

## 7. Not only land: mortgage credit in central-northern Italy in the sixteenth and seventeenth centuries

Giuseppe De Luca and Marcella Lorenzini

### 7.1. Introduction: the land rush in sixteenth-century northern Italy

During the early modern age substantial innovations emerged in the mortgage system that played a pivotal role in the development of the credit market. The first decisive stimulus came from rural areas around the middle of the sixteenth century when steady demographic growth, combined with the increased availability of silver coming from the New World, caused the price revolution that affected most European countries. The steep rise in crop prices and the ballooning of land values led on the one hand to a concentration of capital investment in the agricultural sector and to a general land rush carried out by the urban aristocracy and well-to-do farmers, and on the other hand to an increase in the pressure on small rural landowners.

These effects yielded different outcomes. Nobles, patricians, well-off merchants and members of the elites in general started to divert their capital from commercial and industrial activities, then the most profitable, to agriculture. Land became very attractive for those who had financial resources and ambition to improve their economic and social condition. Indeed, land, apart from continuing to represent a status symbol and a means pursued by *homines novi* to climb the social ladder and become part of the urban oligarchy, was the emblem that exemplified the dynamism and entrepreneurship of powerful and active individuals (Roveda, 2012, p. 16; Lanaro, 1992, p. 61). The increasing demand for land, as a consequence of population growth, led to the reclamation of new stretches of terrain that had once been barren, uncultivated or swampy.<sup>1</sup> In the

second half of the sixteenth century, especially in northern Italy, large and important drainage projects were undertaken, which were accompanied by the introduction of irrigation systems, the building of artificial canals and in general by the improvement of the soil quality in order to gain new stretches of land and to increase productivity (Ventura, 1970; Ciriaco, 1994). In the Republic of Venice the land rush was paired with a parallel 'water rush' that manifested itself as a rise in the number of request for water concessions.<sup>2</sup> The price of land rose consistently. In the dominions of *La Serenissima* in the mid-sixteenth century a marshy plot of land cost between three and six ducats; sixty years later, after being reclaimed, it could sell for 120 ducats (Bolognesi, 1984, p, 83).<sup>3</sup>

This return to land that characterized the sixteenth-century economy has long been regarded in much of the literature as a sort of fall-back choice. The actions of the most industrious bourgeoisie who diverted redirected their investments from business, trade and manufacturing activities to agriculture have usually been interpreted as an attempt by the emerging upper classes to imitate a *more nobilium* lifestyle, passively settling for rents. Likewise, aristocrats who invested in land (labelled a safe haven asset by historians) have often been seen as acting passively, or as pushed by non-economic motivations. More recent research, however, has shed new light on the Renaissance land market, highlighting the entrepreneurial spirit that underpinned these new capitalist investments in the primary sector. This activity (aimed at improving real estate by enlarging properties) brought about the concentration of property titles in the hands of a few families of the urban elite, who were the protagonists of a process of redistribution and centralization of land ownership in the countryside.

The vast estates of the prestigious families who were part of the patriciate were taking shape during the long sixteenth century. The D'Addas of Milan, a noble family that became enriched thanks to trade and merchant activity, boasted - in the second half of the sixteenth century - real estate holdings of 25,000 pertiche, the value of which amounted to one million lire.<sup>4</sup> The Areses, who belonged to the Milanese aristocracy, had properties that totalled 11,000 pertiche. The

Serbellonis, with roots in the notarial and trade world, tried to climb the social ladder by holding public offices and obtaining control over notarial duties. Their social and political success was achieved through strategic marriages and by undertaking military and diplomatic missions. The family reinforced their prestige by expanding their estate. After buying a lordly palace in Milan, for 81 million imperial lire, they started to increase their land holdings in the countryside. From the second half of the sixteenth century onwards they adopted a policy of broadening their patrimony through purchases, auctions, inheritance and dowries (Cerini, 1994, pp. 9-13). The Trivulzios, one of the richest and biggest landowner families of the city, had by the sixteenth and seventeenth centuries accumulated a patrimony of several thousands of pertiche that they had started to assemble in the fifteenth century both by force and legal methods. The land they possessed was not only extremely extensive but also the most fertile. This new high quality soil was obtained through works of improvement, like the reclamation of marshy lands, the removal of wooded areas, and the building of drainage canals and ditches. The methods they employed to gather such a vast patrimony were varied, namely purchases, and seizures from common good and from small landowners (Roveda, 2012, p. 114-126).

There are many other examples of high-ranking families, like the Stampas of Soncino (Dionisio, 1997, p. 213), or the Melzis, Malingegnos, Caravaggis and Littas, who invested hundreds of thousands of lire to expand their holdings in rural areas (Bolognesi, 1984, pp. 78-79). The enlargement took place *via* different strategies, from the purchase of new plots of land, to inheritance (as is widely known, aristocratic families were very careful to prevent the fragmentation of their estates and made every effort to bequeath them intact for the heirs), and from exchanges (or *permuta*, literally two parties exchanging plots of land) to the acquisition of the estates of insolvent debtors.

Dispossessing insolvent mortgagors was a phenomenon with very ancient roots and was generally done through fictitious sales contracts, namely sales agreements that included a clause

stipulating that the seller could recover the real estate ('cum pacto de recupera') if he returned the money to the buyer. If the seller was unable to repay the loan, the purchaser would automatically become the owner of the real estate without having to go through auctions or draw up formal documents (Vendrame, 2009, p. 122). After studying the economic structure of the Paduan countryside in the fourteenth and fifteenth centuries Silvana Collodo concluded that 'liens, mortgages and transfers to pay off debts created a continuous flow of property exchange powered by credit and by unscrupulous operations that modified the distribution of estates, creating and destroying wealth'.<sup>5</sup> Studies of early modern economies likewise maintain that the concentration of landed properties occurring from the mid-sixteenth century was the outcome of a similar process (Corazzol, 1979, p. 50, Cattini, 1983, p. 126, Vendrame, 2009, p. 122).

