

The medieval super-companies
A study of the Peruzzi Company of Florence

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Abbreviations

CCR Calendar of Close Rolls

CPR Calendar of Patent Rolls

Introduction

During the last half of the thirteenth and first half of the fourteenth centuries, there emerged a number of very large Italian merchant banking companies. Three of them, the Bardi, Peruzzi, and Acciaiuoli companies of Florence, attained exceptional size, diversity, and geographical reach, but all collapsed in the 1340s. The two largest, the Bardi and Peruzzi, came to grief, according to the chronicler Giovanni Villani, because they advanced loans foolishly and excessively to King Edward III of England to help him finance the opening phases of the Hundred Years' War. Villani claimed that the English king owed the Peruzzi Company the colossal sum of 600,000 Florentine florins when it went bankrupt in 1343, and the Bardi an even larger total of 900,000 florins when it failed in 1346.¹

Most students and general readers have become aware of the existence of these great organizations from popular political or social histories of the period in which the Bardi and Peruzzi are briefly introduced and promptly dismissed.² In such accounts, the firms are characterized as banking houses that naively and greedily overreached themselves in lending huge sums to the king in the vain pursuit of profit. But many other historians have written thoroughly researched works in various languages about particular aspects of the companies' activities, including their role in the history of medieval Florence, or about the operations of individual branches in southern Italy, Sicily, England, France, and the papal courts.³ In virtually all studies to date, however, the mighty companies have been merely a part, albeit important, of the phenomenon on which each author had concentrated his or her attention. The only exceptions are two

¹ Giovanni Villani, *Storia di Giovanni Villani* (Florence, 1587), Book XII, Chap. 55.

² Barbara Tuchman, *A Distant Mirror* (New York, 1978), 81; Paul Johnson, *Edward III* (London, 1973), 71.

³ For example, Robert Davidsohn, *Storia di Firenze* (Florence, 1956), 7 volumes; Georges Yver, *Le commerce et les marchands dans l'Italie méridionale, au XIII^e et au XIV^e siècle* (Paris 1903); E. B. Fryde, *William de la Pole* (London, 1988) and his unpublished Ph.D. dissertation, "Edward III's War Finance, 1337-41: Transactions in Wool and Credit Operations" (Oxford, Bodleian Library, 1947); and Yves Renouard, *Les relations des papes d'Avignon et des compagnies commerciales et bancaires de 1316 à 1378* (Paris, 1941).

old works written in the early part of this century about the Bardi and Peruzzi, but even these are narrowly focused, concerned mainly with the events leading up to the downfall of the companies.⁴ There is no literature that considers these unusual firms as complete business organizations, describing how they arose, what they actually did, how they were structured, and why they attained such an extraordinary size. And no scholar has yet published a thorough chronological history of any of these firms. Until such analyses are made, we cannot begin to understand why they collapsed and also why organizations of such proportions never again appeared in medieval Europe. And only then can we free the history of the companies from the simplistic distortions imposed by the chronicler Villani.

This present book is an attempt to begin filling this lacuna by examining one of the three above-named organizations in depth to find out how companies of such exceptional size were able to function in the demanding business environment of the high to late middle ages. Such companies deserve a special title to distinguish them from the many Italian merchant-bankers typical of the early fourteenth century, including some that were fairly large. The word “multinational” is tempting but inappropriate because it inaccurately suggests a similarity to the modern version and because there were no nation-states worthy of the name at that time. “Megacompany” is another seductive term, but is misleadingly pretentious, conjuring up a vision of much greater resources than we will find is the case. I have therefore opted for the relatively simple term “super-company,” which connotes an entity both larger than and qualitatively different from other business organizations of that era.⁵

The period with which this book is mainly concerned, that is, the late thirteenth and early fourteenth centuries, coincides almost exactly with the economic “crisis” that has been the subject of much scholarly debate over the past fifty years or so.⁶ Stated in its simplest terms, the crisis theory holds that the economic expansion of the

⁴ Ephraim Russell, “The Societies of the Bardi and Peruzzi and their Dealings with Edward III, 1327–1345,” in *Finance and Trade under Edward III* (London, 1918), 93–115; Armando Sapori, *La crisi delle compagnie mercantili dei Bardi e dei Peruzzi* (Florence, 1926).

