Commercial Exchange

The commercial revolution, spurred by the revival of long-distance trade, led to a revival of urban life, which also coincided with an expanding population. Cities became permanent commercial centers, and fairs, where agricultural surpluses were sold along with fine cloth and other luxury items, were a regular feature outside villages. Traders paid fees for stalls at fairs in urban markets, which first popped up along waterways. The exchange of currency and a focused eye on accumulating wealth to reinvest it in more goods point to the development of a profit-based economy. So, too, does the gradual replacement of traditional goods and services with money payments in the countryside.

New business associations came along with the growth of local markets and increased long-distance trade. Practitioners of crafts and trades organized themselves into guilds, as did merchants and other professions such as notaries and judges. Guild members pooled their money and resources for joint ventures, at times to directly promote their respective industry, but many times this was done for ventures that were charitable in nature. Guilds charged dues, held elections for offices, set the standards for their profession, controlled prices of labor and the goods they produced, and provided for the families of those members who passed away. In the production of wool, for example, each stage of the production process had a corresponding guild. There were separate guilds for shearers, carders, weavers, dyers, and the merchants who imported the raw wool and sold the finished product. There was a hierarchy within guilds and among them. In craft and artisan guilds, masters were at the top and were the office holders, followed by journeymen and women, who were day laborers and worked for a wage, and novices, or apprentices, at the bottom, who lived with masters while acquiring the necessary skills. The professional and merchant guilds ranked above the craft and artisan guilds. For instance, in the production of wool, the individual guilds for each process were organized under the merchant guild. Individual merchants also formed limited-term contracts and partnerships to finance large trading ventures. Each party invested a different amount of money and held various numbers of shares in a company. The return would then be based accordingly to what each partner originally contributed. The Florentine merchant Gregorio Dati, for example, lists several business partnerships lasting from a few months to two years with which he was involved in the late fourteenth century. Some of these partnerships facilitated sea travel for trade. At the end of each venture, the partnership was dissolved.

Italy, Flanders, Germany, France, and England all hosted economic centers with international reach. These centers issued their own coinage and merchants trained their successors in increasingly sophisticated recording and accounting systems. The cities of Venice, Genoa, Milan, Florence, London, Paris, Marseilles, Ghent, Bruges, Hamburg, and Bremen—just to name a few—supported merchants through favorable policies. The lack of security on roads and potential for disaster at sea made it dangerous to carry coinage en route. Instead, commercial centers made it possible for individual families to provide and accept bills of credit from one place to another, issuing the appropriate coinage for their own city to merchants upon their arrival. These banking families would charge a fee for this service, making a profit. These families would also make a profit on loans. Banking families would issue contracts for loans, specifying a penalty for late repayment, thus bypassing the prohibition of intentional profiting from a loan—a practice the Catholic Church classified as the sin of usury. Issuing loans on credit reflects a change in economic mentality: risk could be profitable. The first successful banking families hailed from Italy. The Peruzzi and Bardi banks in Florence helped finance the Hundred Years War with loans to the English king. When the king failed to repay the loans, both banks collapsed. Ready to take their place was another banking family in Florence: the Medici. The Medici began their banking career as financial agents of the papacy, collecting taxes and tithes for the pope. It was from this position—as the pope's bankers—the Medici rose to political prominence in the city of Florence. In the sixteenth century, the Fugger family in Augsburg was arguably the most important banking family in Europe. There were the personal bankers of the Holy Roman Emperor and had the ability to finance wars and imperial elections.