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# Credit Investments in Northern Italian States (17th–18th Centuries)

## Kreditinvestitionen in den norditalienischen Staaten (17.–18. Jahrhundert)

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**Abstract:** This article examines investment opportunities in northern Italian states in the 17th and 18th centuries, with a focus on the private credit market. The research is based on loan contracts drawn up by notaries and on fiscal and administrative documents. Thanks to the service provided by notaries, who operated as informal financial intermediaries, investment in the credit market became accessible even to those unfamiliar with financial activities, including small landowners, artisans, and women. Crucial within this network was the role played by religious institutions, particularly women's convents, for some of the profits from lending activity represented the main source of income. Although land was the preferred sector in pre-industrial times, this study shows that an increasing amount of capital was invested in private credit networks, which offered higher returns with limited risk, as these loans were always backed by collateral. Within the most dynamic markets, new and innovative instruments were devised, providing great flexibility in terms of collateral, maturity and profitability.

**JEL-Codes:** N 0, N 2, N 20, N 23

**Keywords:** Credit, Informal finance, Notaries, 17th century, 18th century, Italy, Kredit, informelle Finanzen, Notare, 17. Jahrhundert, 18. Jahrhundert, Italien

## 1 Introduction

A wide spectrum of investment opportunities opened up in early modern Italy to individuals who possessed liquid assets. While land was the preferred invest-

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ment in pre-industrial economies, other areas offered attractive returns for Ancien Régime capitalists, including public bonds, deposits in *Monti di Pietà* (pawnbanks), shares in limited partnerships (*società in accomandita* for merchants and entrepreneurs), and the private credit market. The latter is the focus of this essay.

In the wake of the so-called land rush in the northern Italian States in the sixteenth century, the agrarian system witnessed productive growth and structural development which continued for centuries afterward. The increase in food prices as a consequence also of population increase and agricultural challenges, had constituted the main stimulus for land purchases. Nobles, affluent citizens and rural elites turned their attention to the profitability and functionality of estates. Newly rationalized land distribution and crop enhancement, especially vineyards and sericulture, provided notable impetus to agriculture. Though land represented a refugee asset and a status symbol, yields rarely exceeded 4 percent.<sup>1</sup>

On the other hand, innovations in public finance that emerged in the sixteenth century increased the attractiveness of the financial sector. The archaic practice of forced loans was progressively replaced by public bonds, which were freely subscribed, marketable, transferable by inheritance, and exempt from seizure and taxes. By purchasing state bonds, the populations of the Duchy of Milan and Republic of Venice participated in financing public debt. The interest rates varied throughout the centuries reaching 8 percent at times, but progressively decreased and state bonds thus lost their allure. In the Duchy of Milan profits from bonds were around 4.5 percent in 1695 while in the Republic of Venice, deposits in *Zecca* (the Mint) paid interests of only 3.3 percent in 1679.<sup>2</sup>

Shifting to business, the limited partnership, which widely developed in the sixteenth century as a new type of firm organization, represented a novel area for investment.<sup>3</sup> Rapidly spreading from the maritime sector to manufacturing (wool and later the silk industry), it started to draw investors' attention. These included members of the nobility and patriciate, though most were merchants

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<sup>1</sup> P. Malanima, *Le origini della crescita in Italia*, Bologna 2005; G. Borelli, *Un patriziato della terraferma veneta tra XVII e XVIII secolo: ricerche sulla nobiltà veronese*, Milano 1974.

<sup>2</sup> G. De Luca, *Debito pubblico, mercato finanziario ed economia reale nel Ducato di Milano e nella Repubblica di Venezia tra XVI e XVII secolo*, in: G. De Luca/A. Moioli (Eds.), *Debito pubblico e mercati finanziari in Italia. Secoli XIII–XX*, Milano 2007, p. 131.

<sup>3</sup> The limited or silent partnership was a medieval institution originally used only for risky operations, although it had been present in Florentine legislation since 1408. It spread from the mid-seventeenth century especially in Tuscany, see: F. Melis, *Tecniche degli affari e produttività nei documenti commerciali e nei manuali aziendali (secc. XIII–XVI)*, in S. Mariotti (Ed.), *Produttività e tecnologia nei secoli XII–XVII*, Firenze 1981, pp. 447–456.

and businessmen.<sup>4</sup> The limited partnership was a contract that gave merchants greater latitude in planning their business activity since they could leverage larger operating capital (risk capital) that was reliably available for the entire duration of the partnership. Developing in the extraordinarily prosperous silk industry, the limited partnership became a distinctive element encouraging the participation of financial operators. The distribution of profits could be very high, 15 or 20 percent, but these were proportional to the high risk in critical times and in the event of bankruptcy.<sup>5</sup>

Since the second half of the sixteenth century, a lively lending market had been flourishing, involving a broad range of actors across professions, social status and gender. It mobilized large flows of capital via a capillary network: the peer-to-peer credit market, whose pervasiveness and ubiquity clearly appears in the Venetian *polizze d'estimo* (self-appraisal of estate). These were documents that each institution and household had to submit to the government for taxation purposes,<sup>6</sup> and there was hardly a citizen that did not declare credit to be collected or debts to be honoured.<sup>7</sup>

Central to the private credit market were notaries, who used the knowledge and information that they accumulated through their activity to match investors with suitable borrowers and vice versa. Branching out from their formal activity as representatives of *publica fides* (public trust), they provided their clients with advice on types of credit instruments, interest rates, maturity and security. More importantly, they linked creditors to selected debtors, namely those who enjoyed a good reputation and could put up robust collateral. The capital injected into this market via interest-rate loans was an investment opportunity for lenders and a driver for the financing of business and entrepreneurial initiatives, as in some cases debts were taken out for setting up a company or business and opening up a shop.

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<sup>4</sup> See among others: G. De Luca, *Commercio del denaro e crescita economica a Milano tra Cinque e Seicento*, Milano 1996. Patricians participated in buying shares of partnerships and in creating their own, see for instance the case of Salvadori in Trento, in: C. Lorandini, *Famiglia e impresa. I Salvadori di Trento nei secoli XVII e XVIII*, Bologna 2006.

<sup>5</sup> G. Vigo, *Finanza pubblica e pressione fiscale nello Stato di Milano durante il XVI secolo*, Milano 1977, p. 92.

<sup>6</sup> On the Venetian fiscal system, see: L. Pezzolo, *Il fisco dei veneziani. Finanza pubblica ed economia tra XV e XVII secolo*, Verona 2003. Specifically on Verona, see: G. Borelli/P. Lanaro/F. Vecchiato (Eds.), *Il Sistema fiscale veneto. Problemi e aspetti. XV–XVIII secolo*, Verona 1982.

<sup>7</sup> V. Chilese, *Una città nel Seicento veneto: Verona attraverso le fonti fiscali del 1653*, Verona 2002.

This paper concentrates on notarial credit markets in different cities of northern Italian States, such as Milan, Venice, Como, Verona, Trento, and Rovereto; all of these varied greatly in size, economies and financial systems during the seventeenth and eighteenth centuries. Drawing upon notarial loans and fiscal records, this article aims to analyse rules, instruments, and investors of the private lending market. Further investigation is on risks and returns yielded by interest-rate loans in times of ecclesiastical prohibitions on usury.

This essay is structured as follows: Section 2 focuses on the private credit market intermediated by notaries and the credit instruments used in time of usury bans. Section 3 examines the cash flows invested in this network and the returns from it. Section 4 analyses the participants of the peer-to-peer credit markets, ie. the investors and their social background, and the strategies they employed to pursue their goals. Section 5 draws conclusions.

## 2 The Private Lending Market and Its Credit Instruments

### 2.1 The Notarial Credit Network

In early modern Italy, as in many European countries, the financial world was stratified by volume and scope. While high finance was chiefly dominated by bankers, big merchants, and business people, a pervasive and thick peer-to-peer credit market was spreading in cities and the countryside, involving individuals of all social classes, from princes to dukes, from physicians to artisans, from widows to spinsters. High finance was restricted to qualified operators and implied complex transactions and large capital volumes traded at national and international levels, conversely the peer-to-peer credit market was an open-space market where small and large sums were exchanged, mainly locally, offering those with available cash a variety of investment opportunities.

The identification of the most suitable allocation of funds and, as a consequence, the circulation of information were operations carried out by professionals who were not specialized in financial activities: the notaries. Far from being mere bureaucrats or document-makers, notaries leveraged their role as intermediaries in the credit market, especially from the sixteenth to the early

nineteenth century (before the consolidation of modern universal banks).<sup>8</sup> Notaries were not certified financial agents and did not take any position of their own in the transaction; their role was to certify and authenticate private deeds. In this sense, notaries acted as informal brokers, rather than as dealers.<sup>9</sup>

The profession of the notary was created during the Roman Empire. First, there were expert writers, sometimes called *tabelliones*, to draw up documents that certified the modification of private individuals' rights. Brokerage services developed later on, presumably in the Middle Ages.<sup>10</sup> The remarkable social and economic revival that characterized Italian cities from the eleventh century onwards, increased the necessity to certify – in a valid and trustworthy way – citizens' rights. As custodians of public trust, the *notarii* proved capable of adequately responding to the new emerging necessities.<sup>11</sup> They intervened in credit transactions by addressing their customers and giving them advice about prices, collateral and the most suitable lender/borrower.<sup>12</sup> The network they created was populated by urban and rural inhabitants of different social classes. The Venetian fiscal registers give evidence of the pervasiveness of this market.

