis/R. Grossmann/C. Schenk (Eds.),* The Oxford handbook of banking and finance history, Oxford 2016, pp. 133-162.

27 *E. Fryde/M. Fryde*, Public Credit, with Special Reference to North-Western Europe, in: *M. Postan (Ed.),* The Cambridge Economic History of Europe from the Decline of the Roman Empire, Cambridge/Mass. 1963, pp. 430-553; *M. Ginatempo,* Prima del debito. Finanziamento della spesa pubblica e gestione del deficit nelle grandi città toscane (1200–1350 ca.), Firenze 2000.

28 *V. Groebner*, Ökonomie ohne Haus. Zum Wirtschaften armer Leute in Nürnberg am Ende des 15. Jahrhunderts, Göttingen 1993, pp. 19-20; *C. Muldrew*, The economy of obligation. The culture of credit and social relations in Early Modern England, New York 1998, p. 60; *S. Nicolussi-Köhler*, Introduction, in: *S. Nicolussi-Köhler (Ed.)*, Change and Transformation of Premodern Credit Markets. The Importance of Small-Scale Credit, Heidelberg 2021, pp. 1-22, here pp. 2-6.

29 *L. Fontaine*, Survivre en temps de crise. Une perspective historique, in: Revue Projet 336-337/5, 2013, pp. 43-50, https://doi.org/10.3917/pro.336/0043 (18.01.2025).

30 *T. Skambraks*, Karitativer Kredit. Die Monti di Pietà, franziskanische Wirtschaftsethik und städtische Sozialpolitik in Italien (15. und 16. Jahrhundert), Stuttgart 2023, pp. 51-54; *S. King/A. Tomkins (Eds.),* The Poor in England 1700–1850: An Economy of Makeshifts, Manchester 2003.

exchange takes place.[31] Transaction costs can include the need to overcome asymmetric information between contracting parties, the cost of protection, or the cost of enforcing contractual obligations. Market structures are put in place by private or public actors or interest groups (powerful individuals such as monarchs, political organisations etc.) to benefit from economic exchange and are thus exponents of the political and social structures. They can have a large impact on governance in terms of economic, social and political policies.[32] The institutional framework can both be formal and informal. While informal institutions include religious taboos, norms, customs, social habits or moral values, formal institutions, such as contractual obligations or property rights, are enforceable by law. Throughout history, we see that similar financial functions have been intermediated and regulated by different institutions. The institutional framework that regulates the financial market is central to economic change and therefore of great importance.

3 A New Approach to Saving and Investing

Many studies in recent years have pushed back on the idea that modern banks were a prerequisite for flourishing capital markets. This is a justified and necessary correction of the older historiography, but it still maintains the narrative that governments, corporations, merchants and sometimes notaries remained the most important participants in historical financial markets. It is not disputed that the financial activities of these actors were of great importance, but we aim to break with the narrative of their dominance. This issue of the Economic History Yearbook highlights contributions from recent empirical research, that emphasizes the many different smaller market participants, especially on the supply side of financial markets. They offered funds and were motivated by their search for returns, safe investment options, a preference for diversification and a need for high liquidity.

Two important observations can be made here: First, there has long been a disproportionate focus on the financial activities of high finance. People belonging to the middle or lower classes (artisans, small farmers, but also the propertyless sub-peasantry) made up the majority of the historical population and must

31 *D. North*, Institutions, Institutional Change and Economic Performance, Cambridge/Mass. 1990.
32 *D. Acemoglu/J. Robinson*, Why Nations Fail: The Origins of Power, Prosperity, and Poverty, New York 2012.

therefore be included in considerations of financial behaviour. Although the total volume of their investments may have been negligible, their sheer number is not. Second, it is striking that most research on the financial strategies of individuals and households focuses on their activities in formal capital markets, ignoring the importance of informal capital markets and social networks that also made investing possible. How and by what means the middle-class and lower-class households organised their economic survival is usually not described. As Valentin Groebner put it, such practices are considered indescribable because they took place in the realm of informal rules and social relations seeming to elude the organising and quantifying grasp of the historian.[33] This bias in the sources of course remains a problem, with many sources not surviving. Gaps in the archives refer to the systematic neglect of the money needs of the middle classes and the poor. However, our authors were able to carefully search and find traces of financial activities even of the poorest strata of medieval societies.

