

GLOBAL ECONOMIC HISTORY SERIES

# Medieval Capital Markets

MARKETS FOR *RENTEN*, STATE FORMATION AND  
PRIVATE INVESTMENT IN HOLLAND (1300-1550)

C.J. ZUIJDERDIJN



BRILL

# Medieval Capital Markets

# Global Economic History Series

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By

C.J. Zijderduijn



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*On the cover:* Pieter Brueghel the Elder (ca. 1520–1569), *Fight of the Piggy Banks and the Strongboxes*. Brueghel lived in Antwerp when he made this engraving, which must probably be understood as a satire of the participants in the town's money and capital market, who received interest and thus used their money in an unnatural way to make a profit. Engraving (Photo: Brussels, Royal Library of Belgium, S II 19166).

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## PREFACE

This book is a revised version of the Ph.D. thesis I defended at Utrecht University on March 9, 2007. I have also added some material on the capital market of Edam and De Zeevang in Chapter Six, as well as an international comparison in Chapter Seven. The research was carried out at Utrecht University, as part of the Netherlands Organization for Scientific Research (NWO) project “Markets, power and institutional development. The rise, organization and institutional development of markets in Holland, 11th–16th centuries”. Some of the more recent research was also made possible through a grant by the Centre for Economic Policy Research.

Note: although “rente” can be loosely translated in English as “annuity”, I have chosen to retain the Dutch terminology (*rente/renten, renteniers*, etc.) because the equivalence is only approximate. Moreover, the Dutch term is now used even in English scholarship.

I am grateful to many people for help and support. When I was a student of medieval history at Leiden University, Bas van Bavel employed me as a Ph.D. student in his project. Through the years he has provided insightful comments, as well as encouragement and support. He remained patient when arranging much of the preparations for the defence of my Ph.D. thesis while I was staying in Florence at the European University Institute. Jan Luiten van Zanden made numerous valuable suggestions, some of which have become leading threads in this study. He also helped me when I discovered an important source in the Waterlands Archief in Purmerend, but had too little time to process the data myself. Instead, Heleen Kole was hired to create the required database. Apart from her meticulous work, I am grateful for the infectious enthusiasm she displayed while going through thousands of records. I thank Monika Saelemakers, Jessica Dijkman, and Erika Kuijpers for sharing their ideas about other markets in medieval Holland. From day one, Oscar Gelderblom showed a great interest in my research. He read many of my first drafts, and provided useful comments, as did Joost Jonker. I also thank my other colleagues in the department of Economic and Social History, and especially Tine de Moor, Christiaan van Bochove, and Michele Campopiano.

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Finally, I wish to thank my parents for their support, and my brother Arjan for keeping up with a housemate who insisted on having his own study. Liesbeth witnessed my first research and the final result; I am sure that the following pages reflect at least some of the inspiration that I received from her.

## INTRODUCTION

Today, the idea that capital markets are a necessary precondition for economic growth is very popular. After many years of unsuccessful welfare programmes, some economists have singled out credit as the primary element that will help the Third World bridge the gap with the West. That gap is indeed considerable: today, the Netherlands has the highest mortgage debt in the world, amounting to 102 per cent of GNP in 2004–2005. Mortgaging seems to be a northwestern European phenomenon: Denmark (88 per cent), Great Britain (70 per cent), and Germany (54 per cent) have high mortgage debts. This is equally true of Australia (74 per cent), the US (70 per cent), and Canada (60 per cent). In developing nations such as India (2 per cent), Brazil (3 per cent), and China (11 per cent), the majority of the population has not yet capitalized on its real estate.<sup>1</sup> Economists assume malfunctioning capital markets are to blame. Development aid agencies responded by focusing on capital markets: the United Nations even declared 2005 to be “the international year of micro credit”.<sup>2</sup>

This shift owes much to the work of the economist Hernando De Soto. As the founder of the influential Institute for Liberty and Democracy, he identified imperfect property rights as the main reason why the economic development of the Third World stagnates. He believes that capital is ubiquitous, but that many people simply do not have the means to mortgage it because there are no systems for upholding property rights. He illustrates this by posing the following questions about real estate: “does the seller own the real estate and have the right to transfer it? Can he pledge it? Will the new owner be accepted as such by those who enforce property rights? What are the effective means to exclude other claimants?”<sup>3</sup> Many societies do not provide participants in economic exchange with the means to obtain clear answers to these questions; without clear ownership rights over the capital goods they possess, they cannot mortgage their possessions, and they have a low

---

<sup>1</sup> *De Volkskrant*, Saturday, April 29, 2006, *Economie* 7; [www.economywatch.com/mortgage/europe.html](http://www.economywatch.com/mortgage/europe.html) (June 29, 2006).

<sup>2</sup> De Soto, *The mystery of capital*; <http://www.yearofmicrocredit.org/> (June 6, 2006).

<sup>3</sup> De Soto, *The mystery of capital*, 45.

creditworthiness. According to De Soto, many nations in the world cope with enormous quantities of “dead capital”.

In the West participants in economic exchange rely on a number of institutions that secure property rights. Land registries record who owns real estate and provide owners with creditworthiness. Governments do not confiscate real estate; on the contrary, they protect landowners through a judicial system. They define the conditions of mortgages and provide creditors with the means to seek compensation for defaults. They also give debtors clear rights. This mortgage system allows for the accumulation of capital and provides an impulse for economic exchange. Often taken for granted in the West, problems related to property rights are one of the main elements obstructing the worldwide emergence of capital markets.

The theoretical framework of the New Institutional Economy (NIE) places the issue of property rights at the heart of economic development. This school of economics does not regard the market as a neutral element, but ascribes an important role to market structures as the chief determinant in considering the risks, possibilities, and costs of economic exchange. The specific character and institutional framework of markets determine economic development. These market structures are created and maintained by organizations, which can be public or private interest groups. Economies of scale allow them to offer solutions at a price far below what individuals would have to pay. Thus, the social structure has a decisive effect on the creation of market structures and on economic development.

The institutional framework of markets helps reduce the costs related to asymmetric information between contracting parties. The costs participants pay to gain information or to protect themselves against the dangers of asymmetric information are better known as transaction costs.<sup>4</sup> These are not only a result of unclear property rights, but also of the need to find a contracting party, and when this is accomplished, a contract must be drawn up. According to Douglass North, along with production costs, “transaction costs determine whether transactions are profitable and whether trade, specialization, production and exchange will occur”.<sup>5</sup> Thus, transaction costs affect possibilities for economic

---

<sup>4</sup> Transaction costs also include information costs, which are caused by the need to find a contracting party and to get an impression of the intentions of the contracting party.

<sup>5</sup> North, “Institutions, transaction costs, and the rise of merchant empires”, 24.

growth, the integration of economies, and the emergence of market economies.

The institutional framework – or market structure – consists of institutions: “the humanly devised constraints that shape human interaction”.<sup>6</sup> Such institutions can be formal or informal. Informal institutions may suffice to bring a transaction to an end: these can include such factors as honour, religious zeal, risk of defamation, fear of ostracism, or other sanctions to encourage participants to live up to their side of the agreement. Philip T. Hoffmann, Gilles Postel-Vinay, and Jean-Laurent Rosenthal define these as “rules that are either implicit, or, if explicit, not enforceable by law”.<sup>7</sup> Formal institutions, on the other hand, are ultimately enforced by the state. Usually both are in effect at the same time: formal institutions are used to secure participants against the potential failure of informal institutions.

Participants in economic exchange rely on market structures to limit transaction costs. Market structures determine whether the forces of supply and demand cause economic growth or stagnation. They are the exponents of the social structure. As a result, market structures differ, which helps explain why economic development is often very different from one region to another. It is not at all unusual that demography, economic trends, and developments in supply and demand do not offer a convincing explanation for this phenomenon.

Interest groups create institutional frameworks. They respond to “the two central dangers that any society faces, disorder and dictatorship”. Disorder can be defined as the danger of private expropriation, dictatorship as the danger of state expropriation by an arbitrary judiciary. The problem of disorder is usually solved by increasing state intervention; the problem of dictatorship is usually solved by limiting it.<sup>8</sup> Institutional frameworks are usually positioned somewhere between these extremes of private arrangements (no state intervention) and state ownership (optimal state intervention). According to Shleifer et al., the most efficient choice of institutions “varies across activities within a society, as well as across societies”.<sup>9</sup> So the institutional framework of one type of market may differ markedly from that of another, as Western markets differ markedly from those in the Third World. The

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<sup>6</sup> North, *Institutions, institutional change and economic performance*, 3.

<sup>7</sup> Hoffman, Postel-Vinay & Rosenthal, *Priceless markets*, 12.

<sup>8</sup> Shleifer et al., “The new comparative economics”, 3.

<sup>9</sup> Shleifer et al., *ibid.*, 5.



distinct social structure – including political, economic, social, and cultural elements – determines which interest groups can create and alter institutional frameworks.

Institutional frameworks are unique characteristics of societies. They cause strong geographic differences in the development of trade and markets, as well as the divergent effects markets have on the development of economies. Once established, these market structures are resilient: according to North, institutional change is a slow, evolving process.<sup>10</sup> Institutional frameworks determine the economic performance for many centuries, and thus they create a certain path dependency.<sup>11</sup> The most powerful individuals and organizations create institutional frameworks to profit from economic exchange. Absolute monarchs are likely to create structures favouring taxation or even usurpation; republics are more likely to allow the interests of the elite to prevail. Once established, institutional frameworks help maintain the status quo: absolute rulers will gain power by taxation and usurpation, while republican elites will be able to improve their position by creating monopolies. This reinforcing mechanism causes resilience in market and social structures, and it is one of the reasons why development programmes are unsuccessful in much of the Third World.<sup>12</sup> In this study we will distinguish such “bad institutions” that are created to benefit individuals or select groups from “good institutions” that are available to any participant in the capital market.

In Europe the foundations for many present-day social structures were laid in the Middle Ages. States emerged and structured relations with subjects through a process of state formation. Subjects reacted to state formation by developing interest groups that worked against

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<sup>10</sup> North, *Institutions, institutional change and economic performance*, 89.

<sup>11</sup> Legal traditions are a good example of path dependency: the legal systems England and France developed in the Middle Ages only converged slowly over time and can still be distinguished today (Shleifer et al., “The new comparative economics”, 9–10).

<sup>12</sup> This means that the social structure is self-sustaining and is most likely to be changed because of endogenous developments. Only incidentally did external shocks cause the social structure to change rapidly: Acemoglu, Johnson, and Robinson suggest the emergence of Atlantic trade allowed merchant groups to become so rich they could constrain the power of the monarchy and create the institutions behind the rise of Europe (Acemoglu, Johnson, and Robinson, *The Rise of Europe*). However, such external shocks are not restricted to the early modern period: in this study another exogenous element with profound social effects, the reclamation of the Holland peat area during the high Middle Ages, is a major element in explaining the profound social and institutional change the county experienced.

usurpation and strove for monopolies. Elites managed to improve their position within the state using trade-offs involving a wide range of political, economic, and cultural assets – most particularly, money. Interest groups such as organizations of merchants, guilds, city councils, and village communities remained influential throughout much of history. They gained influence in the state – both formal and informal – and managed to negotiate favourable institutions, with the most important goal being checks on the danger of dictatorship. At the same time, state formation provided subjects with the possibility of state intervention to prevent disorder. These processes had their genesis in the Middle Ages, and resulted in the formation of institutional frameworks which contributed to markets with varying effects on economic growth. In this book I will trace the development of what must be one of the most complicated markets: the capital market.

### *Medieval Capital Markets*

If well-functioning capital markets are indeed a characteristic of the West, setting it apart from the Third World, it is likely such markets contributed to the distinct economic development that Western Europe experienced after 1000 A.D. Surprisingly, scholars have ignored this possibility.<sup>13</sup> Many writers continue to regard the idea of medieval capital markets as scarcely credible. There is one important exception, however: in *Priceless Markets. The Political Economy of Credit in Paris 1660–1870*, Hoffmann, Postel-Vinay, and Rosenthal object to a common implication of financial history: “the assumption that impersonal lending was always limited before the Industrial Revolution”.<sup>14</sup>

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<sup>13</sup> Several authors have written about markets for capital, credit, and *renten* in the late Middle Ages. They usually do not define these markets, but it is my impression that they refer to trade in *renten*, or demand for *renten*; they are not concerned with the market structures that made transactions possible (Cf. Baum, *Hochkunjunktur und Wirtschaftskrise*; Hanus, *Tussen stad en eigen gewin*; Derycke, “The public annuity market in Bruges at the end of the 15th century”).

<sup>14</sup> Hoffman, Postel-Vinay & Rosenthal, *Priceless markets*, 1. The debate about the origins of the Industrial Revolution offers a good example of the supposed backwardness of the early modern capital market: in 1956 the economist Rostow formulated the thesis that capital formation was difficult until the rate of investment doubled at the end of the 18th century. Since then his views have been abandoned, though, and Britain is no longer believed to have coped with such a dismal accumulation of capital before the Industrial Revolution (Crouzet, *Capital formation in the Industrial Revolution*, 11–12).

Although historians and economists have not explicitly formulated the backwardness of medieval and early modern capital markets (perhaps because of a lack of studies), the implication of the absence of such markets raises an important question: how could several European regions foster flourishing economies without capital markets allowing for the reallocation of savings?

Today, historians tend to stress the capital-intensive character of the economies of several medieval regions.<sup>15</sup> Yet, for a long time economic historians have been rather pessimistic about investments in capital goods during the Middle Ages.<sup>16</sup> They supposed that the medieval economy was labour intensive and that even when the economy grew, entrepreneurs preferred to invest in working capital rather than fixed capital. And when peasants did turn to the capital market, the common consensus is that they did so for subsistence rather than investment, and that their mounting indebtedness caused “peasant expropriation” and the loss of their land to urban creditors.<sup>17</sup> No doubt this pessimistic view on medieval investments has affected the prevailing view of capital markets in history. In general, economic historians still hold to the orthodox idea that private capital markets first appeared at the end of the 18th century. For instance, North and Weingast believe that in the 18th century “the rise of banks and an increasingly differentiated set of securities, providing a relatively secure means of saving, brought individual savings into the financial system”.<sup>18</sup>

Why they believe that other, earlier institutions cannot have allowed individuals to invest their savings in capital markets is unclear. It seems

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<sup>15</sup> According to Campbell, investments in England increased markedly from 1180 to 1290, and Thoen shows how an important part of funded debt was contracted to raise production by sowing more frequently, and extending livestock in the Flemish countryside (Campbell, “Factor markets”, 22; Thoen, *Landbouweconomie*, 929–935).

<sup>16</sup> The difficulties economic historians have in recognizing medieval investments may have contributed to the disapproval of medieval funding: Drukker points out economic historians have problems identifying medieval investments in fixed capital, because a large part of it was not expressed in money, or was invested in fixed capital we today no longer recognize as such (reclamations, road construction) or identify as such (Churches, Crusades) (Drukker, “Kapitaalvorming”, 152–154).

<sup>17</sup> The concept of “peasant expropriation” is a major issue in the economic history of southern Europe. It is not an issue in northwestern Europe, however, and there is hardly any evidence for peasant expropriation: a 1571 decree issued by Philip II contains the only reference to peasant expropriation in Holland I know of (Cau, *Groot Plakkaatboek* I, 1486–1488).

<sup>18</sup> North & Weingast, “Constitutions and commitment”, 824–825, note 43.

the existing definitions are too rigid: in a broad sense, capital markets can be defined as institutional frameworks that reduce transaction costs and thus allow for accumulation of savings.<sup>19</sup> When we only look for institutions familiar to observers today, medieval financial history appears rudimentary and disconnected from later developments. But if we accept that medieval solutions to the problem of accumulation of savings may have differed markedly from later institutions, there is much to be gained.

Capital markets are institutional frameworks allowing debtors to contract obligations for longer than a year, which they use to accumulate capital. Capital markets funnel money from savers to investors that would otherwise remain idle. Their institutions persuade people to entrust others with their savings by reducing the risks of transactions. The most important institutions of the capital market support securities; debtors often secure transactions by mortgaging “abstract capital” that is the value their capital goods represent. This means that debtors retain ownership of the mortgaged goods; creditors merely receive a claim that can be executed in the event of default. Mortgages range from specific capital goods, such as real estate, as well as ships and other types of fixed capital, even to unspecified capital goods, reputations, and the right to imprison a debtor.

In recompense for their savings, creditors only receive a contract stating the obligations the debtors agree to; this means that the capital market is a very risky market. The model that the economist Robert Coppes used to study the credit and market risk of banking institutions is useful to show the problems that participants in the capital market struggle with. He distinguishes five types of risk, four of which are of interest here:<sup>20</sup>

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<sup>19</sup> The definition Gelderblom and Jonker use is clarifying as well: “Capital markets exist to accumulate and distribute savings”. Hoffman, Postel-Vinay, and Rosenthal do not use a strict definition either, defining a market as “any organized system of exchange, however centralized or decentralized, formal or informal” (Gelderblom & Jonker, “Completing a financial revolution”, 641; Hoffman, Postel-Vinay & Rosenthal, *Priceless markets*, 11).

<sup>20</sup> Coppes defines risk as “a possibility of a loss due to the occurrence of a specific event”. A fifth type of risk, settlement risk, is restricted to transactions between participants in different time zones, and obviously this was not an issue in the Middle Ages (Coppes, *Credit and market risk*, 22–35).

- Credit risk, which is “the risk that a counterparty may fail to fully perform on its financial obligations”.
- Market risk, which is “the possibility of a change in the value of a particular financial contract or portfolio”.
- Liquidity risk, which is “the inability to meet cash flow obligations at an acceptable price as soon as they become due”.
- Country risk, which is the inability of entities in a foreign nation to service their obligations.

Coppes singles out credit risk and market risk as the most important, and he thinks that the other risks are closely connected to the first two. Creditors look for ways to limit such risks, which makes them turn to institutions.

First, mortgaging requires secure property rights.<sup>21</sup> We have already seen how these help reduce transaction costs; thus, the capital market – with an important role for high-value securities – depends on property rights institutions. Without these, no one will accept mortgages as collateral. This is also acknowledged by North and Weingast, who write that “capital markets are especially sensitive to the security of property rights”.<sup>22</sup>

The capital market requires other institutions as well. Participants need to contract obligations that can run for many years; this means they demand contracting institutions, providing them with the means to obtain evidence, preferably in writing. Contracting institutions are useless without organizations that can arbitrate conflicts and execute court decisions. For an individual to take the law into his own hands is not always effective: often the best way is to use authorities that monopolize force and specialize in law enforcement. Today, bailiffs – sworn government agents – execute court orders involving execution of mortgages, and alternately, creditors can turn to private debt-col-

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<sup>21</sup> Acemoglu and Johnson stress the importance of property right institutions over contracting institutions by pointing out that “private contracts or other reputation-based mechanisms” may be an alternative for the latter (Acemoglu & Johnson, “Unbundling institutions”, 3–4). However, this does not seem to apply to the capital market: today no one can contract a mortgage without the assistance of a notary who notarizes contracts. In the Middle Ages the large amounts of money creditors invested in funded debt and the risky nature of the transaction must have limited the use of private contracts and reputation-based mechanisms.

<sup>22</sup> North & Weingast, “Constitutions and commitment”, 819.

lection agencies. Such services are a necessary precondition for the emergence of capital markets.

Finally, the presence of asymmetric information creates incentives to establish institutions that decrease transaction costs. The registration of property rights and mortgages on real estate allows creditors to have an idea of the credit rating of potential debtors, and thus to make sure they stand a good chance to receive compensation in case of default. Intermediaries in the capital market introduce creditors to debtors and provide them with further advice, thus helping to reduce transaction costs.

It is not only important that such institutions exist, but that they be comprehensible and predictable as well. Homogeneous institutional frameworks that coincide with large territorial units and allow for the participation of a wide range of social groups enable participants in economic exchange to avoid constantly having to adapt to local rules. Thus, such frameworks help lower transaction costs.

The institutional framework of capital markets had a profound effect on major social and economic developments. “Perfect capital markets” allow for participation of public and private sectors. They contribute to open, dynamic societies, offering possibilities for social advancement and economic improvement for all. Capital markets are usually monopolized to a certain extent, however, by groups in the public and private sectors. Such “imperfect capital markets” allow public bodies, private organizations, and elites to protect their socio-economic positions and maintain the status quo. Thus, the institutional framework of capital markets had – and still has – a profound effect on the development of the social structure.

Broadly, in this volume we deal with the institutional framework of capital markets in medieval Holland and how it was shaped by the social structure. We discuss the interest groups that influenced institutional change, the institutions they created, and the effects of these institutions on economic exchange. We also shed some light on medieval capital markets. In this respect the western part of present-day Netherlands is especially interesting, because it experienced rapid transitions in state formation and economy during the late Middle Ages. These developments required investment and resulted in a highly capital intensive society. Demand for accumulation capital may well have induced interest groups to press for institutional improvement. Moreover, considering the slow development of institutions, it seems likely that the origins of the Dutch Republic’s market structures lay in

the Middle Ages. Did Holland's medieval development pave the way for the market structures in the Dutch Republic's Golden Age?

Capital markets supported both private and public investment. In the late Middle Ages Holland experienced a period of intense state formation that laid the foundation of its social structure. In this process government funding played a crucial role. It provided rulers with funds as they tried to establish sovereignty. The rulers created a government apparatus aimed at raising funds; because this was often done at the expense of taxpayers, and it provoked resistance as well. Government agents and subjects clashed, and top-down and bottom-up elements were channelled by a public sector<sup>23</sup> consisting of government agents and elected representatives; these were organized in the States of Holland, city councils, and village communities. Together, these groups were responsible for legislation, the judiciary, and execution of the laws.

The public sector depended on the performance of capital markets, in particular, because public debt was an important element of state formation.<sup>24</sup> Furthermore, Manon van der Heijden and others concluded that the creation of funded debt was a structural emergency measure frequently used by the cities.<sup>25</sup> Peter Spufford pointed out that the Dutch Republic used public debt to invest in transport institutions such as canals with towpaths.<sup>26</sup> Yet, the role of capital markets remains unclear. The only scholar addressing the issue is James Tracy, who suggests that Holland did not have efficient capital markets in the late Middle Ages: he supposes that free markets for government *renten* only emerged in the 16th century, when the county of Holland experienced a financial revolution.<sup>27</sup> Before, a lack of markets compelled public bodies to force subjects to buy *renten*.

We know even less about markets for private *renten*. The inhabitants of Holland were already in demand for funding at an early stage: according to Bas van Bavel, the economy of Holland was heavily

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<sup>23</sup> In the late Middle Ages a clear distinction between public and private was often absent: government agents often used private funds for purposes related to their public office. In this work we use the term "public sector" to indicate the public bodies capable of creating public debt: the States, town, and village governments.

<sup>24</sup> Körner, "Public debt", 507.

<sup>25</sup> Van der Heijden, *Geldschieters van de stad*, 105. Cf. Bos-Rops, *Graven op zoek naar geld*; Marsilje, *Het financiële beleid*, 285–287.

<sup>26</sup> Spufford, "Credit and capital", 325.

<sup>27</sup> Tracy, *A financial revolution*, 132–133.

capital-intensive in the late Middle Ages, both in town and countryside.<sup>28</sup> Apparently, investors could rely on institutions allowing for the accumulation of capital. But even though Hans-Jörg Gilomen states that “North of the Alps the sale of *renten* was the most important type of credit in the late Middle Ages”,<sup>29</sup> and Herman van der Wee concurs, stating that “in the modern age the sale of *renten* was to become the most popular and most current form of investment credit at local level”,<sup>30</sup> we do not know when markets for private *renten* first emerged.<sup>31</sup> For the late Middle Ages and early modern period, this issue simply has not been addressed.<sup>32</sup> De Vries and Van der Woude admit that “[a] tangle of debt and credit linked the Republic’s households, but we know very little about how this financial market functioned”.<sup>33</sup>

Historians paid little attention to *renten* and markets for *renten*.<sup>34</sup> Medievalists simply overlooked the issue, and scholars of the early modern period focused on other types of funding. Spufford rightly pointed out that the Dutch Republic disposed of a “wide range of ways of raising the speculative capital needed to start a commercial or industrial undertaking”.<sup>35</sup> These ranged from obligations and *renten* to funding provided by major financial institutions. The economic success of the Dutch Republic is usually explained by looking at the latter: for example, the Amsterdam Exchange and Bourse, as well as the merchant bankers who helped accumulate capital for some of the Republic’s most

<sup>28</sup> Van Bavel, “Early proto-industrialization in the Low Countries?”, 1162.

<sup>29</sup> Gilomen, “Renten, Rentenkauf, Rentenmarkt” [translation by CJZ].

<sup>30</sup> Van der Wee, “Monetary, credit, and banking systems”, 303. For Brabant, Van der Wee and Materné formulated a similar argument. They state that mortgaging and sale of *renten* allowed long-term investments in the prime sectors of the local Brabant economy (Van der Wee & Materné, “Het kredietsysteem”, 66–68).

<sup>31</sup> Baum arrives at a similar conclusion for Hamburg, stating that the city’s *Rentenmarkt* was the main credit instrument (Baum, *Hochkonjunktur und Wirtschaftskrise*, 205).

<sup>32</sup> Following Sombart’s thesis that *renten* were an important instrument allowing for the accumulation of capital in medieval cities, a number of German historians studied the development and resale of *renten*, using registers called *Stadtbücher* as main sources. However, even though they use the term *Rentenmarkt* (market for *renten*), they do not discuss market structures (Von Brandt, *Der Lübecker Rentenmarkt*; Haberland, *Der Lübecker Renten- und Immobilienmarkt*; Baum, *Hochkonjunktur und Wirtschaftskrise*; Ellermeijer, *Stade. Liegenschaften und Renten*, 20 referring to Sombart).

<sup>33</sup> De Vries & Van der Woude, *The first modern economy*, 139.

<sup>34</sup> General surveys such as ’t Hart, Jonker and Van Zanden, *A financial history of the Netherlands*, Barbour, *Het amsterdamse kapitalisme in de 17<sup>e</sup> eeuw*, and Spufford, “Access to credit and capital in the commercial centers of Europe” barely mention *renten* and markets for *renten*.

<sup>35</sup> Spufford, “Credit and capital”, 303. Cf. the diverse persons and institutions offering banking services De Hing & ’t Hart, “Currency and banking”, 43–45.



spectacular achievements, such as the East and West India Companies and various land reclamation projects. Outside Amsterdam, deposit bankers and, to a lesser extent, municipal exchange banks also offered credit.<sup>36</sup> Scholars agree that the Republic's financial institutions contributed to a financial climate favourable to economic growth: in general, interest rates were low, and despite an increasing demand for money – especially when Amsterdam became the main financial centre of Europe – interest rates dropped over time.<sup>37</sup>

The Dutch Republic's major financial institutions provide historians with abundant sources for theorizing about capital markets and thorough research. Yet, it is likely that most of the transactions on the capital market were done outside the purview of these financial institutions. Brewers looking for funds did not go to merchant bankers, nor did farmers willing to invest on the capital market pay a visit to the Amsterdam Exchange. The existing literature focuses on the world of international capital, which is only the tip of the iceberg. Below the surface there were large markets for obligations and *renten*, providing funds to people and institutions with more modest demands. While obligations only gained popularity in the early modern period, *renten* had firm medieval roots. The market for *renten* already existed in the late Middle Ages, and it remained the main institution enabling the accumulation of capital for the public and private sector under the Republic. Studying its origins will not only contribute to our knowledge of the medieval economy, but also to our knowledge of the market that supplied the vast majority of the population with funding under the Republic.

Focusing on the capital market implies choosing funded debt: in the late Middle Ages this type of funding is most likely to have been used to create public debt and for investments in capital goods.<sup>38</sup> Of course, floating debt was important as well: consumer credit was ubiquitous,<sup>39</sup>

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<sup>36</sup> Spufford, *ibid.*, 305–307; Van Dillen, *Rijkdom en regenten*, 257.

<sup>37</sup> Barbour, “*Het amsterdams kapitalisme in de 17<sup>e</sup> eeuw*”, 56–71”; ’t Hart “Public loans and moneylenders in the seventeenth century Netherlands”, 119–120; Webber & Wildavsky, *A history of taxation and expenditure in the Western World*, 257–258.

<sup>38</sup> For Hamburg Baum found that *renten* provided debtors with funds to accumulate working and fixed capital. They used funds to buy real estate, increase the capacity of production and transport, and create business capital (Baum, *Hochkonjunktur und Wirtschaftskrise*, 207).

<sup>39</sup> Jessica Dijkman is currently preparing a PhD. thesis on commodity markets in medieval Holland. She will treat the subject of consumer credit.

and obligations were frequently issued. Furthermore, markets for floating debt most certainly existed – Lombards and moneychangers provided individuals with loans – but they had a different scope than the capital market: floating debt predominantly allowed for low-value loans running for a short period of time.

*Medieval Holland: Political Economy*

In the 17th century the Dutch Republic was the centre of capitalism in Europe. Holland, its core region, was the nexus of this vibrant economy. What set Holland apart from earlier economic centres was the broad diffusion of its economic activity; Amsterdam was the undisputed centre, but there was activity in smaller cities and villages as well. It was a market economy based on redistribution of working and fixed capital goods among specialized producers.<sup>40</sup> Jan de Vries and Ad van der Woude called the Dutch Republic “the first modern economy”, and other historians have pointed out that the roots of this economy are already apparent in the late Middle Ages.<sup>41</sup> Studies by H.P.H. Jansen, Wim Blockmans, and especially by Jan Luiten van Zanden and Bas van Bavel demonstrate that Holland was already developing rapidly before the 16th century.<sup>42</sup> Van Bavel and Van Zanden show that the roots of Holland’s commercialized countryside lie in the late Middle Ages. Van Zanden called the countryside “differentiated and market-oriented”. He estimates that only 40 to 45 per cent of the rural labour force was engaged in agriculture in 1510–1514, and Van Bavel arrives at a similar figure, 40 per cent, for the south of Holland.<sup>43</sup> Proto-industrialization had already emerged in the 14th century, and at the beginning of the 16th century the inhabitants of the countryside can be described as specialized wage-labourers producing for the market.

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<sup>40</sup> Hoppenbrouwers & Van Zanden, “Restyling”, 30–32.

<sup>41</sup> Van Zanden is very clear: “this modernity is clearly already a feature of the economy of Holland at the beginning of the sixteenth century; the transition towards modernity must have occurred in the preceding centuries” (Van Zanden, “Taking the measure”, 149).

<sup>42</sup> Jansen, “Holland’s advance”; Blockmans, “The economic expansion”; Van Bavel, “Early proto-industrialization”; Van Zanden, “Taking the measure”.

<sup>43</sup> Van Zanden estimated Holland’s GDP at the beginning of the 16th century, 30% of which was earned in the primary sector (and only 19% in agriculture), 39% in industries and another 30% in services (Van Zanden, *ibid.*, 136; Van Bavel, *ibid.*, 1143–1144).