The deeds that notaries drew up registered many of the events in people's lives: wills, dowries, sales, rents or the creation or dissolution of partnerships. In addition to these, a significant portion of contracts dealt with money exchanges, borrowing and lending.<sup>13</sup> If recording credit contracts could be an

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**8** For the role of notaries as credit intermediaries, see: *P. Hoffman/G. Postel-Vinay/J.-L. Rosenthal*, Priceless Markets. The Political Economy of Credit in Paris, 1660–1870, Chicago 2000. For lending practices in Europe, see: *M. Lorenzini/C. Lorandini/D'M. Coffman (Eds.)*, Financing in Europe. Evolution, Coexistence and Complementarity of Lending Practices from the Middle Ages to Modern Times, London 2018.

**9** For the distinction between formal and informal financial brokers, see: *Lorenzini/Lorandini/Coffmann*, Financing in Europe, Introduction, pp. 1-16.

**10** See: *S. Collodo*, Una società in trasformazione. Padova tra XI e XV secolo, Padova 1940.

**11** *L. Nussdorfer (Ed.)*, Brokers of Public Trust. Notaries in Early Modern Europe, Baltimore 2009.

**12** *L. Faggion*, Il notaio, la società e la mediazione in età moderna nelle storiografie francese e italiana: un confronto, in: *Acta Histriae* 16, 2008, p. 527-544.

**13** One of the first scholars that realized the importance of notaries material to study early modern credit was Jean-Paul Poisson, who in the middle of the 20<sup>th</sup> century, while studying notaries' activity in 17<sup>th</sup>-century France, showed that a large part of their deeds referred about “une réalité, socio-économique, principalement en rapport avec des opérations de crédit (obligations, constitutions de rentes, transports de créances, quittances de remboursement)”. Indeed, Poisson pointed out that notarial documents represented, as they still do nowadays, one of the best indicators for studying the economic performance of a particular historical period; a recession is almost immediately reflected in the rapid decrease in deeds of sale and likewise in loan contracts, see: *J.-P. Poisson*, L'activité notariale comme indicateur socio-économique, in: *Annales. Histoire, Sciences Sociales* 31, 1976, p. 996.

activity falling within the normal tasks of notaries, it nonetheless required specific requisites, such as an ability to channel the information they gathered while avoiding implicit risks, a rather complex and delicate task. The matching of creditors to debtors, who often were unacquainted, was possible thanks to the notarys' intermediation. The information that he gathered and selected while drawing up contracts, helped overcome two of the main obstacles that could jeopardize the good performance of financial markets: information asymmetries and transaction costs. Notaries gained long-term knowledge about their clients, and knew them both in terms of assets and properties, as well as trust, which was a key-element in all financial transactions. Setting up a loan contract was not just a matter of combining a party seeking money with a party willing to lend it; it required a careful assessment of the degree of reliability of both counterparties, debtors in particular. Selecting a trustworthy borrower and an honest lender reduced risks brought about by moral hazard and adverse selection. In early modern private credit markets, it was information rather than price (interest rates) that drove capital allocation. By allowing information to circulate, the notaries helped lower transaction costs, both *ex ante* and *ex post*; particularly, since notaries monitored borrowers to ensure they honoured their commitments. Failure to pay off a debt could cause reputational damage to a debtor, which could exclude him or her from economic and social life, with repercussions also on their family. Like collateral, reputation was pivotal in obtaining a loan.

In the seventeenth century, the main novelty of the credit market in central-northern Italy was the massive intervention of a wide range of heterogeneous institutions on the supply side, such as religious bodies, pious institutions and lay confraternities. However, it was the activity of these unique notary brokers that built an efficient credit market capable of attracting large flows of capital from investors. The four best known notaries from Milan mobilized nearly 20 million Milanese lire in the mid-eighteenth century, equivalent to 3 percent of tax revenues.<sup>14</sup> In the smaller town of Rovereto, which was near Trento but part of the Habsburg Empire, loans signed before notaries amounted to approximately 406,000 Venetian lire, more than three times the revenue from duties

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<sup>14</sup> G. De Luca/M. Lorenzini, Notary Lending Networks in Northern Italy in the 18<sup>th</sup> and 19<sup>th</sup> Centuries, in: E. Dermineur/M. Pompermaier (Eds.), Credit Networks in The Preindustrial World – A Social Network Analysis Approach, London 2024, pp. 323-358; M. Bianchi, Le entrate e le spese dell'amministrazione centrale e delle province dello Stato di Milano nella seconda metà del Settecento, in: Archivio Storico Lombardo. Giornale della società storica lombarda 10/4, 1978, pp. 174-196, here p. 188.

(123,000 Venetian lire). In a similar town, Como, part of the Duchy of Milan, fifteen notaries drew up loan contracts for an amount of 230,983 Imperial lire.<sup>15</sup> In seventeenth-century Verona, which belonged to Venice, notaries drew up credit contracts for an amount of money that was equal to a quarter of the revenues of the city treasury (*Camera fiscale*); the credit contracts amounted to 380,000 Venetian lire against revenues of 1.5 million Venetian lire.<sup>16</sup> Outside of Italy, in France the notary lending market registered capital flows equal to 16 percent of GDP.<sup>17</sup>

## 2.2 The Emergence of New Credit Instruments and the Persistence of Old Ones

Between the tenth and sixteenth centuries, different forms of credit tools emerged under the stimulus of an expanding market and advanced financial instruments. These developments placed the Italian Peninsula at the forefront of European finance.<sup>18</sup> The different categories of instruments, which were described in terms that gradually took on overlapping meanings, essentially comprised two types of money loan: the *census consignativus* (*census*) and the *mutuum*.

Probably the older type of money loan was the *mutuum*. The essential content of this contract was very simple: the creditor gave a sum of money to the debtor, who promised to return it in the same place and in the same type of coin, with added interest, which could be in kind or in labour. However, the agreement could not openly display the nature of the operation, because of the canonical bans on interest. For this reason, the writing underpinning the deal could assume various forms. Very often there was no mention of the interest rate; sometimes, only the sum to be repaid was indicated; and at other times, the agreement took the form of a sale of real estate which included the right of the debtor to regain the property once the money had been paid back (“*cum pacto de recupera*”). In the tenth and eleventh centuries, this contract

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<sup>15</sup> Archivio di Stato di Como, Notarile, 1780, folders: 4052, 4100, 4139, 4164, 4179, 4188, 4214, 4216, 4224, 4232, 4448, 4500, 4514, 4553, 4588, 4645, 4649, 4760, 4801, 4909.

<sup>16</sup> Lorenzini, Credito e notai.

<sup>17</sup> P. Hoffman/G. Postel-Vinay/J.-L. Rosenthal, Dark Matter Credit: The Development of Peer-to-Peer Lending and Banking in France, Princeton 2019, p. 10.

<sup>18</sup> G. Felloni, Dall’Italia all’Europa: il primato della finanza italiana dal Medioevo alla prima età moderna, in: A. Cova/S. La Francesca/A. Moioli, C. Bermond (Eds.), Storia d’Italia, Annali 23, Torino 2008, p. 101.

always involved the pledge of a piece of real estate, which resembled the form of a *pignus* (pledge).<sup>19</sup>

The *census*, on the other hand, was designed on the basis of an *emptio cum locatione* contract, literally a sale followed by a lease. It was in effect a type of mortgage credit whereby the borrower (seller) sold a plot of land to the lender (buyer) and then became the lessee of the land, paying rent that was actually interest on the loan.<sup>20</sup> The agreement stipulated the seller's right to reacquire the estate, and indeed after a fixed term, the borrower could buy the property back by returning the capital to the lender. The buyer promised to sell the land back to the seller once the money had been returned, and this promise proves that this kind of agreement was not a simple sale, but a concealed loan. For instance, on 20. January 1591, Gio. Maria q. Iacobo from the Veronese countryside sold a piece of land containing willow trees, for 50 ducats (310 lire) to Paolo q. Sebastiano in Corrubio Stallavena.<sup>21</sup> The contract ended with a clause that allowed the seller to regain ownership of the land after having returned the capital.<sup>22</sup> This commercial, or more aptly, financial transaction could transform into something more for the lender. In case debtors were unable to gather the capital and repay it by the deadline, the lender could definitively take possession of the real estate. While in medieval times lenders were usually inclined to renew the deed, the higher land values in the sixteenth century tended to make them more interested in gaining possession of the land.

