

This is an extract from:

*The Economic History of Byzantium:
From the Seventh through the Fifteenth Century*

Angeliki E. Laiou, Editor-in-Chief

Scholarly Committee

Charalambos Bouras

Cécile Morrisson

Nicolas Oikonomides[†]

Constantine Pitsakis

Published by

*Dumbarton Oaks Research Library and Collection
Washington, D. C.*

in three volumes as number 39 in the series

Dumbarton Oaks Studies

© 2002 Dumbarton Oaks

Trustees for Harvard University

Washington, D.C.

Printed in the United States of America

www.doaks.org/etexts.html

A Note on Monetary Mechanisms, East and West

John Day

By the age of Justinian the monetary institutions of the Byzantine Empire already differed substantially from those of Latin Europe. In Byzantium the coinage continued to serve as an instrument of power in a centralized state at a time when it was increasingly fragmented—and increasingly rare—in the barbarian West (feudalism was born in the 7th century, writes Peter Spufford, when the Frankish kings ran out of gold to pay their armies).¹ If the Carolingian reforms marked the return to a uniform coinage system in the western empire—but based on a silver denarius rather than a gold solidus—the process of monetary disintegration resumed under Charlemagne’s successors with the concession of minting privileges to great vassals or subject towns who altered the characteristics of the coins at their pleasure.

It was the disappearance of gold coinage in most of Europe and the general retreat from a market economy that consecrated the divorce between monetary practices East and West. But the economic expansion of the twelfth to thirteenth centuries, marked by the activities of western traders and Crusaders in the Levant, initiated a movement of convergence. The conjunction remained incomplete, however, because the western economies were soon embarked on the adventure of merchant capitalism based on monetary institutions and capital resources that were without their equivalent in Islam and Byzantium.²

In medieval Europe, long-term economic movements and long-term monetary movements were inseparable because the former were dependent in large measure on the *supply* of money (and not the other way around, as in the case of modern economies), that is, on the production and distribution of the monetary metals. Moreover, in that age of metallic circulation, the supply was never equal to the demand, resulting in constant complaints that money was “scarce” (in some periods, obviously, more than

¹ P. Spufford, *Money and Its Use in Medieval Europe* (Cambridge, 1988), 16.

² It should be noted that Byzantium was perhaps less backward in this respect than the dearth of documentation suggests, as witness its integration into the Italian world of maritime trade (albeit as a “junior partner”) in the late Middle Ages. A. E. Laiou, “The Byzantine Economy in the Mediterranean Trade System, Thirteenth–Fifteenth Centuries,” in Laiou, *Gender, Society and Economic Life in Byzantium* (Hampshire, 1992), 172–79.

in others) and in what Marc Bloch termed “the obscure need to inflate the currency.”³ In practice, except in the case of the deliberate manipulation of the coinage as a revenue measure, the minting authorities “inflated the currency” to offset a rise in the price of the monetary metals which posed a threat, by virtue of Gresham’s Law, to the current circulation.

In Byzantium, as late as the twelfth century, the permanent stock of monetary metals seems on the whole to have remained remarkably stable. Irrecoverable losses were replenished from new mine production, tribute from foreign rulers, or favorable trade balances, so that there existed in practice the sort of equilibrium evoked by those economists who postulate the neutrality of money and the necessary adjustment of the money supply to the state of trade. The “equilibrium,” not surprisingly, extended to the prices of most commodities, some of which owed their relative stability, however, to government controls, particularly in times of crisis.

