UNIT 26 COMMERCIAL PRACTICES

Structure

26.1 INTRODUCTION

This Unit provides an overview of commercial transactions during the middle Ages. Here we will acquaint you with the nature of trade in Asia, Africa, Europe and America; emergence of trading nexus through land and sea-routes, markets and fairs; role of merchants in expanding commerce and use of various business practices to facilitate commercial transactions.

By the beginning of the fifth century, Roman Empire was no longer a unified political entity. Its eastern provinces came to constitute the Byzantine Empire. Germanic tribes swayed the western provinces of the Roman Empire. The rulership of Charlemagne (771-814) extended over France, Central Europe, North Italy and a small portion of Spain.

The setting up of dynastic rule in the region followed the rise of Islam in the Arabian Peninsula, during the seventh century. There was spread of Islam in Byzantine, Africa and various parts of Asia. It left its mark on the politics of these regions. The period between tenth and thirteenth centuries in Asia was marked by many changes. The victory march of Mongols was paralleled by the emergence of Sung culture in China, the Koryo in Korea and the Heian in Japan. In America indigenous people determined regional politics. Thus, these varied political changes led to regional stability. The feudal polity also generated military conflicts. The starting of crusades in eleventh century Europe was an attempt to check the spread of Islam. It opened the Mediterranean to western shipping.

It may also be noted that ruling elites generated demands for weapons, horses and luxurious items. The enterprising merchants met these. The economy of the middle Ages was based on agriculture. This period also witnessed large scale trading activities. In addition to long distance trade through land maritime trade also increased by manifolds. In all parts of world, goods were traded but the pattern of trade and commodities involved were quite varied.

The period between 1000 - 1300 was marked by an expansion of commerce in Europe. In the assessment of Carlo M. Cipolla, this period of great expansion saw urbanisation, demographic growth, and usage of new technologies and monetisation of economy. The Italian merchants rose as intermediaries in developing trade between the East and the West. The rise of Venice during tenth century indicated that it served as border market between the Byzantine East, the Muslim South and Catholic West. The growth of Genoa, Pisa, Piacenza, Siena, Florence and Milan in the coming years was due to the spread of trading network. During the period from 14th to 17th centuries European participation in maritime trade increased. A large number of ports and commercial centres developed in the Indian ocean and Mediterranean. Portguese emerged as the main trading nation and started dominating trading activities. Large trading companies were established in England, Holland, France. You have already studied about this large scale oceanic trade in Unit 24 of this Block.

26.2 PATTERN OF TRADE

We have already discussed the commodities of trade in Unit 24 here we again provide a brief account mainly on European trade. The trading transactions were in staple commodities, luxurious items, precious metals, horses, weapons and slaves. However nature and volume of local and inter-regional trade was not identical everywhere. India was renowned for exporting spices and cotton clothes. Africa and America were coveted for gold, silver and slaves. Arab traders were active in selling horses, Persian silk and Mediterranean products like clothes, wine and grain in Asia and Eastern Africa. They also captured slaves who were sold in Mediterranean countries.

During the Ninth Century, the Byzantine Empire had trading links with the Slavic countries and it gradually opened up the markets of Russia. Byzantium was the Center of manufacturing luxury goods and was known for its trade in the products of Constantinople like perfumes and silk ware.

During this period, the interregional commercial activity was located on the fringe of Western Europe. The earliest intermediaries in the trade of North-Western Europe were the Frisians. Their trade flowed along the Rhine. Various commodities were traded by them. They carried clothe and fish up the river to pay for the grain and wine bought by them. During Ninth and tenth centuries, Scandinavians crossed the central Russian watershed regularly on their way from the Baltic to the Black Sea and from there to Byzantium. These traders were instrumental in exporting honey, furs and slaves to the Near East. They imported spices, wine, textile and metal works. Thus, oriental luxuries like, textiles, oil and spices were available to the west and latter exported timber, iron and slaves to the west.

In the tenth century Italian merchants played an important role in trade. From the East, the Italians imported silks, velvets, damasks (a sort of woven silk), Russian furs, eastern spices and dyestuffs. These were sold all over western and central Europe. In return, they shipped timber, arms, woolen goods and slaves in the East. In this way, Italian merchants were mainly engaged in re-export. They were purchasing goods from the East and without additional processing exported them to the Western Europe. However, over a period of time, various city-states in Italy developed manufacturing units.