However, at present there is no robust evidence that the massive process leading to the creation of large estates during the sixteenth- and seventeenth-century land rush was due to confiscations of insolvent borrowers. Much literature has emphasized that the expropriations linked to mortgages featured mainly as an element of the ideological debate on the relationship between the city (where the rich lenders lived) and the countryside (populated by poor and exploited borrowers), but there is not enough quantitative data to enable us to make broader inferences. Gian Maria Varanini, for instance, who examined the financial condition of peasants and farmers in the Veronese countryside, stated that the transfer of land to lenders, through the expropriation of insolvent mortgagors, was neither an automatic process nor an inevitable event. In some cases the eviction could take a long time, taking place only after the rent had gone unpaid for many years. Moreover, sometimes landowner-creditors who wanted to keep debtors (often their tenants) under close control, chose not to push the borrowers to return the money. They profited from the borrower's weakened position, making them do work for free such as digging, planting, or transporting agriculture goods (Varanini, 1987, p. 111; Lanaro, 1987, p. 210).

As a matter of fact, the general conditions of peasants were deteriorating by the mid-sixteenth century in the Italian countryside; small-landowners in particular entered a troubled period. (Malanima, 2002, pp. 111-113; De Maddalena, 1992, pp. 43-165). Demographic growth during the middle ages had demolished the holdings of traditional farmers, dividing them among a growing number of heirs, and undermining the economic independence of small landowners. Such people were used to growing agricultural products that barely met the basic needs of their households. In these areas the circulation of money was scarce, and the only wealth families were able to produce was chiefly in kind, which they usually consumed immediately. Cash was necessary, however, to pay taxes, to pay for goods in the city markets, to cover unexpected expenses, and also to buy seed, farming tools and draught animals such as oxen or mules. The demand for credit started to increase particularly in the second decade of the sixteenth century. The interest rates on secured loans were calculated in currency, but usually paid in kind. The cost of one unit of wheat could rise or fall by one hundred percent from one harvest to the next. In March 1529 in Arezzo, in central Italy, one bushel of wheat cost 128 soldi; five months later, after an abundant harvest, the price fell to 30 soldi. In the Pavese countryside people who borrowed five sacks of wheat, at a price of 420 imperial soldi each, had to pay back 10 sacks just one year later as a result of the drop in price (to 197.5 soldi).<sup>6</sup> The interest rates paid in kind could reach 20 to 40% (Cattini, 1983, p. 124). In 1546 the Marcuzzi brothers of Portogruaro (a village near Venice) pledged a plot of land for a 10 ducat loan, on which they had to pay an interest rate of two bushels of wheat. The price of wheat underwent such sharp fluctuations that the brothers ended up paying rent that, had it been monetized, amounted to 19.3% in 1546, 33.8% in 1550, 20% in 1553, and 38.7% in 1557 (Vendrame, 2009, p. 121). As noted, rents and interest rates on loans were commonly paid in kind, mainly wheat, wine or oil. The combination of frosts and droughts that affected the hill country of Verona, Vicenza and Padua in the 1540s severely damaged olive crops.<sup>7</sup> Those who had to pay their obligations in oil rebelled, and asked the Venetian Senate for measures to protect themselves. These

actions may have played an important role in the events that occurred in rural areas in the years that followed. The bad harvests of 1548 and 1550 also caused a rapid rise in wheat prices. In addition, the unexpected disasters that affected the countryside of the north at the dawn of the sixteenth century (due to the so-called 'Little Ice Age') brought about great fluctuations in crop market value.

Small and medium-sized farmers in the Venetian Republic rose up and asked for interest rates from loans to be paid in money, instead of in kind, while the elites lobbied to keep remittances in commodities, which were inflation-neutral. Eventually, in 1551, the Senate of the *Serenissima* responded to complaints and requests from rural areas by issuing new reforms that imposed the payment in cash of leases and interest rates on mortgages entered into from 1520 onwards. The latter could not exceed a maximum cap, the amount of which would be set by the authorities in each city. The law was adopted in different years across the Venetian dominions. In Venice the interest rate on mortgages could not exceed 5.5%.<sup>8</sup> On 19 May 1553, the Great Council of Verona set the ceiling for interest rates at 6%, the same rate used in Vicenza (1551), Bassano (1551) and Padua (1553). In Friuli the rate was 7% (Pedrinelli, 1768, p. 48). The higher interest rates were probably due to the greater shortage of capital in those areas (Corazzol, 1979, p. 71).

Rental reform, aimed at protecting small landowners and farmers, was not a phenomenon limited to the Italian countryside, but a Europe-wide trend. Similar measures were undertaken in Denmark, England, France and Spain (Nelson, 1967, pp. 94-119; Schnapper, 1957, p. 119). These new norms did not put a stop to the charging of interest in kind; however, they contributed to a significant curb in rates, and paved the way for far-reaching credit innovations.

## **7.2. The new success of an old credit instrument**

Between the tenth and sixteenth centuries, a wide range of different forms of instrument linking land and credit emerged under the stimulus of an expanding market and of the simultaneous

development of financial techniques. These developments helped place the Italian Peninsula at the forefront of Europe in this sphere (Felloni, 2008, p. 101). The different categories of instrument, which were described by terms that over time assumed overlapping meanings, essentially comprised two types of money loan: the *census* and the *mutuum*.