The *mutuum* differed from the *census* because in the former case, the pledged land did not remain in the use of the debtor, who consequently made no payment of rent.<sup>23</sup> The *census*, instead, granted the creditor the *dominium directum* (right to direct), while the *dominium utile* (right to use) was ceded to the debtor, who

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<sup>19</sup> Felloni, Dall'Italia all'Europa pp. 104-105.

<sup>20</sup> The first kind of census was called *census reservativus*, see: L. Alonzi, La lunga durata del Census Reservativus. Forme di credito e contratti agrari tra medioevo ed età moderna, in: Nuova Rivista Storica 92/2, 2008, pp. 343-388.

<sup>21</sup> Archivio di Stato di Verona (hereafter ASVR), notary Agapito Borghetti, f. 1007, 20/01/1591.

<sup>22</sup> In the same example, the relevant text is as follows: "Cum pacto perpetuo quandocumque ex sine aliquos temporis estintione concesso detto Gio. Maria de redimendo anted. rem vendit ducatos quinquaginta". ASVR, notary Agapito Borghetti, f. 1007, 20/01/1591.

<sup>23</sup> The idea of money as the devil's excrement ("sterco del demonio"), as it was called by the Catholic Church, had been replaced by a new mindset that saw money as a key factor for economic growth, see: L. Palermo, La banca e il credito nel Medioevo, Milano 2008, p. 120.

continued to cultivate the estate as tenant.<sup>24</sup> In the seventeenth century, the term *census* replaced the older term *mutuum*.

The *mutuum* contract had been widespread during the thirteenth century and contributed significantly to medieval economic growth. This tool allowed for the expansion of the credit market, enabling maritime cities like Genoa to finance commercial and manufacturing activities. As noted, the contract clearly stated the amount of money lent, the lien and the deadline. In some *mutuum* contracts, the interest rate was added to the final sum that the borrower had to return to the lender, so for example if the amount borrowed was 10 dinari, at the end of the deed the debtor had to return 11.5 dinari. In other cases, the interest rate was clearly stated using the per centum formula. The term *mutuum*, which was strictly forbidden from any kind of deed throughout the early modern period, came into use again in the eighteenth century, signalling a change in mentality and a different attitude towards money and credit.

The *census* was regulated by the papal bull *Cum Onus* of 1569, which stated that the annuity can be constituted only if backed by real estate, which must have a revenue-generating nature and whose borders must be clearly defined in the contract. It must be created exclusively in exchange for cash, in the presence of witnesses before a notary and be put down in the public record, with honest obligation and at a fair price. Borrowers were allowed to extinguish the annuity whenever they chose by returning the capital to the lender, with two months' notice.<sup>25</sup> The most innovative and significant element of the *census consignativus* following the 1569 bull was its redeemability and the right of the borrower to extinguish the obligation *quandocumque* (whenever) he or she wanted and was able to do so.<sup>26</sup> In addition, the pontifical bull legitimized the interest rate, provided it was moderate. The *census* could be used as collateral for loans, preventing the creditor in need from having only one way of obtaining further

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**24** *L. Alonzi*, *Economia e finanza nell'Italia moderna. Rendite e forme di censo (secoli XV–XX)*, Roma 2011, p. 30.

**25** The key text is as follows: “*Annum redditum creari constitutive nullo modo posse, nisi in re immobili aut quae pro immobili habeatur, de sua natura fructifera, et quae nominativi certis finibus designata sit. Rursum, nisi vere in pecunia numerata, praesentibus testibus ac notario, et in actu celebrationis instrumenti, non autem prius, recepto integro iustoque pretio*”, quotation in: *L. Alonzi*, *I censi consegnativi nel XVI e nel XVII secolo tra “finzione” e “realità”*, in: *L'Acropoli* 6/1, 2005, pp. 86-102, here p. 88.

**26** On *census* loans, see also: *M. Vaquero Piñeiro*, *Die Rentenkaufverträge im spätmittelalterlichen und frühneuzeitlichen Italien*, in: *Quellen und Forschungen aus italienischen Bibliotheken und Archiven* 86, 2006, pp. 252-293.

capital, i.e., by collecting active loans; credit thus became a matrix of other credit, ending up as a multiplier of the resources available to the economy.

In the Republic of Venice, there existed a similar financial instrument, the *livello affrancabile*,<sup>27</sup> structured in the same way as a *census*, which began to spread from the second half of the sixteenth century.<sup>28</sup> It consisted of giving money on a growing asset (usually real estate), with the obligation to pay an interest rate. In order not to fall into usury, the *livello* had to be provided with solemnity and not to fall into an excessive amount of money coming from the interest rate.<sup>29</sup> As for solemnity, the contract had to be drawn up before a notary, in which the debtor (*livellario*) made a fictitious sale of the real estate or asset to the creditor (*livellatore*); the debtor was obliged to pay the creditor the aforementioned annual payment during the pre-established timeframe.

## 2.3 The Forerunners of Leveraged Buyouts

In Trentino during the eighteenth century, a variation of the traditional *census* began to emerge. It was used only in specific circumstances, but can be considered a forerunner of the modern leveraged buyout. Unlike land, which consti-

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<sup>27</sup> Actually, there were two types of *livello*; the first one and oldest consisted in giving a plot of land, house or other immovable asset to another person (*livellario*), who paid a sum to the giver (actually the owner) which was proportionate to the income from the land. With this kind of *livello* the useful *dominium utile* of the property was transferred to the *livellario*, who had to pay taxes on that asset, see: *M. Ferro*, Dizionario del diritto comune e Veneto dell'avvocato Marco Ferro, Vol. II, Verona, 1847, p. 202.

<sup>28</sup> On the origin of the Venetian *livello*, its complex structure and evolution from the agrarian world, see: *A. Pertile*, Storia del diritto privato, in: *Idem* (Ed.), Storia del diritto italiano, vol. IV, Bologna 1966, pp. 303-354; *G. Corazzol*, Prestatori e contadini nella campagna feltrina intorno alla prima metà del '500, in: Quaderni storici 26, 1974, pp. 445-500; *Idem*, Fitti e livelli a grano. Un aspetto del credito rurale nel Veneto del '500, Milano 1980; *Idem*, Livelli stipulati a Venezia, Pisa 1986; *G. Cagnin*, I patti agrari in territorio trevigiano dalla metà del secolo XII agli inizi del secolo XIV; tradizione e innovazione, in: *E. Brunetta* (Ed.), Storia di Treviso, Venezia, 1991, pp. 323-355; *C. Povolo* (Ed.), Dueville. Storia e identificazione di una comunità del passato, Vicenza 1985, pp. 750-751; Il mondo rurale veneto attraverso i contratti agrari, Il territorio veronese nei secoli IX-XX, Verona 1982; *P. Lanaro*, Reddito agrario e controllo fiscale nel Cinquecento: la Valpolicella e Verona, in: *G. Varanini* (Ed.), La Valpolicella nella prima età moderna (1500 c.-1630), Verona 1987, pp. 205-242; *G. Borelli*, Forme contrattuali nella campagna veneta del '500-'600, in: *Economia e storia* 1, 1982, pp. 80-105; *F. Vecchiato*, Sul prestito rurale, in: *Studi storici* Luigi Simeoni XXXIII, 1983, pp. 247-262.

<sup>29</sup> Solemnity signifies the form followed in the stipulation of public and private deeds of particular importance.

tuted the most common guarantee for the *census* and *livello*, this contract secured future output for trade. Bartolomeo Conz from Besenello (Trentino) needed money to buy “animals and tools for ploughing, straw, grains, and so forth”.<sup>30</sup> He thus borrowed 650 Venetian lire, for which he pledged his harvest.<sup>31</sup> Conz promised to pay off his debt with the same revenues he would gather from his crops.<sup>32</sup> But this was not the only case of mortgaging future revenues instead of the more common farmland, house, or shop. A group of woodcutters from Vallarsa, again in Trentino, created a partnership before a notary and borrowed 1,550 florins from the nobleman Cristoforo Birti de Weinfeld, at 6 percent. The woodcutters used the money to purchase the right to fell trees from the commune of Vallarsa. The collateral employed for this loan was the timber to be hewn.<sup>33</sup> Traditionally very conservative, this rural population showed a lively entrepreneurial and ingenious spirit in combining risk and profits.

## 2.4 Investment Size and Amounts

For a debtor, signing a contract before a notary was worthwhile only above a certain threshold, as the drafting came at a cost, which depended on the length and type of deed. In seventeenth-century Verona most loans were in a range of up to 200 ducats (1,240 Venetian lire); however, the lending of smaller sums – not exceeding 50 ducats (310 Venetian lire) – gradually increased towards the end of the century.