Practices of saving and investing often involved different institutions that complemented each other.[34] In many cases, people did not rely on a single financial institution but used different financial intermediaries and strategies, each with its own advantages and disadvantages. Traditionally, we know more about borrowers than lenders because the borrowers had a stronger interest in protecting their rights and more detailed records were kept to track re-payment. In addition, informal economic practices are more difficult to reconstruct and require the use of different sources.[35]

Rather than focusing on specific financial institutions, it is important to ask what financial services (functions) people needed and who provided them. A close reading of the sources shows that several different institutions and intermediaries offered financial services. By taking such a functional approach, by looking at different institutions and socio-economic groups (city elites and

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33 Valentin Groebner wrote: „Wie und mit welchen Mitteln diese Leute [=die arbeitenden Armen] ihr Überleben organisieren, wird nicht beschrieben. Vermutlich wird es für nicht beschreibbar gehalten, weil sich diese Praktiken der arbeitenden Armen im Bereich informeller Regeln und sozialer Beziehungen abspielen und sich so dem ordnenden und quantifizierenden Zugriff des Historikers offenbar entziehen.“ See: *Groebner*, Ökonomie ohne Haus, p. 19.
34 *G. Postel-Vinay*, Change and Transformation of Premodern Credit Markets. The Importance of Small-Scale Credits, in: *S. Nicolussi-Köhler (Ed.)*, Change and Transformation of Premodern Credit Markets. The Importance of Small-Scale Credit, Heidelberg 2021, pp. 23-38, here p. 34.
35 *G. Signori*, Einleitung, in: *Idem (Ed.)*, Prekäre Ökonomien. Schulden in Spätmittelalter und Früher Neuzeit, Konstanz 2015, pp. 7-16, here p. 11; *J. Shaw*, The informal economy of credit in early modern Venice, in: The Historical Journal 61/3, 2018, pp. 623-642, here pp. 640-62; *Nicolussi-Köhler*, Introduction, pp. 10-11.

middling sorts, rural societies, urban governments, charities, the elderly, etc.), and by using changing perspectives as a lens to approach the question of how different actors invested and saved money, the special issue aims to focus on and the plurality of needs and financial strategies.

By bringing together a number of empirical case studies, we show what different financial options were available to people living in the city and in the countryside, how their education (literacy!) influenced their choice of a particular financial strategy, who paid for public debts, or how people could prepare for retirement: different needs led to different solutions.

The articles in this issue contribute to the current debate by emphasising the historical development in different regions of Europe in the Middle Ages and during the early modern period. Many phenomena were similar across Europe, but the outcome and consequences were not the same everywhere. Roles of family, government, intermediaries, and the regulatory structures governing them, varied considerably from place to place and between different financial activities.[36]

4 Actors and Institutions

Recent research has emphasized the great volume of premodern financial activities. However, as has been shown, a large volume of credit existed prior to modern banking.[37] Many of the informal institutions involved, i.e. those not necessarily specialised in matching financial supply and demand, for example innkeepers, or religious institutions (such as charities and hospitals), are under-researched.[38]

In this issue, we contribute two case studies written by Jaco Zuijderduijn and Monika Gussone that address the function of charitable institutions as financial service providers for both savers and investors. Jaco Zuijderduijn reconstructs the role of hospitals in 15th century Amsterdam by taking a two-sided approach. Firstly, the hospitals were rich institutions and their directors managed portfolios that included both real estate and financial instruments. They were major

36 *R. Merton/Z. Bodie*, A conceptual framework for analyzing the financial system. The global financial system: A functional perspective, Boston/Mass. 1995, pp. 3-31.

37 *Hoffman/Postel-Vinay/Rosenthal*, Priceless Markets.

38 *M. Lorenzini/C. Lorandini/ D'M. Coffman*, Introduction, in: *Idem. (Eds.)*, Financing in Europe: Evolution, coexistence and complementarity of lending practices from the Middle Ages to Modern Times, London 2018, pp. 1-18, esp. p. 2; *O. Gelderblom/J. Jonker/C. Kool*, Direct finance in the Dutch Golden Age, in: The Economic History Review 69/4, 2016, pp. 1178-1198, here p. 1178.