The *census* was originally linked to a contract for lease of a plot of land or a building (such as a house, palace, or shop). The first kind of *census* was the *c. reservativus*, where the landowner gave his real estate (or more often a portion of it) to the lender and the interest (in the form of rent) was paid from the revenue generated by that property. In most cases, the obligation to pay rent to the original lender or to his heirs could last for generations and remained embodied in the property itself, until the principal sum was repaid by the initial owner or his successor. Loans at interest began to be banned in a strict fashion by the Church in the thirteenth and fourteenth centuries, when usury became a byword for heresy. The charging of any amount, however small, which exceeded the sum lent was considered usury; this idea gave rise to intense debates that lasted for centuries.<sup>9</sup> Nonetheless, the form of loan described above was deemed legitimate (Felloni, 2008, p. 102).

Beside the *c. reservativus*, another form emerged and became soon prevalent. This was the *c. consignativus*, which was designed on the basis of an ‘emptio cum locazione’, literally a sale followed by a lease. It was in effect a type of mortgage credit whereby the borrower (seller) sold a plot of land to the lender (buyer) and then became the lessee of the land, paying rent that was actually the interest on the loan. The agreement stipulated the seller’s right to reacquire the estate and indeed after a fixed term the borrower could buy back his property by returning the capital to the lender. The buyer promised to sell the land back to the seller, once he had returned the money, and the presence of this promise proves that this kind of agreement was not a simple sale, but a concealed loan. For instance, on 20 January 1591, Gio. Maria q. Iacobo from Lugo di Valle Pantena (in the Veronese countryside) sold a piece of land, containing willow trees, for 50 ducats to Paolo q. Sebastiano in Corrubio Stallavena.<sup>10</sup> The contract ended with a clause that allowed the seller to

regain ownership of the land, after having returned the capital.<sup>11</sup> This commercial (or more aptly financial) transaction could prove very risky for debtors, especially small farmers. This is because, as previously mentioned, if the debtor was unable to gather the capital and repay it by the deadline, he might definitively lose the property. While during preceding periods the lender was usually inclined to renew the deed, the higher land values of the sixteenth century tended to make him more interested in gaining possession of the collateral, which was usually land.

In addition to the *census* (in its two different forms), a second type of money loan, probably more ancient, was in use: the *mutuum*. The essential content of this contract was very simple: the creditor gave a sum of money to the debtor, who promised to return it in the same place and in the same type of coin, with added interest, that could be in kind or in labour. However, the agreement could not openly display the nature of the operation, because of the canonical ban on interest. For this reason, the writing underpinning the deal could assume various forms. Very often there was no mention of the interest rate; sometimes only the sum to be repaid was indicated; and at other times the agreement took the form of a sale of real estate which included the right of the debtor to regain the property once he had paid back the money ('*cum pacto de recupera*'). In the tenth and eleventh centuries this contract always involved the pledge of a piece of real estate, which resembled the form of the *pignus* (Felloni, 2008, pp. 104-5). Yet, the instrument was substantially distinct from the *c. consignativus* because the pledged land did not remain to the use of the debtor, and consequently there was no payment of rent by the latter.<sup>12</sup>

The remarkable spread of *c. consignativus*, which allowed one to bypass the interest prohibition via a 'sale and lease' transaction, focused attention from the early thirteenth century on the question of its legitimacy. As a consequence of this discussion, the *c. consignativus* was definitively regulated and reinforced in 1569 when the pope, Pius V, issued the bull *Cum Onus* (Placanica, 1982, pp. 210-14). This contract granted the creditor the *dominium directum* ('right to direct'), while the *dominium utile* ('right to use') was ceded to the debtor, who continued to

cultivate the estate as tenant (Alonzi, 2011, p. 30). Thanks to the *c. consignativus*, which - as required by the papal bull - had to be drawn up by a notary, the borrower could ask for a loan by using as collateral a piece of real estate which could yield an annual rent that in effect constituted the yearly interest payment. The bull stated that in the case of the *c. consignativus*, 'the annuity can be constituted only if backed by real estate, which must have a revenue-generating nature and whose borders must be clearly defined in the contract. It must be created exclusively in exchange for cash, in the presence of witnesses before a notary and be put down in the public record, with honest obligation and at a fair price'. Moreover, the borrower was allowed to extinguish the annuity whenever he chose, by returning the capital to the lender, with two months' notice.<sup>13</sup> This redesigned version of the *c. consignativus* openly mentioned an interest rate, that had to be charged and could not exceed a maximum cap, which was set by the government<sup>14</sup>

The most innovative and significant element of the *c. consignativus* following its remodelling in the 1569 bull was its redeemability and the right of the borrower to extinguish the obligation *quandocumque* (whenever) he wanted and was able to. Contracts usually stipulated a perpetual pact allowing the tenant and his heirs to extinguish the debt and be set free whenever they wished from the aforementioned annuity. In relation to this point, the debtor could decide when to close the contract. In essence, the restyled form of *c. consignativus* meant the rebalancing of the tension between lender and borrower in favour of the latter.

In Verona in the second half of the seventeenth century, mortgage contracts of this type made up 90 percent of all loans transacted by notaries (Lorenzini, 2016). The agreement was divided into three parts: in the first (*emptio*) the debtor, technically the seller, sold his real estate to the creditor, officially the buyer. In the second part of the contract (*locatio*) the borrower received the real estate back and in turn contracted to pay an annual rent to the lender which was tantamount to the interest rate on the principal sum that he had just received. The final part of the act laid out its redeemability, i.e. the possibility for the debtor to regain that part of estate if he paid off the debt.

