

[Home](#) > [The Changing Geography of Banking and Finance](#) > Chapter

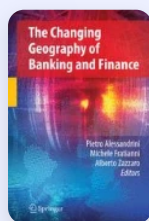
The Evolutionary Chain of International Financial Centers

| Chapter | First Online: 01 January 2009

| pp 251–276 | [Cite this chapter](#)

[Save chapter](#)

[View saved research](#) >



[The Changing Geography of Banking and Finance](#)



[Michele Fratianni](#) 

 1825 Accesses  24 Citations

Abstract

Financial products are unstandardized and subject to a great deal of uncertainty. They tend to concentrate geographically because of the reduction in information costs resulting from close contacts. Concentration leads to economies of scale and encourages external economies. Great financial centers enjoy a high degree of persistence but are not immune from decline and eventual demise. Yet, their achievements are passed along in an evolutionary manner. In revisiting the historical record of seven international financial centers—Florence, Venice, Genoa, Antwerp, Amsterdam, London and New York—the paper finds evidence of a long

evolutionary chain of banking and finance. As to the present and the future, the forces of integration are likely to give an additional boost to the persistence of international financial centers.

 This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this chapter

Log in via an institution →

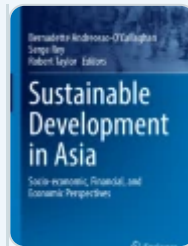
[Institutional subscriptions](#) →

Similar content being viewed by others



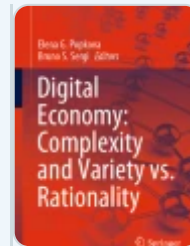
International Financial Centres in Europe and Asia, 1900–2000

Chapter | © 2020



The World's Top Five Financial Centers: Geopolitical Uncertainties

Chapter | © 2022



The Comparison of the Financial Markets and the Financial Centres in the International Rankings

Chapter | © 2020

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Economic Geography](#)

[Economic History](#)

[Evolutionary Theory](#)

[Globalization](#)

[Institutional and Evolutionary Economics](#)

[Financial Technology and Innovation](#)

[Economic Geography of Financial Systems](#)

Notes

1. The Medici family exerted “informal” hegemony from 1434 to 1494 and then more formally from 1512 to 1526; after 1530, their power became absolute.
2. To Florentine bankers one must add those from Lucca (e.g., Riccardi), Pistoia (Ammannati), and Siena (Bonsignori).
3. Hunt (p. 160) reports creditors’ recovery rates of 36 percent for the Peruzzi and 46 percent for the Bardi.
4. De Roover (p. 202) calculates that up to 1435 more than half of total earnings generated by the vast Medici network came from the Rome branch.
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).
7. For early banking in Venice, see Mueller ([1997](#), chapter 1). It should be pointed out that the first public bank was the *Taula de Canvi*, established in Barcelona in 1401. However, the *Taula* was not as purely a payments bank as the *Banco di Rialto* inasmuch as it lent heavily to the city.

8. At the Piacenza fairs, according to Braudel ([1992](#), p. 168), "...the capital of the Italian cities was all drained towards Genoa. And a multitude of small investors, Genoese and others, entrusted their savings to the bankers for modest returns."
9. These arrangements start in 1566.
10. It should be noted that short-term interest rates were higher than long-term interest rate
11. What follows draws from Fratianni and Spinelli ([2006](#)).
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. 167).
15. Dividends averaged 16.5 percent of stock par value for the first half of the 17th century (Neal [2005](#), p. 171).
16. Initial price of shares was 3,000 guilders.

17. The archival material on options and futures is rather thin; see Gelderblom and Jonker ([2005](#), pp. 199–200).
18. The restrictions were defined by the Bubble Act of June 1720 (Dickson, p. 148). On management running up share prices of the South Sea Company, see Dickson (pp. 141–45) and Neal ([1990](#), p. 109).
19. See Neal ([1990](#), Table 4.1 and Fig. 4.4) for the data on the explosion of bank notes issued by Banque Royale and on the Mississippi bubble.
20. Further boost to the power of the Bank had come in 1707, when Parliament gave the Bank the monopoly on joint-stock banking in England and made its notes legal tender; and in 1715, 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>
24. Sylla ([2005](#), p. 306) shows the price histories from 1790 to 1820 of three Federal government securities, the Bank of the United States, the Bank of New York, the Manhattan Company, and the New York Insurance Company.