Van Bavel studied the economic structure of Holland's late medieval countryside in depth. He looked for proto-industrial activities<sup>44</sup> – textiles, brewing, peat digging, water transport, fishing, and shipbuilding, to name a few – and concluded that “all sectors experienced processes of scale-enlargement, capital-intensification and accumulation, in the course of which they all increasingly became controlled by urban capital”.<sup>45</sup> Compared to rural Flanders, where proto-industry was important as well, but was largely labour-intensive, the capital intensity in the countryside of Holland stands out.<sup>46</sup> Whether they appeared in town or countryside, some industries required heavy investments. Breweries were among the most capital intensive,<sup>47</sup> and transport over water and herring fisheries required heavy investments as well. In the 15th century skippers issued shares to pay for the purchase of ships<sup>48</sup> or they paid in instalments, which they secured by mortgaging their ships.<sup>49</sup> And of course, shipbuilding was capital intensive as well. Rural brick and lime industries required ovens, and oil pressing depended on horse-drawn mills.<sup>50</sup> Urban investors financed most of these industries, either directly by establishing a business, or indirectly by providing entrepreneurs with starting capital. In this respect Peter Hoppenbrouwers has pointed out that possibilities for investment in the countryside probably depended on the availability of urban credit.<sup>51</sup>

Historians have advanced a number of explanations for Holland's medieval commercialization.<sup>52</sup> Jansen was the first to do this, claiming that wages were relatively low because the 1348–1349 Plague did not strike Holland as hard as other regions. The population decrease was relatively modest, and in 1500 the number of inhabitants was already on

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<sup>44</sup> Proto-industry is defined as “a regional concentration of small-scale industrial activities located in the countryside; the producers are semi-independent peasants who combine agriculture with small-scale industry; the producers own at least part of their instruments and raw materials; the production is aimed at non-regional markets, or at least non-local markets; and the organization, finishing and marketing are partly controlled by others than the producers” (Van Bavel, *ibid.*, 1114).

<sup>45</sup> Van Bavel, *ibid.*, 1154.

<sup>46</sup> Van Bavel, *ibid.*, 1152–1153.

<sup>47</sup> Unger, *A history of brewing*, 163–164.

<sup>48</sup> So-called *scheepsparten* (Van Bavel, *ibid.*, 1154).

<sup>49</sup> Unger, *Dutch shipbuilding before 1800*, 158–159; Unger, “Regulations of Dutch ship carpenters”, 511.

<sup>50</sup> Van Bavel, *ibid.*, 1152–1153.

<sup>51</sup> Hoppenbrouwers, “Mapping an unexplored field”, 54–57.

<sup>52</sup> Van Bavel and Van Zanden summarize the arguments (Van Bavel & Van Zanden, “The jump-start”, 507–509).

a par with the pre-Black Death level, about 100 years before the English population had fully recovered! Compared with other regions, Holland did not experience a sharp reduction in the supply of labour, which gave the county an advantage over regions experiencing heavy loss of lives and increased wages. Blockmans supposed that a proto-industrial demographic regime with a high reproduction rate contributed to relatively low wages as well.<sup>53</sup>

Dick de Boer had a different explanation, claiming that Holland experienced an ecological crisis in the second half of the 14th century, when sinking peat lands caused agricultural output to decline. Some of the peasants gave up agriculture and migrated to cities, causing urbanization to increase and urban industries to expand. The remaining peasants adapted to the new conditions: they had to give up cultivation of bread grains, which grew during winter when water levels were too high and damaged crops. No longer able to maintain self-sufficiency, they were forced to commercialize by switching to summer grains and raising livestock. They sold the fruits of their labour on the market; the growing urban population no doubt contributed to the success of this agricultural transition.<sup>54</sup> Van Bavel and Van Zanden elaborated on this theory, claiming that the ecological crisis contributed to the appearance of proto-industrialization. Unlike Jansen and Blockmans, however, they found evidence of high wages. These contributed to capital intensification, and combined with the ecological crisis, they also favoured commercialization, differentiation, and the emergence of proto-industrial activities in Holland's countryside.<sup>55</sup>

Holland's social structure was relatively modern as well. Elaborating on a point by Hendrik van der Linden, De Vries and Van der Woude believe that "the absence of a truly feudal past" caused the northern Low Countries to develop differently. There was no "society of orders, where each member held a legally fixed position assigned by birth", and "barriers against social mobility were absent", which encouraged innovation and initiative.<sup>56</sup> These authors also suggested that a lack of

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<sup>53</sup> Cf. this view Jansen, "Holland's advance" and Blockmans, "The economic expansion".

<sup>54</sup> De Boer, *Graaf en grafiek*, 211–245.

<sup>55</sup> Van Bavel & Van Zanden, *ibid.*; Van Zanden, "Taking the measure", 149–150; Van Zanden, *The rise and decline*, 29–41; Van Zanden, "A third road"; Van Bavel, *ibid.*

<sup>56</sup> De Vries and Van der Woude are right to point out that in the Middle Ages the most powerful were usually least likely to innovate: nobility and clergy predominantly aimed at defending the status quo.

communal institutions – open fields and guilds – and collective behaviour contributed to individualism and initiative.<sup>57</sup>

The origins of Holland's weak feudal structures were in the Middle Ages. For a long time, much of Holland was an uninhabitable peat wilderness; people only lived on the sandy soil on the shores of the North Sea and the banks of rivers. Here, noblemen and religious institutions gained importance in the wake of the disintegration of the Carolingian Empire, and established their rule over large domains. Yet, until 1000 A.D. large parts of Holland had not yet been integrated in the social structure. When colonists started to reclaim the peat lands in the 10th century, the counts allowed them to create a completely different society, not based on feudal structures, but on territorial ones. They cut out the middlemen – the quasi-independent noblemen and religious institutions that prevented them from wielding direct authority over their subjects. The reclamations allowed the counts to increase their power: colonists paid taxes to the count and served in his army at his command, this meant that the counts could follow an independent course with respect to their vassals. In the high and late Middle Ages nobility and clergy were gradually driven out of the judiciary.<sup>58</sup> Government agents operating in a horizontal, territorial structure replaced them. Nobility and clergy became bystanders, although this does not mean they were no longer part of the elite, or that they had lost all political power and military functions. On a local level they remained influential, occasionally appointing sheriffs and receiving part of the fines, and on a central level they continued to hold government positions.<sup>59</sup>

Historians of the German School called Holland the first territorial state; others believe the first steps towards the creation of a territorial state were taken in Holland.<sup>60</sup> If they are right, we should look for a connection with De Vries and Van der Woude's "first modern economy".

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<sup>57</sup> De Vries & Van der Woude, *The first modern economy*, 160. Communalism was not completely absent though: Holland's public bodies should be viewed as a non-private way for subjects to press for demands.

<sup>58</sup> According to Van der Linden the domanial organization disappeared at an early stage (Van der Linden, "Het platteland in het Noordwesten", 76–77).

<sup>59</sup> The argument goes back to Van der Linden's article in the *Nieuwe Algemene Geschiedenis der Nederlanden* (Van der Linden, *ibid.*, 73–78). Cf. a recent survey of the reclamation of the peat lands by Hoppenbrouwers, "Van waterland tot stedenland" and about the position of the nobility De Vries, "The transition", 75–76, and Janse, "Een in zichzelf verdeeld rijk", 90–91.

<sup>60</sup> Van der Linden, *op. cit.*, 78; Van der Kieft, "Stedelijke autonomie", 99; Mitteis, *Rechtsfolgen*, 20–21.

Perhaps Holland's public sector is the link between the two. In the late Middle Ages public bodies consisting of a government agent and representatives of subjects ruled town and countryside. In the near absence of other organizations – guilds rarely appear in Holland – the public sector was the main force behind the development of the institutional frameworks that the economy required.<sup>61</sup> Subjects embraced the providers of these institutional frameworks and shunned other, more arbitrary authorities, such as feudal lords and religious institutions. This helped increase the state's authority, tax-base, and – of particular interest here – creditworthiness, and allowed for further expansion of the government apparatus.

At first sight this relationship may be perceived to have given the state incentives to optimize market structures, but that is not necessarily the case: strong states are easily tempted to resort to extra-economic force to tap resources. The international competition among states forced rulers to maximize their revenues by confiscations, taxation, forced loans, and selling offices. The role of the state was often ambiguous, and as a result both state formation and institutional improvement suffered setbacks.<sup>62</sup> Yet, the development of capital markets shows that in the long run positive developments often prevailed.

State formation in medieval Holland was characterized by scale enlargement. In the extensive reclamations of the peat area in inland Holland, the volume of land doubled. The counts managed to acquire a firm hold on this area, creating a territorial structure. Through conquest, acquisition, and diplomacy, they further increased their territory. Count Floris V (1266–1296) conquered Westfriesland, to the North of Holland, and over time the counts also obtained control of small areas on the borders with the Nedersticht, Guelders, and Brabant as well. Feudal structures slowly lost ground: autonomous lords and religious institutions were slowly incorporated in the burgeoning territorial state.<sup>63</sup>

The government apparatus also expanded; initially it was only supported by an itinerant comital council. The counts made The Hague their capital, with an audit room, chancery, and Supreme Court. Bailiffs operated government networks on a regional level; within their

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<sup>61</sup> Cf. the emergence of public bodies in the countryside, Hoppenbrouwers, "Op zoek naar de kerels".

<sup>62</sup> De Vries, "The transition", 71.

<sup>63</sup> Van Schaik noticed a similar development in the duchy of Guelders (Van Schaik, "Taxation", 251).

bailiwicks they were responsible for the functioning of lower agents and the organization of courts of appeal. In cities and villages sheriffs represented the state; they were responsible for public order, organized court sessions, executed sentences, and monitored local governance. In the course of the late Middle Ages sworn assistants, such as bealdes and writers, supported them. Of course, the increasing number of government agents had to be retained. Rulers tried to limit corruption and nepotism by allowing agents to be removed, and they tried to make them less prone to corruption by offering them salaries, by increasing control, and by creating courts of appeal.<sup>64</sup>

This development accelerated when the county was integrated in larger political structures: in 1299 a personal union with the remote county of Hainault was established, which was enlarged in 1323, with addition of the county of Zeeland, to the south of Holland. In 1433 Philip the Good (1433–1467), Duke of Burgundy, took over after years of civil war; thus, Holland was incorporated in the large, powerful Burgundian state. When Charles V (1515–1555) took to the throne in 1516, Holland became part of the immense Habsburg Empire, where the county remained until the States, the representative body, abjured Charles' son, Philip II (1555–1598), in 1581.

The Burgundian and Habsburg rulers modernized government: they introduced central institutions for accounting and jurisdiction, and attempted to codify and rationalize the laws. Along with central government, the public sector developed as well. The States increased their bargaining position and political power in the late Middle Ages. Initially the States was an informal college around the itinerant count, but in the mid-14th century it became a platform for elected representatives. The States was comprised of representatives of the nobility and the six main cities, who negotiated with the central government. The institutionalization of this representative body has been the subject of many studies, most notably by James Tracy.<sup>65</sup>

Public debt greatly contributed to the political importance of the public sector. Starting in the 13th century, the counts used the creditworthiness of public bodies to gain access to capital markets. Public debt became a major type of government funding, causing public bodies

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<sup>64</sup> This development will be discussed in depth in Chapter 1.

<sup>65</sup> Tracy, *Holland under Habsburg rule*, 33, 41, 116–124, 211–212; Tracy, *A financial revolution*, 18–26.

to become indispensable intermediaries. When rulers increased their financial demands, and demanded taxation or the creation of public debt, public bodies – especially the main cities – could negotiate privileges to increase their autonomy. Public debt forced them to cooperate with one another as well, which is a development closely connected to the emancipation of the States.

Public debt required a solid institutional framework. At the end of the Middle Ages, public bodies had established market structures that allowed them to raise substantial sums by selling *renten* at low interest rates. This medieval development is closely connected to later public finance, because it is believed that the Dutch Republic's ability to create a large public debt at low interest rates contributed greatly to its military success. Its creditworthiness did have an actual basis, however: Marjolein 't Hart points out that the Republic's public debt has a few characteristics that are already visible in the 16th century: it was voluntary, interest payments were stable, and there was a broad distribution of debt among domestic investors.<sup>66</sup> Many of these elements are also present in Holland in the late Middle Ages.

Cultural elements had an effect on the institutional framework as well. One of the most familiar characteristics of the medieval economy is the Church's ban on usury, a subject which the well-known historian Jacques Le Goff introduced to a broad audience.<sup>67</sup> After theologians had denounced the concept of interest for centuries, the recently established religious orders of the Franciscans and Dominicans revitalized the issue in the 13th century. They found support in decrees issued in the Third Lateran Council (1179), which had excommunicated usurers and denied them burial in consecrated ground, and the Fourth Lateran Council (1215), which had lashed out against the Jews for requiring high interest rates. Even the Scholastics objected to usury, citing Aristotle, who called interest the most unnatural type of acquiring money and pointed to the Justinian Code, which regarded usury is theft.<sup>68</sup>

When Holland's economy started to expand, towns in northwest Europe had already developed some techniques for concealing interest. Treatises on canon law and the writings of the Scholastics allowed some exceptions to participants in economic exchange, most notably issuing

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<sup>66</sup> 't Hart, "Public loans", 119.

<sup>67</sup> Le Goff, *Your money or your life*.

<sup>68</sup> Munro, "The medieval origins", 506–509.



a bond worth the principal sum increased with interest. Such measures may have protected usurers from ecclesiastic and secular authorities; but in the end they still had to answer to God for their mortal sins.<sup>69</sup>

This is why financial instruments allowed by canon law were very popular. John Munro has demonstrated how the *rente* emerged in northern France and the southern Low Countries as a means to escape usury laws. This financial instrument was not known in Roman law; it originated in the *census* contract of Carolingian times, and first evolved into the *constitution de rente* and then into the two types of investment at the heart of this work: the *rente viagère* (*lijfrente* in medieval Dutch, or life annuity that ceased with the death of the individual) and *rente heritable* (*losrente*, or hereditary annuity).<sup>70</sup> Their dispersal was limited: in medieval Europe there were areas where public bodies and private persons used *renten* to create funded debt, and areas where these contracts were uncommon, most notably Italy and southern France. *Renten* first emerged in northern France and then spread to the Low Countries.<sup>71</sup> In Holland they first emerged at the end of the 13th century.

The *lijfrente* was a sum of money holders of such agreements (*renteniers*) received for the remainder of their lives. Usually it was paid to one *rentenier*, but *lijfrenten* could also be taken out on two or three holders. The *lijfrente* is similar to the *lijftocht*, providing a person with the usufruct of a capital good for the remainder of his or her life.<sup>72</sup> Like the *lijfrente*, it was often created as a type of life insurance, providing beneficiaries with a stable income that could help them through widowhood or old age. *Losrenten* were paid until the issuer repaid the principal sum; such *renten* were often transferable.<sup>73</sup> In the late Middle Ages *lijfrenten* and *losrenten* were the main financial instruments allowing for the creation of long-term debt. We will focus on the markets where they were traded.

Here we will use the rate of return on *renten* as an indicator of interest rates. Although contemporaries probably recognized that the rate of return was in fact something very similar to interest, they did not use the term “interest” and did not deem *renten* to be usurious.

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<sup>69</sup> Munro, *ibid.*, 509–513.

<sup>70</sup> Munro, *ibid.*, 518–519; Tracy, *A financial revolution*, 13–14.

<sup>71</sup> Munro, *ibid.*, 518–520; Tracy, “On the dual origins”, 16–17.

<sup>72</sup> De Blécourt & Fischer, *Kort begrip*, 242.

<sup>73</sup> Munro, “The medieval origins”, 519.

Taking interest was prohibited, and *renten* were financial instruments aimed at escaping the Church's usury laws. Yet, by dividing *rente* and principal, the resulting sum yields a rate of return we would now call an interest rate. The rate of return on *losrenten* is especially close to interest rates: what differentiates it from present-day interest bearing loans is that it did not allow the creditor to demand repayment of the principal sum. Therefore, we will use the term "interest rate" for the rate of return on *renten*.

### *Historiography*

Although comparable studies are rare, Hoffman, Postel-Vinay, and Rosenthal's *Priceless markets: the political economy of credit in Paris 1660–1870* touches on many of the subjects addressed in this work. Those authors set out to describe a time when "for most of the period the banks, stock markets, and quoted prices that we are familiar with played little role in allocating capital". They show how notaries acted as intermediaries in "the long-term capital market", "arranging thousands of loans between borrowers and lenders who did not know one another".<sup>74</sup>

It is generally believed that such capital markets only emerged after the Middle Ages – in the Republic and England, or to be more precise, in Amsterdam and London. Larry Neal saw a broad financial revolution in the 16th century, triggered by the financial demands of rulers, the growth of long-distance trade, and the appearance of shares in seagoing vessels. According to Neal: "as markets developed for the exchange of these financial claims independent of the markets for the exchange of goods, the possibilities for shifts in ownership, use, size, location and composition of physical capital were enlarged enormously".<sup>75</sup> Elaborating on Neal's claims, Gelderblom and Jonker dated

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<sup>74</sup> Hoffman, Postel-Vinay & Rosenthal, *Priceless markets*, 2, 11.

<sup>75</sup> Neal, *The rise of financial capitalism*, 4. Neal called the price revolution of the 16th century the first financial revolution. He points out that "prices rose more rapidly than the supply of specie [silver], implying that it was used ever more efficiently"; "nominal rates of interest appear to have fallen.... whereas persistent inflation alone would have tended to raise them", and "the major units of account around Europe tended to depreciate in terms of silver, whereas the influx of silver alone should have led them to appreciate" (Neal, *ibid.*, 3–4).

the emergence of the Amsterdam capital market at 1595–1612, which they believe concluded the financial revolution of the 16th century.<sup>76</sup>

Some German historians have studied medieval markets for *renten*. Inspired by Werner Sombart's suggestion that *renten* were an important instrument for the accumulation of capital in medieval cities, they studied the sale of *renten*, using registers called *Stadtbücher* as a main source.<sup>77</sup> Nevertheless, even though they use the term *Rentenmarkt* (market for *renten*), they do not discuss market structures.<sup>78</sup>

Public debt has received more attention.<sup>79</sup> In the past few decades its contribution to state formation has been the focal point of much research, especially after Charles Tilly included capital in his well-known model of state formation. James Tracy has applied this model to Holland in *A financial revolution in the Habsburg Netherlands. Renten and renteniers in the county of Holland 1515–1565*. In this study Tracy claims that the States managed to improve their creditworthiness by introducing two institutional changes: the introduction of collective responsibility for debt and future tax revenues as securities. Starting in 1515 the States sold *renten* backed by all the inhabitants of Holland and secured by the revenues of the *beden* (annual taxes) of years to come. Whether these developments were indeed revolutionary remains to be seen, but it is clear that improved access to capital markets and growth of public debt were important developments in the decades prior to the Revolt. Recently Wantje Fritschy criticized Tracy's view. She demonstrates that improvements in taxation were more important during the Revolt than the advances in public debt Tracy described, and suggests that a tax revolution took place after 1580.<sup>80</sup> The public finances of the Dutch Republic have also been the subject of many valuable studies by Marjolein 't Hart.<sup>81</sup>

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<sup>76</sup> Gelderblom & Jonker, "Completing a financial revolution". Van der Wee saw a financial revolution in Antwerp at the end of the 16th century with perfection of the negotiability for the bill of exchange (Neal, *ibid.*, 5).

<sup>77</sup> Ellermeijer, *Stade. Liegenschaften und Renten*, 20.

<sup>78</sup> Von Brandt, *Der Lübecker Rentenmarkt*; Haberland, *Der Lübecker Renten- und Immobilienmarkt*; Baum, *Hochkonjunktur und Wirtschaftskrise*; Ellermeijer, *op. cit.*

<sup>79</sup> Cf. recent surveys of the historiography on public finance in the Low Countries, 't Hart & Van der Heijden, "Het geld van de stad"; Van der Heijden, "Stadsrekeningen".

<sup>80</sup> Fritschy, "A 'financial revolution' reconsidered".

<sup>81</sup> 't Hart, *The making of a bourgeois state*; 't Hart, "Public loans"; Van der Burg & 't Hart "Renteniers".

More recently, the socio-political elements of public debt have been studied, most notably in a volume compiled by Marc Boone, Karel Davids, and Paul Janssens. The socio-political view evokes theories formulated by Wim Blockmans and Marc Boone, who stated that public debt helped integrate urban elites within the central government,<sup>82</sup> and by James Tracy, who suggested a correlation between urban political regimes and the way debts were contracted. Cities with a republican character would rather establish long-term debts through consolidation of forced loans, and cities ruled according to a model of a dynastic monarchy preferred voluntary loans.<sup>83</sup> Recently, Manon van der Heijden published a book about urban public debt under the Republic. Starting in 1550, she compared the sale of *renten* by the cities of Dordrecht and Haarlem, both in Holland, with the city of Zwolle, in the Oversticht, especially focusing on the social composition of *renteniers*.<sup>84</sup>

Studies about the public debt of Holland before 1500 rarely discuss international debates. The way Count Floris V funded his policies inspired M. Slingerland and Raymond van Uytven to put pen to paper.<sup>85</sup> The main study on medieval public debt is Yvonne Bos-Rops' book about the finances of the counts of Holland from 1389 to 1433. She shows that the counts already depended on funded debt, which they increasingly contracted to fund wars.<sup>86</sup> Jan Marsilje focuses on public debt in his book about Leiden's finances in the late Middle Ages as well.<sup>87</sup> Other studies must also be regarded as introductions to medieval public debt: J.H. Kernkamp edited a number of *rente* contracts issued by cities in the northern Low Countries and wrote a useful introduction.<sup>88</sup> VerLoren van Themaat et al. published a detailed study about the *lijfrenten* that Dordrecht sold in the 15th century,<sup>89</sup> and Van Loenen wrote a manuscript about Haarlem's public debt in the 15th century. Articles by Jeremy Bangs about Leiden's public debt, by Eef Dijkhof about Gouda, and D. Houtzager about Rotterdam,<sup>90</sup> and several studies

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<sup>82</sup> Van der Heijden, "Stadsrekeningen", 150–151; Boone, *Geld en macht*, 63.

<sup>83</sup> Boone, Davids & Janssen, "Urban public debts", 4–5; Tracy, "On the dual origins".

<sup>84</sup> Van der Heijden, *Geldschieters van de stad*.

<sup>85</sup> Slingerland, "Wie zal dat betalen?"; Van Uytven, "De macht van het geld".

<sup>86</sup> Bos-Rops, *Graven op zoek naar geld*.

<sup>87</sup> Marsilje, *Het financiële beleid*.

<sup>88</sup> Kernkamp, *Vijftiende-eeuwse rentebrieven*.

<sup>89</sup> VerLoren van Themaat et al., *Oude Dordtse lijfrenten*.

<sup>90</sup> Bangs, "Holland civic *lijfrente* loans"; Dijkhof, "Goudse *renten*"; Houtzager, "Rotterdam's *lijfrentelingen*".

on the financial problems of Holland's main cities at the end of the 15th century are worth mentioning as well.<sup>91</sup>

### *Research Questions*

Existing studies rarely touch on the issue of how institutional frameworks enabled the creation of funded debt. Our purpose here was to research the rise, organization, and institutional framework of the capital market in medieval Holland.<sup>92</sup> The NIE's theory will be used as the explanatory model. It allows us to link the efficiency of markets with social structure. The main hypothesis is that Holland's distinct social structure fostered the emergence of a well-performing capital market during the late Middle Ages. One indication of the level of sophistication of the capital market is its capacity, and here we use a number of qualitative and quantitative indicators to get an impression of this.

Starting with Holland's distinct social structure – made possible by the large-scale reclamation of the peat area – we will show how the ruler and public sector became the main interest groups influencing market structures. They cancelled out much of the influence of feudal lords and religious institutions, thus guarding the capital market from interest groups looking for ways to wrest participants through extra-economic force. Even though nobility and clergy played a role in the reclamations, the counts managed to create a society based on territorial rule rather than feudal structures. This allowed them to govern their subjects more directly than their fellow rulers could. Of course the ruler and public sector attempted to gain hegemony and economic monopoly as well, but they usually cancelled each other out, as when the ruler checked public sector power through his government apparatus, and when the public sector checked the count's power through its political influence. In this socio-economic sphere, interest groups carefully manoeuvred between dictatorship and disorder. The capital market they created benefited both the centre, by helping to finance state formation, and the public

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<sup>91</sup> Hamaker, "De stad Leiden"; Prins, "Het faillissement"; Downer, "De financiële toestand"; Dijkhof, "Goudse renten"; Sewalt, "Atterminacie".

<sup>92</sup> This book covers the medieval county of Holland – by and large, the present-day provinces of North and South Holland. It also covers Westfriesland – in the north of present-day North Holland. This area had become part of the County of Holland in 1289, although contemporaries often distinguished it as a separate area.

sector, by granting local elites the means to finance local politics and participate in the capital market as private persons.

The result was the emergence of a capital market that supported state formation and capital intensification of the economy. It performed relatively well because of several institutions that helped reduce transaction costs and induced the inhabitants of Holland to participate in the capital market. Some of these institutions were exclusive to the capital market, but many overlapped with other factor markets. These market structures not only affected medieval society, but they were still in effect under the Dutch Republic.

In this book we will use several indicators to test the capacity of the capital market. The emergence of relatively risky transactions may serve as a qualitative approach to the issue of market performance: when did *lijffrenten* and *losrenten* first appear? And when were they first regarded as impersonal bonds that owners could inherit, sell, or mortgage? Furthermore, markets serve to bring together supply and demand, and in this respect, whether *renten* were sold on impersonal markets covering a large geographical area and a wide range of social groups is important. Other indicators allow for quantification: the trend of interest rates may provide an idea of risk in the capital market, the convergence of prices, and the integration of capital markets. The volume of the market is another quantitative indicator that can show whether Holland's medieval capital markets allowed its subjects to capitalize on their assets. Finally, the depth of the market – to what extent did ordinary people buy and sell *renten* – is another indicator of the capacity of the market.

This book is structured as follows. Chapter One introduces medieval Holland as a significant entity for institutional economic development by describing how the state created a county-wide government apparatus that gave shape to the public sector and provided some institutions crucial to the capital market. At the same time, the counts of Holland profited from the capital market: they used funded debt to finance state formation. They lacked creditworthiness themselves, and therefore had to rely on the solvency of the public sector: the States, collectives of cities, individual cities, and villages were intermediaries on the capital market. The emergence of public debt caused the public sector to gain influence over the county's politics and the financial expertise to shift from the centre to the periphery. This development reinforced the position of the public sector vis-à-vis the centre (Chapter Two). To be able to create public debt, cities and villages had to develop structures

aimed at creating funded debt (Chapter Three). The capacity of markets for public debt is the subject of Chapter Four. The public sector created market structures supporting the markets for both public and private debt. Property rights institutions, contracting institutions, and institutions aimed at problems related to asymmetric information were all centred on the local court. Why and how public bodies created the institutional framework of the market for private debt is the subject of Chapter Five. We use a number of qualitative and quantitative sources to test the capacity of the markets for private debt in Chapter Six; the central issue is whether capital markets allowed all owners of real estate to contract mortgages. The final chapter places the capital markets of Holland in a comparative perspective by discussing markets for *renten* elsewhere in northwest Europe, and also by describing the facilities that allowed for development of funded debt in Italy and England.

## CHAPTER ONE

### CENTRAL GOVERNMENT

Choosing medieval Holland as a subject for the historical development of capital markets suggests that the county was not just a territorial unit, but an organization relevant to economic performance as well. This may not be as obvious as it seems: in the Middle Ages territorial authorities did not necessarily pursue an economic policy, let alone an economic policy aimed at the capital market. Yet, indirectly, they had a crucial influence on the economy by developing a social structure that provided their subjects with institutions necessary to streamline interaction. This territorial institutional framework – consisting of government agents responsible for legislation, jurisdiction, and policing – was a prerequisite for the functioning of the capital market.

This chapter describes how state formation contributed to the establishment of an institutional framework. The origins of this development lay in the early Middle Ages, when the disintegration of the Carolingian Empire allowed local strongmen to rise to power. They did not develop an institutional framework allowing for economic growth, but rather constructed structures allowing them to levy duties. Moreover, these structures were often resilient: local authorities retained the rights they had acquired or usurped, and withstood state formation. In the course of the Middle Ages and early modern period, states were slowly transformed from feudal sovereignties to absolute sovereignties.<sup>1</sup> The latter only appeared when the state had eliminated competitors to power and acquired a judicial and legislative monopoly.<sup>2</sup> Of course the state's attempts to acquire sovereignty were challenged by lords and clerics, who stood to lose power, and by subjects who feared dictatorship. State formation was not a linear process, but a constant struggle between central and peripheral elements.

While medieval states had not yet obtained absolute sovereignty, they had clearly made progress; in Holland, with its weak domanial and feudal structures, the counts managed to do so at an early stage.

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<sup>1</sup> Immink, *Staat en soevereiniteit*, 3.

<sup>2</sup> Padoa-Schioppa, "Preface", XI.



After they had gained authority (section 1.1), they created a homogeneous government apparatus that provided all subjects with an institutional framework (section 1.2). This framework was essentially a social structure allowing for order; it was based on impartial authorities responsible for legislation, the judiciary, and execution of the laws, and thus it provided participants in economic exchange with the means to develop market structures. It even allowed rulers to aspire to an economic policy (section 1.3).

### 1.1 *Establishing Sovereignty*

It is difficult to avoid historical determinism when writing about the merits of a unified state. Although it is tempting to regard the territory of Holland as a given, and investigate how the counts managed to expel competitors to power, in reality, the establishment of sovereignty was only coincidental: the counts were not driven to reconquer their county, but were simply the last men standing after centuries of struggle. The first counts probably appeared in the Merovingian period (500–750). They had been government officials representing the Merovingian kings; only much later did they gain sovereignty. They governed shires (*gouwen*): sources reveal the existence of the shires *pagus Kinnehim*, later known as Kennemerland, and *pagus Marsum* in the Meuse Estuary. Up to the 6th century, the counts faced competition from local authorities, but later they became the sole rulers of these shires.<sup>3</sup> In the Carolingian period (750–843) the emperors tried to centralize government: there are indications that they monitored the counts through a supervisory official responsible for the defence of the coastal area against the Vikings.<sup>4</sup> In the 9th century the Carolingians lost their hold on the area in the face of Viking invasions. They had to appoint Vikings as rulers in an area spanning the Weser to Scheldt Rivers. Among them were men with revealing names such as *Godfried de Zeekoning*, Godfrey, king of the sea, who was slain by his own counts. One of the conspirators was Gerulf, *comes Fresonum* (count of Frisia). He is regarded as the founder of the lineage of the counts of Holland.<sup>5</sup> His son, Dirk I, probably ruled four

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<sup>3</sup> Ganshof & Blok, “Staatsinstellingen”, 233–235.

<sup>4</sup> Blok, *De Franken*, 83–84.

<sup>5</sup> Bazelmans, Dijkstra & De Koning, “Voorspel: Holland in het eerste millennium”, 66.

shires: Texel, Kennemerland, Rijnland, and Maasland, governing the main part of what was to become the area of Holland.<sup>6</sup> His successors expanded their territory by conquest and politics.