Successively, in some territorial states of the Peninsula the setting of a deadline for returning the capital became very usual; the limit, agreed by the two parties, generally ranged from three to nine years. . So, if the borrower was unable to return the full amount, several scenarios could occur. First, the lender could come into possession of the collateralized estate, thereby executing the expropriation. Second, a debtor could be forced to return money and unpaid interest by giving a plot of land instead of grain or cash, according to a procedure known as *datio in solutum*.<sup>15</sup> Eventually, if the debtor could not repay the money he owed, he could seek out a new creditor willing to finance him. In such cases, the notary played a critical role, helping the borrower find a new lender (most likely selected from the ranks of his customers) willing to offer finance (Lorenzini, 2016, p. 305). The notary very often played an active part in the arrangement of agreements, operating like an informal broker in credit markets (Hoffman et al., 2000). Overall, the new type of mortgage instrument legitimized the levying of interest on cash loans and, although some contracts included a fixed repayment deadline, it generally safeguarded borrowers by allowing them to extinguish the debt whenever they wished, and therefore removed them from the clutches of greedy lenders who aimed to seize the collateral, which typically was a cultivated plot of land (Bolognesi, 1988, p. 286).

The framework of the *census consignativus* echoes that of the government bonds created in the Italian Republics during the middle ages. The emerging city states of Genoa, first, and subsequently Venice, Florence and Milan, were sucked dry by growing expenses. Frequent wars required large quantities of capital. In addition to taxation, in order to raise funds the cities had recourse to forced loans, and thus became indebted. Lenders (usually the wealthiest citizens) received high interest rates in exchange for their loans. The interest rates were paid with the yields from fiscal revenues. Governments considered indebtedness a temporary solution, but when wars started to become ever more frequent and require greater amounts of capital, forced loans proved insufficient, and new stratagems were devised. New forms of borrowing were made possible through the alienation of revenue-generating real estate that represented both the source of finance

and the collateral. In the same manner as government bonds, the *census consignativus* became a redeemable, heritable and tradable loan, as well as a method of payment that helped the credit market become more liquid and to expand (De Luca and Moiola, 2008).

The Church's interest in regulating lending activity can be partly explained by the fact that ecclesiastical bodies were some of the main actors in local credit markets and were among the most concerned with the legitimization of interest rate loans. Many of their assets, especially those of the regular orders and the female monasteries, were made up of capital that came from generous bequests, dowries and donations from the faithful. Religious institutions, far from wanting to keep money idle (*inopia pecuniae*) wanted to make it profitable, and one of the safest and most remunerative ways was by investing in the mortgage market.<sup>16</sup> Mortgages were as safe as land, and easier to manage and more profitable. While land had a return of 3 to 5% at most, lending could yield between 6 and 7%, even 10% in Rome (Faccini, 1988, p. 113; Vaquero Piñeiro, 2007, p. 72). It was also more lucrative than investing it in the mint, or in the *monti di pietà* (civic pawnshops), which provided returns of 3 to 4% (Pezzolo, 2006, pp. 89-90; Lorenzini, 2016, pp. 49-50; Cattini, 1983, p. 128; Borelli, 1974, p. 361).

In addition, the *censi* soon became tradable and were able to support a kind of secondary market, as was seen in Florence at the end of the sixteenth century. The Medici Bank crisis in 1573, which lasted for almost twenty years, made it difficult to obtain credit and worsened the unstable condition of the industrial sector, especially wool manufacturing. This financial impasse, along with social and economic instability, led people to use the *censi* on a massive scale to overcome the hardships of that period. Similarly creditors who were in trouble and had signed *censi* began to alienate to other financiers their right to receive interest rates.

All this contributed to the rapid spread of the use of *censi* across the entire fabric of society, not just among small farmers in tough financial straits, but also among those who had liquid funds to invest and decided to use it in lending activities, diversifying their holdings to include not just

**Commentato [GDL1]:** We have added the reference in the references list

assets. *Censi* contracts became so widespread that they overshadowed all other forms of investment in Italian cities and were responsible for the remarkable increase in the recourse to credit across all strata of society.

### **7.3. The versatile nature of *censi consignativi*: from a defensive instrument to a driving force**

Currently, quantitative data are not available to allow one to estimate precisely and assess the diffusion of the *c. consignativus* compared to the other instruments of mortgage credit. Yet the phenomenon was clearly widespread, and the fiscal sources in particular prove that the use of *c. consignativi* was becoming pervasive, especially from the end of the sixteenth century and during the two following centuries. It is also thanks to their use that credit became an increasingly characteristic feature of society in the Italian States. The *c. consignativus* underwent transformation from money loan into a negotiable instrument. In addition to creating a secondary market, this provided the credit system with resilience. This process was in effect possible because the instrument came to be used in ways not solely connected to land.

In the notarial records where *censi* credit contracts were normally registered, the specific motivation that drove the borrower to ask for a loan is very rarely mentioned. Drawing upon a survey of a thousand contracts concerning debts on landed collateral drawn up in Verona during the seventeenth century, the most frequent reasons given by debtors were the payment of arrears, the creation of a dowry for a daughter who was going to be married or enter the convent, the payment of taxes, and legal expenses (Lorenzini, 2016). Therefore mortgages were chiefly used for coping with necessities linked to everyday life, mainly basic or financial needs. The late seventeenth-century economic system of Verona was recovering from years of hardship caused by the plagues of the 1630s, wars and famine, and thereafter the motivations that underpinned a mortgage began increasingly to be tied to production activities. The medium- to long-term duration of *c.*