The commerce of North Europe was confined to essential commodities like grain, fish and timber. The valley of the Somme and the Seine supplied grain. When Germans colonised lands to the east of the Elbe, at that time, Prussia and Poland emerged as the main granaries of Europe. In the Baltic, fisheries of Skania, off the South Coast of Sweden supplied fish to Western Europe. The wine trade of Bordeaux was wide spread. Timber was carried from the well-wooded countries around the Baltic to the plains of Flanders and the Netherlands. The towns of Northern Germany acted as intermediaries in the supply of salt. It was obtained from the Bay of Bourgneuf.

The trade in Southern Europe forged trading links between Muslim world and Western merchants. While former purchased Frankish and Scandinavian swords, European timber, iron, tin and copper, latter traded in cloths and spices.

In Eastern Europe, widening of trading network marked ninth and tenth Centuries. The Arab Merchants regularly reached the Slav lands. The Slavonic states of Moravia, Bohemia, Poland and Russia developed trade in slaves, furs, honey and wax. Russia emerged as the principal trading broker and served as the clearinghouse for other Slavonic and Baltic Countries. During twelfth Century, Novgorod became the main center of trade with Baltic. In this trade, beeswax, fur and silver occupied an important place.

During this period, fabrics of Flanders reached Bohemia and in the next century, Bohemia imported cloth from cologne, Aachen, Mainz and other towns. It had trading links with Poland and Hungary. There was export of mining products and cattle' from Hungary to upper Germany, Italy and Vienna. During the Thirteenth Century, metal and luxury goods were exported to Bruges from Poland.

The region of Low Countries was also an important area of trade. While the Flanders was the first to develop cloth manufacture, they faced stiff competition from Brabant in the thirteenth century. It resulted in the manufacturing of middle quality cloth by the Flanders. There was import of wool from England and Spain to meet the growing demand of the Mediterranean region.

During fourteenth century, the main currents of commerce were from East to West along the Mediterranean, North and Baltic Sea.

In the pre contact period, extensive trading networks existed in Americas. In the Lawrency valley, hurons played an important role in fur trade. The commerce of Mesoamerica was extensive Tenochtitlan (presently Mexico City) received turquoise and silver from New Mexico. The Aztecs in return traded in various commodities accumulated from different places. They obtained rubber from Vera Cruz, chocolate from Chiapas, jagnar pelts and honey from the Yucatan, gold from Nicaragua, cacao from Honduras or El Salvador and gold from Costa Rica. The Mayan commerce was in luxury goods such as leather work and skins. The advent of colonial rule in this region and Africa during the fourteenth and fifteenth centuries by Spain and Portugal also changed the very nature of commerce.

During the period under study, the volume of inter regional trade was not very large. The majority of European population was still dependent on local products. The mass movement of Goods in the middle ages was dependent on cheap water transport. In 1273, for instance, England exported 35,000 sacks of wool. Sweden was exporting 10,0000 tons of herrings annually to the Hanse towns. In return 24,000 tons of salt was imported. Wine exports from Bordeaux reached 10,0000 tons annually.

Large scale trade to Europe in spices textiles, indigo, sugar and saltpetre were the highlight of 16^{th} – 17^{th} centuries. Almost all of these commodities were taken from India and other parts of Asia (we have already discussed these in Unit 24).

26. 3 TRADING ROUTES

The flow of goods within regions and to outside areas rested on the extension and use of trading routes. During the middle ages, land and water routes were used. Robert Lopez has highlighted the role of Arab merchants in forging widespread trading links. The trade of central Asia extensively used land routes. The caravan routes linked the Mediterranean world with India, Iran and China. The Muslim traders had trading posts in Sind and Gujarat. In the tenth century, they had an important colony at Saymur, not far from Mumbai.

The travelers on their way to India used the Red sea ports of Jor and Jidda and Ubullah in the Persian Gulf. As the Chinese vessels did not venture as far as Basra, there was emergence of Siraf as an important port of trade. It became the nodal point of trade between Yemen and the Red Sea. The town of Muscat and the Coastal parts of Oman also played an important role in the traffic.

During ninth century, actions of the Chinese authorities resulted in concentration of trade in Malacca. During Late T'ang and Sung period, eastern and Southern coasts of china were used for foreign trade. In the Late T'ang period, bulk of foreign trade flowed through Canton. Under the Southern Sung, Chuan-Chou situated near the great tea and porclein-producing areas in Fukien became the leading port. Korea also had trading links with Japan.

Central Africa had indirect contact with the Indian Ocean before 1100. The 'Age of Discovery' resulted in the forging of more trading links between Africa, Asia, America and Europe. The Mediterranean, Baltic, Atlantic, Indian Ocean and Arabian Sea were extensively used for international trade. Contrary to the Pirenne's thesis, several studies have shown that Arab expansion did not affect Mediterranean shipping.