Confronted with the disintegration of their empire, the emperors started to support some local strongmen. These powerful nobles took control of small areas and extended their rule through “conquest, marriage and inheritance, purchase, and exchange”. They unified areas under one ruler, and the emperors recognized the merits of this. To stop further disintegration of sovereignty, they enfeoffed the counts of Holland, the bishops of Utrecht, and the counts of Guelders with the areas they already effectively ruled.<sup>7</sup> Despite these efforts, the emperors gradually had to concede to the political emancipation of the counts of Holland: in the 11th century Emperor Henry still punished Count Dirk IV for usurping his right to mint coins by demolishing his castle at Rijnsburg.<sup>8</sup> Later the sovereignty of the counts was less disputed: in 1314 Emperor Louis of Bavaria waived all rights he held in Holland, except for his right to tribute.<sup>9</sup>

In the territory that Count Dirk I already ruled, comital authority was rarely challenged. This was different from the situation in the north, east, and south of what was to become Holland. In the north the West Frisians anxiously guarded their autonomy until the end of the 13th century, and on the borders with the Nedersticht, Guelders, Brabant, and Zeeland were some small autonomous regions. There, local lords tried to survive by carefully manoeuvring in the political area dominated by the bishops of Utrecht, the dukes of Brabant, the counts of Guelders, and the counts of Holland and Zeeland. At the end of the Middle Ages, nearly all autonomous regions had disappeared: some were conquered and others were bought or annexed after a political take-over. The submission of autonomous regions started in the 13th century, when Count Floris V took control of the Utrecht border area. He bought Waterland from its lord, Jan van Persijn, in 1274, and leased

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<sup>6</sup> After Gosses proved that Rijnland and Kennemerland were ruled by Gerulf and his successors, later historians showed that Tesselgouw in the north and Maasland in the south were probably part of the original territory as well (Linssen, “Lotharingen”, 311–312; Janse, “Een in zichzelf verdeeld rijk”, 71; Blok, “Holland sinds Gosses”, 13–14; Gosses, “De vorming van het graafschap Holland”).

<sup>7</sup> De Monté VerLoren & Spruit, *Hoofdlijnen*, 85 [translation by CJZ].

<sup>8</sup> Grolle, *De muntslag van de graven van Holland I*, 15.

<sup>9</sup> Kossmann-Putto, “Staatsinstellingen en recht”, 31. Cf. the weak position of the German emperor De Schepper & Cauchies, “*Justitie, gracie en wetgeving*”, 129–130.

Gooiland from the abbess of Elten. He forced the lords of Amstelland and Woerden to recognize him as feudal lord. Both fiefs were annexed when the two lords conspired against the count and murdered him in 1296.<sup>10</sup>

The southeastern border region came under their control later in the Middle Ages. Schoonhoven, including the large city of Gouda, fell to the counts of Holland in 1302, after the lords of Cats and Renesse had supported the Flemish against Jan II (1299–1304). The count gave Schoonhoven to his brother and his descendants, the lords of Blois. The area eventually fell to the count in 1397, when the lineage of Blois died out.<sup>11</sup> The lordship of Arkel was conquered by Count Willem VI (1404–1417) in 1405. The bishop of Utrecht claimed a part, and the remainder went to Holland. The Land van Heusden was annexed by Holland after negotiations with Brabant in 1357.<sup>12</sup>

The counts did not only submit competitors and the potential allies of their enemies; by establishing their sovereignty, they also provided an impulse to centralization. Although this was not their main incentive – they were simply trying to survive in the face of external threats to their rule – in the 14th century, ideas about a strong state surfaced at the court of the counts of Holland. One of its advocates was the lawyer Philip of Leiden. He argued against the alienation of public power in his *Tractatus de cura reipublicae et sorte principantes* (About the care of the state and the domain of the ruler), written around 1355. He believed that a strong comital authority was in the interest of the commonwealth, and that rulers should refrain from alienating public power and reverse the grants of their predecessors.<sup>13</sup> Philip opposed autonomous lordships because they damaged the commonwealth: the counts of Holland should strive for territorial autonomy. Although we do not know whether Philip's advice was followed, in the course of the 14th and 15th centuries the counts of Holland did increase their sovereignty, bringing about a reduction in the number of autonomous lordships.<sup>14</sup>

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<sup>10</sup> Van der Gouw, "De grensgebieden", 24–28.

<sup>11</sup> Further to the south a number of small autonomous lordships existed. Cf. the way the counts managed to impose their authority over these lords, Van der Gouw, *ibid.*, 30–35.

<sup>12</sup> De Boer, "Holland voltooid?", 166–167.

<sup>13</sup> De Monté VerLoren & Spruit, *Hoofdlijnen*, 178.

<sup>14</sup> Hoppenbrouwers, "Op zoek", 231.

As stated above, the counts started their conquests in the 13th century. Yet, this was not a linear, irreversible development. Some lordships survived for a long time: Putten and Strijen to the south of Holland were only bought by Philip the Good in 1456. Despite their location on the border of Holland and Zeeland, the lordship had been foreign territory. The lords of Putten levied taxes and tolls. They exercised high jurisdiction and agreed with the counts of Holland on treaties on the right of inheritance and the freedom of inhabitants of Holland residing in Putten and Strijen.<sup>15</sup> In the east the lordship of Vianen survived until the 18th century: the States of Holland bought it in 1725. Its lords of Brederode were autonomous: in the 16th century they still claimed they only had to answer to God. Even Emperor Charles V could not get them to submit: the lords refused to publish his decrees and sent them back unopened!<sup>16</sup>

When the counts did manage to get the autonomous lords to submit to them, they often alienated recently acquired areas to relatives. At the beginning of the 15th century, the counts granted the areas of Arkel, Gooiland, Half-Asperen, Voorne, and Blois as a dowry. When Philip the Good finally managed to buy Putten and Strijen in 1459, he immediately enfeoffed his son Charles with the area.<sup>17</sup> But even though these areas were again alienated, autonomous lordships did not reappear. Alienated areas remained fiefs of the counts of Holland, preventing their lords from gaining the autonomy their predecessors had enjoyed.

The disappearance of small autonomous lordships benefited legal security. Many more subjects were commanded by the same ruler, who could mediate in conflicts of competence between authorities.<sup>18</sup> Furthermore, public courts performed better than those of autonomous lords. The latter were often used to delay and frustrate the course of justice, were staffed by unqualified nobles, and were not monitored by judicial specialists, thus allowing incompetence and corruption to flourish. What was even worse, subjects could not appeal the judgements

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<sup>15</sup> Fockema Andreae, "De hoge en vrije heerlijkheid", 22–24, 32; Obreen, "Bijdragen tot de kennis der middeleeuwsche geslachten van Holland en Zeeland", 8–10.

<sup>16</sup> De Boer, "Holland voltooid?", 166–167.

<sup>17</sup> In 1459 Charles received Arkel as well, and in 1462 he received Gooiland and the cities Naarden, Muiden, and Weesp from his mother (Le Bailly, *Recht voor de raad*, 36–42).

<sup>18</sup> Cf. Buntinx, *De auditie*, 218–219.

issued by these courts.<sup>19</sup> The gradual disappearance of autonomous jurisdictions and the growth of the complexes of Holland, Burgundy, and Habsburg, which became large, supra-regional authorities, increased the legal security of all concerned.

Autonomous lords were not the only competitors to power: the clergy had its own legal framework, and offered an alternative to the institutional framework of secular authorities. Canon law had jurisdiction in three general areas: in *causae mere spirituales* (cases involving a spiritual element), in *causae spiritualibus annexae* (cases about ecclesiastical property, tithes, wills, and contracts made under oath), and in cases *ratione personae* (when clerics were summoned and when *personae miserabiles*, the poor, widows and orphans, were involved). The courts of canon law had jurisdiction in cases of blasphemy, sacrilege, heresy, and sexual offences as well.<sup>20</sup> Of course, this situation led to clashes between secular and spiritual authorities. Not only did canon law threaten state power, it complicated litigation and increased transaction costs. The inhabitants of Holland were subject to the Utrecht diocese, and risked being summoned to appear abroad in cases falling under the jurisdiction of canon law.<sup>21</sup> Moreover, unskilled judges who carelessly imposed the heavy penalties of canon law often staffed ecclesiastical courts.<sup>22</sup> For economic exchange it was important that the Church's jurisdiction be limited, or at least defined.

In the 14th century the authorities of Holland tried to limit the legal authority of the Church.<sup>23</sup> The counts of Holland negotiated agreements – concordats – with the bishops of Utrecht. In 1319 Count Willem III (1304–1337) and Bishop Frederik van Zierik (1317–1322) agreed that the latter's judges would be restricted to spiritual matters, including usury. This early concordat remained in force, and was further developed in later agreements.<sup>24</sup> Count Willem III and the bishop elect, Jan van Diest, agreed on another concordat in 1323. The latter promised that

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<sup>19</sup> About the functioning of these autonomous courts, see De Schepper & Cauchies, "Legal tools", 237–238; De Schepper & Cauchies, "*Justitie, gracie en wetgeving*", 138–141. Autonomous courts are probably comparable to manor courts, which do not seem to have functioned very well. In England the relatively expensive royal courts were preferred over manor courts (Razi & Smith, "The origins of the rolls as a written record", 43–44).

<sup>20</sup> De Monté VerLoren & Spruit, *Hoofdlijnen*, 25–31.

<sup>21</sup> Leupen, "De betrekkingen", 388.

<sup>22</sup> Jongkees, *Staat en kerk*, 115.

<sup>23</sup> Jongkees, *ibid.*, 17.

<sup>24</sup> Joosting, *Bronnen II*, 45–46; Jongkees, *ibid.*, 119.

the inhabitants of Holland would not be summoned to appear before religious courts in secular cases. The agreement explicitly mentions secular goods and secular debts, indicating canon law already interfered with civil law.<sup>25</sup> In a concordat from the second half of the 14th century, probably from around 1386, the Regent Albrecht (regent 1358–1389; count 1389–1404) and the bishop once again agreed on ecclesiastical law: the inhabitants of Holland and Zeeland would not be summoned to appear in the episcopal city of Utrecht.<sup>26</sup> Defaults by some of the towns of Holland in the wake of the civil war after the death of Count Willem VI provoked measures by the bishop of Utrecht. He postponed religious services, a measure we know as interdict, which was sometimes applied when public bodies did not pay *renten* (cf. Chapter Two). In 1432 Holland, Zeeland, and Utrecht reached an agreement about these problems: to reduce the risk of conflict and subsequent religious penalties, the inhabitants of Holland and Zeeland were no longer allowed to sell *renten* in Utrecht without permission. Perpetrators who defaulted and were pursued by an ecclesiastic court would be summoned to leave and seek absolution:

*...ende terstont als die persoen m... uut die stede getogen wair, so soude men weder singen....*<sup>27</sup>

(and as soon as that person had left the city, people would sing again [during mass])

The agreement dealt with ecclesiastical jurisdiction as well, stipulating that the bishop was only allowed to appoint one *provisor*, a vicar substituting for the bishop in Holland. It also specified his competence.<sup>28</sup>

Philip the Good and Bishop Rudolf van Diepholt (1423–1455) agreed on an important concordat in 1434.<sup>29</sup> According to Jongkees, it was supposed to establish the boundaries of secular and ecclesiastical law once and for all. It protected the inhabitants of Holland and Zeeland and the secular courts, and increased the competence of the ruler and his council.<sup>30</sup> In the words of Jongkees: “the duke of Burgundy, his council of Holland, his bailiffs and sheriffs, became masters in their

<sup>25</sup> Joosting, *ibid.*, 47–49.

<sup>26</sup> Joosting, *Bronnen* II, 113–115. The source is not dated. Joosting thinks it is either from 1379–1393, or from about 1403.

<sup>27</sup> *Dagvaarten Holland* II, 785.

<sup>28</sup> *Ibid.*, 785–787.

<sup>29</sup> Cf. the edition Joosting, *Bronnen* II, 184–190.

<sup>30</sup> Jongkees, *Staat en kerk*, 114–120.

own country and city; they would no longer be hindered by those ecclesiastical privileges they regarded as the main obstruction to the administration of justice".<sup>31</sup>

The concordat contains a few articles that affect economic exchange. The fourth article was aimed against the summoning of defendants before foreign courts: it ordered that no inhabitants of Holland, Zeeland, or Friesland could be forced to appear in Utrecht when they were willing to appear before the local secular or ecclesiastical court. The heavy penalties of canon law were addressed in articles five and six: the *monicie* and *ban* were only to be imposed when there was clear proof that the defendants had been summoned to appear before the court.<sup>32</sup> The interdict was only to be pronounced when there was sufficient proof. The costs of canon law were limited as well: article ten settled the fees ecclesiastical courts charged at the level of those of the Court of Utrecht, with the exception of Zeeland, where canon law was apparently used quite often:

*Mer, want in Zeelant dit voirsch. geestelike recht men vele pleeght, soe en sullen die dekenen of provisorsen aldair van den ondersaten van dagebrieven te scriven ende te segelen niet meer nemen dan enen Engelschen, sulx payments als men nu muntet in Vlaenderen; ende gelyc in Hollant.*<sup>33</sup>

(Because canon law was often appealed to in Zeeland, the deans and provisors would charge no more for writs than one English pound, as now coined in Flanders; and the same applies to Holland.)

In Holland and Zeeland subjects would pay no more than one English pound for writs issued by ecclesiastical courts. Whether this indicates that canon law was as popular in Holland as it was in Zeeland is unclear.<sup>34</sup>

The 1434 concordat was regarded as the blueprint for relations between church and state. In 1462 the States requested Philip the Good to reissue the existing concordat because the clergy did not live up to the agreements. The ruler consented, and added articles concerning breach of the concordat.<sup>35</sup> He tried to reduce the number of cases brought before ecclesiastical courts by further limiting the latter's competence:

<sup>31</sup> Jongkees, *Staat en kerk*, 119–120 [translation by CJZ].

<sup>32</sup> The *monicie* was a court document warning the plaintiff that he or she was to be excommunicated, the *ban* was the excommunication itself.

<sup>33</sup> Joosting, *Bronnen* II, 187.

<sup>34</sup> Cf. the importance of canon law in Zeeland Jongkees, *Staat en kerk*, 122.

<sup>35</sup> Joosting, *Bronnen* II, 245–247.

the council of Holland was granted jurisdiction in all abuses against the clergy.<sup>36</sup> In 1477 Mary of Burgundy granted Holland, Zeeland, and Friesland the *Groot Privilege*. It contains one article concerning ecclesiastical jurisdiction:

*Insgelijcx zullen alle geestelike saken tusscen partiën geëyndt ende getermineert worden voir den provisoren ende lantdekenen der voirs. landen ende steden, zonder vorder malcanderen te betrecken; welke provisoren ende lantdekens him niet vorder onderwinden en zullen dan van gheestelike saken.*<sup>37</sup>

(All spiritual disputes will be settled before the [courts of] the *provisoren* and deans of the countries and cities, without summoning one another elsewhere; these deans and *provisoren* will not hear cases other than spiritual.)

The intention is clear: spiritual disputes were supposed to be heard within the countries, and ecclesiastical courts were not allowed to hear secular cases. In the course of the 15th and 16th centuries, the Burgundian and Habsburg rulers continued to resist ecclesiastical jurisdiction. In 1495 Philip the Handsome (1482–1506) promised his subjects in Holland, Zeeland, and West Friesland he would order the universities of Cologne and Louvain, as well as other religious institutions, to stop harassing his subjects.<sup>38</sup> He reissued the 1434 concordat in 1504, after his Zeeland subjects complained.<sup>39</sup> In 1515 Pope Leo X issued his bull, *Eximiae devotionis affectus*, offering all Habsburg subjects the privilege *de non evocando* in the first instance in all spiritual, secular, and combined cases.<sup>40</sup> In 1525 Charles V issued an instruction to all secular judicial officials in Holland, Zeeland, and West Friesland. They were ordered to take an interest in all abuses in their jurisdiction that were *mixti fori*: cases in which both secular and ecclesiastical courts could claim jurisdiction. Charles' intentions are clear: an active government apparatus should have jurisdiction in lawsuits in the secular sphere. Officials had to take notice of all legal actions concerning real estate as well, regardless of the status of the plaintiff and defendant. They were

<sup>36</sup> Jongkees, op. cit., 179–181.

<sup>37</sup> Joosting, op. cit., 249–252, p. 252.

<sup>38</sup> Joosting, op. cit., 273–276.

<sup>39</sup> The opposition of the Zeeland clergy even forced Maximilian and Charles V to agree to a separate concordat with the bishop in 1508 (Joosting, *ibid.*, 287–291, 347–359).

<sup>40</sup> Leupen, “De betrekkingen”, 388; Joosting, *ibid.*, 368–371.



not to allow secular persons to be summoned before an ecclesiastic court for rents, wages, expenses, or any secular debts: moreover, they had to proceed against perpetrators and ensure they were punished.<sup>41</sup>

## 1.2 Administration of Justice

Removing competing authorities was a major accomplishment for the medieval state. Government officials replaced autonomous domanial and feudal lords and abbots, and created an increasingly homogeneous institutional framework. They improved the arbitrary and scattered legal structure of the high Middle Ages and helped develop a far more transparent social structure. This was the structure the Dutch Republic inherited.<sup>42</sup>

At the heart of the social structure was comital sovereignty. The counts disposed of the *bannus*, the right to command their subjects. By investing government agents with this right to command, the counts created a government apparatus that linked individual subjects to the state, and made legislation, administration of justice, execution of the laws, and taxation possible.

The government apparatus allowed the counts to create a legal framework that provided their subjects with impartial, inexpensive, and efficient jurisdiction. By offering an alternative to local lords and canon law, they tied subjects to their administration. To overcome resistance to encroachments of common law, medieval governments tried to offer subjects good alternatives, such as supreme courts, which became the archetypes of modern jurisdiction.<sup>43</sup>

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<sup>41</sup> Joosting, *ibid.*, 469–472. The 1540 decree about administration of justice and police contains another article requiring the clergy not to obstruct the course of justice (Joosting, *ibid.*, 708–710).

<sup>42</sup> Admittedly, from a modern perspective the social structure of the Republic was not optimal. Some of the great lawyers of the Republic were not completely satisfied with its legal structure, and the same was true of some historians (Rijpperda Wierdsma, *Politie*, 277–278; Fruin, “Het recht en de rechtsbedeling”).

<sup>43</sup> Le Bailly, *Recht voor de raad*, 17–18. Cf. the interference of the Flemish government in local affairs, Buntinx, *De audientie*, 219–223.

### *Central Institutions*

The counts were the supreme judges of the county.<sup>44</sup> They presided over the supreme court and were advised by the comitial council (*grafelijke raad*). This council was the main comitial institution. At first a loosely defined group of councillors, it developed into an institution of salaried professionals. In the 13th century the count frequently summoned his vassals in Holland and Zeeland to appear at his court, where they advised him on important decisions. This was no mere favour, but a duty: according to feudal law, vassals had to assist their lord with *auxilium et consilium*, by word and deed. The first time we encounter a council of vassals is in the second half of the 12th century.<sup>45</sup> The council was open to others in the count's vicinity as well: family members, those responsible for personal care, and even visiting clerics and citizens. Not only was the composition of the group of advisors subject to change, they did not meet regularly, nor at a fixed location. The council existed wherever the itinerant count resided! It is clear this council was not yet an institution; the historian Coenen defined it as "the immediate surroundings of the count".<sup>46</sup>

At the end of the 13th century, the group of advisors became somewhat formalized, probably to cope with the increasing demands of government.<sup>47</sup> From that time, the council was dominated by the high nobility, clerks, and local government officials, such as bailiffs and stewards. However, until the mid-14th century, its composition still varied.<sup>48</sup> After 1345 some important changes took place: the joint council for Holland and Zeeland was split, and in Holland representatives of the main cities were admitted in 1346. The cities gained influence because the county badly needed money: they were willing to pay in return for political influence. Thus, in 1346 the nobility, clerks,

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<sup>44</sup> Since it was a liege of the German emperors, it would ordinarily be expected that the imperial court should have been the supreme court in Holland. In practice, these subjects did not appeal to the emperor because the Counts of Holland had effectively usurped imperial authority.

<sup>45</sup> Burgers, "De grafelijke raad", 72–75.

<sup>46</sup> Coenen, *Graaf en grafelijkheid*, X [translation CJZ].

<sup>47</sup> The precise date at which the council was institutionalized is subject to debate. Burgers and Brokken think this development took place in the final decade of the 13th century, while Coenen dismissed a 13th-century institutionalization (Coenen, *ibid.*, 9–20, 128–131; Burgers, *op. cit.*, 91–95, 105–106; Brokken, *Het ontstaan*, 123–128; Damen, *De staat van dienst*, 38–39).

<sup>48</sup> Burgers, *op. cit.*, 70–71.

government officials, and citizens were represented in the council. This “broad council” did not last for long: the clerks and stewards were the first to be dismissed again after 1350, and the bailiffs disappeared more gradually. In 1352 the citizens were pushed out as well: a separate council of citizens was introduced, which met with the council of vassals. For the rest of the 14th century, the cities did not succeed in regaining the influence they had wielded from 1347 to 1352; in 1357 their own council even disappeared. Thus, after 1357 things returned to normal: the vassals were the only group left with formal access to decision-making: apparently their consent provided the count with enough support.<sup>49</sup>

Yet the rise of government officials and citizens could not be stopped. In the 15th century vassals were replaced by professionals: salaried citizens, clerics, and lesser nobles who had studied at universities and took an oath of office. In 1428 an important step was taken to formalize the council. Nine councillors were appointed, which set the number of permanent members for the institution.<sup>50</sup> They were paid for their services, making them virtually independent of the dukes of Burgundy.<sup>51</sup> Initially unsalaried councillors remained influential, but after 1445 they appeared less frequently. According to Mario Damen, that year marks the distinction between royal and representative institutions: the council was no longer regarded as a college open to all nobles. It was restricted to salaried councillors and a few unsalaried ones. The main reason behind this institutionalization was probably to prevent the council from becoming an arena for the partisan struggle between *Hoeken* and *Kabeljauwen*.<sup>52</sup>

The duties of the council were twofold: to administer justice and to govern. On behalf of the count it filled in as supreme judge, and as such, it had broad jurisdiction, including conflicts arising from administrative competence, severe crime, civil action between privileged parties, cases involving property rights, cases about competence, feudal cases, conflicts between cities, and appeals and arbitration jurisdiction.<sup>53</sup> As a governing body the council substituted for the absent ruler as well, allowing it to pursue an independent course, especially when the count

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<sup>49</sup> Damen, *De staat van dienst*, 38; Burgers, “De grafelijke raad”, 70–72.

<sup>50</sup> Le Bailly, *Recht voor de raad*, 57.

<sup>51</sup> Stein, “De Staten”, 18–19.

<sup>52</sup> Damen, *ibid.*, 74–78.

<sup>53</sup> Le Bailly, *ibid.*, 59.

resided abroad in the Burgundian and Habsburg period.<sup>54</sup> Its governing duties included domestic and foreign affairs, finances, economic policy, defence, and water management.

As a court of appeal the comital council increased the legal security of the inhabitants of Holland. De Monté VerLoren studied its jurisdiction in cases about immovables and identified four advantages in appealing to the court.<sup>55</sup> First, the council applied relatively modern legal insights. It allowed modern evidence – contracts, accounts, and registers<sup>56</sup> – and heard witnesses and investigated the claims made by litigants. The council allowed modern evidence when it settled a land dispute between Egmond Abbey and the noble, Floris van Rodenburg, in 1275. Litigants had requested the count to referee in their dispute. The abbey had evidence in writing and witnesses to support its claim:

*Ende wij dat ghescheyden hebben, bij alsulken betoghe als t Goidshuys van Egmond van desen guede heeft ende bij wittachtigen luyden dair wij de waerheit best an vinden mochten...*<sup>57</sup>

(We [the count] have settled the dispute using written evidence Egmond Abbey has of these goods [the land] and by qualified persons we have heard...)

It is difficult to see precisely what evidence (*betoghe*) the abbey used, except for evidence in writing.<sup>58</sup> While the count allowed modern evidence, local courts often preferred to base itself on common law requiring formal evidence, such as oaths taken by friends and relatives (*eedhelpers*) and testimonies by neighbours.

Common law was also formal in its proceedings. It was often slow, incomprehensible, and unpredictable. So, another advantage the comital council offered was a speedy trial: it worked faster because the central government was eager to prevent disputes from sparking violence.<sup>59</sup> It was more effective as well: judgements by the counts were to be obeyed. Of course, disobeying local authorities was also penalized, but not as heavily as disobeying the count.

<sup>54</sup> Damen, *ibid.*, 41–43.

<sup>55</sup> The following is based on De Monté VerLoren, *Bezit en eigendom*, 212–220.

<sup>56</sup> Cf. 14th-century examples in De Monté VerLoren, *ibid.*, 228, 230–232, 236, 246–247, 253, 254, 257–258, 262–263.

<sup>57</sup> De Monté VerLoren, *ibid.*, 222.

<sup>58</sup> De Monté VerLoren supposed we deal with written evidence as well.

<sup>59</sup> Buntinx, *De audientie*, 210–211.

Furthermore, the counts could overrule common law and consider a dispute without being bound by customs.<sup>60</sup> Some sources formulated this phenomenon. In 1422 the count granted a privilege protecting people who had lost their contracts by accident. According to common law, they lost their claims, but the count did not deem this to be reasonable:

... want Ons ymmer redelic duncket, dat een ygelic hebbe, dair hij recht ende reden toe heeft.<sup>61</sup>

(because We [the count] deem it reasonable that anyone should have what he is entitled to.)

Finally, the supreme court was a *forum privilegiatum*: it heard cases involving powerful individuals. It is well known that nobles refused to be tried by inferiors: they wanted to be judged only by their peers. But the *forum privilegiatum* was no mere privilege for the nobility: ordinary people may well have been the main beneficiaries because it allowed them to file complaints against privileged social groups. In this respect local authorities were not competent, and moreover, the social inequality between sheriffs and aldermen on the one hand and nobles on the other made prosecution by local courts rather awkward. In contrast, the council did allow ordinary people to proceed against the “flower of chivalry”.

In theory the comital court clearly helped improve legal security and reduce transaction costs, but what were its results in practice? Creditors did appeal to the supreme court. For example, there was a case in 1333 in which Willem van Brawoude, an Englishman, accused the lord of Vlaardingen of preventing him the usufruct of land and a *rente* in the village of Vlaardingen.<sup>62</sup> Willem had already appointed local experts to look into the case and arbitrate a decision. He had also filed a complaint at the court of Vlaardingen, but all in vain. In the end he appealed to the count, the protector of foreigners.<sup>63</sup> After an investigation, the count and his council confirmed Willem in the ownership of a *rente* worth 5 lb. mortgaged on land. The count ordered the bailiff of Schieland to

<sup>60</sup> De Schepper & Cauchies, “*Justicie, gracie en wetgeving*”, 128.

<sup>61</sup> De Monté VerLoren, *Bezit en eigendom*, 216. Over time, local authorities started to protect subjects from losing contracts as well (cf. Chapter 4).

<sup>62</sup> De Monté VerLoren edited the sources relating to this case (De Monté VerLoren, *Bezit en eigendom*, 188–199).

<sup>63</sup> Foreigners even enjoyed the privilege of appeal in first instance to the count. Why Willem did not use this privilege is unknown (De Monté VerLoren, *ibid.*, 188, 195).

protect Willem in the ownership of the *rente* and the possession of the land.<sup>64</sup> And there were many other examples of creditors appealing to the comital council; here are a few: in 1436 the Rotterdam citizen Jacop Jan demanded that the city of Rotterdam pay him a *lijffrente* owned by his wife. He used a *rente* contract as evidence. The council sentenced the city to pay the *rente*.<sup>65</sup> In 1439 the council settled a dispute between Otte van der Mere and her daughter Belie on one side and Daniel van Cralingen on the other. Daniel owed the two women a *rente* of five *nobel*. The case was settled by redeeming the *rente*.<sup>66</sup> In 1440 Aelbrecht Lievinc accused the sheriff of the city of Alkmaar of burning a *lijffrente* contract worth 20 crowns. The council ordered the city to compensate Aelbrecht or to appear before it.<sup>67</sup>

Apart from examples of creditors appealing to the council, there is another way to put this institution to the test. Low transaction costs should have allowed a large number of litigants to pursue legal action, and should have allowed people that had a relatively low social and economic status to seek justice. Some quantitative data of litigants appealing to the council are available for the second half of the 15th century. Le Bailly studied the functioning of the *Hof van Holland* – as the supreme court was called after 1450 – from 1457 to 1467. Privileged persons made up the majority of plaintiffs (54.7 per cent). Nobles, clerics, government agents, widows and orphans, foreigners, mongrels, solicitors, and lawyers all used their right to appeal in first instance. The remaining 45.3 per cent was not privileged. These plaintiffs appealed judgements by lower courts to the council. Of the 51 villagers who appealed whose social status is known, eight were vassals, seven landowners, one was a tenant, and 35 were neighbours.<sup>68</sup> If it is assumed that vassals and landowners were among the village elite, most of the villagers (70.6 per cent) were of modest means. This is supported by the occupations and functions of the plaintiffs: among them were artisans,

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<sup>64</sup> Although the count and council were positive Willem was the rightful owner of the *rente*, they were less sure about the land. That is why they sentenced Willem in the possession: he was not yet seen as the indefinite owner. In fact the litigants continued to proceed about the land after the judgement of the count and council.

<sup>65</sup> Lombarts, *Memoriale T*, 354–355.

<sup>66</sup> Lombarts, *Memorialen Rosa* IV, V, VI, 396.

<sup>67</sup> Lombarts, *ibid.*, 519. The supreme court heard cases about obligations as well. Cf. examples in Van Riemsdijk, *Rechtspraak I*, 52; Van Riemsdijk, *Rechtspraak III*, 256, 257–259.

<sup>68</sup> Data about social status are rare. Le Bailly could not identify the status of 294 of a total of 351 plaintiffs.

guild members, and members of civic militias, as well as merchants, skippers, and fishermen.<sup>69</sup>

Plaintiffs frequently filed civil lawsuits: these made up 22 per cent of the cases heard by the supreme court. Of the 255 civil cases that were recorded, 162 were heard in the first instance. The remaining 93 cases were appeals: 52 in the second instance, while 41 cases had already been judged several times, presumably first by the local sheriff and then by the regional bailiff.<sup>70</sup> Many civil cases dealt with credit: 122 (47.8 per cent) were about redeeming debts, repaying loans, arrears in rents, leases or *renten*, and the sale or purchase of land.<sup>71</sup>

In the civil cases, the frequent appearance of ordinary people is striking. In no less than 72 per cent of the cases the court heard from 1457 to 1467, the plaintiff was not privileged.<sup>72</sup> Le Bailly concluded that “the social range of the *Hof* was relatively large”.<sup>73</sup> This was in part the result of the central government’s efforts to reduce transaction costs. A 1462 instruction to the high court addressed this issue: high expenses should not make the supreme court an elite institution. To give weight to this modern principle, the public prosecutors of the supreme court, the *advocaat-fiscaal* and the *procureur-generaal*,<sup>74</sup> were ordered to assist the poor and needy. The *advocaat-fiscaal* was supposed to defend them free of charge, and the *procureur-generaal* had to investigate charges brought against common people. He probably did not charge anything either. Le Bailly shows that the *procureur-generaal* did indeed represent the poor and needy: in 70 per cent of the cases he assisted the non-privileged.<sup>75</sup> The government thus took an important step in improving the institutional framework.<sup>76</sup>

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<sup>69</sup> Based on the category *overigen* in Le Bailly’s table 5.9. Of the 93 functions and occupations, ten artisans, guild members, and members of civic militias are listed (10.7%), and 27 merchants, skippers, and fishermen (29.0%). The category *overigen* accounts for 11.7% of the plaintiffs’ function or occupation when it is known, and 7.0% when plaintiffs could not be traced are included (Le Bailly, *Recht voor de raad*, 219–235, esp. table 5.9).

<sup>70</sup> Le Bailly, *ibid.*, 235–238 and esp. table 5.14.

