The Evolutionary Chain of International Financial Centers

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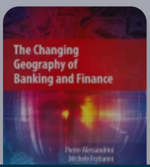
pp 251–276 | Cite this chapter



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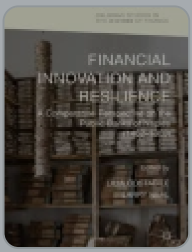

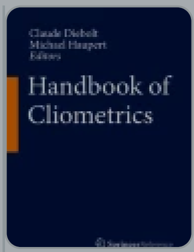

5. The heyday of banking in Florence, despite a resurgence of sorts in the following century, was over. The decline of the banking industry, it should be noted, preceded the decline of the great Florentine industry, wool, by approximately a century. After 1600, wool output in Florence fell drastically, following a competitive shift in favor of the Low Countries and England (Goldthwaite 1980, p. 52).

6. Interest payments were delayed in 1444, 1449, 1450, 1454 through 1459, and after 1467; back payments were canceled in 1483 and 1489; and interest was paid only in part from 1488 to 1492 (Conti, pp. 31–5, 57, 362–63). For the taxpayer-investor, *Monte Comune* turned out to be a financial disaster (Conti, Fig. 2).

12. The account of Ehrenberg on pages 244–5, although incomplete, is consistent with this reasoning. A much better explanation of the *ricorsa* bills is given by de Roover (1948, pp. 61–2).

13. The Fuggers, having barely survived the royal bankruptcies of 1575 and 1607, were dealt a final blow with the bankruptcy of 1626 (Ehrenberg, pp. 130–32).

14. Amsterdam had the largest share of the capital (50 percent) and the highest representation in the board (eight directors); Rotterdam followed with 25 percent of the capital and four directors; Delft, Enkhuizen, Hoorn and Middelburg had 6.25 percent of the capital and one director each. A 17th director was added, on a rotating basis, from one of the five smaller cities to prevent Amsterdam from having veto power on decisions; read Neal (2005, p.

gave the Bank the monopoly on joint-stock banking in England and made its notes legal tender; and in1715, when the Bank began managing the national debt, thus re-enforcing its role as the fiscal agent of the state.

21. With an acceptance, a party, typically a merchant banker, guarantees the payment of the bill should the drawer default. Bills of exchange, we recall, were early medieval instruments used to finance international trade.

22. Baring Brothers of London learned the business of foreign lending through its association with Hope & Co. of Amsterdam; see Cassis (2006, p. 20).

23. For Jefferson's quotations on money and banking, see http://etext.virginia.edu/jefferson/quotations/jeff1325.htm

28. Howard Curtis Reed (1981) ranks international financial centers for much of the 20th century using hierarchical cluster analysis and stepwise multiple discriminant analysis. London and New York are always at the top. In banking, London prevails over New York; see Table 2.2. In finance, New York was higher than London in 1955 but falls behind London in 1965, 1975 and 1980; see Table 2.4 in Reed.

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