25. There is some controversy about the effective start of the NYSE. For some, including Downing (p. 284), the Exchange began with the Buttonwood Agreement of 1792 signed by 24 New York merchants, securities dealers, brokers, and auctioneers. For others, NYSE starts with the formal charter of 1817; on this, see Sylla ([2005](#), pp. 307–9).
26. Cassis (p. 120) mentions that the restrictive standards, coupled with fixed commissions, generated rents to the Exchange's owners. They also encouraged the rise of rival exchanges.
27. The data are from the World Federation of Exchanges, *Focus*, July 2007; see <http://www.world-exchanges.org>.
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.

References

Arnold T, Hersch P, Mulherin JH, Netter J (1999) Merging markets. *The Journal of Finance* 54(3):1083–1107

[Article](#) [Google Scholar](#)

Assini A (1995). L'importanza della contabilità nell'inventariazione di registri bancari medioevali. Il Banco di San Giorgio nel '400. Gli archivi degli istituti e delle aziende di credito e le fonti d'archivio per la storia delle banche. Roma: Ministero per i Beni Culturali e Ambientali -Ufficio Centrale per i Beni Archivistici

Baskin J, Miranti Jr. PJ (1997) A history of corporate finance. Cambridge University Press, Cambridge, MA

[Book](#) [Google Scholar](#)

Baster ASJ (1937) The international acceptance market. *The American Economic Review* 27(2):294-304

[Google Scholar](#)

Braudel F (1992) *Civilization & capitalism, 15th-18th century, vol. 3: The perspective of the world*. University of California Press, Berkeley, CA

[Google Scholar](#)

Cassis Y (2006) *Capitals of capital: A history of international financial centres 1780-2005*. Cambridge University Press, Cambridge, MA

[Google Scholar](#)

Conklin J (1998) The theory of sovereign debt and Spain under Philip II. *The Journal of Political Economy* 106(3):483-513

[Article](#) [Google Scholar](#)

Conti E (1984) *L'imposta diretta a Firenze nel quattrocento (1427-1494)*. Istituto Storico per il Medio Evo, Roma

[Google Scholar](#)

Cowen DJ (2000) *The origins and economic impact of the First Bank of the United States, 1791-1797*. Garland Publishing Inc., New York

[Google Scholar](#)

Da Silva J-G (1969) Banque et Cr dit en Italie au XVII^e Si cle. Editions Klincksieck, Paris

[Google Scholar](#)

Davis L, Neal L (1998) Micro rules and macro outcomes: The impact of micro structure on the efficiency of security exchanges, London, New York, and Paris, 1800-1914. *The American Economic Review* 88(2):40-45

[Google Scholar](#)

Day J (1987) *The medieval market economy*. Basil Blackwell, Oxford

[Google Scholar](#)

de la Vega JP (1688) *Confusi n de Confusiones*. Translated by Hermann Kellenbenz. Amsterdam. (Reprinted by Harvard Graduate School of Business, Boston, 1957)

[Google Scholar](#)

de Roover R (1948) *Money, banking and credit in medieval Bruges: Italian merchant-bankers lombards and money changers. A study in the origins of banking*. The Medieval Academy of America, Cambridge, MA

[Google Scholar](#)

De Roover R (1966) *The rise and decline of the Medici Bank, 1397-1494*. W.W. Norton, New York

[Google Scholar](#)

Dickson PGM (1967) *The Financial Revolution in England*. MacMillan, London

[Google Scholar](#)

Downing NW (2005) Transatlantic paper and the emergence of the American capital market. In: Goetzmann W, Rouwenhorst KG (eds) The origins of value: The financial innovations that created modern capital markets. Oxford University Press, Oxford

[Google Scholar](#)

Ehrenberg R (1928) Capital and finance in the age of the renaissance: A study of the Fuggers and their connections. Jonathan Cape, London

[Google Scholar](#)

Ferguson N (1998) The House of Rothschild. Volume 1: Money's Prophets 1798-1848. Penguin Books, New York

[Google Scholar](#)

Fратиани M (2006). Government debt, reputation and creditors' protections: The tale of San Giorgio. Review of Finance 10:487-506

[Article](#) [Google Scholar](#)