In the medieval European economies, on the contrary, not only were monetary stocks chronically insufficient, but their distribution often responded to the non-economic imperatives of “guerres monétaires” (competitive debasements) in a never-ending “struggle for bullion.” The movement of prices, for its part, tended to mirror fluctuations in the money supply, and price and wage controls, for example in the wake of the Black Death, proved impossible to enforce.⁴

Because of the constant flux and reflux of monetary stocks according to harvest cycles, shipping movements, trade fairs, the tax calendar, and the international balance of payments, it is difficult to follow the process of monetization of the medieval economy which, in any case, was far from uniform or irreversible. In Europe, despite the development of credit and even, in some instances, of substitutes for metallic currency such as bank money, deposit certificates, or financial clearings, barter continued to play an important role in economic relations precisely because the circulation was limited and inelastic. But by the time of the Crusades it was no longer practiced on a grand scale, except in trade with the Levant where parallel price lists confirm that cash prices were invariably lower than barter prices,⁵ a fact that went hand in hand with a regular premium on silver bullion or coin. Barter, in short, continued to flourish in the Levant trade because of the persistent shortage of cash and the backward state of credit.

It should be noted that in this instance a low degree of “monetization” (the proportion of transactions conducted with the actual physical exchange of coins or surrogate currencies), which necessitates recourse to the exchange of goods for goods, does not signify a primitive system of exchange (any more than swap agreements between nations do today), let alone a “natural economy.”

³ M. Bloch, *Esquisse d'une histoire monétaire de l'Europe* (Paris, 1954), 63–65. Cf. J. Day, “L’histoire de la monnaie dans les écrits de Marc Bloch,” in *Monnaies et marchés au Moyen Age* (Paris, 1994), 271–81.

⁴ Cf. J. Day, “Crises et conjonctures à la fin du Moyen Age,” in *Monnaies et marchés au Moyen Age* (as above, note 3), 213–49.

⁵ E. Ashtor, “Pagamento in contanti e baratto nel commercio italiano d’oltremare, secoli XIV–XVI,” in *Economia naturale, economia monetaria*, ed. R. Romano and U. Tucci, *Storia d’Italia, Annali 6* (Turin, 1983), 363–96.

The choice of the type of coinage (one is reminded of Marc Bloch's characterization of gold coins as a "monnaie de classe") depended in the first instance on the kind and quantities of monetary metals available for minting. Because of an acute shortage of silver, Portugal, in the first half of the sixteenth century, then one of the great European powers, relied on a domestic circulation of pure copper coins (silver and gold coins were reserved for international accounts).⁶ But the choice could also be determined simply by custom. At Genoa in the seventeenth century, to cite a postmedieval example, it was the practice to pay for Lombard grain and bills of exchange in gold scudi, while silk from Calabria and Genoese customs duties were paid in silver scudi, and French and English grain merchants insisted on Spanish reales.⁷ In the absence of statements of payment or similar documents with breakdowns by type of coin, one is left in the dark about monetary usages in Byzantium, except as revealed through the analysis of coin hoards, but they were probably at least as unpredictable as in the West.

The "problem of the standard" (to use the expression of another age) that afflicted the European economies in the late Middle Ages was the result of fluctuations in the prices of gold and silver or the deterioration of the coins in terms of which prices were expressed (the "link money" or money of account).⁸ The creation of new standards, or accounting systems, in an effort to stabilize the currency, occurred as a rule on the occasion of the creation of a new coin type; for example, the Venetian silver grosso of ca. 1200 at 24d. (2 shillings), the Florentine gold florin of 1252 at 20 silver florins of 12 billion piccoli each, the French écu of 1266 equal to 10 gros tournois or 120 deniers tournois. In all of these cases the authorities attempted unsuccessfully to incorporate coins made of different metal in a single standard.

The Venetian grosso at 24d. rose almost immediately to 26d., then to 32d. because of the deterioration of the piccolo giving rise to a parallel standard based on the prestigious grosso, which remained perfectly stable for the next 150 years. Similarly, the florin and the écu rapidly detached themselves from the silver-based currency because of the rise of gold and the inevitable deterioration of the billon money. On account of the impossibility of enforcing a legal bimetallic ratio (in practice, the price of gold coins in terms of silver coins), parallel gold and silver or gold and silver-billon standards were in fact common, especially in the period 1250–1350 (after the return to gold coinage in the West) when the market ratio was changing rapidly, first in favor of gold, then in favor of silver.