Pierre courou has listed four major routes, which were used by Italian merchants since Eleventh century across the Mediterranean. There were two overland caravan routes connected with trade in silk and Chinese curios. The first route stretched from china to the Black sea, along the steppes of Southern Siberia. The second route passed through the Turkistan desert and connected Iran. From Iran, this land route was linked to the head of the Persian Gulf. Thus the land and sea routes were interconnected. The other two sea-routes mentioned by Pierre chaunu were from the Indian Ocean. One such sea-route from India passed through Malacca and the East Indies. It converged at the Persian Gulf. For reaching the ports of Palestine and Syria, travelers using the above-mentioned sea-route, had to commute through the desert. The sea-route from the red sea to the Gulf of Aqaba or Suez considerably reduced the land journey to Alexandria.

Since the eleventh century, Italian and other merchants trading to the south used several routes across England and France. Many routes linked Brabant to France. A network of routes across Northern France converged on Compiegna and Troyes.

During twelfth century Hellweg bisecting northern Germany from Dortmund in Westphalia was the main link to the Slavonic East but in the coming century four trans continental routes between Bruges and Baltic were developed. In Southeastern parts of England, it was cheap to use rivers for importing timber from the Baltic and Norway. The use of Dutch rivers and canals, stretching along the east to west resulted in emergence of Holland as a center of entrepot trade. Lubeck and Hamburg acted as the main reloading places for the goods of Bruges. In fact most of the great rivers of the Europe - the Rhine, the Weser, the Elbe in Germany, the Loire, the Rhonx, the Garonne in France Carried heavy long-distance traffic. In England, the Thames, the Stour, the Avon, the Trent along with several other rivers were used for internal trade.

In Eastern Europe Volga route was extensively used. The trade between Russia and Byzantine was carried from the Baltic either via the Gulf of Finland or via the Gulf of Riga and the Dvina. From the latter goods were carried to the Dnieper and the Black Sea.

In the Ninth Century, Frisian Dorstad, the Danish Haithabu and the Swedish Birka were the main center of Baltic trade. The link between the Baltic countries and the northwestern Russia was provided by the waterway, which spread, from the Baltic up to Neva into lake Ladoga and the Volkhov to Novgorod.

The use of above-mentioned sea-routes was dependent on the shipping industry. During the middle Ages, most merchant's ships were carvel built (with planks joined) and were light and fast. By 1277 Genoese Galleys began to sail via Cadiz and Seville to France, Flanders and England. In the Mediterranean, the Naves, the slow sailing ships carried the freight. These were low cost ships in comparison with galleys. They could carry more freight.

In China, several improvements were made. During the T'ang and Sung dynastic rule, stern rudder made their appearance. These were more than sixty meters in length, with flat bottoms and thin kneel. These ships having three to a dozen masts were rigged with square sails. They could carry up to thousand persons. The use of marine compass also facilitated navigation. In Baghdad, pontoon bridges were used. These were linked at both ends by iron chains and were attached at each bank to firmly implanted posts. Thus Canals were put to use for local transport. There was extensive use of camels on the land. The Arabs used galley in carrying goods overseas.

26.4 CENTRES OF COMMERCIAL ACTIVITY: MARKETS AND FAIRS

The Commercial transaction of commodities was carried through specific centres of exchange and trade. These can be traced in some form or the other to prehistoric times. We have references from ancient times from almost all cultures about the existence of periodic markets at local level. Some of these had specific commodities of trade while others had a range of them. (In India these temporary markets called *haat* or *penth* were held in all parts of the country through out history and continue in various forms even at present).

With the development of settled societies regular and fix centres for trading purposes also emerged side by side with periodic markets. The growth of urban centres and large scale transactions spread over large regions brought about a big change in these trading centres or markets. We do not intend to go into the details of the evolution process of these commercial centres. Here we would focus on centres of exchange which in medieval world are classified in two broad categories of markets and fairs.