Fратиани M, Spinelli F (2006). Italian city-states and financial evolution. European Review of Economic History 10(3):257-278

[Article](#) [Google Scholar](#)

Garbade KD, Silber WL (1978) Technology, communication and performance of financial markets. The Journal of Finance 33:829-832

[Google Scholar](#)

Gelderblom O, Jonker J (2004) Completing a financial revolution: The Finance of the Dutch East India trade and the rise of the Amsterdam capital market, 1595-

[Article](#) [Google Scholar](#)

Gelderblom O, Jonker J (2005) Amsterdam as the Cradle of Modern Futures and Options Trading. 1550-1650. In: Goetzmann W, Rouwenhorst KG (eds) The origins of value: The financial innovations that created modern capital markets. Oxford University Press, Oxford

[Google Scholar](#)

Goetzmann WN, Rouwenhorst KG (eds) (2005) The origins of value: The financial innovations that created modern capital markets. Oxford University Press, Oxford

[Google Scholar](#)

Goldthwaite RA (1980) The building of Renaissance Florence: An economic and social history. The Johns Hopkins University Press, Baltimore

[Google Scholar](#)

Heers J (1961) Gênes au XV^eSiècle. S.E.V.P.E.N., Paris

[Google Scholar](#)

Hunt ES (1990) A new look at the dealings of the Bardi and Peruzzi with Edward III. The Journal of Economic History 50(1):149-162

[Article](#) [Google Scholar](#)

Israel JI (1990) The Amsterdam Stock Exchange and the English revolution of 1688. Tijdschrift voor Geschiedenis 103:412-444

[Google Scholar](#)

Kindleberger CP (1974) The formation of financial centers. Princeton Studies in International Finance 36. Princeton University Press, Princeton

[Google Scholar](#)

Kindleberger CP (1983) Key currencies and financial centres. In: Machlup F, Fels G, Müller-Groeling H (eds) Reflections on a troubled world economy. Essays in Honour of Herbert Giersch. MacMillan, London

[Google Scholar](#)

Kindleberger CP (1996) World economic primacy, 1500–1900. Oxford University Press, Oxford

[Google Scholar](#)

Lovett AW (1980) The Castilian Bankruptcy of 1575. The Historical Journal 23(4):899–911

[Article](#) [Google Scholar](#)

Machiavelli N (1965) Le istorie fiorentine. Salani editore, Firenze

[Google Scholar](#)

Martin R (1999) The new economic geography of money. In: Martin R (ed) Money and the Space Economy. John Wiley & Sons, Chichester

[Google Scholar](#)

McAndrews J, Stefanadis C (2002) The consolidation of European stock exchanges. Federal Reserve Bank of New York, Current Issues in Economics and Finance 8(6):1–6

[Google Scholar](#)

Meltzer AH (2003) A history of the Federal Reserve, Volume 1: 1913-1951. The University of Chicago Press, Chicago

[Google Scholar](#)

Molho A (1971) Florentine public finances in the early renaissance, 1400-1433. Harvard University Press, Cambridge, MA

[Google Scholar](#)

Molho A (1994) Marriage alliance in late medieval Florence. Harvard University Press, Cambridge, MA

[Google Scholar](#)

Mueller RC (1997) The Venetian money market: Banks, panics, and the public debt, 1200-1500. The Johns Hopkins University Press, Baltimore

[Google Scholar](#)

Murphy AE (1997) John Law: Economic Theorist and Policy-maker. Clarendon Press, Oxford

[Book](#) [Google Scholar](#)

Neal L (1990) The rise of capitalism: International capital markets in the age of reason. Cambridge University Press, Cambridge, MA

[Google Scholar](#)

Neal L (2000) How it all began: The monetary and financial architecture of Europe during the first global capital markets, 1648-1815. Financial History Review 7:117-140

[Article](#) [Google Scholar](#)

Neal L (2005) Venture shares of the Dutch East India Company. In: Goetzmann W, Rouwenhorst KG (eds) The origins of value: The financial innovations that created modern capital markets. Oxford University Press, Oxford

[Google Scholar](#)

North D, Weingast B (1989) Constitution and commitment: The evolution of institutional governing public choice in seventeenth-century England. The Journal of Economic History 49(4): 803-832

[Article](#) [Google Scholar](#)