⁵ The definition of and qualifications for “super-company” status are outlined at the beginning of Chapter 2.

⁶ A very useful recent review of this debate appears in Bruce M. S. Campbell, ed., *Before the Black Death* (Manchester, 1991). This collection of essays includes not only some of the latest analysis, but also a thorough historiography on the subject. Barbara Harvey’s introduction is especially helpful in articulating the various theses as well as her own views.

two preceding centuries had reversed itself because of population pressure, stagnant technology, and climate change, and that these forces were sufficient to create the conditions for the subsequent long-term recession without the intrusion of the Black Death catastrophe of 1347–50. The super-companies were undoubtedly affected by these developments, especially insofar as the forces contributed to the growth of centers of consumption and centers of production, and thus to the large-scale trade in foodstuffs on which the companies thrived.

It is not the purpose of this study, however, to enter this great debate. For one thing, most of the evidence examined in the controversy concerns the agricultural economics of England and northwestern Europe, whereas the orientation of the super-companies, as we shall see, was more toward the Mediterranean area. For example, they were affected little by the Great Famine of 1315–17 that ravaged northern Europe but very much by the Italian crop failures from the late 1320s onward. More important, the businesses of the super-companies were subject to a wide range of complex overlapping forces – political, military, and cultural, as well as economic – over a wide geographic area. I have therefore concluded that it is more enlightening to bring all of these environmental forces to bear on the story of the super-companies as a matter of relevant information than to attempt to fit them into an evaluation of any general economic argument. As a result, the book is essentially a business history, but permeated with social, economic, and political history.

Three principal and related theses emerge from this study. The first is that although the super-companies engaged in general commerce, banking, and manufacturing in substantial volume, what made them exceptional was commodity trading, which they conducted on a heroic scale. The core of the business was the Florence-Naples axis, wherein the companies controlled most of the export of grain from the Angevin kingdom of southern Italy, while exploiting that market's appetite for textiles of all types. These activities were founded on the need of the growing urban population for imported foodstuffs and industrial raw materials and the need for cash by the rulers who controlled those commodities. It *required* the companies to be big, with substantial capital, sophisticated organizations, and international branch networks, because only such enterprises had the resources to obtain and exploit the necessary licenses from those rulers.

The second thesis is that the much-discussed English wool trade, while eventually very important to the super-companies, was not their

principal target nor the reason that they had to be especially large. The Peruzzi Company was not involved in the commerce of wool in a really important way until late in its history, while the Acciaiuoli was never a significant participant. The Bardi Company, the biggest of them all, was unique in being a major player in both grain and wool over a considerable stretch of time, and even that great enterprise had been a super-company in the grain trade of southern Italy long before it became a large-scale buyer and seller of wool.

The third thesis is that the resources of the super-companies have been greatly overstated by historians, possibly to reconcile them with the huge losses purportedly suffered on loans to Edward III. Their resources, although extraordinarily large for their time, were in fact quite limited compared with the demands made on them and had to be deployed with great skill. The managers had to maintain a continuous recycling act with the rulers they served to ensure that there was sufficient money coming out of the system to fund enough new loans to keep those same rulers satisfied and the companies solvent.

Although the Bardi Company was by far the largest and best-known of the super-companies, I have selected the Peruzzi Company as the representative model to study for a number of important reasons. The first is the existence of a wealth of records of this company, which permit an independent analysis of its organizational structure, operating systems, and management philosophy, as well as a plausible reconstruction of its history. The second is that there is a continuous record of shareholder participation of both family and nonfamily members, allowing the examination of the business as a corporate entity distinct from the Peruzzi family. The third reason is the existence of a good set of accounting records depicting the state of the company on July 1, 1335, just nine months before its first significant investments in England. These data make it possible to ascertain what resources the company had available for its English joint venture with the Bardi Company and to isolate the effect of that venture on the company's fortunes. Finally, there is much information available on the key members of the Peruzzi family who were instrumental in conceiving the operating systems and in driving the business forward. It was these creative and energetic people, in the final analysis, who converted the economic and political opportunities presented to them into a spectacular commercial success.