26.4.1 Markets

The growing commercial activities in the medieval period saw fast growth of markets and towns. Almost all the towns had a market and in case of bigger towns there were more than one market. All the big towns of Europe, London, Paris, Moscow, Barcelona, Venice, Madrid, Lisbon, Bavaria, Cologne, Lyons etc. had big markets often spreading with the growth of towns or in many cases growing markets were expanding the limits of towns. Markets in big towns specalised in certain commodities corn, fish, beef, cloths, livestock (generally on the outskirts) wine, cheese and butter fruits and vegetables and so on. It is estimated by Everitt (Cf. Fernand Braudel, 1982 pp. 42-43)that in 16^{th} and 17^{th} centuries England and Wales had around 800 localities with regular markets. Of these "300 confined themselves to single trade: 133 to the grain trade, 26 to malt; 6 to fruit; 92 to cattle markets; 32 to sheep; 13 to horses; 14 to swine; 30 to fish; 21 to wildfowl and poultry; 12 to butter and cheese; over 30 to wool or yarn; 27 or more to woollen cloth; 11 to leather; 8 to linen; at least 4 to hemp" (Braudel op. cit p. 43). The regular fairs were in addition to these. The situation was not very different in other countries of Europe. It is estimated that during the end of 16^{th} century there were around 3200 towns in India. Almost all of them had markets and bigger ones more than one. Banarsidas a merchant reports around 1600 A.D that each of Jaunpur's fifty two paragons had a bazaar and a *mandi*. The same was true of almost all regions. Surat , Agra, Lahore, Multan, Patna, Dacca, Delhi, Bijapur, Masulipatnam , Broach, Cambay, Dindigul were centres of international trade. It is reported that Agra was bigger than London during the reign of Akbar. The craftsmen thronged to urban centres to sell their products. (Also see MHI-05, Block 4, Unit 20). The exchange of commodities can be illustrated from the example of Delhi in 14^{th} century. The horses reached here from Khurasan via Multan. The city obtained grain from as far as Amroha (in U.P.), wines from Kol (Aligarh) and Meerut, betel leaf from Dhar in Malwa, ordinary cloth from Awadh (Ayodhya), muslin from Devagiri, striped cloth from Bengal and Brocade from as far as Tabriz in Iran (*The Cambridge Economic History of India*, Vol. I, p. 84). The Arab World was dotted with markets in all big towns. Towns like Aden, Jeddah, Istanbul, Hormuz,, Baghdad, Mecca, Basra had markets which attracted traders from far off places. China was no exception having large markets, in almost all towns and attracted traders from Central Asia, Africa and India. The special features of Chinese merchants were that they moved from one market to another with their goods. In Egypt Cairo had more than thirty markets. Even Latin America had their own markets, when the European colonizers arrived there in Mexico, Brazil and Argentina. These further grew in size and the commodities they traded in also increased after the arrival of colonizers.

Allmost all the medieval trade had network within region and across regions.

The village, small town and big cities all had regular flow of commodities. Peddlers, small merchants and big merchants all had their own specialised trading commodities which found their way to specific destinations. Tapan Ray Chaudhuri classifies Indian market in 16th – 17th centuries into four main types 1) the emporia for long distance trade, inland, overland or overseas; 2) small scale bazaars where goods were gathered from places within a short radius primarily for purpose of local consumption and *mandi* or wholesale markets; 3) periodic fairs where specialised traders met together to sell and replenish their stocks but consumer were not excluded; 4) the truly isolated rural markets where the local surplus produce was exchanged among the producers-cum-consumers (*Cambridge Economic History of India*, Vol. I, pp. 339-40). Probably more or less similar pattern was in other regions in the medieval world.

26.4.2 Fairs

To begin with fairs were mainly related to religious and ritual festivals and celebrations. With the expansion of trading activities most of them became centres of commercial activities also. These fairs were of varying sizes attracting people of only particular region, across regions and across countries. The frequency of holding fairs was also not uniform. It could be monthly, once in a few months, twice a year or once a year. In some cases it could be even once in a few years. Many of these were held in particular seasons or time of the year. As far as the availability of items of trade are concerned, some fairs were known for specific commodities. The range of commodities in periodic markets and fairs was very wide. These included slaves, cattle of all sorts, grains, arms, craft products to precious or luxury goods.

As volume of trade grew and was connected with international trade, relationship between markets and fairs became more explicit. Initially fairs were connected with religious celebrations but gradually they became center of trade. The Lendit fair held in June at St. Denis in eleventh century was a religious fair. It was the abbey of St. Denis, which obtained sanction from the royalty to hold the fair. Between 1109 and 1112, Louis VI instituted another fair in the plains of St Denis. After 1213, both fairs were merged into a single fair, 'The Lendit of the plain of St Denis'. In the eleventh century, Flanders fairs at Torhout became center of intensive commercial and industrials activity.