Here we must look at average earnings, to understand the value of loans. In the seventeenth century the average income of a simple labourer in Verona was about 50 ducats a year, which were paid in *soldi*. A simple labourer earned 28 *soldi* a day (1.4 Venetian lire), while a master labourer earned twice as much, 3 lire a day. Considering a working year to include 250 days, a simple labourer earned 350 Venetian lire (56.4 ducats) and a master labourer earned 750 Venetian lire (120 ducats) per year. Significantly lower, however, was the salary of an agricultural labourer, for whom the Dominicans of St. Anastasia paid 20 *soldi* (1 lire) a day in the summer months (the most labour-intensive period), but only

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<sup>30</sup> Archivio di Stato di Trento (henceforth ASTN), notary P. Trentini, f. VI, 14/02/1750.

<sup>31</sup> Literally, it states that all the farmland revenues will be secured, ASTN, An, P. Trentini, f. VI, debt, 14/02/1750.

<sup>32</sup> ASTN, notary P. Trentini, f. VI, 14/02/1750.

<sup>33</sup> ASTN, notary B.G. Battisti., f. XXX, 01/09/1760 and 10/09/1760.

10 to 15 *soldi* in the winter months, amounting to an average annual income of 240 lire (38.7 ducats).<sup>34</sup>

In eighteenth-century Trentino, loan sizes ranged from tens to thousands of florins.<sup>35</sup> The average was around 280 florins in Trento and 345 florins in Rovereto. The most common amounts were in a range up to 100 florins (500 Venetian lire). Here a male labourer employed in the silk industry earned between 100 and 160 florins a year. Larger amounts were exchanged on the Milanese market. One of the best-known notaries, Carlo Ambrogio Coquio, signed credit contracts for sums up to 106,500 Milanese lire, with a median of 3,300 Milanese lire, while his colleague, Gariboldi, registered loans that ranged from 100 to 243,000 Milanese lire.

Within the private credit network, a secondary capital market developed, where loans could be transferred to other creditors. The 200 *gigliati* (3,200 Milanese lire), for instance, that Francesco Sala from Milan lent at 4.5 percent for three years, to Carlo Maggioni, owner of a fabric shop (*teleria*), was just such a credit transfer.<sup>36</sup>

## 2.5 Investment Returns: Interest Rates and Ecclesiastical Usury Bans

Any kind of investment implies risks and rewards. In the notarial capital market, risks were balanced with returns. Firstly, loans were always backed by collateral, which was generally real estate, but it could also be liquid assets, like revenues, credits, or rights of collecting tithes. Additionally, in the event that the borrower was unable to honour his or her debt when the contract expired, the lender took possession of the pledged asset. Secondly, the interest rates charged on loans could reach 7 or in some regions 8 percent, which made private lending an appealing investment. However, one the thorniest issues for medieval and early modern economies – at least up to the end of the eighteenth century – was the usury ban imposed by the Church, which influenced not only the spiritual sphere of individuals but also their social and economic organization.

While the Church's position on money and its uses had always been unequivocal – any kind of interest on loans was banned – a less intransigent atti-

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<sup>34</sup> ASVR, Monasteri maschili di città, Santa Anastasia, Libro di spesa f. 33, (1759–1762).

<sup>35</sup> One florin equalled five Venetian lire.

<sup>36</sup> One *gigliato* was equal to 16 Milanese lire. Archivio di Stato di Milano (henceforth ASMI), notary C.A. Coquio, Rn. 1712, 19/12/1781.

tude took hold throughout the centuries. The papal bull *Cum Onus* issued in 1569, as mentioned above, legitimized a moderate interest rate on the *census* loans, opening up opportunities for capital investments.<sup>37</sup> Two schools of thought had spread within the Church, one rigorist and the other probabilist.<sup>38</sup> The former condemned any form of profit: for a Christian, lending should only and exclusively be free of charge. This position was rooted in the Thomistic conception, derived from Aristotle, according to which money was sterile and therefore could not generate more money (*nummus non parit nummos*). In addition, according to the Augustinian philosophy, time belonged to God alone. On the other hand, probabilist attitudes were spreading, recognizing the importance of money and specifically the need to make it circulate to support expansion of economic activities and the deepening of the trade network on financial transactions. This attitude admitted the lawfulness, under limited conditions, of charging a (modest) rate of interest on the money lent.

In the premodern age, interest rates ranged from 2 to 7 percent, which was considered advantageous for lenders/investors and affordable for borrowers. Rates were usually set by local authorities: in the sixteenth-century, Venice established that one could not loan money at more than 5.5 percent if it was to be granted on property. In the cities on the mainland, such as Verona, the rate was fixed at 6 percent under the law of 19. May 1553. The same was true in Padua (law of 23. June 1553), Vicenza (law of 16. June 1551), and Bassano (law of 21. September 1551). In Friuli, the maximum interest cap was fixed at 7 percent, probably due to a greater scarcity of currency. A century later a new law established that interest should not exceed 5.5 percent, net of charge (in the case of a life annuity the maximum cap was raised to 10 percent up to the age of thirty, 12 percent up to the age of sixty, and 14 percent from the age of sixty onwards). Such *livello* loans had to be agreed with the real delivery of money.<sup>39</sup>

The Church's position gradually softened over the centuries, showing an increasing openness regarding the question of usury. The bull *Vix Pervenit*, issued in 1745 by Pope Benedict XIV, maintained 4 percent as a legitimate interest rate. It appeared soon after the publication of the work *Dell'impiego del denaro* (On the Use of Money) in 1744 by one of the most prominent scholars of that

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<sup>37</sup> See: *Alonzi*, *Economia e finanza*; *G. De Luca/M. Lorenzini*, Not Only Land: Mortgage Credit in Central-Northern Italy in the Sixteenth and Seventeenth centuries, in: *C. Briggs/J. Zuijderduijn* (Eds.), *Land and credit. Mortgages in the Medieval and Early Modern European Countryside*, New York, 2018, pp. 181-204.

<sup>38</sup> *P. Vismara*, Oltre l'usura. La Chiesa moderna e il prestito a interesse, Rubbettino 2004, p. 21.

<sup>39</sup> Law of 12. March 1640, see: *M. Ferro*, *Dizionario del diritto comune e veneto dell'avv. Marco Ferro*. Volume I-II, Venezia 1845-47.

time, Scipione Maffei from Verona, who pointed out that a 4 percent interest rate was reasonable especially if the loan was issued to wealthy individuals. While credit had been commonly practiced since medieval times, the eighteenth-century papal bull represented a radical change in the ecclesiastical position and the definitive formal legitimization of interest-rate lending.

When comparing credit investing with other types of loans, private lending proved more profitable at a similar level of risk. While land revenues hardly exceeded 4 percent returns, private loans could produce, as stated, up to 8 percent, and were much easier to manage than real estate. *Census* and *livello* type loans were also more lucrative than deposits in the Mint, which yielded from 3 percent in 1672 to 5 percent in 1698, or deposits in *Monti di Pietà* (pawnbanks), which yielded around 3 percent as well. A higher or lower interest rate in private lending could depend on loan size, maturity, collateral, and the borrower's reputation.

The relationship between interest rate and capital suggests that they were indirectly proportional: the higher the sum, the lower the rate. In eighteenth-century Milan, Domenico Rocca paid 6 percent for a loan of 2,158 Milanese lire<sup>40</sup>, while Count Antonio Greppi paid 4 percent for a loan of 106,500 Milanese lire.<sup>41</sup> In seventeenth-century Verona, Count Bailardino Saibanti lent 3,250 ducats to Leonardo Iuvani at an interest of 4 percent,<sup>42</sup> while Cesare Borchia lent 25 ducats to Bernardo Molani di Monte at 6 percent.<sup>43</sup> The negative correlation between capital and interest rate may be attributed to the fact that those who borrowed large sums were usually members of the elite and were backed by robust securities.

Interest rates started to decline in some Italian regions during the eighteenth century. In the State of Milan they stabilized at around 4 percent. This reduction may be connected to the swelling amount of capital in circulation. More than 28 million Milanese lire in cash were reimbursed to the holders of *regalia* (the taxes that had been granted or sold in the Spanish era and beyond). This helped fuel an enormous flow of additional liquidity that greatly expanded – as Pietro Verri also stated – the credit supply of private individuals.<sup>44</sup>

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**40** ASMI, notary M.A. Pizzigalli, Rn. 3775, 15/09/1767. The purpose of the debt was to pay off the balance.

**41** ASMI, notary C.A. Coquio, Rn. 1712, 15/05/1779. As stated, this cannot be considered the rule. Greppi was one of the most prominent tax farmers and among the richest men in Milan.