*consignativi* (also called *livelli affrancabili* in some Italian States, such as the Republic of Venice, which was not aligned with the Pope)<sup>17</sup> was one of their principal characteristics. Therefore those who wanted to carry out large and capital-intensive projects could benefit from the use of this credit instrument. *Censi* and *livelli* soon began to be used to open shops in the city, aimed at meeting the growing demand that resulted from population growth and the trend towards urbanization. In keeping with a phenomenon that was seen all over Europe, in northern Italy the Baroque age was also a period characterized by an increasing number of bakers, butchers, shoemakers and artisans who ‘conquered and devoured’ the cities and villages in which they settled, as Fernand Braudel put it (Braudel, 1981, p. 43). Likewise, in Verona, at the end of the seventeenth century the number of craftsmen, apothecaries and retail shops was slowly rising. The capital necessary to open a commercial retail activity was not especially high, amounting to about 200 ducats for a bakery and 450 ducats for an apothecary (Lorenzini, 2016, p. 255-57). The *livello affrancabile* was very widely used in the Venetian mainland by merchants to finance their activities. For instance, Giuliano Piovene of Vicenza, for instance - the owner of a large estate, a renowned international businessman and merchant - used many financial tools to raise capital to fund his commercial activities, including *livelli affrancabili* (Demo, 2014, p. 117; Caracausi, 2007, pp. 294-95). Another major Venetian merchant and entrepreneur, Giorgio Sola, raised a total of 4,000 ducats through *livelli* to finance his businesses (Vianello, 2004, p. 181).

Moreover, city councils resorted to debt (derived from *censi* or *livelli*) in order to fund extremely expensive infrastructure projects. At the end of the seventeenth century, after the Adige river violently broke its banks, the city of Verona needed to quickly collect a huge sum of money in order to repair the riverbanks destroyed by the flood. The capital was originally granted 16,000 ducats at 4% interest by Francesco Manzonì, a nobleman from Padua.<sup>18</sup> Some years later the city wanted to extinguish its debt. To do so it withdrew half of the sum from the city *monte di pietà* to pay Manzonì, and borrowed the other half from another nobleman of Verona, Earl Piero Zazzaroni,

who in those years was also a member of the municipal administration. Zazzaroni lent 9,000 ducats for ten years at 4%, in return for which the city pledged its butchers' shops and ghetto houses.

There was a significant use of *censi* by the municipalities in the countryside in order to cover growing expenses, much of which came from central governments that had to meet the rising cost of state building. The total debt, in *censi consignativi*, of the State of Milan's municipalities in 1636 was 27 million imperial lire (Faccini, 1988, p. 110). The recourse to *censi*, especially notable from the second half of the sixteenth to the mid-seventeenth century, was due to needs and urgent expenditures arising from an increase in the taxes levied by the state. The costs imposed by frequent wars and by the growing bureaucratic apparatus that would shape the modern state were reflected in the intensification of levies. In particular the cities, which had more independence when it came to setting their fiscal and lending policies and enjoyed greater bargaining power than the rural municipalities, were able to shift their tax burden onto small communities in the countryside.

Up until the early decades of the seventeenth century the growing indebtedness of municipalities was not particularly worrying. They had large real estate holdings that could be used as collateral. Interest rates ranged from 6 to 8%, which were the same as market rates; achieving one percentage point higher or lower depended on the bargaining power of creditors and debtors. Financiers were normally members of the urban elite, or rather the most active members of it, such as patricians and affluent merchants. The financial state of local institutions worsened in the third and fourth decades of the seventeenth century; the most feared risk was that they would become insolvent, in turn reducing the revenues flowing into city coffers. This represented another element that could cause crisis and economic instability. The potential collapse of municipalities was addressed by central governments through the issuing of certain measures that set a ceiling for interests rates on *censi* taken out by local governing bodies. In the Venetian Republic the Doge issued specific laws in order to protect the growing obligations of rural villages and lowered the interest rate cap on loans drawn up by municipalities. In June 1673, the city of Verona issued a

Commentato [GDL2]: see correction

Commentato [CDB3]: Not April 1676? See endnote.

*Parte* (measure) stipulating that the interest rates of debts contracted by local administrations had to be lowered from 6 to 4.5%. The document reads: ‘the generous concession made by the *Serenissimo Principe* with the law of 10 June 1673, [enabled us to] take money through *census* at 4.5 percent, which must be free from tax and which will serve to extinguish previous debts (*censi*) at 6 percent, therefore giving the benefit of a reduction in levies’.<sup>19</sup>

One of the rules imposed by the papal bull of 1569 in its definition of the *census consignativus* was that the loan had to be backed by ‘an immovable thing, fruitful in its nature’, in other words all or part of an estate that generated revenue. Indeed, this was in effect the most common practice. Almost all mortgage contracts drawn up in the early modern period concerned a plot of cultivated land, with fruit trees, a house, a shop, a mill, or anything that could guarantee a revenue stream. This would serve to pay the annual rent to the mortgagee. Real estate ownership, and therefore the land itself, became indeed an engine of credit. In 1676, Domenico Rambaldi of Verona received a loan of 50 ducats from the lawyer Lorenzo Porta to whom he gave 5 *campi* of land (about 15,200 square metres).<sup>20</sup> This estate had been bought by Domenico and his brother shortly before signing the loan contract.<sup>21</sup>

The preferred form of collateral was in fact land, which was very meticulously described. The contract precisely indicated the property’s borders, the total area, the type of cultivation, and the presence of any vines, mulberry trees or other fruit trees that would increase the value of the collateral. When comparing the description of the collateral, more specifically the surface area of the land, to the sum borrowed, a lack of correlation between the two variables emerges. The total amount of farmland mortgaged for a loan of 50 ducats could range from 3 to 24 *campi*.<sup>22</sup> The types of terrain could undoubtedly differ depending on to the land’s geographical position and the crops grown on it, which affected its productivity. The price of one *campo* could range from a few dozen to hundreds of ducats. Pastoral lands had a higher value, which could increase further if they included water, houses, wells, and so on. However, an analysis which compares similar parcels of

land (similar in terms of position, crop, surface area, and contractual terms, and therefore homogeneous with regard to key variables) with the amount of money loaned shows a clear lack of consistency in the relationship between area of land pledged and value of loan.