<sup>71</sup> Le Bailly, *Recht voor de raad*, 245–247 and esp. table 5.18.

<sup>72</sup> Le Bailly, *ibid.*, 237 table 5.15.

<sup>73</sup> Le Bailly, *ibid.*, 226 [translation CJZ].

<sup>74</sup> Cf. these government officials Damen, *De staat van dienst*, 97–104.

<sup>75</sup> Le Bailly, *ibid.*, 223–224; Damen, *ibid.*, 97–104.

<sup>76</sup> City governments made similar attempts to prevent legal institutions from becoming the exclusive field of the elite, such as Dordrecht at the end of the 15th century.

When Holland was incorporated into the Burgundian state in 1433, its political system changed markedly. The creation of the supreme council in Malines (*Grote Raad van Mechelen*) from 1435 to 1445 added a fourth judicial level to the legal framework.<sup>77</sup> The supreme council had a large government apparatus. The chancellor (*kanselier*) was the leading figure. His function had existed before the supreme council, which was as substitute for the dukes and head of the ducal council.<sup>78</sup> Secretaries, clerks of the court, and members of the chancery assisted the members of the council. They were all salaried agents who received either an annual pension, daily wages, or both.<sup>79</sup> None depended on revenues from the fines they handed out to earn a living. This is important, because such revenues often caused abuses of power among government agents who were forced to depend on the fines they levied.

The supreme council hired officials on an ad-hoc basis. In 1464 an *ontvanger van de exploiten* was appointed to receive the fines the council disbursed. Ushers were responsible for the execution of ducal mandates. They summoned subjects to appear in Malines and ensured that judgements were executed. Even the attorneys and lawyers who made their services available to litigants were incorporated in the Burgundian political system. Although they were not paid by the central government, like the *ontvanger van de exploiten* and the ushers, they swore an oath to the chancellor and were monitored.<sup>80</sup>

At first the attorney general (*procureur-generaal*) was also appointed on an ad-hoc basis: the council only used the services of regional attorney generals. Philip the Good appointed a central attorney general in 1447. A year later there was a temporary substitute, and in 1465 this office was institutionalized as well. In 1473, when Charles the Bold (1467–1477) created the *Parlement van Mechelen* (a supreme court), a first and second lawyer assisted the attorney general. They pleaded the cases the attorney general and his substitute had prepared. By then it is appropriate to speak of a public prosecutor: earlier, the attorney generals had simply focused on the interests of the rulers, but after 1473 they began to defend the concerns of subjects as well. And like

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<sup>77</sup> Van Riemsdijk, *De rechtspraak* I, 52; Van Riemsdijk, *De rechtspraak* III, 4–28.

<sup>78</sup> Van Rompaey, *De Grote Raad*, 143.

<sup>79</sup> Van Rompaey, *ibid.*, 143–218.

<sup>80</sup> Van Rompaey, *ibid.*, 236–248, 249–257.



the *procureurs-generaal* of the *Hof van Holland*, the attorney general of the supreme court prosecuted malfunctioning government agents.<sup>81</sup>

In the 15th century the first steps towards the creation of a Burgundian government were made. In 1473 Charles the Bold created a central audit chamber, the *Algemene Rekenkamer*, and the *Parlement van Mechelen*. These innovations provoked resistance among subjects anxiously trying to retain their privileges. When Charles the Bold died on the battlefield in 1477, they rose up and forced his daughter Mary to limit ducal power and revoke earlier attempts at centralization. She met their demands in the 1477 *Groot Privilege*: the *Algemene Rekenkamer* and the *Parlement van Mechelen* were dissolved, and the supreme council was reorganized.<sup>82</sup>

The developments in 1477 could not stop centralization, but did slow the process. Governing, judicial, and financial institutions re-emerged from 1477 to 1531. In 1504 the *Grote Raad van Mechelen* was launched, which was a supreme court originating in the *Grote Raad* that had lost its judiciary competence and was from then on known as the *Grote Raad naast de Vorst* or *Geheime Raad*. Thus, a supreme court and governing body for the Burgundian territory were created. In 1511 the *Raad van Financiën* appeared as well, followed in 1531 by the *Collaterale Raden*, consisting of three councils: the Council of State was responsible for military and foreign affairs and was used as a check on the regent, the Privy Council was responsible for domestic matters, especially government, legislation, and jurisdiction, and the Council of Finance was responsible for financial management in the Low Countries.<sup>83</sup>

The *Grote Raad* offered the inhabitants of Holland a new court of appeal when they did not agree with judgements by the *Hof van Holland*. But did they make use of this possibility? After all, Malines was miles away and litigation was expensive. Still, there are examples of inhabitants of Holland litigating up to the supreme court. In 1531 a married couple from Amsterdam, Willem Fransz. and Marie Florisdr., filed against the Cartusian Abbey of Utrecht for an arrears in *rente* payments. They lost and took the case to the *Hof van Holland*. In 1535 the court judged the appeal to be unfounded. In 1540 Willem and Marie appealed to

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<sup>81</sup> Van Rompaey, *ibid.*, 219–235; cf. examples of prosecution of government agents in Van Rompaey, *ibid.*, 229 notes 63–64.

<sup>82</sup> Baelde, *Collaterale raden*, 4–5.

<sup>83</sup> Baelde, *ibid.*, 8–9, 22–25; Tracy, *A financial revolution*, 28–29.

the supreme court. Once again they lost the case: the supreme court agreed with the *Hof* and dismissed the appeal.<sup>84</sup>

Many inhabitants of Holland appeared before the Supreme Council. According to De Smidt, the Supreme Council had “an enormous significance” for Holland and Zeeland.<sup>85</sup> After a hesitant start, the inhabitants of the northern Low Countries found their way to Malines (table 1.1). According to De Smidt, litigants came mostly from Holland and Zeeland.<sup>86</sup> This view is confirmed by the data in table 1.2: the distance to the court did not discourage the inhabitants of Holland and Zeeland; on the contrary, they used it more than the inhabitants of any region in the southern Low Countries.<sup>87</sup>

Table 1.1. Geographic origins of appeals at the Grote Raad (1470–1534)

	Northern Low Countries	Southern Low Countries
1470–1476	27%	73%
1477–1504	38%	62%
1505–1534	39%	61%

Source: De Smidt, “De Hoge Raad”, 56.

Table 1.2. Geographic origins of appeals at the Grote Raad (1470–1534)

Region of origin	Number of appeals
Burgundy, Artesy, and Picardy	fewer than 300
Hainault, Namur, and Luxemburg	fewer than 400
Brabant, Malines, and Antwerp	about 425
Flanders	fewer than 900
Holland and Zeeland	about 1000

Source: De Smidt, “De Hoge Raad”, 57. De Smidt has rounded off the figures.

<sup>84</sup> Bomhof, *Amsterdammers voor de Grote Raad*, 61 nr. 102.

<sup>85</sup> De Smidt, “De Grote Raad van Mechelen”, 57 [translation CJZ].

<sup>86</sup> The figures Blockmans collected show that from 1470–1504 151 Zeeland subjects appealed to the *Grote Raad*, while 266 Hollanders appealed (Blockmans, “Die Hierarchisierung der Gerichtsbarkeit”, 275).

<sup>87</sup> From 1470 to 1504 most appeals came from Flanders (32.5%), Holland (19%), and Zeeland (10.8%). When we compare these proportions with population figures (Flanders accounted for 25.8% of the total Burgundian population, Holland 10.3%, and Zeeland 3.4%) the prominence of subjects from Holland and Zeeland is obvious (Blockmans, *ibid.*, 275).

### *Regional and Local Institutions*

The majority of the litigants did not take their lawsuits as far as central institutions; they were far more likely to keep to local and regional courts. Usually they filed a complaint in the first instance at the local court of the shire (*ambacht, ban*). This was the jurisdiction of the sheriff, the so-called *ban* (from *bannus*, the sheriff's right to command). Together with organizations of subjects, sheriffs were responsible for administration of justice and legislation; civil cases and petty crimes were within their competence. Sheriffs were not judges: in the south of Holland aldermen formulated judgements and in the north there was the *azega*, a regional judge responsible for administration of justice in a number of settlements, although this office gradually disappeared in the late Middle Ages.<sup>88</sup> Sheriffs organized and presided at sessions of the local court and maintained public order: they could impose fines when their orders were not obeyed.<sup>89</sup>

Initially the counts invested the sheriffs with the right to command. Starting in the 13th century, bailiffs (*baljuws*) carried out this task; these government agents were at the head of large, regional jurisdictions called bailiwicks (*baljuwschappen*).<sup>90</sup> Although some small bailiwicks that coincided with a shire also existed, large bailiwicks consisting of a number of shires allowed the counts to monitor the local sheriffs. Furthermore, together with the rural elite, regional bailiffs organized sessions of regional courts. These *baljuwshoven* (regional courts) were competent to deal with severe crimes for which the sentences could be corporal punishment. They were also courts of appeal, where subjects could complain about the judgements of lower courts.

Bailiffs and sheriffs were government officials. They took an oath of office: in the mid-16th century the Haarlem sheriff swore

... den grave van den lande gehout ende getrouwe te wesen, te stiven ende te starcken in zijne hoecheyt, heerlicheyt ende rechten... ter vierschaer te sitten recht ende justitie te doen eenen yegelicken, die des begeert ende te doen zal hebben....<sup>91</sup>

<sup>88</sup> Gosses, *Welgeborenen*, 82–84.

<sup>89</sup> Al & Van Cruyningen, "Een schout in opspraak", 131–132; Gosses, *ibid.*, 87.

<sup>90</sup> Kosmann-Putto, "Staatsinstellingen", 32; De Monté VerLoren & Spruit, *Hoofdelijnen*, 180; Gosses, *Welgeborenen*, 81–82.

<sup>91</sup> Huizinga, *ibid.*, 441–442 (source from 1541–1555).

(to be loyal to the count and to uphold his majesty, sovereignty, and rights.... to hold court sessions and to do justice to those who request justice)

Many bailiffs and sheriffs were salaried officials:<sup>92</sup> in 1334 the Rijnland bailiff received an annual salary of 150 lb. Officials of smaller bailiwicks received less: the Rijnland bailiff earned an extra 45 lb. for filling the Woerden office, while the bailiff of Voorne received 36 lb., but his colleague in The Hague did not earn more than 20 lb. And of course they were compensated for expenses they incurred as bailiffs.<sup>93</sup> The sheriff of Pijnacker, Thou Heynricxsz., however, did not receive a salary: in recompense for an annual payment of 12 lb. he was allowed to keep all fines imposed in civil cases.

Bailiffs and sheriffs were supposed to keep accurate accounts, which were audited by the central government.<sup>94</sup> Thou Heynricxsz. had to advance the revenues of criminal fines to the central government and was supposed to submit an account of all fines exceeding 25 lb.<sup>95</sup> Although auditing of the accounts allowed for monitoring the government agents and preventing corruption, its main purpose was probably to encourage officials to transfer money to the central government; the latter often did not bother to audit the accounts of those officials who paid without delay.<sup>96</sup>

Sheriffs could be fired or transferred.<sup>97</sup> In 1445 the sheriff of Leiden, Floris van Boschhuijsen, was fired after a dispute with the steward of northern Holland. The sheriff had illegally opened a sealed box containing money.<sup>98</sup> In 1496 the villagers of Pijnacker appealed to the *Hof van Holland*. They accused their sheriff, Thou Heynricxz., of several abuses, including disregarding common law, issuing threats, and blackmail.

<sup>92</sup> Gosses, *Welgeborenen*, 87; Brand, *Over macht*, 41.

<sup>93</sup> De Boer, *Rekeningen*, XX–XXI.

<sup>94</sup> Van den Arend, *Baljuwschappen*, 95–97, 234–237. Al & Van Cruyningen, “Een schout”, 133. Marsilje mentions references to accounts of sheriffs in the accounts of the *rentmeester-generaal*. These accounts have not been preserved, however (Marsilje, *Het financiële beleid*, 49 note 110).

<sup>95</sup> Al & Van Cruyningen, *ibid.*, 133.

<sup>96</sup> Blockmans, “Corruptie”, 238.

<sup>97</sup> Kossmann-Putto, “Staatsinstellingen”, 31–32; Rijpperda Wierdsma, *Politie*, 212–213; Al & Van Cruyningen, *ibid.*, 131.

<sup>98</sup> Brand, *Over macht*, 88.

Ultimately the case was brought before the *Grote Raad*, which ordered that Thou be discharged from office.<sup>99</sup>

In 1369 the central government investigated complaints about the functioning of bailiffs, sheriffs and beadles in Central Holland.<sup>100</sup> All subjects were ordered to testify about government officials. They exposed the bailiff of Delfland, who had been bribed by a number of subjects.<sup>101</sup> Although the direct results of the inquiry are unknown, in 1384 the central government did impose heavy fines on a number of corrupt officials.<sup>102</sup> In 1457 Philip the Good ordered a similar inquiry into the functioning of the government apparatus. In 1462 the central government ordered the *procureur-generaal* to monitor bailiffs. In 1464 he prosecuted Jan van Heemstede, the bailiff of Kennemerland, for abuse of power. The bailiff had arrested, imprisoned, and tortured Jacob Gerytsz. on an accusation of marauding. The *procureur-generaal* questioned the bailiff's competence. The *Hof van Holland* sentenced him to a fine of 300 *Gouden Leeuwen* and started a dismissal procedure.<sup>103</sup>

The local government machinery relied on beadles and secretaries. The bailiff of Rijnland was assisted by five beadles: one in each of the three districts of the bailiwick, one for the bailiwick of Woerden, and one for cases of the high court. Their task was to summon litigants and the regional elite making up the bailiff's court (*welboren mannen*). Sheriffs were also often assisted by beadles, who were invested with the *bannus* and carried a rod as a sign of their authority. They received a wage and swore an oath of office. The beadle of Haarlem swore to serve

... alle personen, die ons versoucken zullen, hetzij om yemanden te recht te dagen, te arresteren oft anders onzen dienst aengaende....<sup>104</sup>

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<sup>99</sup> Al & Van Cruyningen, *ibid.*, 142–144. Cf. for examples of prosecution, Van Riemsdijk, *De rechtspraak* III, 188–191, 201; Blockmans, “Privaat en openbaar domein”, 713, 717; Rollin Couquerque, “Vonnis van het Hof van Holland”, 635–636.

<sup>100</sup> In medieval sources this area is known as North Holland. It consisted of the bailiwicks of Rijnland and Woerden, The Hague, Delfland, and Schieland.

<sup>101</sup> De Boer, *Rekeningen*, XXIII; Jansma, “Un document”. The results of the investigation were written in a register. Hoek edited parts of this interesting source (Hoek, “Ingezetenen van 's Gravenzande, Naaldwijk, Wateringen en Monster in 1369”; Hoek, “Ingezetenen van Vlaardingen, Schipluiden, Het Woud, Harnas, Maasland en Vlaardingerambacht in 1369”; Hoek, “Ingezetenen van Beukelsdijk, Overschie, Schiebroek, Schiedam en Matenese in 1369”; Hoek, “Ingezetenen van Hilligersberg, Rotterdam en Kralingen in 1369”).

<sup>102</sup> De Boer, *ibid.*, XXII–XXIII.

<sup>103</sup> Van den Arend, *Baljuwschappen*, 239. Cf. for examples of prosecution, idem 240–243, and Blockmans, “Privaat en openbaar domein”, 712, 714–717.

<sup>104</sup> Huizinga, *Rechtsbronnen*, 444–445.

(anyone who requests us to summon someone to appear in court, to seize or to fulfil any other duties)

Secretaries or clerks were important figures as well. They kept records of jurisdiction and adjusted changes in jurisprudence to the codes of law. For their services they often received a small sum from litigants.<sup>105</sup> In Leiden the secretaries were also unsalaried at first: only when the city reorganized the office in 1448–1449, did the newly appointed secretary, Jan Philipsz., receive a salary of 100 *Rijns gulden* (Rg.).<sup>106</sup> Secretaries were indispensable because they knew a great deal about the local markets for real estate and capital. As confidential agents and having a significant knowledge of local affairs, they were supposed to keep their position for the rest of their lives.<sup>107</sup> Like other government agents, secretaries swore an oath of office.<sup>108</sup>

The success of medieval state formation should not be exaggerated, however. Corruption was common: Dirc van Delf, a cleric working at the court of Count Albrecht, compared jurisdictions to spider webs: small mosquitoes and flies got stuck, while the big worms crawled through.<sup>109</sup> Although informal, personal relations were always important, in the late Middle Ages, they were particularly influential: according to Blockmans, increasing state formation caused tension, while informal relations brought relief, albeit through some customs we no longer associate with a smoothly operating government apparatus, such as patronage, bribery, grants, and the leasing of offices.<sup>110</sup>

The way offices were distributed often contributed to corruption: the right to appoint officials was often leased out to wealthy subjects willing to lend money to the lessee. At the end of the term, the latter leased out the right to appoint officials for an even larger sum, used the loan to redeem the former tenant, and kept the remainder

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<sup>105</sup> The secretary and beadle of The Hague each received half a *stuiver* from both litigants. They received an *oortgen* – ½ *stuiver* – when they seized goods. Tariffs were doubled when the officials had to operate outside of The Hague. Beadles were paid considerably more when they helped to organize public sales: this required significant effort, and therefore revenues could reach 6 guilders (De Boer, *Rekeningen*, XIX; Van den Arend, *Baljuwschappen*, 287–288).

<sup>106</sup> Marsilje, *Het financiële beleid*, 93–102.

<sup>107</sup> Van den Arend, *Baljuwschappen*, 288–289.

<sup>108</sup> Cf. Haarlem Huizinga, *Rechtsbronnen*, 444.

<sup>109</sup> Hermesdorff, *Rechtsspiegel*, 134.

<sup>110</sup> Blockmans, “Corruptie”, 232.

himself.<sup>111</sup> Government agents had to invest heavily in their offices, giving them clear incentives to maximize revenues. This practice started in the mid-14th century and was upheld throughout the balance of the Middle Ages.<sup>112</sup> Of course, it led to abuse: wealthy subjects could buy offices and appoint their clients.

This is why the Burgundians tried to regain the appointments or granted them to cities rather than individuals. In Leiden the right to appoint the sheriff and aldermen was initially owned by either the count or the *burggraaf*, a noble in charge of the comital castle in the centre of the city. When they needed money they could lease out this right to the highest bidder. In 1420 John of Bavaria leased out the right to appoint the sheriff, aldermen, and some other civil servants to four wealthy citizens of Leiden, who were members of the same *Kabeljauw* faction that had helped Jan rise to power after the death of Count Willem VI. The political power that the four had bought meant that the government of Leiden remained *Kabeljauw* for a long time. It also meant that the partisan struggle between *Hoeken* and *Kabeljauwen* was no longer channelled: the frustrated *Hoeken* frequently rebelled against the political status quo. Thus, not only had the city become a plutocracy ruled by the wealthiest citizens, its offices were either granted to the highest bidders or the clients of the lessees. When peace was restored in Holland, Philip the Good started to reorganize its government apparatus. In 1434 he promised to stop leasing out the right to appoint the sheriff and aldermen of Leiden; in the future he would appoint sheriffs himself and leave the appointment of aldermen to the city.<sup>113</sup>

As a consequence of the leasing out of offices, it was not easy to fire tenants. They agreed to lease on condition that they would not be fired before the debts on the office were repaid.<sup>114</sup> A 14th-century example hints at the problems this could cause. Around 1350 Count Willem V (regent 1345–1354, count 1354–1389) owed 5000 lb. to the bailiff of Kennemerland and West Friesland. In 1355 the subjects of the bailiwick raised 6000 *schilden* to redeem the office. Why they did that is unknown, but it seems reasonable to assume they thought the

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<sup>111</sup> Both offices of bailiffs and sheriffs were leased out (Brand, *Over macht*, 117–125 and 117 note 30; Marsilje, *Het financiële beleid*, 39–44; De Boer, *Rekeningen*, XXI–XXII; Al & Van Cruyningen, “Een schout”, 132–135).

<sup>112</sup> Bos-Rops, *Graven op zoek naar geld*, 30; Brand, *ibid.*, 117–125.

<sup>113</sup> Brand, *ibid.*, 121–122.

<sup>114</sup> Brand, *loc. cit.*, 123.

official did not do a good job and redeemed the office to get rid of the bailiff. The subjects even went so far as to force the count to promise he would refrain from leasing the bailiwick in the future.<sup>115</sup>

Many civil servants did not qualify for their job. They were simply wealthy enough to make the necessary investment and maintain the informal relations that gave them access to the office. Blockmans explained that “those appointed were not called upon to perform the functional aspects of the job”.<sup>116</sup> They regarded their offices as investments to capitalize on. To this end government agents could exploit subjects by having them pay more for services. An alternative was to limit public services: complaints about the absence of authorities were common. Some office holders simply appointed someone to fill in for them. This opened up possibilities for further incompetence and profiteering. Others accumulated offices to reduce expenses, resulting in conflicting interests.<sup>117</sup>

The career of Thou Heynricxsz. is an example of the problems that could arise as a result of leasing offices. From about 1460 to 1500, he acquired four sheriff's offices. First he took the office of Nieuwland after he had lent money to the Duke of Burgundy. In 1478 he acquired the office of Pijnacker, which he put in his son Ysbrant's name, who was about seven years old at that time. Thou paid 150 lb. for this office; he could not be fired before the sum was redeemed. Furthermore, for an annual payment of 12 lb., he was allowed to keep all fines and revenues from the civil jurisdiction. Thou probably used other straw men to acquire the offices of the Hof van Delft and Vrijenban, which required him to lend a sum of money as well. Of course, the accumulation of offices forced Thou to appoint replacements.<sup>118</sup> To capitalize on his investments, he penalized minor offences with large fines: one subject had to pay no less than 26 lb. for poor maintenance of a bridge. Moreover, Thou did not flinch from force and intimidation to extort money from villagers. The villagers of Nieuwland and Pijnacker filed complaints at the *Hof van Holland*; the historians Al and Van Cruyningen suppose the sheriff was removed from his Pijnacker office

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<sup>115</sup> Cf. other bailiffs abusing their power in Bos-Rops, *Graven op zoek naar geld*, 30; Brokken, *Het ontstaan*, 171–172.

<sup>116</sup> Blockmans, *op. cit.*, 236 [translation CJZ].

<sup>117</sup> Blockmans, *ibid.*, 232–234.

<sup>118</sup> Al & Van Cruyningen, *op. cit.*, 132–135.



in the end.<sup>119</sup> Perhaps Thou is not a representative government agent, but his malpractices clearly show some of the flaws in medieval state formation.

Despite efforts to limit corruption, in the 1477 *Groot Privilege* subjects still filed a large number of complaints about government officials.<sup>120</sup> The inhabitants of Holland and Zeeland demanded immediate cessation in the leasing of offices. Mary of Burgundy conceded this point. She cancelled all existing leases; that is, apart from the leases the cities of Holland and Zeeland disposed of. By 1477 most cities appointed their own sheriffs, and they insisted on retaining this important privilege. In the countryside the leasing of offices should be stopped; the offices were henceforth to be fulfilled by “good, competent and noble men”. These officials had to serve “on accounts”, meaning they would be monitored by the central government.<sup>121</sup>

The leasing of offices highlights a major problem in state formation: occasional money shortages, especially from warfare, required rulers to capitalize on the government apparatus. Whether things were as bad as De Boer, Faber, and Jansen suggest when they write that “the organization of comital administration had many voids and did not allow for efficient measures against deceit and corruption”, however, remains to be seen.<sup>122</sup> After all, officials were monitored, they were fined, and they were fired for malpractice. Perhaps the lingering corruption should not be dwelled upon: after all, corruption still exists today.

### 1.3 *Economic Policy*

No matter how important the government apparatus was for economic exchange, the counts of Holland rarely intervened directly in local affairs. Initially the counts of Holland personally ensured public order was maintained by arbitrating in conflicts between subjects. But they did not use established written legal standards or common law.<sup>123</sup> This practice changed when urban judges appeared on the scene: their main

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<sup>119</sup> Al & Van Cruyningen, *ibid.*, 142–144.

<sup>120</sup> Blockmans calculated that 60 of the 264 articles of the *Groot Privilege* are about corruption (Blockmans, ‘Patronage’, 234).

<sup>121</sup> Jongkees, ‘Groot Privilege’, 222–223 art. 16 [translation CJZ].

<sup>122</sup> De Boer, *Rekeningen*, XXI–XXIII [translation CJZ].

<sup>123</sup> De Smidt, “Rechtsbronnen”, 137.

task was to examine whether plaintiffs complied with legal standards.<sup>124</sup> Such transparent legal codes reduced transaction costs. Once the rules have been established, participants in economic exchange know which behaviour is likely to result in conviction by authorities; thus, they can estimate whether it is profitable to take legal action. Furthermore, established laws improve legal security by cancelling out arbitrary jurisdiction: litigants can appeal against judgements that do not comply with the legal code, making the judiciary more predictable.

In the late Middle Ages legal codes were drawn up in town and countryside. An emerging humanist mentality among government agents contributed to this development, as did demands from subjects, who experienced that “custom could not allow for the resolution of disputes that reached beyond local, provincial or even national borders”.<sup>125</sup> The next step, the unification of legal codes, proved to be problematic: public bodies wanted to retain their customs and law books. Medieval society was divided in personal jurisdictions (nobility, clergy, and manorial relations between lords and serfs) and territorial jurisdictions (shires, bailiwicks, the county, and the personal union of the ruler).<sup>126</sup> We have already seen how the personal jurisdiction of the clergy often clashed with territorial jurisdictions in Holland. Except for a few early examples, the Burgundians were the first to take serious steps towards establishing provincial legislation, and even issued decrees for all their realms.<sup>127</sup> Nevertheless, they made only a few attempts to unify civil law: in general, cities and villages retained their own legal codes.<sup>128</sup>

In the late Middle Ages comital legislation affecting economic exchange was rare, and as a result, the creation of institutional frameworks to support a capital market was often left to local public bodies (Chapter Four). Only in a few instances did the central government directly touch upon this issue: financial institutions, ecclesiastic wealth, and usury.

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<sup>124</sup> De Smidt, *ibid.*, 142.

<sup>125</sup> De Schepper & Cauchies, “Legal instruments”, 261–262.

<sup>126</sup> De Monté VerLoren & Spruit, *Hoofdlijnen*, 224–225.

<sup>127</sup> De Schepper & Cauchies, “Legal instruments”, 260; De Monté VerLoren & Spruit, *Hoofdlijnen*, 227.

<sup>128</sup> De Schepper & Cauchies, *ibid.*, 261.

*Financial Institutions*

The availability of money is a prerequisite for the emergence and performance of capital markets. Coinage was a comital prerogative: the counts were responsible for minting. This was no easy task because precious metals were scarce and mines were located outside the comital realms.<sup>129</sup> So, in 1284, when Floris V wanted to strike coins with a higher alloy of silver, he had to import silver from England.<sup>130</sup> But even such measures were insufficient: international trade caused money to flow to the economic centres of Europe and – due to the negative trade balance with the Orient – ultimately to Islamic traders, causing the shortage of precious metals in Europe to increase over time.

Rulers were perfectly aware of this problem; they were even convinced that a reduced quantity of precious metals would threaten the war efforts, impoverish their realms, and ruin commerce and industry. Therefore, many rulers tried to achieve a positive balance of trade.<sup>131</sup> Worse, coins wore out and may have caused the volume of precious metals in Europe to decrease by 50 per cent in the 14th and 15th centuries.<sup>132</sup> These developments contributed to the appearance of the policy of “bullionism”, which was aimed at maintaining a solid volume of precious metal within the country. The kings of England were important advocates of bullionism. They prohibited the export of coins, influencing monetary affairs in all of the Low Countries.<sup>133</sup> The international competition for precious metals limited the quantity of coins the counts of Holland could strike; in the 15th century Holland struck fewer coins than Flanders and Brabant.<sup>134</sup>

Yet, a survey of household wealth in the small town of Edam and its countryside, De Zeevang, indicates that many people possessed specie. In 1462 41 per cent of households were reported to have cash at home, on average they owned 74 Rg. – amounting to almost 300 day’s wages for a mason from Leiden. Despite an increasing population, the number of households that owned specie is much lower in 1514

<sup>129</sup> Munro, *Wool, cloth and gold*, 14.

<sup>130</sup> Van Uytven, “De macht van het geld”, 214–215.

<sup>131</sup> Munro, *ibid.*, 12–13.

<sup>132</sup> Day, “Monetary contraction in late medieval Europe”, 59–60.

<sup>133</sup> Munro, *ibid.*, 12–13; Munro, “Bullionism”.

<sup>134</sup> Spufford, “Monetary problems”, 53–54; Baerten, *Muntslag en circulatie in de Nederlanden*, 37–41, 78–81; Jansen, Alberts & Niermeijer, *Welvaart in wording*, 205–207; De Vries & Van der Woude, *The first modern economy*, 87.

(9.9 per cent) and in 1563 (9.5 per cent), while the average sums they held increased to 110 Rg. in 1514 (440 day's wages) and 342 Rg. in 1563 (1140 day's wages).<sup>135</sup> Assuming the number of people who may have lied about their wealth remained stable, these figures suggest that over time people did not keep money around the house, probably because the opportunities to invest savings in the economy – for example, in the capital market – increased. And perhaps the growing number of coins held by households that did report owning specie indicates that the monetary situation gradually improved over time.<sup>136</sup>

Medieval rulers often tried to capitalize on coinage. Devaluations were lucrative: rulers bought gold and silver and struck coins worth more than their intrinsic value. The so-called *sleischat*, a large profit on remelting bullion raised by the mint of Holland at Dordrecht, often made up a considerable proportion of comital revenues.<sup>137</sup> Another problem was that the counts had to follow developments abroad: Gresham's Law – bad money drives good money out – forced Holland to devalue its coinage when foreign moneys were devalued to prevent precious metals from flowing away.<sup>138</sup> In the 15th century the Burgundians abandoned the monetary policy the counts of Holland had followed for centuries. Philip the Good no longer capitalized on coinage: he abandoned the practice of devaluation, and unified the coins of Flanders, Brabant, Hainault, and Holland by striking the Burgundian groat. According to Spufford, he probably understood that a stable currency would bring his lands prosperity, and thus hoped to increase tax revenues. This favourable situation was short-lived, however: after 1485 Maximilian again turned to devaluation. Devalued coins caused problems on the capital market: for example, *renten* were paid in devalued coinage. Of course, this practice was contested by *renteniers*, who filed numerous lawsuits claiming their *renten* had to be paid out in coins with a higher intrinsic value. The situation turned around after an important revaluation of the

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<sup>135</sup> A day's wages of 5 *stuivers* was earned by masons working for the Leiden *Catherijnengasthuis* in 1462, 5 *stuivers* in 1514, and 6 *stuivers* in 1563 (Noordegraaf, *Hollands welvaren?*, 70).

<sup>136</sup> Cf. the Edam and De Zeevang *verpachtingskohieren* and *verpondingskohieren*, Chapter 5.

<sup>137</sup> According to Bos-Rops, the *sleischat* raised 20% to 70% of the revenues of European monarchs (Bos-Rops, *Graven op zoek naargeld*, 34). Of course the counts borrowed from mints as well: at the end of the 15th century, the Brabant and Holland mints faced an almost continuous deficit (Spufford, *Monetary problems*, 144–145).