**42** ASVR, notary G. Bernardi, f.1681, atto del 18/08/1686.

**43** ASVR, notary, G. Badili, f. 1323, atto del 21/07/1686.

**44** S. Zaninelli, Un capitolo centrale del riordino dei tributi indiretti dello Stato di Milano nella seconda metà del '700: la "redenzione delle regalie", in: Studi in onore di Antonio Petino, Vol. I, Catania 1986, p. 334. That the effect of these repayments on credit supply, interest rates, and money circulation was very substantial is also maintained by Pietro Verri (see his letter of 05. July 1769 to

### 3 The Investors and Their Strategies

#### 3.1 Religious Institutions

Feeling threatened by the economic power that religious institutions were attaining, due to the generous donations of believers, the State of Venice passed two laws (*Parte*) in 1602 and 1605, according to which the ecclesiastical bodies had to sell, within two years, the real estate that they had received *ob piam causam* (for pious causes). Convents and monasteries that now had large amounts of available cash coming from the sale of their assets and from the donations that from that moment on were made in cash, invested it in *livello*-type loans.<sup>45</sup>

In Verona, which belonged to the State of Venice, some thirty monasteries and convents invested 1,327,000 ducats (8,227,400 Venetian lire) in loans. Two-thirds came from women's convents.<sup>46</sup> As soon as an institution received a sum of money or a return of capital, the administrators' first concern was to reinvest it, as money was not to be left *otioso* (unused). The financial strategy of the religious bodies is illustrated in a contract drawn up on 26. September 1642 by the Dominicans of St. Anastasia with a noblewoman from Verona. Father Francesco Marcegaglia, as representative of the convent, gave 500 ducats to Countess Lucrezia Moncelere Zocca, wife of physician Bonaventura Zocca. The noblewoman in return put up as collateral "as much as [50 fields], that are well worth 500 ducats (at 31 *grossi* per ducat), of arable land and meadows with vineyards and other arbours with the landowner's and labourers' houses", to which she was entitled "by virtue of irrevocable donation" from her brother

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his brother Alessandro, in: *B. Caizzi*, Industria, commercio e banca in Lombardia nel XVIII secolo, Banca Commerciale Italiana, Milano 1968, p. 200.

**45** Literature on this issue is vast, see here: *P. Vismara*, Oltre l'usura. La Chiesa moderna e il prestito ad interesse, Rubbettino 2004; *J. Munro*, The Medieval Origins of the Financial Revolution: Usury, Rentes, and Negotiability, in: The International History Review 25, 2003, pp. 505-562; *D. Quaglioni/G. Todeschini/G.M. Varanini (Eds.)*, Credito e usura fra teologia, diritto e amministrazione. Linguaggi a confronto (sec. XII-XVI), Rome 2005; *G. Todeschini*, Ricchezza francescana. Dalla povertà volontaria alla società die mercato, Bologna 2004.

**46** See: *G. Zalin*, L'invasione militare francese e i primi sfaldamenti della proprietà ecclesiastica in terra veneta (1797-1798), in: *G. Fontana/A. Lazzarini (Eds.)*, Veneto e Lombardia tra rivoluzione giacobina ed età napoleonica. Economia, territorio, istituzioni, Roma 1992, pp. 49. *F. Landi*, I grandi patrimoni del clero regolare maschile: le peculiarità di un sistema contabile e gestionale, in: Tra rendita e investimenti. Formazione e gestione dei grandi patrimoni in Italia in età moderna e contemporanea, Società italiana degli storici dell'economia, Bari 1998, pp. 578-579.

Orazio Moncelere. The sum was lent at an interest rate of 6 percent, which, previously deposited in the Monte di Pietà bank “earned a profit of 3 percent”.<sup>47</sup>

In its more than five centuries of existence, the Dominican convent created an extensive credit network with the citizens and rural inhabitants. Their main aim was securing a safe and regular income, therefore in contracts they often allowed debtors to pay their debt *quandocumque* or “quando gli parerà e piacerà” (“whenever they wished”).<sup>48</sup> Conversely, private lenders used to fix a deadline and pressured (*astringer*) the debtor to return the capital. Should the debtor be unable to honour the debt, the lender could take possession of the collateral (farmland, house, mill, etc.). The religious institutions, on the contrary, tended to extend the loan maturity as long as possible. The nobleman Gio. Battista Carminati, for example, bequeathed a debt of 40 ducats (248 Venetian lire), which he had contracted in 1536 with the monastery of San Giovanni Evangelista; his grandchildren extinguished that debt two centuries later, precisely in 1711, with the family having paid the same interest rate of 4.4 percent over the course of two centuries.<sup>49</sup> In 1686, the Congregation of the Dimesse lent 500 ducats (3,100 Venetian lire) to Francesco Rossi from Caprino and Giuseppe Scala of Mezzane. Obliged to free themselves of a debt of an equal sum that they had undertaken thirteen years earlier, the two had decided to turn to the congregation, which included a clause in the contract that the two debtors would be able to be released from the debt “after ten years had passed and not before”.<sup>50</sup>

Although widely practiced by male-run monasteries, interest-bearing loans constituted the hallmark of female convents, where liquidity was coming from the dowries of the novices in addition to bequests and donations. Convents were prohibited from apostolic activities, as they had to follow strict cloistered rules, thus investing in credit activity could guarantee a good and regular income. The dowries of the 31 Milanese convents amounted to more than 18 million lire.<sup>51</sup> The eighteenth-century Veronese scholar Scipione Maffei highlighted that female institutions, although they owned estates and annuities, did not “cloth nuns

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**47** ASVR, Monasteri maschili di città Santa Anastasia, *Liber instrumentorum*, folder 15.

**48** The Napoleonic confiscations had adverse consequences not only on monasteries and convents, who were expropriated of their possessions, but also on the long list of nobles who had borrowed money from them and who now found themselves forced to repay it.

**49** G. Borelli, *Aspetti e forme della ricchezza negli enti ecclesiastici e monastici di Verona tra sec. XVI e XVIII*, in: G. Borelli (Ed.), *Chiese e monasteri a Verona*, Verona 1980, p. 130.

**50** ASVR, Notary, N. F. Bernardi, f. 1681, 12/10/1686.

**51** L. Aiello, *Monache e denaro a Milano nel XVII secolo*, in: A. Pastore/M. Garbellotti (Eds.), *L’uso del denaro. Patrimoni e amministrazione nei luoghi pii e negli enti ecclesiastici in Italia*, Bologna, 2001, p. 372.

without a dowry of a thousand ducats, which dowry, not even in part, is rendered upon her death".<sup>52</sup> In Milan the figure reached 4,000 Imperial lire for a chorister nun, and from 600 to 1,000 Imperial lire for the others.<sup>53</sup> The capital collected from the entering nuns was invested in credit activities and constituted for many institutions the main source of income. In Verona the nunneries Canoniche lateranensi del Santissimo Redentore and Carmelitane di Santa Teresa drew their income almost solely from lending. In the second half of the eighteenth century, the former invested 50,000 ducats spread over 80 transactions from which they collected between 2,200 and 2,400 ducats in interest annually; the latter, with the same number of loans, lent a total of 75,000 ducats, from which the annual interest amounted to a total value of 3,800 ducats.<sup>54</sup>

The financial network that was created between religious institutions and the city aristocracy, from which the friars and nuns hailed, tended to become more intricate over the years. On the one hand, the orders wanted to increase the number of their members and consequently, also their social and economic power, on the other, individuals belonging to families of the urban oligarchy who entered a certain religious order guaranteed their family of origin benefits, assistance, and privileged access to credit. In 1686 the convent of San Cristoforo in Verona, for example, gave Countess Caterina Curtoni, widow of the nobleman Alessandro Rambaldi, 300 ducats at 5 percent interest; the abbess of the convent in those years, Geltrude Curtoni, was a member of the family. Another 300 ducats were lent in 1691 to Count Francesco Moscardo, probably the father of the two nuns Laura Stella and Teodora Moscardo, who belonged to the Order's chapter. Other members of the city's elite, such as Isabella and Benedetta Negroboni, Susanna Banda, Eleonora and Giuditta Giustiniani, entered the religious orders. The convent of San Cristoforo was one of the most prosperous in the city. In the *estimo* of 1680 it declared an annual income of 3,200 ducats and capital worth 53,700 ducats, placing it among the richest convents in Verona.

In the Trento area, credit activity also played a relevant function in the economic policy of charity institutions. Various secular and religious bodies invested their money in the private credit market. In Trento this covered 11.4 percent of the contracts and in Rovereto 4.3 percent. Loans provided profits from 5 to 10 percent,

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<sup>52</sup> S. Maffei, *Dell'impiego del denaro*, Roma 1746; ristampa anastatica a cura di G. Barbieri e G.P. Marchi, Verona 1975, p. 225.

<sup>53</sup> Aiello, *Monache e denaro a Milano nel XVII secolo*, p. 337.