Brigida Montresori, widow of Antonio, pledged four *campi* for a loan of 100 ducats.<sup>23</sup> For the same sum, Francesco Tegnali pledged more than twice the amount of land, namely 10 *campi*.<sup>24</sup> In both cases, the land was located in the same area, the interest rate was 6%, and the duration of the contract was five years. The difference between the collateral pledged for another 100 ducat credit was even more evident; in one case Giovanni Salvador pawned three *campi*,<sup>25</sup> in another, Donato Zucchi offered as collateral 24 *campi*.<sup>26</sup> In these two situations the type of land was the same, and for both the interest rate was 6% and the duration three years. The evident difference between one loan and the other, where the terms and collateral are the same, serves to convince us that there were other elements, apart from the collateral, that contributed to mitigating risk, namely trust, reliability and the reputation of the debtor.<sup>27</sup> On the other hand, the protagonists of early modern societies did not always act according to economic criteria alone. Equity, 'rational' behaviour, distributive and commutative justice coexisted and interconnected in complex ways. Often connections based on money were entwined with personal and blood relations and were also strengthened by physical and spiritual proximity.

Urban residents borrowed against real estate they owned in the city like houses, buildings, or shops. In order to obtain a loan of 1,500 ducats from Earl Francesco Montanari, Gio. Battista Turco, a member of a noble family from Verona, collateralized his entire palace called San Fermo, in the centre of the city.<sup>28</sup> In a contrasting example, the widow of an apothecary (*speziale*) asked for a loan of 304 ducats, for which she had to pawn 'the entire shop, with its implements and everything pertaining to the use of the apothecary shop'.<sup>29</sup> Not just private citizens but also guilds, institutions and organizations resorted to debt. The Jewish community of Verona had to pledge 'all the houses

and capital that it possessed in the ghetto' to have a loan of 5,000 ducats from earls and brothers Verità and Pietro Zenobi.<sup>30</sup>

Real estate had always been favourably viewed in the credit market. Nevertheless, the idea of collateral was slowly moving away from its traditional formula and encompassing different types of goods. Collateral became more liquid, even going so far as to include revenues like tolls or tithes. In 1681, Earl Lorenzo Pullé of Verona took out a loan for 250 ducats, for which he collateralized a 'portion of the tithe and the right to levy tithes on grains'.<sup>31</sup> Francesco Marogna, who lent 100 ducats to Giacomo Castorio, received as collateral 'all the mulberry trees' that were present on the borrower's estates.<sup>32</sup>

In other larger, more entrepreneurial areas like the State of Milan it is clear that the collateral used was shaped by an economy that was developing and growing, where agricultural and industrial activities, along with an expanding international trade network, were hungry for capital. The property that was pledged was therefore further and further detached from real estate and increasingly linked to intangible assets like public bonds, tolls, or fiscal revenues. This was the case for the merchant and iron entrepreneur Niccolò Cipriani. In 1575, in order to obtain a loan of 7,000 scudi<sup>33</sup> from the banker Marco Antonio Rezzonico, in addition to a beech tree, he pledged a furnace ('forno colandum ferrum'), the revenue from duties on a mill ('dazio macina'), and the licence to use and graze horses in order to 'cercare vene di metalli' (search for veins of ore). The loan stipulated a 7% interest rate, which Cipriani paid until 1584.<sup>34</sup>

Thus, an increasing number of *censi* began to be backed by government bonds, a feature that was due also to the increasing reliance of the State of Milan on public debt around the end of the fifteenth and the beginning of the sixteenth century. As Figure 7.1 shows, between 1575 and 1611, 241 *censi* contracts for a total amount of 2,116,000 lire were drawn up using state bonds as collateral, albeit with different levels of coverage. The interest rates ranged from 7 percent for 20-year *censi* to 9 percent for 10-year loans (these were the most common after 1595). To meet the

**Commentato [CDB4]:** To be clear –were *all* the *censi* contracts in Figure 1 backed by state bonds as collateral? Or only some of them? **All of them have state bonds as collateral but with different levels, some have only state bonds as collateral, others have state bonds plus something else**  
[comment on v2]

**Commentato [GDL5R4]:**

considerable demand for arms in the period from 1575 to 1577, Milanese entrepreneurs were encouraged to **integrate vertically** by opening new mines or reopening old ones: in this way they could produce weapons using their own and local iron mineral, joining the different stages of production in order to reduce costs and improve efficiency. Because in this industry the quantity of fixed assets was negligible and liquidity was necessary in order to buy raw materials and individuals parts, having working capital in the form of short-term loans was essential. However, when the promised financial assistance from the State failed to materialize, the capital required for processing the ore could be obtained only through the *censi* credit system. Starting in the 1570s, the total and average sums of *censi* gradually rose because they were the only viable way to finance the mining of local iron in Valsassina for the war effort; in effect, the first peak of the curve in 1589 mirrors the boom of weapons demand connected to the geopolitical strategy of the Spanish Monarchy, while the second upsurge of the curve during the first decades of the 1600 the borrowers were mainly big merchants who used the capital to open silk production facilities.<sup>35</sup> In the case of Milan, public bonds (which had become especially attractive thanks to the guaranteed payment of interest, their alienation rate, easy tradability, and tax exempt status) played the role of matrix of credit representing almost the entirety of the mobile assets that *censi* **consignativi** borrowers sold to lenders as security for loans. So, state securities not only constituted additional income but were also used as collateral for credit by the world of industry.