It was the fairs of Champange, which became foci of international trade. The information about these fairs is available from 1114 onwards. It was in the thirteenth century that they assumed the classic form. The six fairs were held in four towns of the countries of Champange and Brie. The merchants of France, Italy, England, Germany, Switzerland and Savoy brought clothes, woolen, silk, leather, fur, lines, spices, wax, sugar, grain, wine and horses for sale in the fairs. From 1250 onwards Genoa became the center of trade. The fairs of Troyes, Provins, Lagny and Bar-Sur-Aube also attracted merchants from distant places.

There are claims to the continuity of fairs for centuries. Lendit fair was traced to 9th century, Troyes fairs to Roman times and Lyons fair to 172 A.D. "In Europe Sully-sur-Loire near Orleans, Pontigny in Brittany, Saint-Claira and Beaumont de Laumagne each had eight fairs a year. Lectoure in the *generalite* of Montauban had nine; Auch eleven ……" (Braudel op. cit p. 82). All big towns in Europe had their fairs which were known for large scale trading activities and great fun for the whole town. Paris, London, Hague, Venice, Leipzig all had their specialised fairs. Antwerp and Bergen-op-zoom had four major fairs in 16th century. Many of the fairs were linked together and formed specific circuits with merchants moving from one to the other. India had its own fairs. Many of these were religious but trading went side by side. The biggest fair (Kumbh) was held once in 6 and 12 years in different religious cities. Mocha an important port attracted ships laden with commodities from India and other parts of Europe. Egypt, Syria and Arabia were famous for their fairs. The piligrimage to Mecca was one of the big occasion for traders who reached here from far and wide with every conceivable commodity. Hormuz had her season of trade lasting 3 – 4 months and was like a fair. Alexandria had great trading activity for two month (September-October) during favourable season for ships to reach. In East Asia Bantam in Jawa was famous for its brisk trading markets and fair. Like India, China had its fairs associated with religious occasions. Here the state closely governed the markets and trade.

What is amasing about these fairs is sheer range of participation. Big merchants, middlemen, small shop keepers, peddlers and common men they were all there. The transaction of highest order in wholesale trade to individual merchandise took place. Depending on the size and importance of each fair they attracted traders from the distant countries to the regions in the neighbourhood. Antwerp had two major fairs every year. One of them famous for horses brought from Denmark. The faris also had large scale use of credit and money market. According to Braudel " If the fair is envisaged as a pyramid, the base consist of the many minor transactions in local goods, usually perishable and cheap, then one moves up towards the luxury goods, expensive and transported from far way; at the very top of pyramid came the active money market without which business could not be done at all – or any rate not at the same pace. It does seem that the fairs were developing in such way as, on the whole to concentrate on credit rather than commodities, on the tip of the pyramid rather than the base". (*The Wheels of Commerce*, 1982, p. 91)".

Most of the times merchants came with lots of bills of exchange and they were settled here. The exchange rates were fixed here by big merchants for different currencies. By the 18th century the fairs began to decline in Europe as great centres of commercial activities. Though many of them continued but more as tradition and fun and less in commercial importance.

26.5 COMMERCIAL PRACTICES

The growth of trading activities and long distance trade over land and seas made the commercial transactions complex. The trading transitions entailed numerous risks. There was fear of sea-pirates and natural disasters at sea. The required capital was to be generated for purchasing of goods. Money was needed for buying commodities in distant places and sale proceeds were also to be carried back. It was difficult to carry huge amount of gold currency to distant areas. As a result a number of new commercial practices and institutions emerged to take care of the growing trade.

26.5.1 Credit and Money Lending

The system of Credit was widely prevalent in the trading activities. Even at the regional and local levels the wholesalers would give things on credit to retailers and latter in turn to the consumers. In small business the small traders, middlemen and suppliers were always at the brink. If the sum was not paid back it could ruin the creditor. The growth of trade necessitated the funding for large scale commercial transactions. To begin with this funding was provided by big merchants. In due course it emerged as a specialised activity with separate category of money lenders. However, most of big merchants continued to deal in providing money on credit. In case of India the nobles (high officers of the state) also lended money for trading. They dealt in big amounts and gave it to established merchants only. In many parts of Europe also the nobles were involved in providing funding for business.

The practice of granting maritime loan to a ship owner or merchant was existing in Europe for a long time. Such loan was repaid only after the vessel or Cargo had arrived safely at agreed destination. The maritime loan was of great advantage. It offered credit and insurance to the borrower. But the rate of interest on it was very high. In around 1230, this loan was banned by the church. However the practice continued by converting it into an exchange contract.