In the course of time, bimetallic systems were abandoned or transformed into monometallic systems, normally while retaining their former designation. The Venetian "ducat" of 124 soldi. from the early sixteenth century on was actually a silver-based money of account. The Genoese and Milanese "florins" of 25 soldi and 32 soldi respec-

⁶ J. Day, "The Problem of the Standard in Preindustrial Europe," in *Money and Finance in the Age of Merchant Capitalism* (Oxford, 1999), 59–109.

⁷ G. Gianelli, "Problemi monetari genovesi del Seicento: La questione della 'moneta specifica,'" in *Scritti in onore del professore Paolo Emilio Taviani* (Genoa, 1983–86), 1:177–94.

⁸ For what follows, see J. Day, "Les monnaies de compte médiévales et le problème de l'étalon," in *Monnaies et marchés au Moyen Age* (as above, note 3), 251–70.

tively became simple notional multiples of the devalued billon currency after about 1400. The various systems of account based on the gros tournois and a current gold piece in France in the fourteenth century all ended up as gold standards alongside the silver-billon standard (the livre tournois).

The old debate concerning the nature and function of the money of account, sometimes referred to as “ghost money,” was confined, not by accident, to continental scholars (Marc Bloch, Hans van Werveke, Henri Laurent, the economist Luigi Einaudi). England in fact remained faithful to the sterling standard, which first suffered serious reductions in weight in the course of the late medieval “bullion famine” but never a reduction in fineness. Debased billon money, elsewhere the basis of the system of account, was unknown. The basic denomination, the penny—as well as the halfpenny and farthing—was of good silver. And gold money was quoted in sterling. Hence it was not necessary to invent a “money of account” to accommodate a heterogeneous and unstable circulation as in continental Europe.

The second major cause of monetary instability—the deterioration of the silver-billon circulation through wear and tear, clipping, culling, and counterfeiting—made it impossible to continue coinage at the current mint standard since newly minted pieces would immediately have fallen victim to Gresham’s Law. To escape the consequences of monetary deflation, induced by the recall and recoinage of the entire circulation, one solution was to abandon the minting of the basic coinage altogether. This is what occurred, for example, in the fourteenth to fifteenth centuries in Catalonia, where the king was forbidden by statute to “mutate” the ancient *diner de tern*. The public came to accept worn Aragonese *diners* or Valencian *menuts* at their nominal value in small transactions but insisted on gold florins or silver croats in large transactions. A similar situation existed in seventeenth-century England, where the sterling money deteriorated by half in silver content leading to the famous polemic that pitted John Locke and the stable money school against the “devaluationists”.⁹ In both cases the result was a semi-fiduciary circulation imposed by statute and by custom, as was also the case in Byzantium with respect to the billon and copper coinage. Another solution was the substitution of a new piece of greater intrinsic as well as nominal value as the basis of the system of account: *quattrino* for *piccolo* (Florence), *soldino* for *piccolo* (Venice), *blanca* for *dinero* (Castile), *schilling* for *witten* for *pfennig* (Lubeck).¹⁰ The original link moneys, if they continued to be minted, usually ended up as token currencies of pure copper or close to it and almost too small to handle.

The “problem of the standard” does not seem to have been posed in the same terms in the Byzantine Empire, at least as long as the state enjoyed a monopoly of minting, also because electrum coinage (debased simply by raising its silver content) was preferred to an inherently unstable “bimetallic” system as in the West. In fact, what chiefly distinguished the monetary experience of the Byzantine Empire during most of its long history was the state’s surprisingly effective control over mint output and the

⁹ Day, “The Problem of the Standard.”