<sup>54</sup> G. Zalin, *Denaro in entrata, denaro in uscita. L'attività creditizia dei «Paolotti» scaligeri nel Settecento*, in: G. Borelli (Ed.), *Mercanti e vita economica nella Repubblica Veneta (sec. XIII-XVIII)*, Verona 1985, pp. 455-505.

which were much more affordable than interest rates charged by Jewish money-lenders. While they were banned from the city of Trento since the last decades of the fifteenth century, Jews continued to live and lend in some municipalities of the Prince Bishopric (Isera, Mori, Riva), where they legally held a bank, lending money at an interest rate of 18 percent for residents and 36 percent for others.

The interest rate charged by regular Orders in the seventeenth century averaged 6.7 percent, while in the eighteenth century this went down to about 4.7 percent.<sup>55</sup> The Orders followed a process that may be defined as heterogeneity of ends: alongside their primary spiritual mission, they started a credit activity (dealing with *census* and *livello*-type loans) that increased progressively. In Milan, the Monastero di St. Caterina Braidense, Monastero di St. Agostino e Pietro Martire, Convento Santa Maria dei Servi, Monastero di St. Vittore, Monastero di St. Celso, and the Collegio Santa Ursula di Monza supplied loans in total of 258,064 lire, with an average of 10,320 lire per transaction.

The Church circles and the urban elite enjoyed – as mentioned above – a strong mutual relationship, since the borrowers were usually members of the aristocracy who had daughters or cadets in convents, monasteries, or abbeys. This alliance also influenced the price of money, with these institutions charging lower interest rates. The Monastero San Vittore di Meda lent 22,000 lire to Bianca Maria Sforza, marquise of Caravaggio, charging a 3.5 percent interest rate to be paid off in ten years.<sup>56</sup> The Monastero San Celso lent 266 *gigliati* (4,671 lire) to the counts and brothers Scotti, charging an interest rate of 4 percent for four years.<sup>57</sup> In the mid-nineteenth century the Church still held golden coffers whence governments could draw capital in times of financial strain. Their capital covered 31 percent of the total capital flow in Milan, and an even greater proportion in other cities.

### 3.2 Nobles and Patricians

A significant quota of the money flowing within the private credit market came from loans made by the wealthiest citizens.<sup>58</sup> In Verona their capital covered

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<sup>55</sup> M. Garbellotti, Il patrimonio dei poveri. Aspetti economici degli istituti assistenziali a Trento nei secoli XVII–XVIII, in: A. Pastore/M. Garbellotti (Eds.), L’uso del denaro. Patrimoni e amministrazione nei luoghi pii e negli enti ecclesiastici in Italia, Bologna 2001, pp. 209–210.

<sup>56</sup> ASMI, notary G.A. Gariboldi, Rn. 2326, 01/02/1775.

<sup>57</sup> ASMI, notary G.A. Gariboldi, Rn. 2326, 11/02/1778.

<sup>58</sup> Nobles and patricians were both part of the urban elite, however their origin and social role changed. According to the historian Marino Berengo, Venice, as well as in Flanders and Swit-

40 percent of the total money injected into the private credit market. In the last three decades of the seventeenth century, they annually mobilized 164,000 Venetian lire on average, and 2,945 Venetian lire per loan.<sup>59</sup> In Old Regime societies, credit was not exclusively a financial operation but a vehicle to strengthen existing ties or build new ones. Borrowing and lending were means through which balance of power was established strategically.

A large part of the loans were addressed to members of the same social rank. In 1676 the Count Francesco Montanari signed two credit deeds of 1,000 ducats (6,200 Venetian lire) and 750 ducats respectively to the noblewoman Silvia Coppola, widow of Count Giulio Bevilacqua Lazise at 6 percent for four years,<sup>60</sup> and a few weeks later another one of 250 ducats to Count Valerio Viola, at the same price, for two years.<sup>61</sup> Viola, who only recently became Member of the City Council, had contracted several debts with Montanari, which he was unable to honour. Instead of proceeding to the expropriation of the land pledged as collateral – a procedure that occurred not infrequently between citizens and peasants of inferior rank – granted not only an extension, in this case of two years, but indulged Viola's requests to raise the sum of money by another 50 ducats.<sup>62</sup>

Transactions between nobles did not always involve actual exchanges of cash but could involve the transformation of short-term into long-term credits. The 1,800 ducats that count Giovanni Pindemonte lent to Count Marc'Antonio Verità were used to settle two bills of exchange, which – as the notary maintained – was “the most convenient way of paying this debt”.<sup>63</sup>

In mid-eighteenth century Trentino, the share of capital invested by the elite was worth almost 42 percent of the capital in Rovereto (131,182 *troni*), and 24.7 percent in Trento (68,326 *troni*).<sup>64</sup> Most of the patricians in Rovereto had mercantile origins and came there during the dominion of Venice, an age during

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zerland, was a land of patricians to be distinguished from nobles. Nobles were only those families that boasted knightly and feudal roots, whose nobility dated back to pre-Venetian times, while patricians were families of mercantile origin and it was thanks to their involvement in trade and commerce that they gained political power along with economic power. See: *M. Berengo, Patriziato e nobiltà: il caso veronese*, in *Rivista storica italiana*, LXXXVII, fasc. III, 1975, pp. 493-517.

**59** This figure is the mean of transactions, some of which implied large amounts addressed to rural municipalities.

**60** ASVR, notary F. Bernardi, f. 1427, 27/05/1676.

**61** ASVR, notary F. Bernardi, f. 1427, 24/07/1676.

**62** ASVR, notary F. Bernardi, f. 1427, 24/07/1676.

**63** ASVR, notary F. Bernardi, f. 1428, 13/09/1676.

**64** *Tron* or *troni* was the lira used in Trento and nearby regions. One *tron* was equal to 20 *soldi* or 240 *dinars*.

which the town was evolving from a medieval village to an urban centre, attracting people thanks to the high commercial potential offered by the Vallagarina area.<sup>65</sup> It was the entrepreneurial spirit of these new families, later emulated also by local entrepreneurs, that gave a fundamental impulse to the development of the city. Especially trade and the silk industry spread throughout the surrounding area between the seventeenth and the eighteenth centuries, placing Rovereto at the apex of European silk production. Trento too, in the seventeenth and eighteenth centuries, enjoyed the prosperity deriving from the dynamics triggered by sericulture, however, the level of development of the silk trade generally did not match Rovereto's. Moreover, Trento's aristocracy reacted against the rapid rise of merchant families by isolating themselves within their own class privileges and hindering access of the middle class into city administration.

Among the members of the most illustrious and wealthy families of Rovereto, the Bossi Fedrigotti of Ochsenfeld, accounted for 46.6 percent of the money lent by patricians.<sup>66</sup> Noteworthy was the role of Pietro Modesto, who granted credit worth 28,600 *troni* to people of various social backgrounds, charging an average of 5 percent of interest.<sup>67</sup> A credit agreement signed by the notary Antonio Giuseppe Giordani refers to an amount lent by Nicolò Bettini to the brothers Gasparo and Antonio Ruella: "Of which 2,000 florins the abovementioned *censuari* [debtors] shall pay to the most illustrious Mr Pietro Modesto Bossi Fedrigotti d'Ochsenfeld of Sacco a sum similar to that received per credit document, per my deed of 3 June 1739".<sup>68</sup> Pietro Modesto was also the main financier of the military actions that the Community of Trambileno took against Ravenna, as well as the diplomatic relations it maintained with Innsbruck, granting 7,600 *troni* through four loans (*censi passive*).<sup>69</sup> Members of other branches of the family, Giuseppe,

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**65** M. Nequirito, L'assetto istituzionale roveretano nel Settecento, in: Atti della Accademia Roveretana degli Agiati. Classe di scienze umane, lettere ed arti, 1996, pp. 324-334.

**66** On the family origin, see: M. Lorenzini, Expenditures, conspicuous consumption, and living standard of a Nineteenth-century Habsburg family, in: Rivista di storia economica 35, 2019, pp. 37-79.

**67** ASTN, notary Battisti B.G., f. V, 2631, 01/05/1740, 09/11/1740; Giordani A. G., f. VIII, 2964, 07/07/1740, 10/07/1740, 24/07/1740, 23/08/1740, 02/10/1740, 29/10/1740, 14/11/1740.

**68** ASTN, notary Giordani A.G., f. VIII, 2964, 08/07/1740.

**69** ASTN, notary Giordani A.G., f. VIII, 2964, 07/07/1740, 23/08/1740, 02/10/1740, 14/11/1740. A *census* could be passive or active and depended on the position of the person that asked for the contract. A passive *census* referred to an obligation, therefore a debt; while an active *census* referred to a right, therefore a credit. See: A. Castagnetti, G.M. Varanini (Eds), Storia del Trentino, L'età medievale, Vol. III, Bologna, 2005; M. Bellabarba, G. Olmi (Eds), Storia del Trentino, L'età moderna, Vol. IV, Bologna, 2003. On census see also N. Liopas, Lettera in difesa dello scritto di credito, censo personale e germanico, Trento, 1780.