**Commentato [CDB6]:** This is OK, but could you provide a clearer explanation for what is, I think, a specialist economics term? we wrote the explanation [comment on v2]

**Commentato [CDB7]:** =consignativi ?

#### 7. 4. Concluding remarks

Under the push of a booming interest in agriculture, which was triggered by the rise of crop prices particularly during the mid-sixteenth century, the complex system of lending activities backed by real estate in Italy was struck by a wave of radical changes. After centuries in which similar forms of mortgage credit coexisted and overlapped - producing also a misleading terminology -, there

slowly began to emerge a refinement of the *census consignativus*, an instrument that had been in use for a long time.

This was due in large part to the bull of 1569, which laid down the framework and introduced some new features: redeemability of the loan, within a defined period of time and which favoured the borrower, a modest interest rate, and a full and shared moral legitimacy. Thus emerged an instrument that gave a large part of the population access to credit in a more resilient way. All that was needed was to own a revenue-generating plot of land or real estate that could be pledged.

Until now economic history literature has maintained that the main reason for the creation and diffusion of this instrument was the need to defend indebted small landowners from an assault on their land carried out by the urban elites. Yet, this perspective is more the result of an ideological view based on the power imbalance between the city and the countryside, rather than a thesis backed by robust empirical evidence. The growth of real estate holdings and the dispossession of small farmers occurred by other means. Meanwhile the *c. consignativus* and its many incarnations (during the period of economic expansion beginning in the 1520s in central-northern Italy) acquired a structure that was less defensive and less tied to the management of financial emergencies, and served more as a driving force that enabled the parties to pay for improvements in soil productivity, the setting up of irrigation and drainage systems, infrastructure, and to finance industrial and commercial activities.

The full moral legitimacy, solid legal basis and low interest rate made this kind of lending activity the preferred tool of religious institutions, chiefly monasteries and female convents, which during this time were among the most important source of credit. The use of *censi consignativi* became increasingly widespread and pervasive, they began to be used to meet the financial needs of rural municipalities. Gaining ownership of the mortgaged assets was no longer the primary goal of lenders, an increasingly more heterogeneous group, but rather establishing a source of revenue. These creditors perfectly attest to the progressive development of a diversified way of making

money profitable, which the spread of income generated from public debt also shows. In addition, the versatility inherent in the structure of the *c. consignativus* led to a broadening of the definition of collateral to include other types of revenue-generating assets such as public bonds, thus revenue went from being property-based to asset-based. Thanks to its simple scaffold, this credit instrument went on to become the nexus of the reciprocal interests that determined its success. In effect it perfectly permitted the potential complementarity of public finance, private credit and economic production (Neal, 2015, p. 43) and the Milanese case fully embodies this, showing how the *c. consignativus*, an instrument born and designed to help and protect the peasant classes, quickly turned into a tool that supported economic expansion in manufacturing, trade and infrastructure.

### **Bibliographic references**

Belotti G., F. Spinelli, C. Trecroci (2008), *Norme antiusura, prestiti e tassi di interesse a Brescia, 1425-1789*, in F. Spinelli, C. Trecroci (eds), *Saggi di storia monetaria*, Milano, FrancoAngeli.

Borelli G. (1974), *Un patriziato della terraferma veneta tra XVII e XVIII secolo. Ricerche sulla nobiltà veronese*, Milano, Giuffrè.

Munro J.H. (2003), *The Medieval Origins of the Financial Revolution: Usury, Rentes, and Negotiability*, in 'The international History Review', 25, 3, pp. 505-562.

Neal L. (2015), *A concise history of international finance. From Babylon to Bernanke*, Cambridge, Cambridge University Press.

---

<sup>1</sup> For an analysis of the Italian agrarian world in the early modern period, see Malanima, 2002, pp. 93-149.

<sup>2</sup> The increasing number of requests to obtain a licence for water use in defined areas was a consequence of the growth in farming that characterized many areas of northern Italy, especially the Po Valley region. For the Venetian dominions see Lanaro, 1992, p. 247; Ciriaco, 1998.

<sup>3</sup> One ducat equalled six lire and four soldi.

<sup>4</sup> One pertica equalled 654.52 square metres.

<sup>5</sup> Collodo, 1983, p. 20. For the Lombardy area, see Roveda, 2012, pp. 140-150.

<sup>6</sup> Similar situations can be found in rural areas across central and northern Italy, such as Udine, Bassano, Modena and Parma (Cattini, 1983, p. 124).

<sup>7</sup> Olive oil was one of the most prized goods exported (passing through Venetian harbours) to northern European countries.

<sup>8</sup> Literally 'metter denaro a livello più di 5.5% se si fondi sopra beni di questa Città e Dogado', (Pedrinelli, 1768, p. 48).

<sup>9</sup> The bull that finally legitimized interest rate loans was the *Vix Pervenit* issued in 1745 by Pope Benedetto XIV: Vismara, 2004, p. 253.

<sup>10</sup> Literally: 'asserens se habere ius in re infrascritta ex suis iustis titulis, ex maxime vigour [...] de ea facta ab Angelo q. Ioannis de Zambellis de Ecclesia Nova ex infrascritto redemptionis manu mea [...] Per se heredes suos [...] ex nomine venditis iure proprio [...] dedit, vendit et tradit Paulo fq. Sebastiani a Corubio Stallavena': Archivio di Stato di Verona (hereafter Asvr), Notarial Archive (hereafter N.), notary Agapito Borghetti, f. 1007, 20 January 1591.