urban financial institutions that both took deposits and purchased public annuities. Secondly, the hospitals provided plenty of investment opportunities to the middle class, especially with respect to life-cycle saving. Hospitals in Amsterdam provided an important financial function by allowing investment in pensions and thus helping to support men and women in preparation of and during old age. Monika Gussone reconstructs the functioning of charitable institutions in a smaller 15th century town in the western part of Germany. She shows that the various hospitals and religious institutions in the city of Kalkar were managed professionally by people familiar with the financial market. Although the charities received a lot of donations, there were administrative and monitoring costs that had to be covered – after all, they were usually large-scale employers. Hospitals were profit-oriented and managed large financial portfolios (buying annuities, accepting deposits and investing in public debt) and can be considered major institutional investors. In addition to innkeepers[39] or booksellers,[40] charitable institutions offered alternative direct financing and investment opportunities even to a wider section of the population that was otherwise excluded from the capital market.[41] By including a variety of charitable institutions in the analysis, it becomes apparent that many banking functions were provided by institutions other than banks – institutions that easily escape the attention of the economic historian.[42]

Other major institutional actors were governments. As early as the late 12th century, in Northern Italy, Catalonia, Northern France, the Low Countries and slightly later in Germany, governments successfully monetised future tax income and created a system of long-term consolidated public debt.[43] Lending to the government was often seen as a safe investment. This opened up several opportunities for citizens to participate in public debt and tax management. The options ranged from compulsory loans, which everyone had to provide according to their ability, to voluntary investments in long-term consolidated public

39 *M. Pompermaier*, L'économie du 'mouchoir': crédit et microcrédit à Venise au XVIIIe siècle, Rom 2002.

40 *Gelderblom/Jonker/Kool*, Direct finance in the Dutch Golden Age.

41 *O. Gelderblom/J. Jonker*, With a View to Hold. The Emergence of Institutional Investors on the Amsterdam Securities Market during the 17th and 18th Centuries, in: *J. Atack/L. Neal (Eds.)*, The Evolution of Financial Markets and Institutions, Cambridge 2009, pp. 71-98.

42 On the economy of monastic orders, see: *J. Röherkasten/J. Sarnowsky (Eds.),* Monastic Finance. Studies on the Economy of Benedictines, Military Orders, and Mendicants, Münster 2022.

43 *Fryde/Fryde*, Public Credit; *M. Boone/K. Davids/P. Janssens*, Urban Public Debts from the 14th to the 18th century. A New Approach, in: *Idem (Eds.),* Urban Public Debts: Urban Government and the Market for Annuities in Western Europe (14th–18th Centuries), Turnhout 2003, pp. 3-12.

debt (such as pensions and annuities) or the granting of loans to the government. On the lending side, different investment needs led to different solutions for financing public debt.

The articles by Marco Conti, Carlo Ludovico Severgnini and Laura Miquel Milian/Albert Reixach Sala/Pere Vérdes Pijuan present different case studies of public debt management in Siena, Bologna and municipalities in Catalonia. The authors criticize the tendency in historiography to treat such case studies in isolation. Until now, there has been no genealogy of urban debt, although many cities and towns have faced similar challenges. Case studies of public debt management offer new insights. The authors show that access to such investments depended on the institutional framework and political organisation of each city.

At the household level, managing the financial situation and not defaulting too often is the basic prerequisite for economic survival. The majority of people in the Middle Ages and the premodern period were involved in financial activities across a vast credit network, being both creditors and debtors, investing money for profit and borrowing money within their social network.[44]

The paper of Marcella Lorenzini highlights this aspect by analysing the investment opportunities in northern Italian city states in the 17th and 18th centuries. The credit markets there attracted large volumes of capital and provided opportunities for saving, lending and investment. Households carefully considered their options and decided to invest or save – inside or outside their social networks. Peer-to-peer lending markets operated without a large institutional framework, were managed by informal agents (such as notaries or shopkeepers), and were practiced in both urban and rural areas. Even the illiterate participated in the capital market when borrowing was facilitated by low-threshold intermediaries. As Lorenzini shows, this emerging credit market was not only helpful to the poor, who used it to meet their daily needs, but also stimulated economic growth by allowing investment in partnerships, reclaiming uncultivated land, or starting businesses.