O'Brien R (1992) Global financial integration: The end of geography. Royal Institute of International Affairs, London

[Google Scholar](#)

Pagano M (1989) Trading volume and asset liquidity. Quarterly Journal of Economics 104(2): 255-274

[Google Scholar](#)

Reed HC (1981) The preeminence of international financial centers. Praeger Publishers, New York

[Google Scholar](#)

Riley J (1980) International government finance and the Amsterdam capital market, 1740-1815. Cambridge University Press, Cambridge, MA

[Book](#) [Google Scholar](#)

Sapori A (1950). Le compagnie italiane in Inghilterra (Secoli XIII-XV). Moneta e Credito III 4:389-408

[Google Scholar](#)

Scholey D (1994) Essential features of international financial centres. In: Roberts R (ed) International Financial Centres: Concepts, Developments and Dynamics, volume one. Edward Elgar, Aldershot

[Google Scholar](#)

Sieveking H (1906) Studio sulle finanze Genovesi nel Medioevo e in particolare sulla Casa di S. Giorgio. Atti della Società Ligure di Storia Patria, volume two, Tipografia della Gioventù, Genova

[Google Scholar](#)

Stringham E (2003) The extralegal development of securities trading in seventeenth-century Amsterdam. The Quarterly Review of Economics and Finance 43:321-344

[Article](#) [Google Scholar](#)

Sylla R (1998) US securities markets and the banking system, 1790-1840. Federal Reserve Bank of St. Louis Review (May/June):83-89.

[Google Scholar](#)

Sylla R (2005) Origins of the New York Stock Exchange. In: Goetzmann W, Rouwenhorst KG (eds) The origins of value: The financial innovations that created modern capital markets. Oxford University Press, Oxford

[Google Scholar](#)

Tracy J (1985) A financial revolution in the Habsburg Netherlands: Renten and renteniers in the county of Holland, 1515-1565. University of California Press, Berkeley

[Google Scholar](#)

van der Wee H (1963) The growth of the Antwerp market and the European economy. The Hague, Nijhoff

[Google Scholar](#)

Van Houtte JA (1966) The rise and decline of the market of Bruges. *Economic History Review* XIX:29-47

[Google Scholar](#)

Giovanni V, Matteo V, Filippo F (1857) *Croniche*. Sezione Letterario-Artistica del Lloyd Adriatico, Trieste

[Google Scholar](#)

Wells J, Wills D (2000) Revolution, restoration, and debt repudiation: The Jacobite threat to England's institutions and economic growth. *The Journal of Economic History* 60(2):418-441

[Article](#) [Google Scholar](#)

Acknowledgments

Author thanks an anonymous referee of the Department of Economics of the Università Politecnica delle Marche and Franco Spinelli for comments and suggestions on an earlier draft of this chapter.

Author information

Authors and Affiliations

Dipartimento di Economia, Ancona, Università Politecnica delle Marche, Italy

Michele Fratianni

Michele Fratianni

Corresponding author

Correspondence to [Michele Fratianni](#).

Editor information

Editors and Affiliations

Rights and permissions

[Reprints and permissions](#)

Copyright information

© 2009 Springer Science+Business Media, LLC

About this chapter

Cite this chapter

Fratianni, M. (2009). The Evolutionary Chain of International Financial Centers. In: Zazzaro, A., Fratianni, M., Alessandrini, P. (eds) The Changing Geography of Banking and Finance. Springer, Boston, MA.

https://doi.org/10.1007/978-0-387-98078-2_12

[.RIS↓](#) [.ENW↓](#) [.BIB↓](#)

DOI	Published	Publisher Name
https://doi.org/10.1007/978-0-387-98078-2_12	30 April 2009	Springer, Boston, MA
Print ISBN	Online ISBN	eBook Packages
978-0-387-98077-5	978-0-387-98078-2	Business and Economics
		Economics and Finance (R0)

Keywords

[Interest Rate](#)[Credit Risk](#)[Secondary Market](#)[Government Debt](#)[Financial Center](#)

These keywords were added by machine and not by the authors. This process is experimental and the keywords may be updated as the learning algorithm improves.

Publish with us

[Policies and ethics](#) 

Search

Search by keyword or author



Navigation

[Find a journal](#)

[Publish with us](#)

[Track your research](#)