Pierre Courou has pointed out several devices used by Italian merchants for generating capital. There was use of *Commenda,* a periodic partnership for one season. The evidences available from Venice of eleventh century indicate that *Commenda* was a "partnership" concluded between a financer and a merchant. While the former provided the capital, latter under took journey for conducting trade. There also existed another type of partnership between merchants. It was called *colleganza.* Under this arrangement, one merchant provided only the capital, another merchant, while providing capital was also involved in trade. The massive collection of Genoese notarial documents indicates that the *Commenda* declined in Genoa by the latter half of the thirteenth century. The *Compagnia* or partnership replaced it. Initially such partnership brought together family members having capital but gradually these gave way to *Corpidi: Compagnia* or Capital of the society. These were open to individuals who wished to invest their capital for trading transactions.

The payment of debts was also an integral part of commercial transactions. Often merchants either did not carry cash or were short of resources to purchase commodities. They had to borrow and debts were cleared during the fairs. The available records show that at the fairs, payment was done on the last day. The transactions were recorded. These written writs guaranteed the clearance of debts by merchants who had borrowed money. In this way credit system developed. It was not dependent on the transportation of Coins. Henry Pirenne has rightly observed that the fair acted as an embryonic clearinghouse for the European economy.

Beside currency, several methods were used to facilitate exchange. One such mechanism was the "fair letter", appearing in the Netherlands. It recorded debt in the presence of several municipal magistrates. It was written in the form of a "divide letter, two copies being written on the one sheet of Parchment. It was torn into two and was given to Magistrate and Creditor. The fitting together of these two portions authenticated the deed. Thus the "fair-letter" carried with it the right to exact payment.

A certain interest was charged by the lenders from the debtor. In Europe the Christian Church had prohibited lending money at interest (usury). The church was of the opinion that the only way of making money should be through work and earning profits from money does not have religious sanction. Islam also prohibits charging interest. As a result until 13th century Jews were the main money lenders. A lot of resentment against Jews and their persecution can be ascribed to their money lending business. However, the ban by Church succeeded only partially and many Christian groups (Lombards of Italy was one such group others were Tuscan and Cahor money lenders) still followed money lending and at times camouflaged and circumvented it in various ways (one of the ways was to consider that interest could be charged if lender was running a risk of losing). A distinction was also put forward by articulating that if money is loaned for some personal use charging interest would amount to usury and is sinful while using loan for business to earn more money should not be considered usury and just interest which was legitimate. The instruments of exchange also helped in advancing money with commission built in and escaped the charge of usury.

The rate of interest was around 20% they could settle for upto 10%. In India the interest rates varied from region to region and could be from 9 to 18%. However, the interest rates depended on a number of factors and could be as high as 100%. The factors taken into account were the distance, reliability of the party raising loans, the bargaining capacity of debtor and risks involved in the trading commodity and place.

26.5.2 Instruments of Exchange, Money Changing and Banking

The use of currency was integral to trading activities. Several methods were devised to issue required currency by the state in different parts of the world. During the T'ang and Sung period in China, apart from coins, paper money and paper credit was also used. As early as 811, the T'ang was issuing 'flying cash' to pay for goods acquired in distant areas. These money drafts were reimbursable at the capital. Under the Sung many such drafts were issued. These government money drafts were exchanged between merchants who wished to transfer credits. The private bankers also developed another type of paper money. They used certificates of deposit, which could be cashed for a three percent service charge. Such certificates were circulated freely at face value. Those issued by the bankers of Chengtu in Szechwan were very famous. In 1204, when the government took them over, they became the world's first genuine paper money. These certificates were valid for a period of three years and entailed services charge of three percent. In Tokugawa Japan, individual daimyo used rice and silver certificates as paper money within their domains. In India merchants used both currency and paper transactions like *Hundi*.

It is important to stress the basis of using currency as the medium of trading transactions during the middle ages. For an understanding of its use, one has to take into consideration, the unit of account and the medium of exchange. The money used in actual payment was first converted into the standard of value and large transactions were always paid by weight. It had direct bearing on the value of a system of coinage. The trading was conducted in different currencies like florins, guilders, ducats, pounds or any other. The specialist money changes used to assess the value of the coin by determining how much precious metal it contained. It may be noted that people accepting coins evaluated them not at their face value but according to their metal content. In such a situation coined money could not act as the comprehensive means of payment in the middle Ages. The crucial role of money changers contributed to their controlling large sums of money and effecting the transfer of funds and even extended time loans to merchants and bankers.