By the late Middle Ages, almost all social groups were involved in financial activities. But access to financial services was unequal and differences between urban and rural areas and between social groups remained. Among the early investors, the continued presence of women must be highlighted. Despite the more limited volume of their investments, Marcella Lorenzini, Jaco Zuijderduijn and Laura Miquel Milian/Albert Reixach Sala/Pere Vérdes Pijuan have shown that women frequently invested in the capital market (or had money invested for them). Women needed to secure family finances in times of crisis, prepare

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44 *Muldrew*, The economy of obligation, p. 124.

for the event of widowhood or ensure their livelihood during old age.[45] They were also active on the supply side, for example by financing poor relief, as was shown by Monika Gussone.

5 Financial Instruments

There were many different financial instruments to suit the needs of different investors, each with their own advantages or drawbacks. For example, investments in public debt were only of interest for a specific part of society – mostly the wealthier citizens – leaving out a large part of the population. For these groups, other forms of investment were possible.[46] Financial instruments such as annuities or mortgages were widespread, each demanding a specific set of rules in order to function properly. For example, mortgages required a system that protects property rights.[47] The runtime of financial transactions was also important: how quickly could money be withdrawn and converted into cash? The normative maturity of debt can be circumvented when there is a functioning secondary market, but once again this required a specific set of institutions. These considerations highlight the importance of the infrastructure underlying credit markets.

The complexity of the emergence of new financial instruments in the 14th century is highlighted by Laura Miquel Milian/Albert Reixach Sala/Pere Vérdes Pijuan for the Principality of Catalonia and the Kingdom of Aragon. When municipal bonds were first issued, it was unclear who the initial buyers would be. Accordingly, different types of debt instruments were created, such as life annuities and perpetual annuities, each with specific advantages and disadvantages (in terms of distribution, contract form and interest rates) to target different socio-economic groups. Naturally, the first investors in public debt were those who were already familiar with financial transactions. But soon the circle of interested parties expanded to other groups who were lured by attractive deals.

Another case of emerging public debt management is described by Carlo Ludovico Severgnini for medieval Siena. Here, the increasing costs of war in the 13th century were largely financed by private loans granted to the city by

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45 *S. Horrell/J. Humphries/J. Weisdorf*, Beyond the male breadwinner: Life-cycle living standards of intact and disrupted English working families, 1260–1850, in: The Economic History Review 75 (2022), pp. 530-560.

46 *Postel-Vinay*, Change and Transformation, pp. 29-30.

47 *J. Zuijderduijn*, Medieval Capital Markets. Markets for renten, State Formation and Private Investment in Holland (1300–1550), Leiden 2009, p. 1.

the elite (i.e. bankers and merchants). This led to another form of financing: direct taxation was used to cover the cost of the loans. Loans and taxation were not mutually exclusive. Lending to the city government was a safe investment and promised a stable return, even though other investment opportunities promised even higher returns. Providing loans to the municipality also strengthened personal connections within the urban elite, and paved ways of gaining access to the administration, securing a political career and getting involved in municipal politics.

Different socio-economic groups behaved differently in the credit markets. When we talk about saving and investment, it is important to note that the rich and the poor did not have the same demand for credit and did not take out the same types of loans. This is mainly related to their asset positions. Those who owned property could use it as collateral or investment, while those who owned nothing could only pledge their reputation or offer their labour. New financial instruments emerged to meet such needs.

Recent studies have shown that sharecropping contracts, in the absence of well-functioning capital markets and for those who were unable to offer land as security, were one of the main sources to acquire working capital (as a form of investment).[48] Stephan Nicolussi-Köhler also points to sharecropping as a viable financial instrument for the sub-peasant strata in medieval Tirol. Sharecropping allowed people to acquire (working) capital in ways other than by offering collateral: here the tenants would be given land to work in return for half the yield. This type of contract made it possible to invest labour as working capital. This acts as a salutary reminder, that the traditional range of financial instruments used to save or invest needs to be broadened to include instruments dealing with other issues, such as labour contracts. The articles in this issue consider many different financial instruments such as investments in taxation, annuities, mortgage contracts, peer-to-peer lending, dowry contracts, sharecropping contracts, forced loans or deposits, to show different forms of saving or investing money, highlighting the diversity of pre-modern economic activity.

48 *B. van Bavel*, Markets for Land, Labor, and Capital in Northern Italy and the Low Countries, Twelfth to Seventeenth Centuries, in: The Journal of Interdisciplinary History 41/4, 2011, pp. 503-531, here p. 521.