<sup>138</sup> Jappe Alberts, Jansen & Niermeyer, *Welvaart in wording*, 205–206.

coinage in 1489: now *rente* payers – and especially the heavily indebted cities of Holland – had to pay *renten* in coinage of a higher intrinsic value than they had contracted. The central government reacted to their complaints by allowing them to pay *renten* in the original coinage.<sup>139</sup>

The introduction of institutions aimed at credit transactions allowed the economy of Holland to grow in spite of a short, static supply of money.<sup>140</sup> Below, we see how the emergence of capital markets allowed for redistribution of savings and helped increase the velocity of money. Other financial institutions contributed to redistribution of savings as well.<sup>141</sup> By the end of the 14th century, most cities of Holland had “exchange climates” where moneychangers and Lombards facilitated a monetary economy. Interestingly, the counts of Holland were instrumental in this development because the rights to mint, to exchange, and to lend money were comital regalia.<sup>142</sup> This could be quite profitable because offices of moneychangers were leased out for considerable sums. In 1322 the exchange of Dordrecht raised 160 lb. *Hollands*, which was only slightly less than revenues of the important tolls of Dordrecht, which raised 200 lb.!<sup>143</sup>

Moneychangers had a dual function: they carried out the comital monetary policy and offered financial services to subjects. For the counts, the moneychangers advanced all foreign coins they acquired to the mint, where these coins were remelted. Moneychangers and mint officials were supposed to work together to improve the monetary

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<sup>139</sup> Spufford, *Monetary problems*, 134–140; Enno van Gelder, *De Nederlandse munten*, 56–58; Kokken, *Steden en staten*, 259–260. Devaluations were also practised during the Dutch Revolt (Fritschy, “A financial revolution reconsidered”, 61).

<sup>140</sup> Munro mentions innovations as deposits and bills of exchange in Italy as a response to the increasing money-shortage (Munro, *Wool, cloth and gold*, 14–15).

<sup>141</sup> Jappe Alberts, Jansen and Niermeyer point out that devaluations increased the number of coins and helped to overcome the medieval money shortage. Whether this is entirely true is doubtful: devaluations probably caused inflation, meaning more coins were needed in economic exchange. I would argue that devaluations and inflation cancelled each other out (Jappe Alberts, Jansen & Niermeyer, *Welvaart in wording*, 206–207).

<sup>142</sup> Hägermann, “Regalien, Regalienpolitik, Regalienrecht”; Van Houtte & Van Uytven, “Financiën”, 119; Blok, *Geschiedenis eener Hollandsche stad*, I, 213.

<sup>143</sup> From 1330 to 1331 tolls and exchange were leased out for the same amount (Niermeijer, *Bronnen* I, 114). The counts alienated exchanges as well: in 1351 Leiden, Amsterdam, and Schiedam obtained privileges to lease out exchanges themselves (Van Mieris, *Groot charterboek* II 806–807; Van der Laan, *Oorkondenboek van Amsterdam*, 102).

situation.<sup>144</sup> Their efforts served economic exchange in a number of ways. The inhabitants of Holland profited from the moneychangers' extensive knowledge about foreign coins and exchange rates. They had information about the value of coins – what was the value of a *kromstaart*, *vierijzer*, or *rozennobel*? By remelting foreign coins they reduced the diversity of coins, thus further reducing transaction costs. Furthermore, moneychangers took action against counterfeit money. The exchange of Dordrecht even helped to promote the coin Floris V struck: its customers had to pay a levy, except when they used the coin of Holland.<sup>145</sup> As a result of the large number of coins and ongoing debasements, moneychangers were indispensable in economic exchange. This is illustrated by the custom that all woollen cloth received a mark at the exchange of Dordrecht; apparently the moneychangers' office was the nexus of economic exchange.<sup>146</sup>

When the economy of Holland started to expand, its inhabitants demanded credit facilities. By the time of Floris V, the *monetarii*, officials in charge of the mint, were already offering several financial services. In general, those active in money trade – *monetarii*, moneychangers, and Lombards – all engaged in very diverse activities: they stored, transferred, and exchanged money.<sup>147</sup> Officially, Lombards held monopolies on banking activities. They first emerged in Utrecht in 1260,<sup>148</sup> when Bishop Hendrik van Vianden (1249–1267) granted some Lombards permission to start doing business. The way this deal was struck is illuminating; it shows how financial needs forced the bishop to install these usurers. By the 13th century, episcopal elections had become a matter of money. Hendrik had bought his office for a handsome sum, leaving him with enormous debts. By allowing Lombards to settle in Utrecht, the bishop created a source of income; he could sell them

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<sup>144</sup> Of course, moneychangers principally reacted to the possibilities the market offered: they did not always advance bad coins to the mint, but simply sold them to the highest bidder (Sneller, "Het wisselaarsbedrijf", 501).

<sup>145</sup> Van den Bergh, *Oorkondenboek* II, 448.

<sup>146</sup> Niermeijer, *Bronnen* I, 76.

<sup>147</sup> Grolle, *De muntslag van de graven van Holland* I, 22. Cf. some examples of deposit functions of the exchange of Dordrecht from 1297 and 1392: Van den Bergh, *ibid.*, 448; Niermeijer, *ibid.*, 360. In 1481–1482 Rijnsburg Abbey sent a steward to Zierikzee and Bruges to deposit money at the exchanges (Hüffer, *Bronnen* II, 894).

<sup>148</sup> Although it is possible the Lombards appeared earlier in Holland: a late 13th-century source states that by then Lombards had already been active in the county for many years (Ketner, *Oorkondenboek Sticht Utrecht* IV, no. 2155).

privileges, also granting them protection.<sup>149</sup> And protection these users surely needed: in 1267 a couple of Lombards were molested in the Utrecht cathedral.<sup>150</sup>

The counts of Holland were more than willing to sell safeguards to the Lombards, especially when increasing external threats forced them to look for new sources of income in the second half of the 13th century. The latter paid large amounts of money for the right to start a business, especially in trading cities. The money the Lombards paid for privileges accounted for a considerable proportion of comital revenues (table 1.3). The percentages were from 2 to 6 per cent, although the gross revenues must have been much higher: not all Lombards are included in the accounts, probably because the counts also settled outstanding debts with some of them.

Table 1.3. Revenues from Lombards in the accounts of comital receivers (14th century)

Year	Amount (lb.)	Total revenues (lb.)	% of total
1358–1359	95.6.–	4454.18.1	2%
1361–1362	58.6.8	1042.15.11	6%
1392–1394	174.2.8	2933.13.7	6%
1394	163.18.9	3243.7.10	5%
1394–1395	235.3.16	4076.8.9	5%

Sources: 1358–1359, De Boer & Marsilje, *Rekeningen*, 12–20 (Dordrecht, Heusden, Delft, 's Gravenzande); 1361–1362 idem, 271, 320 (Delft, Zierikzee, Middelburg); 1392–1394 idem, 19–20, 30 (Oudewater, Delft, Heusden, Dordrecht, Geertruidenberg, Rotterdam, Brielle, Woudrichem, Middelburg, Zierikzee, Reimerswaal); 1394 idem, 194–195, 206; 1394–1395 idem, 300, 409, 503 (Lombards of Holland, Lombards of Heusden).

<sup>149</sup> According to Melles, Hendrik borrowed from Italian bankers, failed to repay them, and was visited by a few Lombards to resolve matters. Instead of paying them, the bishop offered to allow them to stay and start a business in Utrecht. This would allow the Utrecht citizens to borrow, and to advance their loans to the bishop, who could repay his creditors. This account seems somewhat far-fetched. It is difficult to see why messengers would agree to stay for many years simply to enable the bishop to repay his debts. Furthermore, in Melles' account, the Lombards would advance their own money, via the Utrecht citizens, to the bishop, who would use this money to repay the Lombard's employer. This does not make sense, especially if we consider there is no proof of any Italian debts or a delegation urging the bishop to pay. It is better to look for a simple explanation: the heavily indebted bishop looked for sources of income, perhaps he was familiar with Lombards providing other bishops with an income, and simply sold some Lombards the privilege to start up their business in one of the main trading cities in the Netherlands.

<sup>150</sup> Van Uytven, "De macht van het geld", 219.

Even when the Lombards received the privilege to start a business in the small city of Woudrichem in 1388, they paid the considerable sum of 1500 *oude schilden*. In larger cities they must have paid much higher amounts.<sup>151</sup> Lombards were more than welcome when they set up businesses in cities as small and unimportant as Geervliet and Ameide, and even in the village of Giessen. In the end, most small town ventures proved to be unprofitable; in the 15th century Lombards were rarely found outside of the large cities.<sup>152</sup>

Lombards did more than simply pay for safeguards: they offered financial expertise, operated as government agents and diplomats, and provided the counts with credit, especially in the first half of the 14th century. Even in 1355 Dordrecht still secured a loan of 2650 lb. *zwarten* the count owed some Lombards.<sup>153</sup> Over time, financing by Lombards became less important: the floating debt at the high interest rates they offered – often exceeding 30 per cent – yielded to funded debt at much lower interest rates (Chapter Two).

### *Ecclesiastic Wealth*

In the late Middle Ages secular and spiritual authorities fought bitter disputes over several economic issues. The origins of these conflicts lie in the 11th and 12th centuries, when the Church gained power and the Pope became a sovereign much like the emperor. The Church developed an apparatus for canon law and gained some privileges, most notably immunity and tax exemption; in the late Middle Ages emerging states clashed with the Church over sovereignty and centralized taxation.<sup>154</sup>

The counts of Holland objected to the increasing wealth of religious institutions. Conventuals often received inheritances, but they themselves were not allowed to bequeath to relatives. Assets went to religious institutions, or, in medieval Dutch, to the *dode hand* (literally, “the dead hand”). This practice contributed to the decline of taxable wealth because religious institutions enjoyed tax exemption. Both the counts

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<sup>151</sup> Korteweg, *Rechtsbronnen Woudrichem*, 160–169; Maassen, *Tussen sociaal en commercieel krediet*, 40–41.

<sup>152</sup> Maassen, *Tussen sociaal en commercieel krediet*, 40–44. The same development was apparent in Brabant: the gradual disappearance of moneychangers is ascribed to the improved monetary situation after the unification of the mint in 1434 (Van Uytven, “Geldhandelaars”, 15).

<sup>153</sup> Maassen, *Tussen sociaal en commercieel krediet*, 40–41; Bos-Rops, *Graven op zoek naar geld*, 38–39.

<sup>154</sup> De Monté VerLoren & Spruit, *Hoofdlijnen*, 25–31; De Man, “Maatregelen”, 277.



and city governments experienced declining tax revenues, especially when urban convents became very wealthy and received real estate, *renten*, and movable property. City governments objected to convents engaging in economic activities as well: they paid no taxes and disposed of cheap labour, thus making them a threat to urban industries. The cities had little trouble in convincing the central government that ecclesiastic ambitions had to be checked. As a result, the late Middle Ages witnessed a number of general decrees aimed at the economic activities of the clergy; some having an effect on the capital market.<sup>155</sup>

Charles the Bold tried to limit the number of religious institutions by prohibiting the founding of new convents in Holland and Friesland in 1462, unless they had his explicit permission.<sup>156</sup> Forcing clerics out of the markets for land and capital was another option. To prevent the loss of taxable land, in 1328 Count Willem III forbade convents in Holland, Zeeland, and Friesland from purchasing real estate.<sup>157</sup> Over a century later, in 1439, Philip the Good ordered the comital council to develop a decree aimed at the inheriting of conventuals; in the meantime conventuals were not allowed to inherit.<sup>158</sup> It took some time before the law was instituted, repeatedly causing secular authorities and clergy to clash on the issue.<sup>159</sup> When the decree was finally issued, in 1446, it did not deal only with inheriting conventuals, but addressed the economic position of the clergy in general. According to the central government, convents of the Regular and Franciscan orders were still increasing, and worse, their growth was disproportionate to the size of the country. Conventuals engaging in economic activities threatened labourers, and their inability to bequeath to their relatives caused an increase in the real estate owned by their convents. Philip ordered that they were no longer to accept inheritances, nor purchase, receive, or inherit land before contacting a special commission the central government had appointed to monitor alienation of assets to religious institutions.<sup>160</sup>

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<sup>155</sup> Cf. an introduction about the troubles between church and state, Leupen, “De betrekkingen tussen kerk en staat tijdens de Bourgondiërs”, 387–391 and Jongkees, *Staat en kerk*, 13–22.

<sup>156</sup> The decree was renewed in 1515 and 1518 (Jongkees, *ibid.*, 154, 159).

<sup>157</sup> Van Mieris, *Groot charterboek* II, 464, 477; Jongkees, *Staat en kerk*, 19–20. In the Oversticht a similar decree was issued in 1518, and in Guelders in 1441, 1469, 1496, 1516, 1532, 1536, and 1538 (De Man, “Maatregelen”, 278–279).

<sup>158</sup> Jongkees, *Staat en kerk*, 81–82; Post, *Kerkelijke verhoudingen*, 197.

<sup>159</sup> Cf. examples Jongkees, *ibid.*, 82–87.

<sup>160</sup> Jongkees, *ibid.*, 87–88.

Endorsing the decree proved to be difficult: in Leiden and Haarlem the clergy continued to acquire real estate after 1446. There were a few things the central government could do to uphold the decree: it could refer to it when a case involving conventuals was heard by the *Hof van Holland*.<sup>161</sup> It could also order government agents not to ratify transactions involving conventuals; as we will see in Chapter Four, conveyance by the local court was nearly indispensable for transactions on the markets for land and capital, and an important way to keep transaction costs low. Thus, the central government endorsed the decree in an indirect way.

The central government did not stop at this, however. In 1452 Philip the Good limited the wealth of convents by prohibiting them from acquiring more than the number of conventuals justified.<sup>162</sup> In 1474 Charles the Bold ordered convents to pay taxes on all goods conventuals had received in the past 60 years; they had to pay the gross revenues these assets had yielded in three years. Apparently, convents in Holland did pay.<sup>163</sup> In 1515 and 1518 Charles V limited the assets that subjects entering a convent could take with them to movables and *lijfrenten*. In 1520, 1524, and 1531 he prohibited both the alienation of real estate and *losrenten* to conventuals. Furthermore, religious institutions were ordered to sell the real estate and *renten* their conventuals already owned.<sup>164</sup>

Jongkees identified the States of Holland and Zeeland as the main advocates of the decrees aimed at ecclesiastic wealth. The cities of Holland and Zeeland – and the representative body, the States – had many incentives to move on the clergy: the growth of religious institutions was most acute within city walls, and caused problems for taxation and economy.<sup>165</sup> And although both citizens and peasants fell victim to ecclesiastical courts, the former were hit hardest: in the 15th century the main cities of Holland were confronted by the severe penalties of canon law. By then they had contracted a large public debt that allowed *renteniers* to turn to canon law in cases of default (Chapters Two and Three). This is why the States advocated measures and were very

<sup>161</sup> Jongkees, *ibid.*, 90–91.

<sup>162</sup> Post, *Kerkelijke verhoudingen*, 199.

<sup>163</sup> Leupen, “De betrekkingen”, 390.

<sup>164</sup> Jongkees, *Staat en kerk*, 159.

<sup>165</sup> Cf. the increasing number of abbeys, Jongkees, *ibid.*, 80. About the quantity of goods owned by clergy, Post, *Kerkgeschiedenis van Nederland in de middeleeuwen II*, 69–73; Post, *Kerkelijke verhoudingen*, 189–196.

influential in the emergence of the 1439 decree: the representative body probably consented to a five-year subsidy (*bede*) of 36,000 *schilden* on condition that the central government take measures against the clergy. Similarly, the States probably used the negotiations resulting in the six-year *bede* tax of 40,000 *schilden* they consented to in 1445 to press for the important 1446 decree. Furthermore, in the 1439 commission to research possibilities for prohibiting inheriting by conventuals, we encounter representatives of the *ridderschap* and cities, which hints at the involvement of the States as well. The 1452 decree also originated in negotiations about taxation and was accepted by the comital council, *ridderschap*, and cities.<sup>166</sup>

#### Usury

*Dat si haer gelt redelijc leenen.  
Dat si X penninghe om eenen.  
Ja sulc van achte, sulc van viven,  
Ende dit salmen voer renten scriven  
Om dat si hen des woekerens scamen.  
Al waert dat si van M enen namen,  
Soe salt voer Gode woeker heten.*<sup>167</sup>

(That they borrow their money in a reasonable fashion  
That is one penny for ten  
Yes, even eight or five  
And contract these as *renten*  
Because they are ashamed to admit to usury  
But even if they would take one for a thousand  
God will still consider it to be usury.)

In his book, *Nieuwe Doctrinael of Spieghel van Sonden*, Jan de Weert objected to the concept of usury: even if creditors asked 0.1 per cent interest, God would consider them usurers. The concept of usury is a well-known element of medieval history. Aristotle had taught his students that charging interest was prohibited; much later, Scholastics such as Thomas Aquinas (1225–1274) and Duns Scotus (±1270–1308) elaborated on Aristotle's idea. The Bible condemned the taking of inte-

<sup>166</sup> Post, *Kerkelijke verhoudingen*, 199.

<sup>167</sup> Hermesdorf, *Rechtsspiegel*, 387.

rest (Luke 6:34–35; Matthew 5:42), and many Church Fathers, including St. Augustine, concurred.<sup>168</sup>

At the 1179 Lateran Council the Church excommunicated usurers and denied them burial in consecrated ground, and at the Fourth Lateran Council (1215), it condemned the Jews for taking interest.<sup>169</sup> These usury laws were not a major threat to the development of capital markets because it was relatively easy to evade them. The Church prohibited the *mutuum*, a loan bearing interest, but so long as the debtor was not forced to repay the principal sum and interest at a given time there was no problem. The Church did not object to the sale of *renten*.<sup>170</sup> Like anyone else, Jan de Weert recognized the sale of *renten* as a permitted type of usury; in the fragment cited above, he strongly condemns the practice. Clerics may have agreed, but outside religious institutions only a few people shared his opinion. The lawyer Philip of Leiden considered *renten* to be an acceptable type of investment in his treaty *The cura republica et sorte principantes*.<sup>171</sup> Ultimately, even the Church approved of the practice in 1425, when the diocese of Breslau asked papal consent for the many *renten* its religious institutions owned. By then the religious institutions of Holland participated in the capital market as well.

In the following chapters we will see that the counts, States, cities, and villages all created public debt. Considering their participation in the capital market, it comes as no surprise that upholding usury laws was not the state's prime concern. Legislation about usury was left to the Church, and the same goes for prosecution: the court of canon law, the *seend*, could summon usurers, and judging from a 15th-century Delft bylaw, this was not unheard of:

*Wat poorter in der zeent gewroget worde, dat hij gelt om gelt gegeven heeft, dat men ter wairhede beproven mach, dair en sal hem die poorte niet in te hulpe comen.*<sup>172</sup>

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<sup>168</sup> Munro, "The medieval origins", 506–509; VerLoren van Themaat, "Oude Dordtse lijfrenten", 10; Houtzager, *Holland's los-en lijfrenteleningen*, 2–3; Rogge, *Het misdrijf*, 14–15.

<sup>169</sup> Munro, *ibid.*, 506–509; VerLoren van Themaat, *ibid.*, 10; Houtzager, *ibid.*, 2–3; Rogge, *ibid.*, 14–15.

<sup>170</sup> VerLoren van Themaat, *ibid.*, 10–11.

<sup>171</sup> VerLoren van Themaat, *ibid.*, 10.

<sup>172</sup> Rogge, *ibid.*, 43–44.

(When a citizen is accused in the ecclesiastical court of usury, with ample evidence, the city will not come to his aid.)

Still, sources rarely mention usury, and it seems safe to assume ecclesiastical authorities did not actively prosecute usurers.

The central government first prohibited usury as late as the 16th century. In a 1540 decree called the *Eeuwig Edict*, Charles V lashed out against usury, because “it would cause the loss of souls and harm the county’s prosperity”. He imposed a maximum interest rate of 12 per cent: any contract or obligation bearing more interest would be held null and void. Although the measure was primarily aimed at merchants, other subjects were addressed as well: they were not allowed to lend their money to merchants, on penalty of confiscation of the money and punishment. In 1545 Charles V even forbade usurers to attend mass,<sup>173</sup> and a 1570 decree called the *Criminele Ordonnantie* addressed usury as well.<sup>174</sup> Remarkably, the maximum interest rate had disappeared by then. Thus, the central government punished usurers without specifying what usury was; local authorities had to determine what an acceptable interest rate was, and as a consequence, who they would report as usurers. In 1610 the maximum interest rate dropped to 6.25 per cent.<sup>175</sup>

*Renten* were not the only instruments used to evade usury laws. The bill of exchange was originally for making payments in long distance trade, but allowed for evasion of usury laws as well: using differences in exchange rates, merchants could conceal illegal interest rates. The earliest proof of bills of exchange appearing in Holland is from Leiden, where the local court heard a case about a forged bill in 1436.<sup>176</sup> This financial instrument did not acquire much importance until the second half of the 16th century.<sup>177</sup> Another way to evade usury laws was by contracting *renten* in kind: wheat, wine, wood, and a host of other goods.<sup>178</sup> Price fluctuations made this type of investment highly specu-

<sup>173</sup> *’t welck causeren soude ’t verlies van sielen ende enorme prejuditie der gemeyne welvaert...* (*Recueil des ordonnances* IV, 235; *ibid.*, V, 215–216; translation CJZ).

<sup>174</sup> Repeated in the 1571 decree on *renten* in kind (Cau, *Groot placcaet-boeck* I, 1486).

<sup>175</sup> Rogge, *ibid.*, 45–46.

<sup>176</sup> Blok, *Rechtsbronnen*, 109; cf. other examples: *idem* 149–150, 152–153, 155–156; Smit, *Bronnen tot de handel met Engeland*, 831–832.

<sup>177</sup> De Vries & Van der Woude, *The first modern economy*, 130.

<sup>178</sup> The decree mentions wheat (including *spelt*), grain, rye, oats, barley (including *sucrhoen*) and other types of grain, wine, oil, and other fruits and vegetables, animals, butter, wood, salt, flax, and other species and goods (Cau, *Groot placcaet-boeck* I, 1486).

lative: in the 16th century prices rose rapidly, and creditors gained on their investments. Their profits rose above the maximum interest rate of 12 per cent, causing Philip II to react: in 1571 he prohibited the creation of *renten* in kind and ordered that existing contracts had to be redeemed.<sup>179</sup>

### *Registration*

In the 16th century Charles V and Philip II ordered public bodies to register transactions in the markets for land and capital. They had a few incentives: registration allowed them to obtain an idea of personal wealth and improve taxation. This was necessary because the emergence of regional markets for real estate and capital meant local authorities no longer had a clear grasp of personal wealth, opening up possibilities for tax evasion. Furthermore, registration allowed public bodies to implement their economic policies – especially in preventing alienation of land to the Church – and maintain public order. Although some public bodies already registered transactions in the 15th century (cf. Chapter Five), the decrees unified the way voluntary jurisdiction was handled.

Registration required public bodies to have a virtual monopoly on voluntary jurisdiction. The 1529 decree formalized this element of common law: it ordered all transfers in the markets for real estate and capital to be ratified by the local court. Taxation was a major incentive:

*...overmidts de voorschreve officieren ende rechters, den rijckdom van heuren poorters, buyren ende ingesetenen niet en kunnen geweten, omme daer nae heur settinge ende ommeslagen, ende anders te maecken na grootheyt van elcks goets...*<sup>180</sup>

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<sup>179</sup> Redemption was difficult because *rente* contracts rarely mentioned the purchase-price. Philip II ordered that all principal sums would be calculated by assuming the interest rate was 6.25%. To cancel out the effect of inflation, the value of the original pension was calculated. Changes in both the value of the pension (goods) and principal sum (money) were taken into account. This required that monetary developments and the price level be calculated. The former could be accomplished by looking at the mint decree prior to creation, the latter by looking at the average value of the goods three years before and three years after creation of the *rente* was calculated. The real value of the *rente* was multiplied by 16 to come up with the sum required to redeem the *rente* (Cau, *ibid.* I, 1486–1488).

<sup>180</sup> Decree of May 10 1529 (Cau, *ibid.* I, 373–374; De Blécourt, *Bewijsstukken* II, 377–378).

(the officials and judges can no longer know the wealth of their citizens, villagers, and inhabitants to tax them according to the size of personal wealth)

This decree must be regarded as a unifying measure. Only in extensions issued in 1560, 1571, 1580, and 1612 did the rulers introduce elements that did not already exist in common law. In 1560 Philip II ordered secretaries and clerks to keep registers on penalty of a fine.<sup>181</sup> In 1571 he forced aldermen, notaries, and other public officials to include the purchase price in contracts on penalty of annulment and punishment.<sup>182</sup> And while the 1529 decree was only aimed at special mortgages, the 1580 decree *Ordonnancie vande policien* prescribed the registration of general mortgages as well. Owners of special mortgages were allowed to seize the mortgage, regardless of whether the owner was the original debtor or not. The alienation and mortgaging of real estate had to be registered within a year; the registers had to be kept in a chest with two locks.<sup>183</sup> And in 1612 the States declared mortgaging without registration invalid; such contracts would be annulled.<sup>184</sup>

Concerns about taxation were already voiced in a 1515 decree preventing the transfer of real estate to the clergy (*ammortisatie*). Charles V ordered that the alienation of real estate through inheritance, sale, and mortgaging had to be approved by local lords. That was supposed to prevent transfers that would ultimately result in *ammortisatie*. Furthermore, new owners of real estate, as well as mortgagees, were ordered to promise they would contribute to the local taxes; to add to that promise, they were forced to pledge the real estate. Finally, Charles ordered that all transactions in the markets for real estate and capital should be registered:

*Ende sal daer af goet register gehouden worden tot allen plaetsen.*<sup>185</sup>

(And there will be kept registers in all places.)

The government of Holland was worried about fraud on the markets for land and capital. Ratification by the local court reduced the possibilities for fraud because local authorities were familiar with real estate in the

<sup>181</sup> Cau, *ibid.* II, 759–760.

<sup>182</sup> Cau, *ibid.* I, 1489.

<sup>183</sup> Cau, *ibid.* I, 329–360, pp. 338–340; articles 35–36 edited by De Blécourt, *Bewijsstukken* II, 384–386.

<sup>184</sup> Herman, *Het karakter*, 69–71.

<sup>185</sup> Cau, *ibid.* II, 2047–2052, p. 2050.

jurisdiction. The 1560 decree explicitly links abuses in the markets for real estate and capital with poor registration:

*Ende voorts dat ter cause vande verkooping en ofte belastingen van goeden... veel abuysen, inconveniënten ende questien gebeuren ende voort ghestelt worden, uyt dien dat vande selve verkooping en ofte belastingen geen behoerlijck registre gehouden en wort...<sup>186</sup>*

(Regarding the sale or mortgaging of real estate... many abuses occur and disputes arise because no proper registers are kept of sales and mortgages...)

Although concerns about public order may have been an incentive, Charles V mainly aimed at improving taxation. He reorganized taxes in 1542: having noticed that landownership was no longer a good indicator of wealth because subjects invested heavily in other capital goods, the central government looked for new ways of funding, and introduced direct taxes: 1 per cent on trade, 10 per cent on annual returns for industrial and business capital, and 10 per cent on annual returns for real estate, including rents and *renten*. Along with the introduction of new taxes, the medieval taxation system was revised as well: Charles tried to end tax exemption for the nobility and clergy, time-consuming negotiations, privileged conditions for the main cities, and excessive taxation on the countryside. Admittedly, the tax reform was not a success: the new taxes were evaded on a large scale and the taxation on trade was strongly opposed.<sup>187</sup> But even though the tax on real estate, rents, and *renten* did not raise the amount the central government had hoped for, it was a moderate success: it raised 91,482 guilders when it was first levied in Holland in 1543, which was only slightly less than what the government had expected.<sup>188</sup>

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<sup>186</sup> Cau, *ibid.* II, 1401. After 1521 Charles V issued several decrees aimed at fraud in obligations and bills of exchange due on the fairs of Antwerp and Bergen-op-Zoom (De Smedt, "De keizerlijke verordeningen").

<sup>187</sup> Tracy, *A financial revolution*, 71–107; Grapperhaus, *Alva en de tiende penning*, 46–50; Engels, *De geschiedenis der belastingen in Nederland*, 60–61; Lee, *An introduction to Roman-Dutch law*, 138–140.

<sup>188</sup> The central government had expected the new taxes to raise 120,000 guilders. The 10% tax on commercial profit was a complete failure though, raising a mere 1200 guilders (Tracy, *A financial revolution*, 81–83).



#### 1.4 *Conclusion*

Because the field of operation was so complex, the rulers only rarely managed to gain direct influence on the capital market. Yet indirectly, the counts were very influential in the development of a homogeneous, transparent, and predictable institutional framework that was congruent with the comital territory, allowing subjects the possibility of preventing disorder. Its development benefited society at large, especially by cancelling out coexisting autonomous jurisdictions. Where these existed, they caused disputes of competence because debtors often turned to competing courts – particularly religious courts – to delay administration of justice. Worse, in general the judicial skills of these courts were very poor. Their arbitrary jurisdiction was a threat to economic exchange, reducing willingness to engage in transfers in an impersonal market, long-term loans, and payments on credit. Finally, state formation provided subjects with alternatives to feudal authorities that were much more likely to apply extra-economic force and acquire participants in economic exchange than were government agents functioning in a bureaucratic structure.

State formation provided subjects with an institutional framework consisting of relatively predictable authorities. Subjects could appeal court sentences; not only did this allow them the possibility of having their case reviewed, it provided them with an alternative to common law by turning to authorities that accepted written evidence. Courts of appeal and inquiries into the functioning of government agents created a check on the operations of the judiciary. Even though the late medieval judiciary was not perfect, the improvements in the quality of voluntary and civil jurisdiction reduced transaction costs.

It was a great credit to the state that it was able to develop a social structure allowing for a well-functioning public sector capable of creating and maintaining institutional frameworks on a local level. The state could not have developed efficient market structures on its own: a well-functioning capital market could only emerge if subjects were able to contain the state's ambitions to establish dictatorship. The ruler operated in a field where nobles, clerics, citizens, and villagers reacted to state formation by consenting, protesting, and even revolting.

Subjects were most effective when they developed organizations; the States were the main organization of the subjects. The States consisted of the *ridderschap*, representing the nobility, the urban population of the small towns, and the rural population. It also consisted of representatives

of the six main cities: Dordrecht, Haarlem, Delft, Leiden, Amsterdam, and Gouda. The States provided subjects with formal access to politics and the possibility of influencing institutional development. This organization became an indispensable partner, which had a great deal of influence on politics because it capitalized on the increasing wealth of the subjects it represented; it also wielded the military power of a militia and fleet.<sup>189</sup> Several historians have pointed out that financial services allowed the States to influence institutional change and legislation;<sup>190</sup> it simply bought its way into government by consenting to taxes and loans. This allowed the States to become an important check on comital ambitions. On several occasions the States demanded the reorganization of the *Hof van Holland*; the best example is the 1477 *Groot Privilege*.<sup>191</sup> Furthermore, in the 15th and 16th centuries, the States used its power to influence finances, defence, foreign and internal affairs, judicial matters, and trade.<sup>192</sup>

Over time, the public sector – not only the States, but local public bodies as well – became the main financial intermediary. It gained political power and financial independence in the decades before the Revolt. The creation of county-wide public debt tied the States and public sector to the capital market, and this sparked incentives for institutional improvement. The relationship between the emerging state and the public sector, the way public debt allowed the latter to avoid dictatorship and increase its influence, as well as to help shape a well-functioning market for public debt will be discussed in the next two chapters.