Because of varying currencies and their value, role of moneychangers became important. The practice of money changing was in vogue in the Western Europe during the ninth century. In the second half of the twelfth century moneychangers were active in Genoa. They were known as *bancherii* (word was derived from the bench on which money lenders handled coins). These moneychangers exchanged coins and accepted deposits from their clients. They were paid small amount for safe keeping of money. These deposits were used for clearing debts in far away places. By the end of twelfth century. The bill of exchange also made its appearance. These bills were written by moneychangers and assured the payment abroad in foreign money to merchants. The payment was equivalent of the sum deposited by these merchants with moneychangers.

With the development of semi-permanent money markets, moneychangers started acting as bankers. They not only deposited money but also extended credit to customers and got involved in overseas trade. They formed partnerships, which made it possible to transfer funds even when debtors and creditors had accounts with different establishments. By the middle of fourteenth century non-negotiable bills and notes were widely used.

The bill of exchange as already indicated were used to get around the church's prohibition of usury. Here the bills were issued at one place which could be exchanged at another in some different currency which might have different value. The rate of exchange between the currency having varying value could conceal the interest charged. In India *hundi* was most important instrument of exchange. Tavernier, a 17th century traveller noted that almost every village had *sarraff*, who were money changers and acted as banker to make remittances of money and letters of exchange. The *hundi* in the form of a paper was issued for loans, money deposit or remittance of money from one place to another and was saleable. It carried the amount, the specified period and the place where it was encashable. The interest and other charges (insurance, transmission or exchange charges etc.) depended on the nature of transaction.

In Europe the bills of exchange themselves became an instrument of trade. They were bought at less than the face value and could be realised on profit of upto 5% for export trade in another town and branch. The quality of instrument of exchange was judged by its accessibility and soundness and it was to be easily negotiable. There was strict code of behaviour in dealing in them. In the Abbasid caliphate the bills of exchange were called *suftaja* and cheque as *saak*.

The institution of Banking on a full scale with resident banking establishments came into existence in around 13th century. Italy took the lead and cities like

Genoa, Lucca, Florence, Tuscany, Rome and Venice became the centres of banking activity. A large number of family firms established banks in Florence. By the last decade of 13^{th} century Bardi and Peruzzi families of Florence established Banks in England also. Peruzzi had branches in Avignon , Bruges, Cyprus, London, Naples, Paris, Pisa, Rhodes, Sicily, Tunis and Venice. By one estimate by the year 1338 around 80 banking houses were operating in Florence with exchanges in every part of Europe. By the end of 14^{th} and early 15^{th} century a number of European cities had banks established by business houses. The Medici Bank of Italy was one of the most powerful banks of the 15^{th} century. With its headquarter in Florence it established branches in Rome, Naples, Milan, Pisa, Venice, Geneva, Lyons, Avignon, Bruges, London and many other cities. They even became financial agents of the church, extended credit to kings and facilitated international trade in Europe. Banks participated in trade as well as making loans to traders. In fact in the early phase trading was more important than banking.

Another important institution that emerged in late medieval period was Exchange or Stock Exchange which was central to all trading activity. In 1681 it was described as ‘the meeting place of bankers, merchants and businessmen, exchange currency dealers and banker’s agents, broker and other persons’ (Samuel Ricard cf. Braudel, p.97). By 16^{th} century every major commercial town in Europe had an exchange. According to Braudel “An Exchange was, relatively speaking, like the top section of a fair, but one in permanent session. Because the important businessmen as well as a host of intermediaries met here, business of every sort could be transacted: operations in commodities, currency exchange, share holding, maritime insurance where the risk was spread among several guarantors; and it was also a money market, a finance market and a stock market” (*Wheels of Commerce*, p. 100).

26.5.3 Accounting

The recording of commercial transactions was essential for regulating trade. In maritime trade, practice of venture accounting was in vogue in Europe. It was a wide spread custom to operate a separate account for each shipment. In maritime trade, role of the scribe who maintained records was very crucial. He maintained the ship’s inventory. In it, all items abroad were listed and each transactions was recorded separately. Gradually all items pertaining to an individual were listed together. Such a procedure came to provide a running account. The next development evident in Peruzzi Ledgers (1335-43) was to adopt a style in which all debts were written in the first half and credits in the rear half at the ledger. Italians adopted the double-entry book keeping in fifteenth century. In this way, the development of accounting stabilised monetary transitions.

26.6 PERSONNEL OF TRADE

The growth of trade and business transaction gave rise to host of commercial activities and persons associated with it. Merchants were central to all these activities. Apart from buying and selling commodities they also acted as money lenders, financiers, money changers, brokers, bankers, commercial agents etc. Most of the time the big merchants performed many of these functions simultaneously. While a few restricted themselves to their specialised area only. The specialisation of this sort emerged gradually toward the later medieval period only.