The book is organized in two parts. Part I is designed to provide background information on the origins, business activities, organization structure, and accounting systems of super-companies in gen-

eral and the Peruzzi Company in particular, along with the economic and political environment in which they operated. Because the family and the company are often confused, the opening chapter has been devoted to exploring the origins and early history of the Peruzzi family and of the company in order to identify the nature of each and the linkages between them. It examines the family's rise in wealth and status and its role in Florentine politics, and provides brief profiles of three key personages. By the end of the chapter, it is clear that while the affairs of family and company were very much intermingled, they remained quite distinct entities. Chapter 2 moves on to the discussion of the super-companies and the nature of their business, dealing with all facets, including their well-known financial activities, but concentrating on the three dominating elements, trade in grain, wool, and cloth. This chapter also reviews the historical background to the rise of the super-companies and the development of their economic and political relationships with the leadership of the kingdoms of Naples, England, and France, and of the papal court. Chapter 3 focuses on the organization structure needed to run a super-company of geographic and product-line diversity, drawing on data mainly from the Peruzzi Company to create the model. Chapter 4 turns to the accounting systems of the period, including a brief discussion of the double-entry controversy and the training of accountants. It then goes on to analyze the Peruzzi accounts in detail, describing the system and what it was and was not designed to achieve.

These four chapters of background and function set the scene for Part II, which presents the chronological history of the Peruzzi Company from its corporate reorganization in 1300 until its final dismemberment in bankruptcy court in 1347. This survey divides conveniently into five chapters, comprising periods covering the company's prosperous years, the beginning of its decline, the attempt to reverse its decline, the events leading to its eventual collapse, and the aftermath of the failure as it concerned both the company and the family. Although the review focuses on the activities of the Peruzzi Company and its personnel, it does so in the context of the political and economic environment in which the company operated. The action moves from place to place where the Peruzzi did business, touching on the great wars and famines that so affected the company in those tumultuous times. In the last two chapters, the scene shifts back and forth between Florence and England, as the events in both places impinged on the fate of the Peruzzi. This chronological history is

vital to the thrust of the book, serving more than just to put flesh on the analytical bones identified in Part I. It is needed to reveal how such a company operated in the real world of power politics and repeated calamities in the early fourteenth century.

The conclusions of this study are discussed in a final brief chapter. Probably the most obvious of them is the disposal of the myth that Edward III was the principal agent of the collapse of the super-companies. The losses of the Bardi and Peruzzi in England were not nearly as large as supposed and were only one, and not the most important, of the factors leading to the firms' demise. This myth badly needs disposal, because it continues to be reinforced in otherwise excellent recent works of serious scholars. For example, Sumption's *The Hundred Years' War*, Ormrod's *The Reign of Edward III*, and Waugh's *England in the Reign of Edward III* all blame the bankruptcies of the Bardi and Peruzzi on their loans to Edward III.⁷ A less obvious but intriguing conclusion is that after the bankruptcies of the 1340s, no new companies emerged approaching the stature of the super-companies. Even the Medici Bank, large as it became, lacked the reach and dominance of the super-companies of a century earlier. The reasons for this phenomenon are to be found in the reversal of the same forces that caused the appearance of the super-companies in the first place. Although proponents of the "crisis" thesis of the early fourteenth century might take comfort in the fact that all three super-companies failed *before* the Black Death of 1347–50, the nonreappearance of such organizations can most logically be ascribed to drastically reduced population growth following the Black Death and to reduced recourse to borrowing by the rulers who controlled the key commodities.