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<sup>189</sup> De Monté VerLoren & Spruit, *Hoofdlijnen*, 137–139.

<sup>190</sup> Stein, “De Staten en de ontwikkeling van de Raad van Holland”, 22–27; Jansma, “De voorgeschiedenis”, 145.

<sup>191</sup> The States made extensive demands during tax-negotiations in 1462 as well (Jansma, “De ontstaansgeschiedenis”; Le Bailly, *Recht voor de raad*, 62–67; Damen, *De staat van dienst*, 44–45; Jongkees, *Staat en kerk*, 80–81, 89, 152–155).

<sup>192</sup> Cf. surveys of the competence of the States, Kokken, *Steden en staten*, 216–276; Koopmans, *De Staten van Holland*, 65–86; Tracy, *Holland under Habsburg rule*.



## CHAPTER TWO

### STATE FORMATION, INSTITUTIONAL CHANGE, AND MARKETS FOR PUBLIC DEBT

To pursue his policy of expansion, Count Floris V was dependent on money he borrowed from family members, vassals, citizens, and international merchants. Such loans allowed him to raise armies to defeat the stubborn West Frisians to the north. But the count's creditworthiness allowed for more than just warfare: Floris was a cunning diplomat who used credit to buy castles. He also used credit to receive strategic possessions as securities for loans. To gain influence in the Nedersticht to the east, he used the financial problems of Jan van Nassau, the bishop elect of the episcopacy of Utrecht. In 1277 the latter had borrowed a large sum from the noble Jan van Kuik by pledging Ter Horst castle. Count Floris reimbursed the noble, and thus acquired the debt and the strategic castle.<sup>1</sup> In 1279, when the elector clashed with the pope over his use of tithes he had collected to support the crusades, Floris lent him money on the pledge of all the Nedersticht revenues, enabling the elector to pay the pope. Without revenues, things went from bad to worse, and in 1281 the elector owed Floris so much money that he had to pledge the whole Nedersticht and its revenues.<sup>2</sup> The count clearly knew how to use credit as an instrument of power: he also granted pensions to his allies and arranged strategic marriage contracts.<sup>3</sup> Both diplomacy and warfare required credit; in a competition between states, the ruler with the best creditworthiness was most likely to survive.

Public finance is often heralded as a prerequisite for state formation. Norbert Elias regarded it as the basis of the state's monopoly on military force: public finance allowed the state to gain power over competitors. The pressures of war caused public finance to become more efficient,

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<sup>1</sup> That Floris used the same technique to get control of the castle of Vreeland and the fortified city of Montfoort, as Slingerland thinks, is unlikely and not supported by our sources (Slingerland, "Wie zal dat betalen?", 65).

<sup>2</sup> Cf. Floris' financial policy regarding the Nedersticht, Slingerland, *ibid.*, and Hugenholz, *Floris V*, 60–71.

<sup>3</sup> Bos-Rops, *Graven op zoek naar geld*, 38; Slingerland, *ibid.*, 64–67; Van Uytven, "De macht van het geld", 215.

especially when competition among states increased.<sup>4</sup> But public finance not only strengthened the position of the ruler, it provided the public sector with bargaining power and allowed it to improve its autonomy. In the words of Anthony Molho

...rather, center and periphery were often strengthened in tandem, in a process of mutual reinforcement that allowed the center new juridical and administrative powers but concurrently strengthened traditional freedoms that institutional and corporate bodies in the periphery had enjoyed in the past.<sup>5</sup>

In Holland the simultaneous strengthening of centre and periphery was an important mechanism behind institutional change.

Late medieval Holland was characterized by a strong public sector responsible for taxation and granting rulers access to capital markets by creating public debt.<sup>6</sup> Its pivotal position had two important consequences: negotiations about taxation and public debt allowed the public sector to derive political power and autonomy.<sup>7</sup> Increasing demands for funding also forced the public sector to maximize the efficiency of taxation and improve its possibilities for selling *renten*.<sup>8</sup> This forced the public sector to take an interest in the capital market to develop and maintain an institutional framework that allowed for trade in *renten*.

This chapter will demonstrate how growing demands in the area of government funding helped increase the power of Holland's public sector and forced it to develop an institutional framework for the capital market. Tracy has shown how the creation of county-wide public debt in the 16th century helped emancipate Holland's representative body, the States. Charles V borrowed large amounts of money from Antwerp financiers, and the only way to repay these debts was

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<sup>4</sup> Molho, "The state and public finance", S98–S99.

<sup>5</sup> Molho, *ibid.*, S101. Usher also pointed out that possibilities for creating public debt favoured autonomy in the Italian city-states, Catalonia, and northwest Europe (Usher, *The early history of deposit banking in Mediterranean Europe*, 135).

<sup>6</sup> I use the term "public sector" to refer to the combined public bodies active in Holland: the States, towns, and villages. This does not imply, however, that medieval Holland had a public sector in the modern sense of the word, with a clear distinction between public and private interests.

<sup>7</sup> Körner sees the emergence of a "world of high finance [that] exercised growing political influence" in Germany, the Netherlands, and England in the late Middle Ages (Körner, "Public credit", 512).

<sup>8</sup> The era of intense warfare in Holland around 1400 gave a clear impulse to the organization of taxation (Bos-Rops, *Graven op zoek naar geld*, 103–104; De Graaf, *Oorlog om Holland*, 67; Janse, *Grenzen aan de macht*; Waale, *De Arkelse oorlog*).

by creating funded debt. The emperor lacked the creditworthiness to create this type of debt himself and turned to the public sector.<sup>9</sup> The States managed to meet his demands by improving their possibilities for selling *renten*: they created county-wide public debt, used future tax revenues as securities for loans, and improved their government apparatus.<sup>10</sup> But whereas Tracy suggests this county-wide public debt was a 16th-century invention, I argue that it was the final step in a slow evolutionary process that started in the 13th century. In the course of this process the institutional improvements Tracy stresses – collective responsibility for debt and future tax revenues as securities – already appear. Moreover, in the late Middle Ages public debt already caused both centre and periphery to strengthen their respective positions: the development of public debt contributed to both state formation and the emancipation of the public sector.

Medieval rulers could turn to two types of loans: floating debt running for less than a year and pledged with jewellery, domains, and revenues, and funded debt contracted on capital markets and usually secured by the public sector. In the course of the late Middle Ages, the counts of Holland started to depend on the latter, which was organized either by individual or collectives of public bodies – and ultimately by the States.<sup>11</sup> This chapter deals with the establishment of collective public debt: section 2.1 discusses the alternatives the counts had for public debt, section 2.2 argues that the rulers only gained access to foreign capital markets with the help of the public sector, and section 2.3 shows how the public sector also managed to sell *renten* in the emerging domestic capital markets.

### 2.1 *The Limits of Comitial Credit: Floating Debt*

Before the end of the 13th century, sources rarely show government borrowing. Only two substantial loans are known before the reign of Floris V: in 1213 Count Willem I (1203–1222) contracted a bond worth 600 lb. *Vlaamse* with the town of Ghent, and in 1249 Count Willem II

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<sup>9</sup> Creditworthiness probably increased when the Habsburg government discovered unpledged domains in Holland in the 1530s that could be used as securities for *renten* (Tracy, *Emperor Charles V*, 91).

<sup>10</sup> Tracy, *Holland under Habsburg rule*, 116–124.

<sup>11</sup> Körner, “Public credit”, 513–514; Tracy, *A financial revolution*, 8–9.

(1234–1256) owed his brother-in-law Herman van Hennenberg (†1290) 4000 mark Cologne, which he would repay in ten annual terms.

More sources are available for the second half of the century. The counts used their creditworthiness, but it is difficult to determine whether they simply bought goods on credit or did in fact borrow money. The only source explicitly indicating the latter is a 1281 obligation issued by Floris to Count Gwijde I of Flanders (1278–1305), which states the former had borrowed 2500 lb.

... *quia nobis eandem in parata pecunia mutuavit*...<sup>12</sup>

(which we [the count] have received in cash)

Other obligations are postponed payments: the sum Willem II owed Herman van Hennenberg was for a dowry, and the 20,000 lb. *Parijse* that Floris V owed the count of Flanders in 1290 was for damages.<sup>13</sup>

There was only a thin line separating consumer credit and loans, however. Although the debts Floris V owed the Teutonic Knights of Koblenz were for the delivery of wine, and thus are examples of consumer credit, there is more to the story. Floris bought the wine on credit, immediately sold it for cash, and thus capitalized on his consumer credit. This financial technique is called *fineren*.<sup>14</sup> It was a risky venture, although it could sometimes turn out well, offering credit at relatively low interest rates. This type of funding appears in our sources and allowed for a way to borrow money in the absence of capital markets.<sup>15</sup>

Government officials were import creditors as well: the counts forced them to lend or advance money to comital creditors. Another way to capitalize on the government apparatus emerged in the second half of

<sup>12</sup> *OHZ* IV, no. 1961.

<sup>13</sup> *OHZ* II, no. 819; *OHZ* IV, no. 2484.

<sup>14</sup> Van Uytven already raised the question of whether the purchase of wine in 1282–1284 from Gerard Burh of Cologne and Michiel Bachelier van Rupelmonde was the result of *fineren* as well (Van Uytven, *ibid.*, 216–217).

<sup>15</sup> Count Albrecht turned to *fineren* in 1398, when he raised 4000 French crowns in Valenciennes (Bos-Rops, *ibid.*, 274 note 176). In 1284 Dordrecht turned to *fineren*, and in 1284–1285 the town denounced having attracted capital by way of *fineringhe* in Bruges (Burgers & Dijkhof, *Oudste stadsrekeningen*, 20, 31; Dozy, *Oudste stadsrekeningen*, 19). In the Leiden accounts the term *fineren* is used in a 1427 account (Meerkamp van Embden, *Stadsrekeningen* II, 213). Haarlem raised money for Count Albrecht by *fineren* in 1400 (Van Loenen, “De rentelast”, 9). Bruges sources mention *fineren* as well: in 1417–1418 the city government borrowed at an interest rate of 10% (Gilliodts van Severen, *Inventaires Bruges* IV, 423).

the 14th century: agents lent money to the counts on the surety of the office. Initially the counts forced sheriffs and bailiffs to lend to them, but in the 15th century the Burgundians even capitalized on the office of the steward of Holland (*rentmeester-generaal*): Willem van Naaldwijk lent 4000 *rijders* (20,000 day's wages for a master mason) on the surety of the office in 1439. In general, the counts of Holland owed large sums of money to their officials, who were allowed to use the revenues of the office as compensation. Ultimately, they received the remainder of the money the counts owed them from their successors in office.<sup>16</sup> We have already seen how this practice caused government agents to capitalize on their offices in Chapter One.

Count Floris V owed debts to a variety of individuals – royalty, family members, and vassals – and institutions – the Teutonic Knights of Koblenz and the cities Dordrecht and Haarlem. For the rest of the Middle Ages the counts occasionally turned to similar creditors: in 1412 Count Willem VI borrowed from several clerics: the commander of the Teutonic Knights, the abbot of Middelburg, and the provost of Utrecht. John of Bavaria borrowed from wealthy nobles such as Ruprecht van Virneburg.<sup>17</sup> Such loans relied on personal relations and informal institutions, and did not allow rulers to borrow large amounts of money.

### *Lombards*

Alternatively, rulers could turn to Lombards and other specialized moneylenders who offered floating debts at relatively high interest rates.<sup>18</sup> In Holland Lombards dominated the moneylender profession. They first appear in the northern Low Countries when some of them set up a business in Utrecht in 1260. Lombards operated in family groups; they invested in new businesses set up by family members and advanced money where demand was high.<sup>19</sup> Thus, their businesses formed networks allowing for reallocation of money.

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<sup>16</sup> Bos-Rops, *ibid.*, 30–31, 77–82, 112–114, 157–161, 227–229; Damen, *De staat van dienst*, 90–94.

<sup>17</sup> Other loans were contracted with the Zeeland abbey of Zoetendale, Lord Arnt van Ordingen, Heinrick Crabel, Ijsbrant van der Lanen, a collective of eight Zeeland noblemen, the Lords Philip and Floris van Borselen, and the abbot of Middelburg (Bos-Rops, *ibid.*, 175–176 and 296 note 174).

<sup>18</sup> In 1260 the Utrecht Lombards charged 86.7% interest in the first four years, which dropped to 65% after four years (Van Uytven, *ibid.*, 219).

<sup>19</sup> Maassen, *Tussen sociaal en commercieel krediet*, 58–59.



It is unclear when the counts of Holland first used the services of Lombards, but that probably happened around 1274, when usury was condemned by the Council of Lyon. Floris V reacted by confiscating the possessions of the Lombards in his realms. He accused the Lombards of

*... iam multis annis manserunt et commercium interdicti fenoris publice excercentes, tantam pecuniam subditis dicti comitis extorserunt usuraria pravitate...*<sup>20</sup>

(living here for many years and publicly committing the prohibited usury, as well as extorting the count's subjects of their money through the evil usury)

Although there is no proof linking Floris with Lombards before 1274, it is likely that the count used the papal encyclical to cancel his own debts.<sup>21</sup> It did not take long before the Lombards were back in business: in 1285–1286 Floris owed 2217½ lb. *Hollands* to Willem van den Bosch, whose real name was Thadeus Cavasone, a Lombard from Asti in northern Italy.

In the 14th century Lombards set up businesses nearly everywhere in Holland.<sup>22</sup> Although they were not as numerous in Holland as in Brabant, where at least 41 were in business in 1309,<sup>23</sup> in Holland they had settled in many towns and even villages. There were at least ten there in the second half of the 14th century.<sup>24</sup> It seems that the Lombards were not important creditors to the counts: the accounts of Willem III do not mention Lombards, and the data Bos-Rops gathered for the end of the 14th and beginning of the 15th century indicate that his successors rarely borrowed from Lombards.<sup>25</sup> Figure 2.1 shows that Lombards

<sup>20</sup> OHZ IV, no. 2095; Muller & Ketner, *Oorkondenboek van het sticht Utrecht tot 1301* IV, no. 2155.

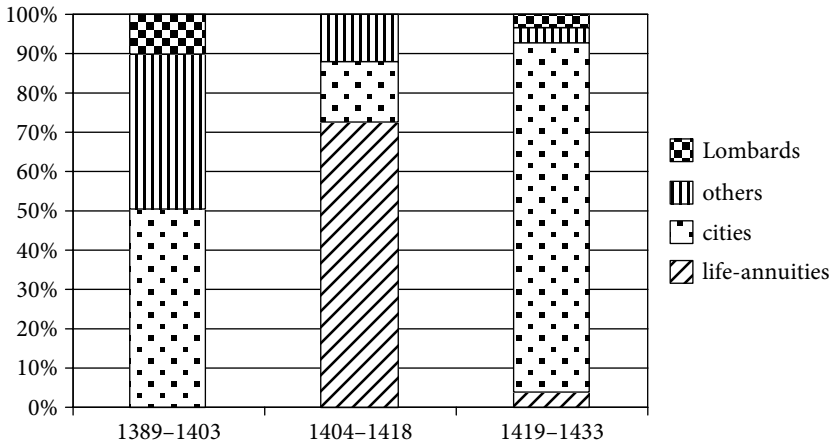
<sup>21</sup> Van Uytven, *ibid.*, 219.

<sup>22</sup> Van Uytven, *ibid.*, 219 note 57; Maassen, *Tussen sociaal en commercieel krediet*, 43–44.

<sup>23</sup> Tihon, “Aperçus sur l'établissement des Lombards dans les Pays-Bas aux XII<sup>e</sup> et XIV<sup>e</sup> siècles”, 351.

<sup>24</sup> We know of Lombards residing in Dordrecht, Haarlem, Delft, Leiden, Rotterdam, Den Briel, Schiedam, Oudewater, Geertruidenberg, Giessen, and Ameide. In Zeeland they had businesses in Zierikzee, Reimerswaal, and Emelisse (Van Mieris, *Groot charterboek* II, 168, 436, 610, 612, 807; Van Mieris, *ibid.* III, 208, 243; Muller, *Regesta Hanoniensa*, 26, 69, 95, 116, 124, 141, 145–146, 158, 201, 239; Blok *Geschiedenis eener hollandsche stad* I, 213–214).

<sup>25</sup> In 1355 Count Willem V (1354–1389) owed 2650 lb. to the Lombards Jan and Peter Pussabini. In 1409 Count Willem VI probably borrowed from the Lombard of



Source: Bos-Rops, *Graven op zoek naar geld*, 240–241.

Figure 2.1. Composition of comital loans (1389–1433)

accounted for 10 per cent of Count Albrecht’s loans from 1389 to 1403. We do know that from 1404 to 1418 they lent money to the counts on several occasions, but unfortunately the amounts are unknown.<sup>26</sup> From 1419 to 1433 their share in government financing was only 3.5 per cent. The sums they advanced were not very large: the maximum amount they lent to the counts from 1389 to 1433 was 992 lb. in 1428. Towns provided far larger sums; in 1419 they advanced as much as 19,959 lb. It is unlikely that Lombards could provide the counts with such amounts. Bos-Rops noted that the importance of Lombards for government financing was limited compared to the situation elsewhere.<sup>27</sup> And H.A.J. Maassen concludes that “in general one can say that secular authorities stopped borrowing from Lombards after the fourteenth century”.<sup>28</sup> In the next sections we will see how funded debt contracted on emerging capital markets provided them with an alternative.

Oudewater and, probably, the Zeeland town of Zierikzee. In 1412 he borrowed from the Dordrecht Lombard, and in 1428–1430 Philip the Good borrowed from the Lombards of Dordrecht and Bruges (Bos-Rops, *ibid.*, 39, 133, 208).

<sup>26</sup> Bos-Rops listed two loans by Lombards with unknown value (Bos-Rops, *ibid.*, 240–241).

<sup>27</sup> Bos-Rops, *ibid.*, 39.

<sup>28</sup> Maassen, *Tussen sociaal en commercieel krediet*, 47 [translation CJZ]; Körner, “Public credit”, 511–512.

*Other Financiers*

There were other creditors the rulers could turn to as well. Floris V already borrowed from a small number of financiers. One was the Utrecht citizen Lambert de Vries, a well-known financier who could raise large amounts of money. He was creditor of the counts of Holland and Flanders and the bishop of Utrecht. In 1292 Floris owed him 12,000 lb. *Hollands*.<sup>29</sup> The count borrowed from a number of other merchants as well, such as the wine merchant Willem Dukink, from Dordrecht.<sup>30</sup> Italian merchants also provided the count with loans, such as Bindus de Squarti and Tege Algli, members of the partnership of Lord Gerardino, and Lord Bindus de Circulis of Florence, and Nello Rubeapellis, a member of the partnership of the Riccardi of Lucca.<sup>31</sup> The merchant Pellegrinus de Chartres of Lucca was also a creditor to Floris V.<sup>32</sup> In the 14th century Count Willem III frequently borrowed from merchants at the Champagne fairs.<sup>33</sup> Count Albrecht borrowed 20,000 crowns in Doornik and 4000 French crowns in Arras,<sup>34</sup> the latter by pledging jewellery.<sup>35</sup> Albrecht's successor, Willem VI, turned to Hainault, Bruges, and Antwerp financiers; his daughter Jacqueline (1417–1433) borrowed in Hainault, Utrecht, and Antwerp.<sup>36</sup>

These financiers were not complete strangers; they often had a personal relationship with the counts. After years of cooperation as creditor and guarantor to Floris V, the count rewarded Lambert de Vries for his services by making him a knight, which was a very unusual honour for a citizen.<sup>37</sup> The Lombard, Willem van den Bosch, also provided

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<sup>29</sup> Compared to Floris' 1281 revenues of 16,600 lb., Lambert's loan was considerable (Burgers, "Tussen burgerij en adel", 9).

<sup>30</sup> Burgers & Dijkhof, *De oudste stadsrekeningen*, 2:10, 6:23, 17:2, 18:14, 29:11. It is likely other creditors to Floris V were merchants as well, such as Simon van Haarlem, probably from Haarlem, Gillis Claward and Gerard Baerde, both from Bruges, Pieter van der Spoye from Damme, Michiel Bachelere of Rupelmonde from Antwerp, Reinier Ecley of Brussels, and Jan ser Pietersz. and Ricout Noordeloos.

<sup>31</sup> *OHZ* IV, no. 2406.

<sup>32</sup> *Ibid.*, no. 2518.

<sup>33</sup> Bigwood, *Le régime*, 61.

<sup>34</sup> Bos-Rops, *ibid.*, 274, note 176.

<sup>35</sup> The counts frequently pawned assets. In 1412 Willem VI pledged jewellery in Bruges and Antwerp, and in 1419 Jacqueline pledged jewellery as well (Bos-Rops, *ibid.*, 133; VerLoren van Themaat, *Oude Dordtse lijfrenten*, 123).

<sup>36</sup> Bos-Rops, *ibid.*, 133, 174–175. Cf. other services financiers offered, Körner, *ibid.*, 507.

<sup>37</sup> Burgers, "Tussen burgerij en adel", 13–14.

many services to Floris V. The count appointed Willem to referee in a dispute in 1285. In 1290 the count wrote the king of England a letter of recommendation for the Lombard. Floris called him “our merchant and lawful and loyal citizen of Dordrecht”.<sup>38</sup> Floris V had a personal relationship with the Bruges citizen Peter Boenne as well. He called him *dilecti creditoris et hospitis nostri*, our beloved creditor and innkeeper.<sup>39</sup> Floris rewarded him with a *rente* and toll exemption. Peter’s sister Katherina even travelled to England to buy silver that the count needed for monetary reforms.<sup>40</sup> In the 14th century the Lombard Bernard Royer of Asti became a financial official of the counts of Holland and a diplomat. Financiers often combined their businesses with offices:<sup>41</sup> in 1316 Ricout Noordeloos was one of three tenants of the Dordrecht exchange.<sup>42</sup>

A small group of financiers operated in large areas of the Low Countries and offered rulers expensive short-term loans.<sup>43</sup> Lambert de Vries had financial relations with the counts of Holland and Flanders and the bishops of Utrecht, and Willem van den Bosch provided the counts of Holland, Flanders, and Guelders, and the duke of Brabant with financial services.<sup>44</sup> These financiers did not operate in a large, impersonal capital market, but relied on personal relations.

James Tracy pointed out that “no government could do without the services of great financiers”.<sup>45</sup> From 1389 to 1404 financiers accounted for 39.5 per cent of total comital loans (figure 2.1, category “others”). They usually offered short-term loans at high interest rates. In 1426 Philip the Good borrowed on two occasions in Amsterdam, paying the usurious interest rates of 16.7 per cent and 29.4 per cent.<sup>46</sup> Such

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<sup>38</sup> Van Uytven, “De macht van het geld”, 219 [translation CJZ].

<sup>39</sup> Innkeepers were important intermediaries in medieval trade (Van Houtte, “Makelaars en waarden te Brugge van de 13e tot 16e eeuw”, 177–197).

<sup>40</sup> Van Uytven, *ibid.*, 218.

<sup>41</sup> Bigwood noticed that the Italians often acquired financial offices (Bigwood, *Le regime*, 197).

<sup>42</sup> Smit, *De rekeningen* III, 192–193.

<sup>43</sup> Smit called attention upon the close ties between Holland and Brabant financiers (Smit, *De rekeningen* III, 195–196).

<sup>44</sup> Burgers, *ibid.*, 7–8; Van Uytven, *ibid.*, 219–220.

<sup>45</sup> Tracy, *A financial revolution*, 26.

<sup>46</sup> In the accounts the term *financie gedaan* is used for borrowing against usurious interest rates. The transaction was concealed: the principal sum was expressed in a foreign currency. The contractors speculated on rising exchange rates. One loan was

interest rates were normal: according to Michel Mollat, Philip frequently turned to professional moneylenders, borrowing for two to 15 months and repaying large redeemable loans in two or three years. The interest he paid varied: in general about 21 per cent for short-term debts running two months, sometimes less for debts running ten months and 13.2 per cent for 15 months. For large amounts of money he paid an annual interest as low as 5 per cent.<sup>47</sup> Later Maximilian complained about interest rates of 25 per cent to 30 per cent.<sup>48</sup> In the 16th century Charles V contracted short-term debts with bankers in Germany, Spain, Italy, and Flanders. On average he paid 26.2 per cent interest, although interest rates fluctuated greatly, ranging from 0 per cent to 261.9 per cent.<sup>49</sup> Figure 2.2 lists the interest rates Charles V paid when he contracted floating debt with bankers in Italy, the German Empire, and the southern Low Countries. It also shows those he paid with funded debt, the *gemenelandsrenten* the States sold. The cost of floating debt contracted with financiers was much higher than the average interest rate of funded debt (7.6 per cent). Thus, it is not surprising to see that rulers tried to gain access to markets for funded debt.

## 2.2 *Tapping into Rich Resources: Foreign Capital Markets and the Creation of Funded Debt*

Floris V operated in a small, personal market for floating debt. He had many problems tapping into the capital markets of the wealthy towns of Brabant and Flanders, where the urban *nouveau riche* were in demand for *lijfrenten*. In the 13th century funded debt was much less expensive than floating debt, and moreover, *renten* did not require repayment. Yet rulers had considerable problems obtaining funded debt on capital markets. Medieval rulers were infamous for their defaults. They usually got away with it because they were the supreme judges within their

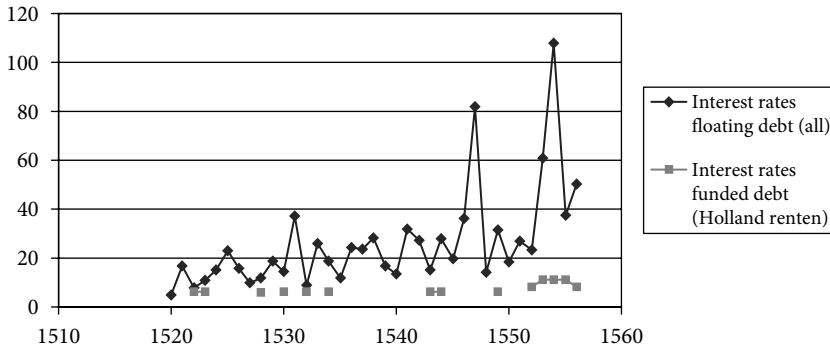
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paid in lb. *Hollands*, but contracted to be paid in crowns. While the loan was for 2100 crowns, when the debt was repaid the count had to pay 2717 crowns because of rising exchange rates. The other loan was contracted for 3000 *Beierse guldens* and repaid with 3500 *Beierse guldens* (De Roover, *Money*, 61–63).

<sup>47</sup> Mollat, "Recherches sur les finances des ducs Valois de Bourgogne", 318.

<sup>48</sup> Hanus, *Tussen stad en eigen gewin*, 46.

<sup>49</sup> Spanish bankers provided Charles loans at no interest in 1522, 153, and 1535. Flemish bankers demanded 261.9% interest in 1555 (Carande, *Charles V*, 74–75, 132–133, 198–199, 290–291).



Sources: Carande, *Carlos V*, 74–75, 132–133, 198–199, 290–291; Tracy, *A financial revolution*, 62, 89, 94.

Figure 2.2. Interest rates of floating and funded debt contracted by Charles V (1520–1556)

realms and were not subject to law. This gave them poor creditworthiness, especially when they tried to borrow from townsmen. Whereas nobles and clerics may have had informal ways to enforce repayment of loans – personal relations, appeals to honour, and penalties of canon law – ordinary people had no such recourse. They relied on hard securities, and the counts had a great deal trouble finding these.

One way to improve creditworthiness was by providing creditors with evidence in writing. This point is explicitly made in a 1281 contract:

*...proximo venturum solvare promittimus presentium testimonio litterarum...*<sup>50</sup>

(evidence in writing is drawn up of this acknowledgement of debt)

Such evidence was gradually accepted in courts of law in the high Middle Ages; Floris V issued at least 43 acknowledgements of debt.<sup>51</sup> To add to the legal security, the count sealed them: the 1290 contract with the Teutonic Knights of Koblenz had 13 seals: the count's and 12 from the guarantors.<sup>52</sup> Still, creditors had to wait to see whether the counts of Holland would really commit themselves to acknowledging the debt.

Another type of security was the possessory. It allowed the creditor to hold the security the debtor appointed. When Floris V took over

<sup>50</sup> *OHZ IV*, no. 1961.

<sup>51</sup> Burgers, *ibid.*, 9–10.

<sup>52</sup> *OHZ IV*, no. 2440.

bonds issued by Jan van Nassau, the bishop elect of Utrecht, he gained possession of important castles and revenues.<sup>53</sup> The counts frequently pawned jewellery as well.

The rulers also used personal liability: in 1213 Willem I owed 600 lb. *Vlaamse* to the town of Ghent. To secure this loan, he opted for a legal institution not uncommon in the Middle Ages. In case of default he would travel to Ghent with two of his knights and stay there until the Ghent aldermen would allow him to leave.<sup>54</sup> Willem thus promised to agree to imprisonment for debt: the *leisting*.<sup>55</sup> The *leisting* was expensive and time consuming, and forced the prisoners to negotiate a solution. It probably was demeaning as well, forcing guarantors to travel to a city and stay at an inn. They left their castles and entered the world of socially inferior citizens. Worse, the citizens were in control: in 1213 Willem I promised to stay in *leisting* until the Ghent aldermen gave him permission to leave. This informal institution could involve economic pressure as well: in 1418 a debtor agreed to a particularly expensive *leisting*, forcing him to take 80 horses with him.<sup>56</sup> Nobles often made use of the institution: according to A.S. De Blécourt and H.F.W.D. Fischer, it ruined many knights in the 14th and 15th centuries.<sup>57</sup>

These measures offered little legal security. The counts and nobles were privileged, allowing debtors few possibilities to pursue legal action. Debtors could not enforce the *leisting*; in the end the securities the counts gave depended on voluntary co-operation, predominantly through an appeal to the guarantors' sense of honour.<sup>58</sup> Ostracism may have been another instrument debtors disposed of: any default would limit the rulers' future possibilities to borrow. This did not provide debtors with compensation for damages, however. Informal institutions

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<sup>53</sup> Slingerland, "Wie zal dat betalen?", 65.

<sup>54</sup> The original charter has not been preserved. Our only information is a note in a 1578 inventory of the Ghent *cartularium* (OHZ I, no. 340).

<sup>55</sup> In 1290 Floris V appointed two groups of guarantors for a debt of 2000 lb. *Hollands* he owed the Teutonic Knights of Koblenz. Among the guarantors were Lambert de Vries and Ricout Noordeloos, two of Floris' most important financiers, who would travel to the city of Delft and stay at an inn at their own expenses in case of default. Another group of guarantors was made up of ten Dordrecht citizens; they faced voluntary imprisonment in two Dordrecht inns. A few months later Floris promised to pay Nicolaas van Cats 3500 lb. *Hollands*. Ten knights and two other persons agreed to engage in a *leisting* in Dordrecht in case of default (OHZ IV, no. 2440, 2494).

<sup>56</sup> Van Mieris, *Groot charterboek* IV, 494.

<sup>57</sup> De Blécourt & Fischer, *Kort begrip*, 282.

<sup>58</sup> Bigwood, *Le régime*, 15.

may have been efficient in a small circle of acquaintances, but they did not allow for transactions in large, impersonal capital markets.