The transactions at local level were directly in the hands of producers. Thus, Monks, fishermen, peasants and landlords acted as "part time merchants". However as trade grew in volume, it came under the control of enterprising merchants. These merchants regulated and even controlled production processes. They enjoyed political power and formed guilds to maintain their hold over trading activities. They used several methods to augment their resources. Jews, Arabs, Italians, Flanders, English, German and Scandinavians played multiple roles in this expanding trade. They made huge fortunes. Henry Pirenne has outlined details from the biography of Godric who was a trader of East Anglia. He lived at the turn of the eleventh and twelfth centuries. Initially, he was a beachcomber but gradually rose to become a substantial merchant. He was also member of a partnership. He renounced wealth in the last years of his life.

Two aspects of trading transactions indicated an attempt by merchants to organise them. Firstly, in foreign countries merchants regulated their lives and trade in such a way that they were not to encounter any opposition.

In China, during ninth century, outside merchants lived in designated quarters in the port cities. In India Arab merchants were active. There was greater mobility in Europe and the role of Italian merchants was more significant. During Ninth Century Frisian merchants frequented London in England, Rouen, Amiens in France, Cologne and Maiz in Germany and many towns in Scandnavia and spread their trade. However, during the period Italian merchants had an extensive trading network and obtained trading privileges in many countries. Initially where ever they went, they had small trading settlements. It was the *Fondaco*, large building which accommodated these merchants. It was used as residence, storehouse and transaction center. While the Italian merchants followed the laws of the country where such *Fondaco* existed, but these were administered by their own officers. Venice also provided similar places to German merchants.

With the expansion of trade, number of merchants residing in foreign countries also rose. By the late twelfth century 10,000 Venetians were residing in Constantinople. The Italian merchants came to monopolise the freight and passenger traffic throughout the Mediterranean. They were engaged in several jobs. They were bowmen, sailors, shipwrights, captains of merchant's ships and fleet Admirals, textile manufacturers, mining entrepreneurs, lessees of mints, moneylenders, tax collectors and bankers in the service of the Pope and the kings of England and France. For instance the Florentine Franzesi brothers (Mouche and Biche) were revenue agents of Philip the fair. Under Edward II, Antonio Pessagno, a Genoese handled the royal trade. The Italian merchants collected tithe through out Europe on behalf of the Pope. They also took care of his commercial transactions. Many of these merchants like Federico Corner, Benedetto Zaccario from Genoa and Francesco Datini from Florence made huge profits. We have already discussed merchants in detail in Unit 25 and will not go into the details of their merchant organisations here.

The trading activities were mainly based on the efforts of individuals or family enterprises. However as trade was regulated across countries, large partnerships were set up. Apart from family members, outsiders were also included as shareholders. The growth of permanent business organisations in different parts of Europe meant that merchants could regulate their commercial transactions through agents and partners.

26.7 SUMMARY

A broad survey of commercial practices and activities in the medieval world shows that the commercial transactions were in a wide range of commodities like spices, textiles, silk, sugar, precious metals, minerals, horses, weapons slaves and a host of luxury items. Different European countries had trading links with each other as well as with China, India, Africa, Latin America, East Asia and the Arab World. Trade circuits were formed at regional level and each circuit was linked with other in the movement of commodities. The money economy was very well developed. Large numbers of markets and fairs emerged as centres of exchange and became nerve centres of this trade. These markets and fairs had their own specialised commercial practices and personnel operating in them. Over land and over seas trade followed defined trade routes. The Maritime trade contributed to manifold rise in the volume of trade. Ship building technology and navigation underwent major changes.

The large scale commercial activities gave rise to new commercial practices. Financing and money lending became an integral part of international trade. In view of different countries having gold and silver metallic currencies of various denominations money changing developed as a specialised activity. The instruments of exchange facilitated the large scale trade and dispensed the need of carrying large amounts of cash for trading purposes. Banking as an institution started in Italy and soon it became indispensable for trading operations. Stock exchanges as an institution provided facility of a range of commercial activities under one roof. They brought together various trade professionals at one place.

The merchants of various hues and nationalities could be found settled in regions distant from their place of origin. Need for funding for large scale trade led to the forming of partnership firms and family enterprises and organisations of merchants.

26.8 EXERCISES

1) Give a brief account of the pattern of trade in Europe.
2) Write a short note on the growth of markets in medieval period.
3) How fairs were important for the trade during the period under discussion?
4) How did merchants arranged funds for trading activities?
5) Write short notes on
   i) Trade Routes and
   ii) Personnel of Trade