¹⁰ Day, “Les monnaies de compte médiévales.”

money supply and, to a lesser degree perhaps, over prices and the trade in precious metals. As late as the fourteenth century, monetary policy was shaped more in the interests of the imperial finances than in the interests of trade, which doubtless helps to explain the penury of merchant capital and the absence of the sort of financial institutions that developed among Byzantium's western trading partners.

Minting activity and monetary circulation in the eastern Mediterranean in the twelfth to fifteenth centuries depended in large measure on precious metals originating in the West.¹¹ This unilateral movement of metallic stocks was due essentially, as noted elsewhere, to a permanent deficit in the European balance of trade. It was the specie and bullion introduced by western merchants and Crusaders that permitted the return to silver coinage in the East after two centuries of a monetary circulation based on copper and gold. As time passed, the better-known European currencies, the Venetian grosso and ducat, the Florentine florin, the Neapolitan carlino, mingled with and on occasion supplanted the Muslim and Byzantine coinages. "There came a day in the fourteenth century," wrote Marc Bloch, "when hyperperes were valued in ducats."¹² It is not surprising, therefore, that at the end of the fourteenth century the decline in European stocks had severe repercussions in the East. According to a contemporary, the year 1398 marked the start of a veritable silver famine in Egypt, where "the minting of dirhams was very infrequent so much silver had been wasted in the manufacture of saddles, silverware, etc. and also because it had ceased to arrive from the country of the Franks."¹³ The crisis in minting assured the triumph of the Venetian ducat. The Egyptian chronicler al-Makrizi reported at that time that "the circulation of the ducat had spread to the principal cities of the (Muslim) world to the point of becoming the common currency of trade."¹⁴ And a Venetian text a few years later confirmed that Syrian merchants insisted on being paid in ducats rather than silver. But it was silver that normally enjoyed a premium in the eastern Mediterranean (even resulting for a time, in the 14th century, in a speculative "exchange of metals" between Venice and Constantinople). This phenomenon seems to have been due, in the first instance, to the insatiable demand for silver emanating from the Indian subcontinent, which also helps to account for the chronic shortage of silver currency on the eastern markets. Emmanuel Piloti evokes in this connection a sort of monetary frontier limited to the ducat: "The merchants of Venice procure their spices at Damascus and Alexandria because their gold money is not current in India or the Spice Islands."¹⁵ In other words, most of the 300,000 or so gold ducats shipped from Venice to the Levant in normal years in the fifteenth century remained in that region. It would seem, therefore, that the essential reason for the success of the ducat on the markets of the eastern Mediterranean in the late Middle Ages was the deterioration, followed sometimes by

¹¹ See J. Day, "Colonialisme monétaire en Méditerranée au Moyen Age," in *Monnaies et marchés au Moyen Age* (as above, note 3), 145–47, for references.

¹² M. Bloch, "Le problème de l'or au Moyen Age," in Bloch, *Mélanges historiques* (Paris, 1963), 2:860.

¹³ Day, "Colonialisme monétaire," 145–47.

¹⁴ Day, "Colonialisme monétaire," 145–47.

¹⁵ Day, "Colonialisme monétaire," 145–47.

the disappearance, of the local silver currencies, which was caused by the accelerated drain of that metal to India and the Far East. This movement combined with the wastage of metallic stocks in war and their immobilization in gold and silver artifacts to exacerbate the effects in the Levant of the crisis in mining and minting in Europe.

Given the monetary dependence of the Near East on the European mining industry in the twelfth to fifteenth centuries, it is not surprising that the two regions shared a common economic destiny, at least if one subscribes to Fernand Braudel's view that monetary movements are the "transmission belt" of the economic conjuncture. Population, land settlement, commerce, manufacturing, and the monetization of the economy were making rapid strides in the East as well as in the West by the time of the First Crusade, and the movement seems to have shifted into high gear in both regions in the twelfth to thirteenth centuries. In the crisis years of the fourteenth to fifteenth centuries, on the other hand, the Levant's monetary dependence on Europe operated in a negative sense and was naturally overshadowed by the Turkish conquests.