6 Financial Strategies

A final perspective on medieval credit that is included in this special issue, is the reconstruction of financial strategies. As recent literature has pointed out, people always relied on a combination of labour and financial tools to make their living. By looking at different types of investments in different regions, it is possible to draw conclusions about the functioning of specific types of investment. Here, the comparative approach across regions that cannot usually be offered by single case studies, can be made fruitful in a special issue that gathers a number of case studies.

When looking at medieval societies in different regions, many forms of saving or investing were connected to specific lifecycle events, such as marriages, the birth and upbringing of children, or retirement.[49] Very often, the parental generation planned the transfer of property to their children in the context of marriages. These inter-generational agreements could be subject to certain conditions and at the same time act as an advance on the children's share of the inheritance. Money was saved or loans taken out for this purpose. Old age saving was another important investment. People depended upon financial savings or support when they could not work anymore. Here, both public and private solutions were available and combined. When analysing the investments and portfolios of various actors across the case studies, it can be seen that saving, investing and maintaining liquidity was central to nearly all economic activities of households, as well as governments.

Investment strategies also changed within regions during different governance periods. Marco Conti reconstructs the portfolio of Bologna's finances in the 13th and 14th centuries. In the absence of consolidated public debt, the city chose a combination of floating debt, voluntary loans, and indirect taxation. The combination of these financial instruments was not so much a necessity, but more a political choice and strategy on the part of the municipality. Lending to the city was an investment reserved for the city's ruling class, supported by high direct taxation. However, tax farming, an investment that could be quite risky, was open to a wider section of the population, and the management of indirect taxes was auctioned off. With the change of political regime in the 14th century, the financial strategy changed. The new rulers, the Visconti, tried to establish a system of public debt, but it was not consolidated. The management of the indirect

49 *Pfister*, The Protoindustrial Household Economy; *Horrell/Humphries/Weisdorf*, Beyond the male breadwinner.

taxes became an instrument of patronage for the Visconti, who entrusted it to loyal members of the urban elite, thus limiting access to this type of investment.

Another perspective is discussed by Stephan Nicolussi-Köhler, whose focus lies on the household unit in a rural setting – Tirol in the 14^{th} century. The article shows that financial instruments (both for lending and borrowing) were available to almost everyone in a late medieval rural society. The capital market was open to anyone who could offer property as collateral for a loan. Poorer sections of society could resort to pawnbroking or sharecropping, pledging their mobile assets or labour. In addition, households were embedded in a social system of complex interrelationships that included family ties as well as employment or neighbourhood relationships. All of these could be used to meet economic needs. A remarkable feature was the wide range of options and combinations of financial instruments available, which, depending on needs (influenced, for example, by age or stage of life), served different functions, such as short-term borrowing, saving for retirement or paying off inheritances.

What kind of investments were of interest depended on many factors. The risk affinity of investors was crucial. When new financial instruments were introduced to invest in public debt, which did not offer complete security, the first investors were individuals who, attracted by high interest rates, were used to making risky investments. Security and interest were both important. In addition to the economic benefits, other factors may have been important. In Italian municipalities, loans to the city could pave the way for a career in public service. The minimum investment amount was also important. Investments in public and tax farming were mostly reserved for the rich, due to the high sums needed. Financial literacy also played a role. While more complex forms of investment, such as business partnerships, tended to be brokered exclusively by professionals, peer-to-peer lending was practiced even among the illiterate.

7 Conclusion

In this special issue, the focus on financial strategies has encouraged us to engage with investors and savers as individuals, exploring their security considerations and economic and family motivations. In many cases, individual decision can be explained by the complex stories behind the contract. Careful analysis of varied sources sometimes offers us a glimpse of just such stories. Looking at trends from the Middle Ages to the early modern period, it is possible to see how certain practices have adapted to a changing environment, and while institutions seem to change, financial functions seem to remain rather stable: safe investment, liquidity and return on assets have always been sought after.

If there is an overarching conclusion to be drawn from these contributions, it is that investment and saving have never taken place in isolation. So far, research on commercialisation has focused mainly on market transactions and investments in trade; but the vast mass of financial activity remains hidden. Only when the mass of these activities is researched and discussed together with the better-known public finances, will a more complete picture emerge. The next step for future research is to collect more empirical data for further case studies, especially for further regional areas or topics that have been largely ignored. The contributions to this volume have shown that such studies are possible despite difficult source material.

Bionotes

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