<sup>11</sup> In the same example, the relevant text is as follows: 'Cum pacto perpetuo quandocumque ex sine aliquos temporis estintione concesso detto Gio.Maria de redimendo anted. rem vendit ducatos quinquaginta'.

<sup>12</sup> In the seventeenth century the term *census* replaced the older term *mutuum*. The latter type of contract had become widespread during the thirteenth century, and contributed significantly to medieval economic growth. This tool allowed for the growth of the credit market, enabling maritime cities like Genoa to finance commercial and manufacturing activities. As noted, the contract clearly stated the amount of money lent, the lien and the deadline. In some *mutuum* contracts the interest rate was added to the final sum that the borrower had to return to the lender, so for example if the amount borrowed was 10 *dinari*, at the end of the contract the debtor had to return 11.5 *dinari*. In other cases the

---

interest rate was clearly stated using the *per centum* formula (Palermo, 2008, pp. 119-20). The word *mutuum*, which was strictly forbidden from any kind of deed throughout the early modern period, came into use again in the eighteenth century, signalling a change in mentality and a different attitude towards money and credit. The idea of money as the devil's excrement ('sterco del demonio'), as it was called by the Catholic Church, had been overtaken by a new mindset that saw money as a key factor for economic growth (Palermo, 2008, p. 120).

<sup>13</sup> The key text is as follows: 'Annuum redditum creari constituive nullo modo posse, nisi in re immobili aut quae pro immobili habeatur, de sua natura fructifera, et quae nominatim certis finibus designata sit. Rursum, nisi vere in pecunia numerata, praesentibus testibus ac notario, et in actu celebrationis instrumenti, non autem prius, recepto integro iustoque pretio'. (Alonzi, 2005, p. 88).

<sup>14</sup> The borrower continued to pay taxes on the portion of the real estate that had been used as collateral. The contract usually contained a clause that clearly stated the debtor's obligation to pay the *gravezze* (taxes) on the land.

<sup>15</sup> See for instance the contract drawn up in 1686 by the noble Verità Poeta brothers. They gave ('per titolo di dà in pagamento') Bartolomeo Peverelli a plot of land in return for 100 ducats that they used for their sister's dowry. Since they did not have the cash to pay him back ('e non havendo gli stessi il commodò di liberarsi dal detto debito') they ceded ('pe titolo di dà in pagamento in virtù del loro diretto dominio') a plot of land; Asvr, N., notary Francesco Bernardi, f. 1458, 12 January 1686.

<sup>16</sup> This was in effect a practice common to almost all the regular orders; see Landi, 1996, 2005. For the use of *censi* by the regular orders in Friuli, see Monte, 2000, pp. 253-284. See also the credit activity undertaken by the Dominicans in Verona: Lorenzini, 2009, pp. 59-71.

<sup>17</sup> For the original and juridical structure of the *livello* instrument in the Italian peninsula, see Pertile, 1892.

<sup>18</sup> Asvr, N., notaries: Gio. Francesco Vidali and Domenico Moretti, f. 11.295, 10 February 1681

<sup>19</sup> 'gratiosa concessione fattali dal Serenissimo Principe nella Parte del dì 10 Giugno 1673 [prevedeva] ch'è di poter pigliar denari a censo di 4,5% libero da gravezze per estinguer il capitale per li quali è tenuto pagar il 6% et così goder il beneficio delle minorazioni degli aggravati'; quoted in Asvr, N., notary Vincenzo Ferro, f. 5248, 5 June 1676.

<sup>20</sup> One *campo* equalled 3,047 square metres.

<sup>21</sup> Asvr, N., notary Francesco Bernardi, b. 1428, 17 September 1676.

<sup>22</sup> That means, from 9,000 to more than 73,000 square metres.

<sup>23</sup> Asvr, N., notary Francesco Bernardi, b. 1426, 30 April 1676.

<sup>24</sup> Asvr, N., notary Francesco Bernardi, f. 1428, 26 September 1676.

<sup>25</sup> Asvr, N., notary Nascimbene Bajetta, f. 1532, 16 May 1676.

---

<sup>26</sup> Asvr, N., notary Vincenzo Ferro, f. 5246, 7 May 1676.

<sup>27</sup> These constituted in effect the key factors that underpinned early modern credit markets; see Muldrew, 1998.

<sup>28</sup> Asvr, N., notary Filippo Filippini, f. 5143, 7 May 1681.

<sup>29</sup> Literally ‘il negozio intero con utensili e altro al medesimo pertinenti ad uso di speciaria’, Asvr, N, notary Francesco Bernardi, f. 1458, 20 March 1686.

<sup>30</sup> Asvr, N, notary Giovanni Bernardi, f. 1681, 24 December 1686.

<sup>31</sup> He mortgaged a ‘porzione di decima et ragione di decimare grani minuti et ogni altra cosa solita decimarsi nella villa di San Pier in Carian’: Asvr, N, notaries Gio.Francesco Vidali and Domenico Moretti, f. 11297, 9 October 1681.

<sup>32</sup> Asvr, N, notary Gianfilippo Gianfilippi, f. 6034, 18 December 1681.

<sup>33</sup> One scudo equalled six lire imperiali.

<sup>34</sup> Archivio di Stato di Milano, Fondo Commercio, carta 221, f. 16, 12 September 1580.

<sup>35</sup> The silk industry, which included the production of raw silk production and silk cloth, was expanding rapidly during the sixteenth century. Much of it was produced for export. The decline of the wool industry in the previous century was soon counterbalanced by the expansion of silk manufacturing, which reached its apogee in the mid-sixteenth century in several regions of northern Italy.