Included in this volume is a map of the Peruzzi network and several appendixes that I believe are useful references. The first is a genealogy of the Peruzzi family from its known beginnings to the middle of the fourteenth century derived from the monumental study of the nineteenth-century historian and genealogist Luigi Passerini.⁸ The charts may look complicated, but they are essential to the understanding of the two main branches of the family and help explain why it is so often necessary to identify an individual by including his father's name. Other appendixes give additional detail on exchange

⁷ Jonathan Sumption, *The Hundred Years' War*, vol. 1, *Trial by Battle* (London, 1990), 363–4; W. M. Ormrod, *The Reign of Edward III* (New Haven, CT, 1990), 88; Scott L. Waugh, *England in the Reign of Edward III* (Cambridge, 1991), 183.

⁸ Luigi Passerini, "Genealogica e storia della famiglia dei Peruzzi," MS folio 41 in the Biblioteca Nazionale Centrale, Firenze.

rates and the accounts of the Peruzzi companies and their shareholders to support comments made in the main text. Finally, I have included a biographical note on Giovanni Villani along with a discussion of the comments of various scholars on his many disputed claims. Villani merits special attention because of the important influence he has had on scholars of the economic history of the early fourteenth century. Whether one agrees with him or not, his is the benchmark against which most numerical estimates for the period are compared.

A word needs to be said here about the main currencies that appear in this work and the symbols used to express them.⁹ The symbol most commonly used is "li." for the *lira a fiorino*, which is not a currency at all, but a fictive unit of account employed by the Florentine business community. Local coins, such as the *soldi di piccioli*, will also be mentioned, but the key Florentine coin used in international trade was the florin (fl.), valued usually at approximately li.1.45. The other main currency encountered is the English pound sterling (£). The exchange rates between the currencies of Florence and England varied considerably, but here we will use a rate close to the standard applied between the super-companies and the English treasury, that is, one florin equals three shillings. This results in a rate of £1 = 6 2/3 florins, which converts to a rate of £1 = li.9.67, which I have rounded to £1 = li.10 for convenience. Several other currencies appear in Tables A2, A7, and A8, but the only ones cited with any frequency in the text are the Neapolitan carlin and ounce (oz.).

This book reflects several years' research of the Peruzzi accounts as well as the secret books of Giotto and Arnolfo Peruzzi and other primary sources.¹⁰ It also owes much to the many scholars whose works I have cited throughout the text. But its unconventional approach comes from my own extensive personal experience in the world of multibranch operations in international business, which perhaps has enabled me to ask questions of the data that might not occur to other historians. This perspective has driven me to enquire how these very large companies with widely dispersed operations could have been organized, managed, and controlled in an essentially hostile environment. I am encouraged in this approach by the conviction expressed by the renowned businessman-turned-historian Raymond de Roover that the medieval businessman faced the same

⁹ Details are discussed in Chapter 4 immediately following Table 5.

¹⁰ The Peruzzi documents noted here have been meticulously transcribed by Professor Armando Sapori in *I libri di commercio dei Peruzzi* (hereafter, *I libri*) (Milan, 1934). This publication has made a wealth of primary data available to scholars all over the world.

problems of policy and management as do businessmen today – meeting fierce competition, forecasting changing market conditions, and motivating personnel.¹¹ The similarity of the problems does not mean that medieval super-companies can be regarded as direct ancestors of the modern multinational corporation. The environment and cultures called for very different managerial responses from those developed by today's companies. The book attempts to present those responses in the real-life context of the political, military, and economic events of those very troubled times.

I owe a great debt of gratitude to James Murray and John Brackett of the University of Cincinnati for their many thoughtful and constructive reviews of this study and for their encouragement of my unconventional approach. I am also deeply indebted to Richard A. Goldthwaite of Johns Hopkins University and David Abulafia of the University of Cambridge for their well-reasoned criticisms and constructive suggestions for further research, which have done much to improve the final version of this work. Any errors or omissions that remain are, of course, my own, as are the viewpoints expressed herein. Finally, I am grateful to the editor of the *Journal of Economic History* for permission to re-present some of the material I used in an article published by the *Journal* in March 1990.

¹¹ Raymond de Roover, "The Story of the Alberti Company of Florence, 1302–48, as Revealed in Its Account Books," *Harvard Business Review* 32 (Spring 1958): 49–50.