Public debt made all members of public bodies personally liable for debt: when Dordrecht and Haarlem secured loans from Floris V in 1280, all townsmen were held accountable, so when Floris V did not meet his obligations, creditors could pursue legal action against any member of the public body, either by seizing goods or imprisoning for debt. This right is better known as the law of reprisal.

The merits of this system are obvious: all the creditors had to do was to wait for a citizen of Dordrecht or Haarlem to appear and then have the local authorities seize or imprison him. When the economies of Holland and Zeeland expanded, and the main towns became home to an increasing number of merchants frequenting the economic turnpikes of the Low Countries, they could create foreign public debt. Furthermore, public debt exposed public bodies to the penalties of canon law. *Renteniers* could turn to ecclesiastic courts and request them to postpone religious services, the dreaded interdict.

Public debt allowed the counts to create a buffer between themselves and their creditors.<sup>59</sup> Their cities offered them formal institutions to secure loans, and thus increase the legal security of *renteniers*. In the late Middle Ages the public sector provided the counts with access to the capital market: the vast majority of the *lijfrenten* the counts sold between 1389 and 1433 (figure 2.1) were secured by towns. Willem VI especially tapped into the resources of the capital market, developing a considerable funded debt. Using precedents set by his predecessors, he employed financial techniques similar to those of Charles V over a century later – something Yvonne Bos-Rops also noted. Willem relied on two securities: collective responsibility for debt and future tax revenues.

### *Collective Responsibility for Debt*

In 1280 Dordrecht and Haarlem created public debt: Dordrecht secured a loan between Floris V and Albert van Voorne and Nicolaas van Cats. In the same year Haarlem secured a loan between Floris V and the Dordrecht merchants Willem and Ghiso Dukink. This construction

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<sup>59</sup> Kindleberger also pointed out that “some intermediary was needed to stand between the sovereign and the ultimate lender” (Kindleberger, *A financial history of Western Europe*, 45).



may seem strange to modern notions: medieval law distinguished between indebtedness and the responsibility to repay the debt, *Schuld* and *Haftung*. These did not always co-exist, and thus Floris V could be indebted without being responsible for the payment; Dordrecht and Haarlem were responsible without being indebted, and risked reprisals in case of default.<sup>60</sup>

A 1282 example of *Schuld* and *Haftung* is very illuminating. On 31 March 1282 Dordrecht secured a debt Floris V owed Gerard Burh of Cologne and Michael Baceleer of Bruges for the purchase of wine. In a charter Floris promised to compensate Dordrecht for any damages its involvement might cause. When the count defaulted, Michael Baceleer forced townsmen of Dordrecht to agree to imprisonment for debt.<sup>61</sup> While they were imprisoned for debt, representatives negotiated a solution with Baceleer: on 28 April 1282 they agreed that the city would pay the arrears. The city turned to the count and demanded damages. While the results of these negotiations are unknown, it is difficult to imagine the count did in fact pay back the money. It is far more likely he compensated the city with a privilege or a tax reduction.

In the course of the late Middle Ages, the cities of Holland and Zeeland frequently secured debts the central government contracted. Of the 22 larger debts the counts contracted with townsmen in the 13th century, at least 16 were secured by public debt.<sup>62</sup> The 1213 debt Count Willem I contracted with Ghent is the only one we can be sure was not secured by a public body.<sup>63</sup> Thus, using public debt as a security improved possibilities for borrowing from citizens.

Floris V also convinced the towns of Holland and Zeeland to create collective responsibility for debt. In 1291 Dordrecht, Haarlem, Delft, and Leiden, and the towns of Middelburg and Zierikzee, both located in Zeeland, secured the payment of 12,000 lb. *Hollands* the count had contracted with Jan van Arkel, Lambert de Vries, and Ricout

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<sup>60</sup> De Blécourt & Fischer, *ibid.*, 277–280.

<sup>61</sup> The *leisting* cost 32 s., and the Dordrecht accounts are perfectly clear that such expenses were not incidental. In the same year the Dordrecht aldermen were summoned to appear in a *leisting* five times!

<sup>62</sup> *OHZ* I, no. 340; *ibid.* III, no. 1446; *ibid.* IV, nos. 1917, 1943, 2006, 2017, 2043, 2053, 2227, 2246, 2259, 2391, 2406, 2394, 2440, 2518, 2541; *ibid.* V, nos. 2575, 2577, 2845, 2877, 2866, 2867, 3002, 3003. The list is published as appendix 3 of my PhD dissertation.

<sup>63</sup> *Ibid.* I, no. 340.

Noordeloos.<sup>64</sup> The magistrates committed themselves to voluntary imprisonment for debt in case of default, and of course, all townsmen were subject to reprisals.

Collective responsibility for debt is a crucial element in Tracy's account of the financial revolution. While he thinks it was a 16th-century invention,<sup>65</sup> the 1291 example clearly shows that this method was used much earlier. It reappeared in 1345, when Count Willem IV (1337–1345) badly needed money for his war against Utrecht and the Frisians (image 1). Willem ordered representatives of Dordrecht, Haarlem, Delft, Leiden, Middelburg, and Zierikzee to appear in his army camp before the city of Utrecht, and asked them to secure 300 lb. *oude tournooise* worth of *lijfrenten* that he was about to sell. The cities agreed and even signed a treaty stating they would help each other out<sup>66</sup>

*... in rade, in dade, ende in vercrigen ende te innen dat voirseide goet, ons mede te lossen ende te quiten van der vornoemder borchtochte...<sup>67</sup>*

(by council, deeds, and the collection of the aforesaid goods, to redeem ourselves from the aforesaid security)

Another 1345 statement by the city of Haarlem is even more explicit about the collective character of the loan. The city would

*... mit hem te stane, te draghen, te liden ende te ghelden allen last, cost ende scade geliken hem toit enighen tiden die hem ende ons comen mach...<sup>68</sup>*

(bear and pay all troubles, costs and damages that would befall them [the other cities] and us [Haarlem])

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<sup>64</sup> April 6 1291. The creditors were Jan van Arkel, Lambert de Vries, and Rycout van Nordeloes, but a year later, on April 22 1292, Lambert de Vries seems to have taken over the loans from his fellow creditors (*ibid.* V, nos. 2577 and 2724).

<sup>65</sup> "It was to the great merit of Charles V's officials that they envisioned and carried out plans for inducing bodies like the States of Holland to pledge their corporate collective credit to the service of the Habsburg state;...it was not easy to bring the members of a provincial States to accept the novel principle of collective responsibility for debt..." (Tracy, *ibid.*, 17, 45).

<sup>66</sup> A 1432 example indicates such treaties were upheld in a court of law (Van Mieris, *Groot charterboek* II, 691–693; De Blécourt & Meijers, *Memorialen Rosa I–II–III*, 62–63).

<sup>67</sup> VerLoren van Themaat, *Oude Dordtse lijfrenten*, 93–94.

<sup>68</sup> Regionaal Archief Leiden (RAL), Stadsarchief (SA) I, inv. no. 81 (privilegeboek B), f. 13.

A collective of the main cities of Holland and Zeeland was legally responsible for the payment of the *lijffrenten*. Moreover, even nobles from Holland signed the 1345 treaty, and as we will see, this is very similar to the social groups securing the *gemenelandsrenten* of the 16th century.<sup>69</sup> In 1289 even the *lude van suethollant*, the people of the rural region of Zuidholland, contracted a bond worth 630 lb. with Jan Pac of Bruges.<sup>70</sup> At an early stage the counts used collectives of nobles and public bodies to improve their creditworthiness, and they continued to do so for the rest of the late Middle Ages (table 2.1).

### *Future Tax Revenues*

The capital market allows debtors to use future revenues as security for loans; thus it allows them to meet present needs.<sup>71</sup> Tracy showed how Charles V used his fixed income to increase his creditworthiness in the 16th century: he persuaded towns and provinces to “anticipate” one or more ‘terms’ of a subsidy”, and likewise to anticipate domain receipts. Thus, Charles collected his future income beforehand. After 1542 the emperor used his tax collectors’ future receipts as security for loans he contracted on the Antwerp Exchange.<sup>72</sup>

In the 15th century towns were already asked to pay subsidies before they were due: in 1478 Dordrecht, Delft, Leiden, Gouda, Alkmaar, and Hoorn lent Maximilian money on surety of that year’s subsidy.<sup>73</sup> This principle goes back to the 13th century, when the counts already used future tax revenues as security for loans. Count Floris V used the subsidies he levied in Zeeland to secure a debt worth 3500 lb. *Hollands* he owed Nicolaas van Cats in 1290. And future tax revenues were used for public debt as well: in 1345 Count Willem IV used future taxes he levied in the large bailiwick of Rijnland as security for the towns. Thus, he secured the towns against any grief the sale of *lijffrenten* might cause, and added several other revenues as well: rents from tolls, mills, ferries,

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<sup>69</sup> An early example of nobles standing surety is the 1290 charter stating 12 knights and four squires guaranteed to the Teutonic Knights of Koblenz that the count would pay for the 720 *roeden* wine he had bought (Van Dalen, *Oorkonden*, 218–220, cf. De Fremery, *Supplement*, 226–227).

<sup>70</sup> Van Dalen, *ibid.*, 212.

<sup>71</sup> Tracy, *ibid.*, 221.

<sup>72</sup> Tracy, *ibid.*, 39–42.

<sup>73</sup> Kokken, *Steden en staten*, 218–219 and 219, note 14.



Image 1. Townsmen of Utrecht submit to Count Willem IV after the siege of 1345  
 In 1345 Willem IV, Count of Holland, Zeeland, and Hainault, took the city of Utrecht. The image shows three mayors, bareheaded and in undershirts, begging the count for mercy. The siege of Utrecht was in part financed with collective responsibility of debt by the towns of Holland and Zeeland. Image from the *Remissorium Philippi*, a comital inventory from about 1450.

Source: *Remissorium Philippi* (Nationaal Archief, *Archief graven van Holland 1189–1660*, inv. no. 2149).

and tithes. The towns were allowed to seize the securities when they suffered damages from the issue of *lijfrenten*.

A few years later, in 1351, the count took matters one step further, when Dordrecht, Haarlem, Delft, Leiden, Amsterdam, Alkmaar, Medemblik, Geertruidenberg, Schiedam, Rotterdam, and Oudewater secured the pension (*lijftocht*) of the duchess of Brabant, as well as 3500 lb. *zwarte tournooise* that Willem V owed to the bishop of Utrecht and 400 lb. *zwarte tournooise* the count had to pay for repairs to the castle of Woerden. Count Willem appointed all his rents – including the *bede* tax in Rijnland – as well as the confiscated goods of outcasts. The towns were allowed to appoint one or two tax receivers in Rijnland to ensure they would get the money.<sup>74</sup> In this case, the count gave the towns full control over future tax revenues.

Tax revenues already increased markedly during the late Middle Ages and even surpassed domain revenues in importance, a development we know as the tax evolution.<sup>75</sup> Regular taxes were levied from at least the 12th century, when the count of Holland was already assured of the *shot*, a tax levied in most of Holland.<sup>76</sup> Over time it was exceeded by the *bede*, originally an irregular subsidy the count could only levy on special occasions – a visit to the emperor, marriage, accolade, war – the *cas féodaux*.<sup>77</sup> On average the *bede* was levied once every five years, until it developed into an annual subsidy in the 15th century.

Increasing tax revenues allowed the counts to offer collectives of towns securities for acting as intermediaries in capital markets. In the late Middle Ages they frequently used future tax revenues as securities (table 2.1). Thus, such use of these revenues as securities was not a 16th-century invention, although both collective responsibility for debt and future tax revenues were applied on an unprecedented scale after 1515. To explain this development, we must look at the funded debt the counts contracted in the late Middle Ages.

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<sup>74</sup> Van Mieris, *Groot charterboek* II, 796, 801. Although Van Mieris had difficulty choosing between 3500 lb. and 4500 lb., when the May 29 charter is compared with that of September 1, it seems likely the debt to the bishop was 3500 lb.

<sup>75</sup> Bonney, "Introduction", 12–13.

<sup>76</sup> Originally the *shot* was probably a tax levied to recognize the count as the owner of all land (Bos-Rops, *ibid.*, 24–28).

<sup>77</sup> Cf. the increasing importance of the *bede* Bos-Rops, *ibid.*, 226–227, 234–235. Cf. the *cas féodaux* Bos-Rops, *ibid.*, 41–42.

*Funded Debt*

Collective responsibility for debt and the use of future revenues as securities allowed Charles V to sell *renten* in the 16th century. Much earlier the counts of Holland used the same techniques to create funded debt. A 1336 source indicates Count Willem III tapped into the capital market.

Table 2.1. Collective public debt (1292–1482)

Year	Towns	Securities
1292	Dordrecht, Middelburg, Zierikzee, Delft, Leiden, Haarlem	–
1294	Dordrecht, Middelburg, Zierikzee	–
1295	Dordrecht, Middelburg, Zierikzee	–
1345	Dordrecht, Zierikzee, Middelburg, Delft, Leiden, and Haarlem, assisted by 24 nobles	Among others, a Delft <i>bede</i> tax and all taxes paid in Rijnland
1351	Dordrecht, Haarlem, Delft, Leiden, Amsterdam, Alkmaar, Medemblik, Geertruidenberg, Schiedam, Rotterdam, and Oudewater	Tax revenues from northern Holland, and confiscated goods
1405	Dordrecht, Haarlem, Delft, Leiden, Amsterdam, Middelburg, and Zierikzee	Tax revenues from Kennemerland and West Friesland
1407	Haarlem, Delft, Leiden, Amsterdam, Gouda, Rotterdam, Middelburg, and Zierikzee	Tax revenues from Kennemerland and West Friesland
1416	Haarlem, Delft, Leiden, Amsterdam, and Gouda, assisted by Alkmaar, Hoorn, Rotterdam, Schoonhoven, Geertruidenberg, Heusden, Oudewater, Middelburg, Zierikzee, Remmelzwaal, and Goes	Tax revenues from Egmond and IJsselstein
1417– 1418	Haarlem, Delft, and Leiden, assisted by Amsterdam, Gouda, Alkmaar, Rotterdam, Schiedam, Hoorn, and Oudewater	Revenues from northern Holland, including part of the <i>bede</i> tax
1418	Haarlem, Delft, Leiden, Amsterdam, and Gouda, assisted by noblemen from Holland, and Zeeland	Revenues from northern Holland, including part of the <i>bede</i> tax

Table 2.1 (*cont.*)

Year	Towns	Securities
1430	Haarlem, Delft, Leiden, Amsterdam, Gouda	<i>Bede</i> tax in Waterland and Kennemerland
1482	Dordrecht, Haarlem, Delft, Leiden and Gouda	–

Sources: 1292 *OHZ V* no. 2724; 1294 *ibid.* V, no. 2866, Van Dalen, “Oorkonden”, 251–253; 1295 Van Dalen, *Regesten*, no. 89; 1345 VerLoren van Themaat, *Oude Dordtse lijfrenten*, 93–94; 1351 Van Mieris, *Groot charterboek* II, 796, 801; 1405 Bos-Rops, *ibid.*, 128, notes 158 & 159; 1407 Bos-Rops, *ibid.*, 129 note 168; 1416 Van Mieris, *ibid.* IV, 379–380, 381–382, 389–390; 1417–1418 Bos-Rops, *ibid.*, 169–170, note 128, and Prevenier & Smit, *Dagvaarten Holland I*, no. 852; 1418 Bos-Rops, *ibid.*, 170, notes 135 & 136; 1430 *Groot charterboek* IV, 988–990; 1482 NA, ASH inv. no. 102, NA, ASH, inv. no. 618, f. 53v, Tracy, *A financial revolution*, 58, note 99.

He sold 11 *lijfrenten* to Brussels citizens: the *renten* ranged from 2 lb. *groten* (gr.) to 6 lb. gr., and altogether the count paid 50 lb. gr. worth of *renten*.<sup>78</sup> He used the principal sum to pay 7000 *florijnen* he owed the marquis of Juliers. Among the *renteniers* were Lady Margheritte, daughter of Lord Franke Englon, and Agniès and Biautris, daughters of the Brussels moneychanger Thonis.<sup>79</sup> It is unlikely that these people were acquaintances of Count Willem; the *renten* were clearly contracted in an impersonal capital market.

Whether the count used public debt to secure the 1336 issue of *lijfrenten* is unclear. In 1345 Count Willem IV did do that: when the count sold *lijfrenten* to pay for the wars with Utrecht and Frisia, the *renteniers* demanded special securities. Willem asked the cities of Dordrecht, Haarlem, Delft, and Leiden, the cities of Middelburg and Zierikzee in Zeeland, and no fewer than 24 nobles to secure the *lijfrenten*.<sup>80</sup>

Two elements contributed to the gradual emergence of this type of government funding. First, before the 14th century, transaction costs were probably too high to allow for creation of funded debt in domestic markets. As we will see in Chapter Three, domestic markets for public debt did not yet exist, and selling in foreign markets inevitably involved high expense. Moreover, selling *renten* abroad might have

<sup>78</sup> Dervillers, *Monuments* III, 450–451.

<sup>79</sup> Thonis probably bought a *lijfrente* for a third daughter. The source lists *Loij, fil Thonis le Rousselaire*, which should probably be read as *Thonis le wisselaire*.

<sup>80</sup> Bos-Rops, *ibid.*, 39. Most *renten* were sold in Brussels and paid by the stewards of Kennemerland, Amstelland, Zuid-Holland, and Zeeland.

had political consequences, which may have frightened the rulers and public sector.

A second element is the political aspect surrounding public debt. Even when there was an optimal market for public debt, it was not obvious the rulers and public sector would use it because both stood to lose. Although public debt often allowed rulers to maintain and even establish authority, in the end it undermined state power, forcing rulers to grant privileges and causing financial expertise to shift to the public sector. The simultaneous growth of the centre and periphery that Molho observed in medieval Florence is apparent in Holland as well. Already in the 13th century Dordrecht demanded several privileges in return for financial services, helping the city increase its autonomy.<sup>81</sup> Some of these privileges were directly related to the emergence of public debt. Count Floris allowed the city two privileges protecting against actions undertaken by creditors. In 1270 he granted Dordrecht exemption from reprisals within its immediate surroundings, the bailiwick of Zuidholland, except for the city of Geertruidenberg and the comital tolls.<sup>82</sup> In 1291 the count allowed the city to react to such harassments by applying the law of reprisal. The Dordrecht bailiff, sheriff, and aldermen were ordered to seize or imprison foreigners to seek compensation.<sup>83</sup> Perhaps the count reacted to problems his citizens encountered when they travelled abroad? We know Dordrecht's involvement in the comital financial network already obstructed trade in 1284–1285. At that time the city sent a clerk to the count of Flanders to discuss the threat of arrest for a comital debt Dordrecht had secured.<sup>84</sup> But whether retaliation was the answer to the city's problems is another matter. It is difficult to prove that these privileges were the direct result of the financial services Dordrecht provided the count, but they were clearly aimed at the threat public debt posed to economic exchange. In any event, it was not always in the interest of the ruler to endorse public debt. It is important to realize that the gradual growth of public debt and the increasing number of public bodies involved was not so much an accomplishment of the rulers, but rather an unintended and most unwelcome result of their increasing financial demands. The ultimate

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<sup>81</sup> Dijkhof, "De economische en fiscale politiek", 11.

<sup>82</sup> Van Dalen, "Oorkonden", 152. The charter was reissued in 1284.

<sup>83</sup> Van den Berg, *Oorkondenboek* II, no. 708. Count Floris granted a similar privilege in 1293 (Van Dalen, *ibid.*, 239–240).

<sup>84</sup> Burgers & Dijkhof, *De oudste stadsrekeningen*, 29 (25; 14).



result – province-wide public debt – put the public sector in a very strong negotiating position. Tracy shows how the States used their credit-worthiness to gain political power, and how they used their financial expertise to wage a successful war against Philip II as well.<sup>85</sup>

Rulers were not the only ones objecting to public debt: public bodies did too. More often than not they suffered from comital defaults, causing their citizens to experience reprisals and the penalties of canon law and forcing the rulers to step in and pay *renten* themselves. The way two 13th-century loans were managed is a good example. In 1294 three Bruges citizens, Gillis Clawaert, Johan ser Pietersz., and Gerard Baerde,<sup>86</sup> lent Dordrecht, Middelburg, and Zierikzee 690 lb. *Engelse*.<sup>87</sup> The principal sum probably disappeared in the count's pockets; Dordrecht, Middelburg, and Zierikzee were only intermediaries.<sup>88</sup> The count safeguarded the three cities from any damages the Gerard Baerde loan might cause.<sup>89</sup> A year later, in 1295, the three cities again created public debt when they borrowed 4000 lb. *Vlaamse* from Pieter van der Spoye from the city of Damme and Gillis Clawaert; once again the count assured Dordrecht it would be compensated for any damages. The cities needed the money because they had secured a debt worth 4000 lb. *Vlaamse* that Lambert de Vries had contracted with the count of Flanders and failed to pay.<sup>90</sup>

By 1296 the first problems appeared. Dordrecht had to borrow money to pay Gillis Clawaert and his associates. Jan de Snider provided the city with 141 lb. *Engelse*.<sup>91</sup> In April 1301 Dordrecht, Middelburg and

<sup>85</sup> Tracy, *Holland under Habsburg rule*.

<sup>86</sup> Gerard Baerde was an important financier: in 1298 he lent 12,000 lb. Flemish to the count of Flanders (Bigwood, *Le regime* I, 33, 528).

<sup>87</sup> Van Dalen, *ibid.*, 251–253. Cf. Van Uytven, who follows Van den Bergh, dating the Gerard Baerde loan as March 28, 1285 (Van Uytven, *ibid.*, 218; Van den Bergh, *ibid.* II, 402, 412–413).

<sup>88</sup> Van Uytven, *ibid.*, 218.

<sup>89</sup> Van Dalen, *ibid.*, 255–256. Furthermore, count Floris V promised to safeguard Dordrecht against any damages that might result from the sale of the Dordrecht toll revenues for three years to Gillis Clawaerde; it is likely Gillis received the toll revenues in recompense for the loan. By appointing certain revenues to creditors, medieval debtors could elude the canonical prohibitions on interest (Slingerland, “Wie zal dat betalen?”, 63).

<sup>90</sup> Van Dalen, *ibid.*, 250–256, 261–263. An undated source makes it clear that Dordrecht repaid the debt: it is an account of the money Dordrecht had paid in Flanders for the security on behalf of Lambert de Vries. Seventeen individuals paid sums amounting to either 600 lb. 22 s. 6 p. or 601 lb. 2 s. 7½ p. (Van Dalen, “Nieuwe fragmenten van Dordtsche rekeningen”, 215–216).

<sup>91</sup> Van Dalen, *ibid.*, 265–266.

Zierikzee restructured their debts, settling with Gillis Claward and his associates: the cities acknowledged they still owed the creditors 3200 lb.<sup>92</sup> Yet, repaying it remained a problem: Dordrecht still paid Jacob Utensacke as late as 1306.<sup>93</sup> Dordrecht, Middelburg, and Zierikzee had to settle with Gillis Clawaert, Pieter Heldebolle, Marien van der Spoye, and Jacob Utensacke once again. This time the cities managed to redeem the debts within a few months: before the end of 1309 they made a final payment to Jacob Utensacke.<sup>94</sup> Apart from the obvious problems the cities experienced in having to advance funds and then borrow to be able to pay them back, there are indications of reprisals by creditors in the course of the dispute. Why else would Dordrecht have demanded a contract stating Jacob Utensacke would not turn to arrest and seizure in 1309?<sup>95</sup> It is likely that Utensacke, or one of the other creditors, had in fact applied the law of reprisal in an attempt to seek compensation. This is not the last we will hear of this method: when public debt really took off in the remainder of the late Middle Ages, the public sector experienced increasing problems with the law of reprisal (Chapter Three).

The collective responsibility for debt the towns contracted in 1294 and 1295 caused a great many problems, and although the extent to which the count compensated the cities is not known, it is difficult to avoid concluding that providing the ruler with financial services had some important downsides. This is why cities were not always eager to create public debt, and sometimes even bluntly refused to intermeditate: in 1418 Haarlem turned down a request to create public debt, and in 1444 a number of cities did the same.<sup>96</sup>

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<sup>92</sup> Pieter Heldebolle owed 148 lb. 13 s. 4 p., Marien van der Spoye 46 lb. 19 s. 2 p., and Jacob Utensacke (who had taken over the 1294 loan of Gerard Baerde) 45 lb. 6 s. 1 p. It is likely the cities owed the remaining money –2959 lb. – to Gillis Claward. The four debtors redeemed the cities from all arrears. So did the heirs of Gerard Cant, who must have taken over a debt, possibly that of Johan ser Pietersz. (Van Dalen, *ibid.*, nrs. 107, 109–112.)

<sup>93</sup> Van Dalen, *ibid.*, no. 126.

<sup>94</sup> Even though the debt had long been redeemed by then, the Jacob Utensacke charters were renewed in 1327 for reasons unknown (Van Dalen, *Regesten*, 172–173, 175–176).

<sup>95</sup> This contract was probably part of the 1309 settlement and a direct result of the harassment of Dordrecht citizens. When Jacob had been repaid, Dordrecht returned the charter to him.

<sup>96</sup> Prevenier & Smit, *Dagvaarten*, 509–517; Van Loenen, “De rentelast van Haarlem”, 9. In 1398 both Bergen (Hainault) and the towns of Zeeland refused to create public

So, when did the rulers and public sector agree to create collective public debt? Obviously warfare was an important incentive: when the enemy was at the gates negotiations were clearly sped up. The possibility of gaining political influence and privileges by creating public debt may have induced the public sector to comply. Moreover, collective public debt was often contracted at the very beginning of a ruler's reign. Countess Margareth (1346–1354) convinced her cities to accept collective public debt in 1346.<sup>97</sup> In 1349 Willem V received the right to rule Holland and Zeeland, and in 1351 the cities of Holland conceded. Willem VI rose to power in 1404, and his towns contracted collective public debt in 1405 and 1407. Jacqueline succeeded her father in 1417, and negotiated collective public debt in 1417 and 1418. Finally, Maximilian (regent 1482–1493, 1505–1515) became regent for the infant Philip in 1482 and had the towns of Holland contract collective public debt in 1482.

How can we explain this phenomenon? In their early years counts often had to establish their rule and sometimes even faced competitors. Thus, they could have high expenses.<sup>98</sup> For succeeding counts the possibilities of selling *renten* were good. They had to be inaugurated in all of Holland; they visited all cities, and were received with much splendour, the so-called *Blijde Inkomste*. A key part of the ceremony was confirmation of the town charter. New rulers promised to uphold the privileges their predecessors had granted the city, and sometimes even extended them. Thus, the *Blijde Inkomste* was a crucial moment for the city's autonomy. It is likely the counts managed to negotiate collective responsibility for debt in return for confirmation and extension of town charters. Furthermore, at the beginning of the rule, cities were probably anxious to avoid any clashes: this was a time to sit on the fence and not spoil relations immediately.

### 2.3 *The Century of Public Debt*

When Count Willem VI rose to power he immediately took up his sword to wage war with the lords of Arkel, an autonomous region to

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debt on behalf of the count (Janse, *Grenzen aan de macht*, 315–316). Cf. 1444 Sewalt, "Atterminatie ende staet", 13.

<sup>97</sup> According to Van Mieris, the loan was contracted in 1345.

<sup>98</sup> Slingerland, *ibid.*, 60.

the southeast of Holland.<sup>99</sup> The county was torn by warfare until Philip the Good succeeded Jacqueline of Bavaria in 1433. During this violent era public debt flourished: the public sector borrowed excessively to support the counts and their adversaries. Individual cities contracted public debt on behalf of the counts (Chapter Three) and collectives of cities agreed to five major issues of collective public debt (table 2.1).

When the count attacked the Arkel region in 1405, he ordered representatives of Holland's main cities to appear in his camp just outside besieged Vianen. He asked them to create public debt, and Dordrecht, Haarlem, Delft, Leiden, and Amsterdam, and the cities of Middelburg and Zierikzee in Zeeland, agreed to sell *lijfrenten* worth 400 lb. gr. Bos-Rops estimates the sale must have raised 4440 lb. gr. at a relatively low interest rate, probably 11.1 per cent.<sup>100</sup>

The cities organized the sale themselves. Count Willem merely assigned some of his revenues to be used by the cities to pay *renten*. Dordrecht was to use the city's toll, the other cities of Holland were to use goods, rents, and tax revenues in Kennemerland and West Friesland. The cities in Zeeland had to use the revenues of Zeeland Beoostenschelde and Bewestenshelde.<sup>101</sup> Bos-Rops summarizes the transactions as follows: "it can be characterized as the mobilization of future revenues from the realms for present needs using credit".<sup>102</sup>

In 1407 the count called upon the capital market once again to pay for the purchase of the city of Gorinchem in the Arkel area. Haarlem, Delft, Leiden, Amsterdam, Gouda, Rotterdam, Middelburg, and Zierikzee sold 300 lb. gr. worth of *lijfrenten*, raising 3885 lb. gr. The count secured the transaction by assigning all goods and rents in Kennemerland and Friesland.<sup>103</sup>

In 1416 the cities once again agreed to create collective public debt. Willem VI had to compensate the lords of Egmond and IJsselstein for the loss of the regions they had ruled as autonomous lords until the count made them his subjects. For the loss of their lands and castles, Lord Jan van Egmond received a *rente* of 2000 French *schilden*, and his brother, Willem van Egmond, received a *rente* of 800 French

<sup>99</sup> Bos-Rops, *ibid.*, 105–106; Waale, *De Arkelse oorlog*.

<sup>100</sup> Bos-Rops estimated the interest rate must have been 11.1%, based on the issues of *lijfrenten* in 1407 and 1417 (Bos-Rops, *ibid.*, 128).

<sup>101</sup> Van Mieris, *Groot charterboek* IV, 29.

<sup>102</sup> Bos-Rops, *ibid.*, 128 [translation CJZ].

<sup>103</sup> Bos-Rops, *ibid.*, 129.

crowns. Haarlem, Delft, Leiden, Amsterdam, and Gouda agreed to take responsibility for these *renten* on security of the revenues of Egmond and IJsselstein.<sup>104</sup>

Willem's successor, Countess Jacqueline, relied on public debt as well when her uncle, John of Bavaria, claimed the county. In 1418 he took up arms against his sister, sparking a bitter civil war. Both Jacqueline and John turned to the cities to gain access to capital markets: in 1417–1418 Haarlem, Delft, and Leiden sold 211 lb. gr. worth of *lijfrenten*, raising from 2899 lb. gr. to 3103 lb. gr. on security of comital goods and rents in central Holland.<sup>105</sup> Later, in 1418, the cities contracted another issue of *lijfrenten*: the revenues were no less than 8968 lb. gr. 9 s. 4 p. on security of the comital tolls and domain revenues.<sup>106</sup>

Selling these *renten* was one thing, paying them was another: the cities already postponed the first payment to the *renteniers* of the 1417–1418 issue (scheduled for 31 October 1418) and the same goes for *renten* the cities were due from May 1419 to May 1420. When war broke out between Holland and Brabant in the fall of 1420, the cities of Holland reacted by officially postponing *renten* due in Brabant, thus exposing their merchants to reprisals. One of those harassing inhabit-

<sup>104</sup> Prevenier, *Dagvaarten* II, 482–484.