Girolamo, and Antonio invested 5,500 *troni* each via the private credit market. Among the creditors, the distinguished Piamarta family of Langhenfeld were leaders of the private capital market of Rovereto.<sup>70</sup> The brothers Leonardo and Francesco Piamarta lent, at 5 percent interest, 4,095 *troni* in seven transactions and 17,450 *troni* in four transactions, of which 13,500 *troni* were granted by way of loans (*censo passivo*) to the Municipality of Folgaria. The clauses of the contract implied the right of the creditors to demand compliance with the terms of repayment of the sums lent. Therefore, Antonio della Nave and Antonio Manara, both from Vallarsa, approached the town's parish priest, Don Michele Camerloti, asking for a loan, claiming they had to use it to pay a "loan of money from the noble house of Piamarta".<sup>71</sup>

In nearby Trento the role of aristocrats was quite different: there were no recurring creditors, showing a less organised and more feeble peer-to-peer credit market. An exception was Giuseppe Antonio Pompeati, who lent credit to four borrowers for a total of 1,670 *troni*. Pompeati demanded 6 percent annual interest to be paid on St Michael's Day in wheat, leaving the debtors to settle their debt at their own discretion. Interest fees in Trento were often paid in kind, unlike in Rovereto. This can be seen as a sign of a society still tied to the primary sector and refractory to change. In fact, the nobility of Trento appeared less dynamic than that of Rovereto and not as much inclined to risk in the notarial capital market. Here, the offers of money came from members of the old urban elite, including Consigliere dell'Eccelsa Camera di Innsbruck Francesco Antonio Ciurletti di Belfonte, Ignazio Sardagna de Hohenstein, Francesco Antonio Betti, and Vettore Tabarelli de Fatis, but also from the rural nobility such as the Benigni family living in the village of Vezzano.

The money invested by the Milanese nobility was conversely rather abundant. In the 1780s, Duke Giovanni Galeazzo Serbelloni lent 193,000 lire in just six transactions.<sup>72</sup> The Marquis Carlo Camillo Carcano supplied 1.4 million lire in 123 deeds,

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<sup>70</sup> The Piamarta family settled in Rovereto in the mid-seventeenth century from Piedmont to trade in leather and hides and thanks also to a policy of marriage alliances with illustrious Trentino families, they embarked on a social ascent that led the brothers Antonio, Leonardo, and Francesco to obtain noble titles in 1715 from Charles VI. In the eighteenth century, some Piamarta merchants who had become wealthy left their mercantile activity, often maintaining a significant interest in the business through participation in partnerships, devoting themselves to the management of assets, and living off the profits obtained by capital investment, see: *Q. Perini*, *La famiglia Piomarta di Langenfeld*, Roma 1912.

<sup>71</sup> ASTN, notary Fontana G.B., f. IV, 2924, 06/08/1740, c. 139v; 06/08/1740, c. 140v.

<sup>72</sup> The Duke Serbelloni was "Chamberlain of SMI, member of the 60 decurions and executor of the orders of the city of Milan, superintendent general of the militia, Marquis of Incisa", see:

at an average of almost 12,000 lire per deed, charging interest rates that ranged between 3.75 to 5 percent.<sup>73</sup> He also provided significant sums in a single transaction (196,000 lire at 3.75 percent) in 1782 to the heirs of the Marquis Antonio Menaogli;<sup>74</sup> he lent another 47,450 lire at 4 percent to Count Aloisio Ignazio Belloni. Carcano's borrowers were not only his peers but also people from the new professions, who were charged higher interest, such as the lawyer Giuseppe Soardi, to whom he gave 1,000 Imperial lire at 4.5 percent,<sup>75</sup> or Carlo Recalcati, a physician, who received 1,000 Imperial lire at 5 percent.<sup>76</sup>

### 3.3 Craftsmen, Merchants and Professionals

The pool of investors was being enriched by those who practiced a profession, a craft or an art, ie. the members of the new emerging bourgeoisie, where work and wealth defined a new set of values.<sup>77</sup> In Verona the money invested by craftsmen, merchants, entrepreneurs, and professionals in the private capital market was the result of an increasing capacity for savings and rising income. The city was gradually recovering from the plague of the 1630s that brought down the entire productive system and almost halved the population. The number of citizens dropped dramatically from 53,000 in 1630 to 20,987 in 1631, and Verona still had not returned to pre-epidemic levels forty years later, stabilising at 32,000.<sup>78</sup> The middle class grew from 30 to almost 40 percent of total credi-

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<sup>73</sup> *S. Levati*, *La nobiltà del lavoro. Negozianti e banchieri a Milano tra Ancien Régime e Restaurazione*, Milano 1997, p. 220.

<sup>74</sup> Contracts were always drawn up by the same notary, Gariboldi: ASMI, notary, G. A. Gariboldi, Rn. 2326.

<sup>75</sup> It was a credit transfer (*cessione di credito*).

<sup>76</sup> ASMI, notary G.A. Gariboldi, Rn. 2326, 04/03/1771.

<sup>77</sup> ASMI, notary G.A. Gariboldi, Rn. 2326, 18/05/1771.

<sup>78</sup> *S. Levati*, *La nobiltà del lavoro*.

<sup>79</sup> Data are from *P. Donazzolo/M. Saibante*, *Lo sviluppo demografico di Verona e della sua provincial dalla fine del secolo XV ai nostril giorni*, in: *Metron* 3-4, 1976, pp. 56-180, here p. 72. While in Southern Italy the average mortality rate was between 30 to 43 percent, in northern Italy, it was between 30 and 35 percent, but with very high peaks such as in Verona, where it reached 60 percent. According to Guido Alfani, "If a typical English epidemic had mortality rates of 100-120 per thousand [...] in Italy the most common was 300-400, with peaks of 500-600 per thousand. For example, the mortality rate was 330 per thousand in Venice, 443 in Piacenza and 615 per thousand in Verona in 1629-1630, and 490 in Genoa and 500 per thousand in Naples in 1656-1657". The plague led to the near disappearance of the wool sector. The systemic shock caused to Italy by the plague contributed to the relative decline of the Italian Peninsula, compared to other European countries, see: *G. Alfani*, *Plague in seventeenth-century*

tors.<sup>79</sup> The amounts they invested in the market rose to 30,000 ducats in the 1680s, with the average size of loans was between 100 and 200 ducats.

**Tab. 1:** Loan size in ducats in Verona, 1676 to 1691 (in percent).

Ducats	Years			
	1676	1681	1686	1691
0-50	25.8	27.7	32	33.2
51-100	30.3	27	23.4	23.7
101-200	22.5	20.5	15.3	19.5
201-300	5	8.6	8.1	8.9
301-400	3.3	4.3	5.2	5.3
401-500	3.3	2.9	3.6	3.7
501-600	2	0.7	3.6	3.2
601-700	0.4	0	0	0.5
701-800	1.2	1.4	2	0
801-900	2.4	2.6	1.6	0
901-1.000	1.2	1.4	2	0
1.001-2.000	2.4	2.6	1.6	2
2.001-3.000	1	0.4	1.2	0
3.001-4.000	0	0.4	0.8	0
> 4.000	0.4	1	0.8	0

Source: *M. Lorenzini*, The credit market and notaries, *The Journal of European Economic History*, 1, 2015, p. 132.

Capital was usually exchanged between members of the same social rank, however it was not rare that merchants and shopkeepers granted loans to members of the aristocracy. The merchant Iseppo Mutio provided a credit of 400 ducats to Count Mario Bassani Dondonino at 6 percent for five years; he needed the money to provide his daughter's dowry and "not currently having a better way to supply it except by means of this present instrument".<sup>80</sup> The collateral was probably merchandise that had been purchased and was not yet paid for. It was

Europe and the decline of Italy: an epidemiological hypothesis, in: *European Review of Economic History* 17, 2013, pp. 408–430.

<sup>79</sup> *Lorenzini*, *Credito e notai*, p. 221

<sup>80</sup> ASVR, notary A. Trezio, f. 10911, 06/05/1681.

common that merchants turned to a notarial credit contract with insolvent clients for unsettled accounts. This is also the case with Carlo Guglielmo Franzani, a businessman from Milan, who traded in cereals and coal in the city of Como, part of the State of Milan. He signed 17 deeds with the notary Giuseppe Scotti, in one year, lending 2,800 Imperial lire (out of a total of 250,000 lire mobilised by the notary in 1780). After about a year of unpaid goods, a customer's debt was formalised before the notary Scotti via a contract of obligation, where all merchandise was listed by value and date of purchase. Loans had no maturity date, which was common at the time in Como, and the usual interest rate was 4 to 4.5 percent. In addition to his commercial activity, Franzani took out eight loans independently of his activity as a merchant. Four of these deeds were simple obligations, where the debtor had to pay off a previous debt with the money received. The other four contracts were loans added to sales.

Carlo Franzani operated both as buyer of the farmland and as creditor. Specifically, he paid the peasants more than the value of the land, so that they could settle their previous debts. Franzani guaranteed himself an interest rate on the premium paid, which he would have to pay back anyway. On three occasions he did not deliver the money directly to his debtors but gave bills of exchange, obliging his previous debtors to hand over the money to the new debtor as a settlement of their debt.<sup>81</sup>

Some merchants became particularly wealthy, and the capital accumulated through very profitable business was invested in loans to the municipalities in the countryside, which were burdened with heavy debts from the State. In Verona, the Piatti, a well-off family that acquired the title of Counts in the early eighteenth century, provided a number of loans to the rural municipalities.<sup>82</sup> Notably the widow Barbara Piatti lent 3,600 ducats (22,320 Venetian lire) to two rural towns: 2,100 to Cerea and 1,500 to Povegliano at an interest rate of 4.5 percent for ten years.<sup>83</sup> The municipalities pledged 80 and 150 fields respectively, which was very solid collateral that significantly outweighed the capital borrowed. The price of a cultivated field could vary from 50 to 100 ducats, hence in the case of Cerea the real estate given as collateral amounted to 4,000 to 8,000 ducats; in the case of Povegliano the fields were worth 7,500 to 15,000 ducats. The con-

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<sup>81</sup> Archivio di Stato di Como, notary Giuseppe Scotti, f. 4.500 (1780).

<sup>82</sup> Only Antonio Piatti's heirs – one of the major lenders – would become Counts in 1707. Barbara Piatti was Antonio Piatti's daughter, see: *F. Vecchiato, Sul prestito rurale*, in: *Studi storici Luigi Simeoni* 33, 1983, pp. 247-262, here p. 255.

<sup>83</sup> To Cerea: ASVR, notary V. Ferro, f. 5248, 18/04/1676; to Povegliano: ASVR, notary V. Ferro, f. 5248, 05/06/1676.

tract was advantageous for the two villages as well, as they consolidated their debt. They benefited from the law issued by the *Serenissimo Principe* on 10. June 1673, whereby municipalities could pay off all debts and take on new ones at lower interest rates.<sup>84</sup>

Loans to communities were a distinctive element of the financial policy of the Piatti family. The progressive expansion of their properties took place by means of expropriating municipal real estate due to debt default. In the 1780s, the family owned 600 fields, buildings, and several rural houses, which together with tithe rights and interest-bearing *livello* loans, boosted their wealth to the noteworthy sum of 91,500 ducats (567,300 lire).

In eighteenth-century Trentino some individuals operated as private lenders and issued loans to a large number of citizens. The most noteworthy case were the Cavalieri brothers, who signed 24 *census passivi* contracts, lending a total of 6,943 *troni* at 7 percent, which was a relatively profitable rate.<sup>85</sup> Although rare, creditors would sometimes get paid in agricultural products, such as grains, wine, and especially mulberry leaves and raw silk, whose value was rising as the silk industry developed.

Sericulture was expanding particularly in Lombardy and investments were channelled into this sector. Manufacturing grew as a response to the rising domestic demand, partly driven by population growth and partly by an increasingly active foreign market. This demand provided a strong stimulus to technological development, as well as organisational and entrepreneurial capacities.<sup>86</sup> A bank was founded to support and finance the silk industry and silk trade, the Monte Sete (bank for silk producers, 1781–1796), whose aim was to free producers from their dependence on spinners, who speculated on cocoon prices (which were unknown at the time of sale) and the final price of silk yarn. However, terms posed by the bank on loans were strict and limited to sector operators: credit was short-term, at a 4.5 percent interest rate, and collateralised by local silk products. The private capital market could meet the demand that remained unsatisfied, offering wider margins in terms of rates, guarantees, and deadlines. Capital invested had long-term expiry and a wider range of interest rates, from 4 to 6 percent.

The multiple transactions and the sums engaged in silk manufacturing and trade show that this sector was gaining momentum within the economic system

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<sup>84</sup> ASVR, notary V. Ferro, f. 5248, 05/06/1676.

<sup>85</sup> ASTN, notary P. Trentini, f. II, 3359, (1740).

<sup>86</sup> G. Piluso, *L'arte dei banchieri. Moneta e credito a Milano da Napoleone all'Unità*, Milano 1999, pp. 32-33

and providing appealing returns. A great growth spurt was witnessed in the 1760s, with the production of mulberry leaves increasing by 60 and 70 percent. The manufacturing sector also expanded, attracting investments to upgrade existing plants and machinery. Money lent through notarised loans was in effect used to finance fixed capital. Rosa Sturioni Solivetta lent 400 *gigliati* (6,400 Milanese lire) to Antonio Chiappone in order to establish silk works in Civate Pieve of Oggiono, part of the Duchy of Milan.<sup>87</sup> Romolo Frontino gave Dario G. Botta and his son 2,000 lire to expand their drapery shop on the Dom square via a short-term one-year loan at 4.5 percent interest.<sup>88</sup> At the same time Felice Bonanone loaned Pietro Lanelli 2,600 lire at 5 percent to finance a shop in Gessate; the payment had to be made at the fairs of Bergamo.<sup>89</sup> Giovan Battista Pasta opened a line of credit to the Redaelli brothers worth 7,050 lire at 4 percent interest to fund their silk shop in Pieve d'Oggiono.<sup>90</sup>

Thus, part of the financial resources went to fuel the establishment of firms. The Venini brothers – wealthy tax farmers – lent Calderas 14,000 lire in order to establish a partnership with their brother-in-law Flaminio Prina. Their plan was to build a yarn mill for a silk shop. Venini charged an interest rate of 5 percent and fixed a 5-year maturity.<sup>91</sup> Another prominent Milanese tax farmer, Antonio Greppi, lent 600 *gigliati* to Giovanni Domenico and Carlo, Grazia, and Antonio Francesco Rognoni to pay for a partnership share in a store with the Rava brothers.<sup>92</sup> In this case the interest rate charged by Greppi was quite advantageous for the borrowers: 3.75 percent for 4 years. Tax farmers, namely individuals who were granted the right to collect taxes on behalf of the government, were crucial figures in the lending market, as the income from their activity was largely reinvested in the credit circuits. According to the examined sources, they boasted significant surpluses, reaching 600,000 lire in the mid-eighteenth century.<sup>93</sup> While less attracted to investments in land or public bonds, they preferred to employ their liquidity in financial activities, especially

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<sup>87</sup> ASMI, notary M. A. Pizzigalli, Rn. 3775, 23/04/1771.

<sup>88</sup> ASMI, notary G. Aureggi, Rn. 311, 10/12/1753.

<sup>89</sup> ASMI, notary G. Aureggi, Rn. 311, 23/09/1769.

<sup>90</sup> ASMI, notary M. A. Pizzigalli, Rn. 3775, 13/03/1778.

<sup>91</sup> ASMI, notary G. Aureggi, Rn. 311, 04/01/1791.

<sup>92</sup> ASMI, notary G.A. Gariboldi, Rn. 2326, 17/03/1777.

<sup>93</sup> Lombard tax farm profits came from the taxes on salt, tobacco, gunpowder, saltpetre, and merchandise, and tolls from Lodi and Cremona, see: *Caizzi, Industria, commercio e banca in Lombardia nel XVIII secolo*, p. 163.

private loans to dukes, princes, and governors, such as the Duke of Mantua or Prince Kaunitz.<sup>94</sup>

## 4 Concluding Remarks

Credit investments in northern Italy in the early modern age were not exclusive to specialised financial operators. Alongside large international transactions that mobilised high volumes of capital and mainly involved qualified operators such as big merchants, private bankers, and businesspeople, an extensive peer-to-peer credit market developed, attracting capital from all social strata. Those with liquid assets could employ their money to make loans to other individuals seeking financing, without necessarily knowing them. At the centre of this network, notaries played a key role in matching creditors to debtors. The vast store of information they collected and aptly channelled into credit circuits as part of their professional activities, minimised information asymmetries and reduced transaction costs, such as adverse selection, helping the market to grow. Unlike other financial sectors, usually mediated exclusively by professionals, the notarial credit market was open also to individuals less familiar with the financial world.

In northern Italian States, as this research shows, the overall sums invested in these credit networks grew to noteworthy amounts. In Rovereto, for instance, during the economic boom of the eighteenth century brought about by a blooming silk industry, the private capital market amounted to four times the revenues from tolls. In the same period, four of Milan's best-known notaries drew up contracts for a total of nearly 20 million Milanese lire, equivalent to 3 percent of tax revenues. Here, almost one fifth of households had turned to the credit services offered by notaries.

Money injected into this credit network was considered an investment for lenders but was also employed by borrowers for financing commercial and entrepreneurial activities. While part of the capital was used to meet daily needs, another share was used to create partnerships, establishing firms, or reclaim uncultivated land. The credit market functioned as an economic power reserve that helped struggling economies respond to crises and supported dynamic economies in fuelling growth.

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<sup>94</sup> Ibid.

## Bionote

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