<sup>105</sup> In 1417 the issue of *lijfrenten* raised 2125 lb. gr. 16 s. The 1418 revenues are unknown: the *renten* were worth about 211 lb. gr., at interest rates of 11.1% on one life and 8.7% on two lives. The ratio between *renten* on one life and two lives is unknown, therefore I have calculated the minimum amount raised (773 lb. gr.) and the maximum (977 lb. gr.). The 114 lb. gr. 17 s. 4 p. Bos-Rops mentions is a typing error: 495.5 *nobel* was 198 lb. gr. 1 s.

<sup>106</sup> Bos-Rops, *ibid.*, 169–170. Interest rates varied widely: 11.1%, 11.4%, and 11.7% for one life, 8.7%, 9.0%, 9.3%, and 9.5%, and even 11.7% for two lives. One cannot help but think that life expectancy was taken into account when these *lijfrenten* were contracted. Some historians, most notably Houtzager, believe that Lodewijk Huygens was the first to notice the possibility of using calculations of life expectancy to value the prices of *lijfrenten* in 1669, and Johan de Witt's *Waerdye van Lyfrenten* ("Valuation of *lijfrenten*"), published in 1671, was the first attempt to value the purchase price of *lijfrenten* by looking at life expectancy. (Houtzager, *Holland's los- en lijfrenteleningen voor 1672*, 22, note 4, 96–97; Hanus, "Over miserable personen en rijke stinkerds. Bossche stadsrenten begin zestiende eeuw", 41). However, there is ample evidence of the application of life expectancy at a much earlier stage (Blockmans, *ibid.*, 4; VerLoren van Themaat, "Geschiedenis van de lijfrente", 13, note 58; Kernkamp, *Vijftiende-eeuwse rentebrieven*, 8, note 14, 61, note 76; Isenmann, *Die deutsche Stadt im Spätmittelalter*, 175; Vroom, *De Onze-Lieve-Vrouwekerk te Antwerpen*, 92–93).

Table 2.2 Collective public debt (1404–1425)

Year	Principal sum (lb. gr.)	Destination	Public bodies	Securities
1405	4440	Arkel war	Dordrecht, Haarlem, Delft, Leiden, Amsterdam, Middelburg, and Zierikzee	Dordrecht toll, Kennemerland, West Friesland, and Zeeland revenues
1407	3885	Purchase Gorinchem	Haarlem, Delft, Leiden, Amsterdam, Gouda, Rotterdam, Middelburg, and Zierikzee	Kennemerland and West Friesland revenues
1416	–	Compensation lords of Egmond and IJsselstein	Haarlem, Delft, Leiden, Amsterdam, Gouda	Egmond and IJsselstein revenues
1417–1418	2899–3103	–	Haarlem, Delft, and Leiden	Central Holland revenues
1418	8968	–	Haarlem, Delft, Leiden, Amsterdam, Gouda	Comitial tolls and domain revenues <sup>107</sup>

Source: Bos-Rops, *Graven op zoek naar geld*, 128–131, 169–172.

ants of Holland was the comitial treasurer, who was responsible for the *renten* payments.<sup>108</sup>

The cities turned to diplomacy to prevent further obstruction of trade. Holland and Flanders agreed that the inhabitants of Holland were not to be harassed in Flanders for the *renten* of the inhabitants of Brabant. Despite postponement of the *renten* they had sold in Brabant, the towns of Holland did not manage to pay *renteniers* from Flanders either. The towns had to request the governments of Ghent and Bruges

<sup>107</sup> Members of the comitial council acted as guarantors. In case of default they were allowed to seize toll revenues and ultimately even all other domain revenues (Bos-Rops, *ibid.*, 170).

<sup>108</sup> Bos-Rops, *ibid.*, 171.

to help prevent their subjects from being arrested in the two cities in December 1420.<sup>109</sup>

In 1421 payments to Flanders and Brabant were resumed, but in 1422 the *renten* Willem VI had sold in 1405 and 1407 became a problem. The steward of Kennemerland, who was supposed to pay a large part of these *renten*, lacked resources and stopped payments. In 1423 representatives of Flanders, Holland, and Zeeland met in The Hague to discuss the arrears. They struck an agreement (*compositie*) with Brabant and Flanders, providing the creditors with terms of payment and the Holland and Zeeland cities with safeguards to maintain foreign trade.<sup>110</sup> Because they were responsible for *rente* payments, the cities agreed to take over payments to Flanders *renteniers*; to this end the count allowed them tax revenues.<sup>111</sup>

Recently, Robert Stein has suggested a link between Holland's indebtedness and the rise to power of Philip the Good. He argues that the duke of Burgundy more or less bought the county when John of Bavaria had to request a moratorium in 1423. The only dynasty in the Low Countries with the creditworthiness to pull Holland through was the dukes of Burgundy. According to Stein this was the key financial reason for the States to embrace Philip the Good.<sup>112</sup> By stressing Philip's creditworthiness, Stein seems to suggest that the duke was heralded as the foreign ruler who would take over all the debts that had been burdening the cities of Holland for years. But the last thing the Burgundian did was redeem Holland from its indebtedness: Leiden continued paying the 1416, 1417, and 1418 *renten* in Brabant and Flanders years after the moratorium was realized, in 1424.<sup>113</sup>

Apart from his wealth and creditworthiness, Philip was an attractive ruler for another reason. The duke of Burgundy was already count of Flanders, and thus he was the ideal person to help the cities of Holland sort through their indebtedness in Flanders by granting a moratorium. It is very possible that the cities of Holland chose Philip with the intent of implementing a moratorium; the fact that John of Bavaria appointed the duke of Burgundy as his successor within a month after

<sup>109</sup> Bos-Rops, *ibid.*, 171.

<sup>110</sup> Bos-Rops, *ibid.*, 172; Meerkamp van Embden, *Stadsrekeningen* I, 443.

<sup>111</sup> Bos-Rops, *ibid.*, 171–172.

<sup>112</sup> R. Stein, "Stände und Staat in den Niederlanden", 230.

<sup>113</sup> Meerkamp van Embden, *Stadsrekeningen Leiden* II, 68, 170, 370.

the moratorium was granted seems to confirm this view. Thus, public debt contributed significantly to the rise of Philip the Good.

The *renten* the cities of Holland owed in Utrecht also caused difficulties: in 1422, when John of Bavaria made peace with Frederik van Blankenheim, the prince bishop of Utrecht (1393–1423), the former grasped the opportunity to redeem the outstanding debts hindering trade. The *lijfrenten* public bodies and subjects owed to *renteniers* from Utrecht could be redeemed within six months, and any arrears and damages would be acquitted.<sup>114</sup> Thus, debtors had a unique opportunity to cancel the otherwise unredeemable *lijfrenten*, without even having to pay the arrears.<sup>115</sup> Of course, those who did not, or could not redeem *renten* had to start paying after the six months.<sup>116</sup>

According to Bos-Rops, the problems with Holland's public debt were solved by 1424. But in the very same year some clerks from Cologne nailed a pamphlet to the door of a church in Utrecht, probably the cathedral, protesting against defaults.<sup>117</sup> There is ample evidence that *renten* remained a cause of concern: continuous defaults required the renegotiation of *composities*. New terms of payment to Antwerp *renteniers* were agreed in 1425 and 1427, to Louvain and Brussels in 1430 and 1431, and to Bruges and Ghent in 1427. The latter provided Haarlem, Delft, and Leiden with a safe conduct for three years; in return *renteniers* from Bruges and Ghent were offered payment of 60 per cent of their *renten*. Gouda and Amsterdam did not join the agreement, so the *renteniers* had to find another way to get the remaining 40 per cent.

In spite of such agreements, arrears remained a problem: after 1424 inhabitants of Holland still frequently faced reprisals.<sup>118</sup> Tired of

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<sup>114</sup> 27 July 1422. Van Mieris, *Groot charterboek* IV, 648. On September 12 the count ordered his officials in Muiden, Weesp, Naarden, and Gooiland to ensure the treaty was observed (Van Mieris, *ibid.* IV, 655).

<sup>115</sup> Not all *lijfrenten* were redeemed in 1422: in the 1428 *Zoen van Delft*, a treaty between Countess Jaqueline and Philip the Good, Holland cities still tried to negotiate the redemption of Utrecht *lijfrenten*. In a 1430 treaty between Philip the Good and the Utrecht Prince Bishop Rudolf van Diepholt (1423–1455), all arrears in *lijfrenten* due from 1 October 1425 to 1 May 1428 were remitted (De Blécourt & Meijers, *Memorialen Rosa I–II–III*, 35; Houtzager, "Rotterdam's lijfrentelingen in de middeleeuwen").

<sup>116</sup> Van Mieris, *ibid.* IV, 650.

<sup>117</sup> Meerkamp van Embden, *Stadsrekeningen* I, 452–453.

<sup>118</sup> It is difficult to determine whether these were for collective public debt or *renten* the cities had sold individually. Leiden citizens were arrested because of *lijfrenten* in Dordrecht and Delft (1426 and 1427), and in Dordrecht, Gouda, and Utrecht (1434), while Haarlem citizens were seized in Alkmaar (1442) and in Delft (1454) (Meerkamp



continuous defaults, inhabitants of Brabant even started a procedure to have the cities of Holland excommunicated in 1429.<sup>119</sup> In their defence, the latter sent the lawyer Herman Droom to the diocese of Cologne to plead their case. Reprisals continued to hinder trade: in 1430 the government of Rotterdam even advised its citizens to avoid travelling to Utrecht because they risked being arrested.<sup>120</sup> In 1435 Antwerp citizens still complained about *renten* the cities of Holland were due, and once again things had to be straightened out.<sup>121</sup>

Furthermore, the States and collectives of cities requested intervention by the ruler, because the excessive application of the law of reprisal remained a cause of concern. Holland and Flanders agreed to limit its use in 1414, deeming application of the institution to be “barbaric”.<sup>122</sup> And from 1425 to 1428 the citizens of Dordrecht, Den Briel, Rotterdam, and Gorinchem received the right to be released on bail when they were arrested in Flanders; the charters specifically state *lijffrenten* as one of the causes of arrest.<sup>123</sup>

#### *A Financial Revolution?*

After the troublesome, if not disastrous, issues of collective public debt in the first decades of the 15th century, the popularity of this type of funding declined. When Philip the Good asked the main cities to create collective public debt worth 21,000 *rijders* in 1444, they refused, stating they deemed it too risky to increase their debts.<sup>124</sup> Collective public debt only reappeared in 1482, when Maximilian asked Dordrecht, Haarlem, Delft, Leiden, and Gouda to sell *renten* to pay for the war with

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van Embden, *ibid.* II, 46, 39–40, 51–52, 82, 167–170, 191–218, 224, 279, 329, 383; Unger, *Bronnen Middelburg* II, 302; Jansma, “Het vraagstuk van Hollands welvaren tijdens hertog Philips van Bourgondië”, 72, note 1; De Blécourt & Meijers, *ibid.*, I–II–III, 46).

<sup>119</sup> Prevenier and Smit, *Dagvaarten*, 763. This was not unheard of: in 1422 Leiden and Amsterdam were banished by the German emperor because of a conflict with the Hansa (Meerkamp van Embden, *ibid.* II, 6, note 1).

<sup>120</sup> Sneller, “Rotterdamse poorters te Deventer en te Wilsnack anno 1430”, 55–57.

<sup>121</sup> De Blécourt & Meijers, *ibid.* I–II–III, 170.

<sup>122</sup> Gailliard, *Inventaire des chartres Bruges. Table analytique*, 375. Whether Flanders and Holland abolished reprisal altogether or merely limited its application is difficult to tell. Perhaps the 1414 decree can account for the sharp decline in public debt Holland contracted with Flanders subjects in the 15th century; without the law of reprisal it was difficult to secure debts with Flemish subjects.

<sup>123</sup> Van Mieris, *Groot charterboek* IV, 799, 802, 836.

<sup>124</sup> Prevenier and Smit, *Dagvaarten*, 509–517.

Utrecht.<sup>125</sup> These *renten* were referred to as *gemenelandsrenten*, common land *renten*. The sale raised 202,046 guilders, far more than the preceding issues of collective public debt.<sup>126</sup> Even in the 16th century such amounts were rarely contracted: only in 1558 did a single issue of *renten* raise more, 279,757 guilders. The cities paid the relatively high interest rate of 7.7 per cent or 8.3 per cent; which was more than the usual interest rate for *losrenten* (6.25 per cent) and more than the 7.1 per cent the States paid on average from 1515 to 1565.<sup>127</sup>

It did not take long before these *gemenelandsrenten* caused problems: in 1486 the cities already discussed how to pay the *renten* due in Flanders. The next ten years the cities defaulted on the *renten* and only paid when *renteniers* used reprisals.<sup>128</sup> In 1497 the States lodged a complaint against Philip the Handsome about their indebtedness and the damage that reprisals did to trade. After lengthy considerations with government officials, the duke granted them a *Staet*, a number of measures consisting of duties and privileges aimed at the recovery of debts. A few years earlier some of Holland's heavily indebted cities had received *Staeten* as well (Chapter Three). The most important advantage the *Staet* offered was a moratorium, allowing the five towns to postpone *rente* payments: Philip the Handsome guaranteed the inhabitants of Holland a safe journey through his realms without the risk of reprisals.<sup>129</sup>

The *Staet* revoked collective public debt as well. Shared responsibility clearly complicated matters and hindered trade; therefore, the 1497 *Staet* unilaterally ended collective indebtedness and made the five cities and their surroundings individually responsible for their parts of the interest payments:

*Item datmen die vanden eender steede off quartier van onsser voors. landen noch de inwonenden ende inghesetenen van dien niet en sal moghen aenspreken arresteren noch vervolghen voir die portie vanden anderen steden ende quartieren voors.*<sup>130</sup>

<sup>125</sup> Dordrecht did not cooperate in the sale of all *gemenelandsrenten*: issues by Haarlem, Delft, Leiden, and Gouda appear as well (NA ASH inv. no. 618 f. 53v).

<sup>126</sup> *Ibid.*, inv. no. 102; Tracy, *A financial revolution*, 58, note 99. According to Van Loenen, the issue raised only 7381 lb. gr. He has probably mistaken the arrears, just over 7000 guilders, for the principal sum (Van Loenen, "De rentelast", 55).

<sup>127</sup> Tracy found an interest rate of 7.7%, Van Loenen and Kokken 8.3% (Tracy, *A financial revolution*, 58, 62 table 4, 89, table 6, 94, table 7 note 99; Van Loenen, *ibid.*, 55; Kokken, *Steden en staten*, 228–229).

<sup>128</sup> Kokken, *ibid.*, 230–232.

<sup>129</sup> NA, ASH, inv. no. 102 f. 30–30v.

<sup>130</sup> *Ibid.*, inv. no. 102 f. 29v.

(Inhabitants of one city or region of our country are not to be pursued for the debts of other cities and regions)

Thus, Philip the Handsome and the States revoked two legal instruments that had been a strict condition for the sale of *gemenelandsrenten*. This operation clearly harmed creditworthiness and must be regarded as one of the main reasons why collective public debt only reappeared after 1515.

The 1497 *Staet* provided the towns with revenues to be used for debt recovery: they were allowed to use part of the ordinary subsidy (*ordinaris bede*) of 60,000 guilders they had recently consented to. The first two years they could use 46,100 guilders, and the third and fourth year 36,686 guilders. The money was intended to be used for payment of the 1482 *renten* and the 15,000 guilders the States owed the duke of Saxony.<sup>131</sup> They were allowed to use the subsidy to pay for other expenses as well: several military commanders, lords of castles and stewards, and others demanded 420,000 guilders for damages from the war with Utrecht.<sup>132</sup> To ensure the cities would receive their share, Philip appointed receivers in seven regions to levy subsidies.<sup>133</sup> Finally, the towns would make an agreement with the *renteniers* to start paying *renten*, repaying the arrears annually over the next 22 years.

Some *renteniers* had seized inhabitants of Holland and received compensation; thus, the cities owed them less than 11 years of arrears. To see how much the cities still owed, a register was drawn up listing all *renteniers* and the amounts some had already received. For example, one *rentenier*, Anthoin du Bray, owned two *renten* issued by Dordrecht. When Dordrecht defaulted on Anthoin's pensions, he tried to be compensated. Because of the collective nature of the debt, he could arrest a Gouda citizen, and force that city to pay 126 guilders. This sum was written in the register and subtracted from the money Anthoin should have received from 1487 to 1497. In the end Dordrecht still owed

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<sup>131</sup> Philip the Handsome ordered the States to redeem the debt to the duke of Saxony in the first two years.

<sup>132</sup> The stadtholder and Council of Holland would assess the amount of these damages.

<sup>133</sup> The regions were Dordrecht and Zuidholland; Haarlem and Kennemerland; Delft, The Hague, Haagambacht, Vlaardingen, 's Gravenzande and Delfland; Leiden and Rijnland; Amsterdam, Amstelland, Waterland, De Zeevang, Gooiland, Purmerend and Purmerland; Gouda, Rotterdam, Schiedam, Land van Arkel, Heusden and Land van Heusden, Schieland, Schoonhoven and Land van Schoonhoven, and West Friesland.

him 798 guilders.<sup>134</sup> Although most *renteniers* had not received even a single penny from 1487 to 1497, a few had managed to obtain some compensation. The register shows that reprisals must have been quite damaging to trade with the southern Low Countries.

The 1497 *Staet* was not an immediate success: in 1503 the States once again defaulted on the *gemenelandsrenten*, and in 1517 they were granted a moratorium for *renten* owed by the common body and individual cities. The next year Brabant and Flanders *renteniers* were summoned to appear in The Hague to negotiate about arrears. The *renten* of the ill-fated 1482 issue were only redeemed in 1526.<sup>135</sup>

Collective public debt did not reappear before 1515. The reasons are obvious: both the States and some of the main cities had defaulted, causing their creditworthiness to significantly decline. Moreover, in the face of the damage that the reprisals did to trade before the 1497 moratorium – as we will see, some cities were virtually cut off from the outside world – willingness to mediate between ruler and capital market was also difficult to find. And as long as some cities still lacked funds to service collective public debt, returning to this type of funding was not an option.

When the financial problems were resolved and creditworthiness gradually recovered, the States once again created collective public debt. According to Tracy, the 1515 issue of *gemenelandsrenten* started off a financial revolution.<sup>136</sup> Dordrecht, Haarlem, Delft, Leiden, and Gouda issued *renten* in the name of the common land. These *gemenelandsrenten* did not differ greatly from the 1482 issue of collective public debt. Tracy pointed out that the 1515 issue was secured against Holland's ordinary subsidy; we have already seen that the use of future tax revenues was not an innovation. Public debt rested on the five cities that acted in the name of the "common land", as can be read in one of the 1515 *rente* contracts:

... *welcke somme... wij allen gesamenderhandt ende elck onser een voor all inde name van ons zelve ende vander gemeene landts wegen als principael sculdenaeren geloeft hebben ende geloven...*<sup>137</sup>

<sup>134</sup> NA, ASH, inv. no. 98 f. 4.

<sup>135</sup> Meilink, *Archief*, 53, 348–351; Tracy, *ibid.*, 58.

<sup>136</sup> Tracy, *ibid.*, 58–60.

<sup>137</sup> GAL, Archieven kloosters, inv. no. 354.

(which sum... we, as main debtors, have secured together in our name and that of the common land)

The main cities sealed these *renten* and were responsible for the payment; as before, they carried the burden of public debt.<sup>138</sup> The main difference was neither the collective character, nor the use of future tax revenues as security, but the more centralized organization of *rente* payments, which shifted to the States. Clerks of the Council of Finance and the Receiver General contributed to the sale as well, engrossing the contracts and looking for foreign buyers.<sup>139</sup>

Although there were no new financial techniques regarding public debt in the 16th century, Charles V and Philip II did manage to contract unprecedented amounts: 2,061,709 guilders from 1515 to 1565. Collective public debt was issued more often than ever: no less than 29 times between 1515 and 1565.<sup>140</sup> How can we account for the rise in collective public debt in the 16th century? Perhaps the reason is obvious: the *gemenelandsrenten* took the place of the numerous *renten* that cities had contracted on an individual basis during the 15th century.<sup>141</sup> To put it another way, government funding shifted from public debt to collective public debt.

The broad application of collective public debt coincided with increasing possibilities for the States to pay *renten* on time. When the representative body gained control over taxation, it could ensure that revenues were indeed used to pay *renten*. In 1544 the States levied taxes to fund a new issue of *renten*; the Receiver for the Common Land, an official of the States, collected and spent the money.<sup>142</sup> The States gained much influence on taxation: Tracy explains that “it was in this area that the institutional autonomy of the States increased most dramatically during the reign of Charles V”.<sup>143</sup> Over time the States no longer depended on money government agents advanced; their emancipation

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<sup>138</sup> Houtzager, *Holland's lijf- en losrenteleningen*, 45–46. The same goes for the 1482 and 1528 issues (VerLoren van Themaat, *Oude Dordtse lijfrenten*, 113–114 no. 78; GAL, *ibid.*, inv. no. 354–355; Tracy, *ibid.*, 59–60).

<sup>139</sup> Tracy, *ibid.*, 59–60.

<sup>140</sup> Tracy, *ibid.*, 62 table 4, 89, table 6, 94, table 7. I have omitted the “conversion *renten* funded by the States of Holland” (Tracy, *ibid.*, 97, table 9).

<sup>141</sup> Van Loenen recorded 27 Haarlem issues from 1470 to 1490, while VerLoren van Themaat recorded 90 Dordrecht issues in the 15th century (Van Loenen, “De rentelast”, 60–62, 69; VerLoren van Themaat, *Oude Dordtse lijfrenten*, 123–127).

<sup>142</sup> Tracy, *Holland under Habsburg rule*, 123–124.

<sup>143</sup> Tracy, *ibid.*, 115.

allowed them to maintain a “credible commitment” with *renteniers*, and to uphold their creditworthiness. This factor clearly contributed to the success of 16th-century public debt.

### *Public Debt and Capital Market*

The creation of public debt is an excellent indicator of institutional development. Authorities could change the rules, which made entering into a credit relationship with them particularly risky. The financial history of medieval Europe has its share of defaulting rulers ruining prominent financiers and banking houses. The English King Edward II (1307–1327) expelled the Jews, the French King Charles VII (1422–1461) reneged on the main Italian banking houses, and Floris V, count of Holland, banned usurers. If these powerful groups and institutions were unable to force rulers to live up to their agreements, individual subjects need not have any illusions – or did they?

In the 16th century the States managed to attract large sums on capital markets, but earlier Holland already disposed of large free capital markets as well. In Chapter Three we will see how markets for funded debt emerged as early as the 14th century, where both cities and villages sold large amounts of *renten*.

What did the market structures that supported collective public debt allow? Initially public debt was often contracted abroad. The 1405 and 1407 *renten* were predominantly sold in Brabant,<sup>144</sup> and almost all 1416 and 1417–1418 *renten* were sold in the southern Low Countries as well.<sup>145</sup> Two *renten* were sold to inhabitants of Holland: Mergriete Heynric Coppiersdr. from The Hague bought a *lijffrente* worth 17 *nobel*, and Alsten Claesz. from Amsterdam and Pieter Jacob Pietersz. together bought a *lijffrente* worth 10 *nobel*.<sup>146</sup> At the end of the 15th century, *gemenelandsrenten* were sold on domestic markets. In 1482 Leiden sold

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<sup>144</sup> Bos-Rops mentions Antwerp, Brussels, Vilvoorde, Louvain, and Malines in Brabant, and Ghent in Flanders (Bos-Rops, *ibid.*, 128, 130).

<sup>145</sup> In the Brabant cities of Malines, Brussels, Louvain, Vilvoorde, Herenthals, Antwerp, Lier, and Bergen op Zoom, and in the Flanders cities of Ghent and Bruges (Bos-Rops, *ibid.*, 169–172).

<sup>146</sup> GAL, SA I, inv. no. 708 f. 10–10v. Also listed under domestic loans are *renten* bought by Kateline Servaes Slewten from Brussels (worth seven *zware nobel*) and Marie van Leewen from Brussels (worth two *zware nobel*). The Holland subject Boudijn van Zwieten received both *renten*: perhaps he had contracted the *renten* on the lives of third persons?

Table 2.3. Domestic and foreign markets for *gemenelandsrenten* (1515–1565) (Rg. of 20 st.)

	Domestic	Foreign	Domestic/total
1515–1534	218,257	227,113	49%
1543–1552	150,628	49,538	75%
1553–1565	1,124,450	877,431	56%

Source: Tracy, *A financial revolution*, 117, table 10; 127, table 12.

21 *renten* to its own citizens, raising 4284 guilders,<sup>147</sup> and 10 *renten* in Amsterdam, raising 4500 guilders.<sup>148</sup> Haarlem sold 30 *renten* to its own citizens, raising 3060 guilders, and Gouda did the same, raising 7740 guilders.<sup>149</sup> Some *gemenelandsrenten* were sold in Delft as well, although it is not clear which city contracted these. The 22 Delft *renten* raised 6948 guilders.<sup>150</sup> In sum, the cities earned at least 26,532 guilders selling on domestic markets, more than 13 per cent of the 202,046 guilders the 1482 issue raised.

Slowly Holland came to depend less on foreign capital markets. Table 2.2 shows the importance of domestic markets for *gemenelandsrenten* from 1515 to 1565: in the 16th century the *gemenelandsrenten* were sold throughout Holland.<sup>151</sup> Over time, domestic markets would continue to grow; under the Republic, the States profited from large domestic markets for public debt.

Who were these creditors? Tracy identified magistrates and government officials as the main investors in *gemenelandsrenten*. He suggests they may have felt obliged to provide the emperor with loans. This is very likely: as early as the 14th century government officials were among the main creditors of the counts of Holland, lending large sums when they took office. Professional bureaucrats were likely participants in

<sup>147</sup> NA, ASH, inv. no. 1618 f. 53–55. Leiden had sold 15 *renten* in Den Bosch in Brabant as well, raising 5976 guilders, and three other *renten* in Haarlem, Amsterdam, and Leiden.

<sup>148</sup> NA, ASH, inv. no. 1612 f.15; *ibid.*, inv. no. 1618 f. 53.

<sup>149</sup> NA, ASH, inv. no. 1610 14–15v; *ibid.*, inv. no 1612 f. 15v–16. Cf. other *renten* sold in Holland f. 16v–17.

<sup>150</sup> *Ibid.*, inv. no. 1601 f. 1–3; *ibid.*, inv. no. 1602, appendix. The *renten* were sold by *magister* Steven, *pensionaris* of Haarlem, and Dirk Dirksz., *tresorier* of Leiden (*ibid.*, inv. no. 1601 f. 7v).

<sup>151</sup> Tracy, *ibid.*, 151–152.

the capital market: they had little time to devote to business, so the best thing they could do with their money was invest it in the capital market.<sup>152</sup> Furthermore, in the late Middle Ages investments in real estate were no longer very profitable, and *renten* had become a safe and profitable alternative.<sup>153</sup>

Magistrates and government agents were wealthy: in cities the political elite largely overlapped with the economic elite,<sup>154</sup> so it is not at all surprising to see magistrates among the most important investors. Perhaps the magistrates and government officials were driven by nepotism: investing in funds they managed themselves offered them some interesting advantages. Since they were well informed, they were the first to know about issues of *renten*, and probably the first who could buy them as well.<sup>155</sup> They could change the rules to their own benefit. When the Haarlem government postponed payments to *renteniers* in 1501, government officials continued to receive full *renten*!<sup>156</sup> Women were also prominent buyers: from 1553 to 1565 they accounted for over 21.4 per cent of the *renten* the States sold in Holland.<sup>157</sup>

James Tracy has suggested that free markets for public debt only emerged after 1552, when the towns of Holland stopped forcing wealthy subjects to buy *renten*. But in fact the public sector participated in a wide range of foreign and domestic capital markets, and in the majority of these they could not force anyone to invest in *renten*. Towns may occasionally have levied forced loans on their inhabitants, but they could not coerce anyone living elsewhere. There can be no doubt that the vast majority of *renten* the public sector contracted in the late Middle Ages were sold without any coercion in free markets in Holland and abroad.

Markets for public debt enabled the towns of Holland to attract funds. They only turned to forced loans in emergency situations, when the outlook in capital markets was not very good, and this practice also occurred during the Dutch Revolt.<sup>158</sup> The occasional forced loans were

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<sup>152</sup> Tracy, *ibid.*, 115.

<sup>153</sup> In the north of Holland rates of return on land were lower than 5% (Zuijderduijn, “Van goeden so wel generael als speciaal verbonden”, 3–4).

<sup>154</sup> Brand, *Over macht en overwicht*, 111–117.

<sup>155</sup> Van der Heijden, *Geldschietters*, 165–169.

<sup>156</sup> Sewalt, *Atterminacie ende staet*, 78.

<sup>157</sup> Tracy, *A financial revolution*, 144–145 tables 15a and 15b. Outside Holland women accounted for 18.9% of all *renten*.

<sup>158</sup> Vermeesch, *Oorlog, steden en staatsvorming*, 59–60, 170.



the result of a lack of demand for *renten*, not an absence of market structures or the inhabitants of Holland being unfamiliar with *gemene-landsrenten*, as Tracy suggested.<sup>159</sup>

## 2.4 Conclusion

Collectives of cities created public debt very similar to the later *gemene-landsrenten*: to this end they used collective responsibility for debt and future tax revenues. These techniques gradually helped open capital markets to the counts of Holland: whereas Floris V still depended on floating debt he contracted with personal relations, his successors occasionally created funded debt. By then the *renten* already encountered in the southern Low Countries in the 13th century had made their way north, and were contracted in emerging capital markets. At the beginning of the 15th century Count Willem VI sold *renten* in large, impersonal markets at home and abroad. Collective public debt allowed him to attract large amounts by selling *renten* at low interest rates and at low transaction costs.

Creation of collective public debt required the development of institutions, such as contracts promising mutual assistance; the *gemenelandsrenten* may have first appeared at the end of the 15th century, collective public debt already allowed the public sector to create funded debt at a much earlier stage. In the 14th century the counts of Holland already assigned future tax revenues as securities, and allowed the public sector control over tax revenues. Furthermore, the counts left the organization of public debt to the cities: they had to find buyers, draw up contracts, pay out *renten*, and monitor *renteniers*. This required the development of information networks usually consisting of foreign moneychangers. But apart from institutions aimed at selling *renten* on free markets, the public sector created institutions aimed at debt servicing as well, most notably several ways to renege without risking reprisals and the penalties of canon law.

Collective public debt gave cities clear incentives to create a platform for intra-urban discussion. Negotiations with the rulers about creation of collective public debt forced the public sector to organize and formulate a joint point of view. Selling and servicing *renten*, and especially

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<sup>159</sup> Tracy, *ibid.*, 122.

defaulting, required cooperation: when reprisals hindered economic exchange, public bodies had to negotiate with creditors, foreign cities, and governments about terms of payment, safeguards, and moratoriums. Negotiations with government officials about the securities backing *rente* payments, such as future tax revenues, and about compensation for money they had advanced to *renteniers* and other expenses helped create a platform for intra-urban cooperation as well.

From the end of the 13th century, collective public debt provided a strong impulse to develop a supra-local organization representing the interests of public bodies. This organization was gradually institutionalized and became known as the States of Holland. Once established it became a platform for cooperation on a large number of issues, including collective public debt.

Although public debt was an important centralizing phenomenon, providing rulers with funding and contributing to the emancipation of the States, it contributed to decentralization as well. Collective and individual public debt gave public bodies political power and incentives for institutional improvement. Especially the main cities had to improve their possibilities for selling *renten* and service public debt to meet the financial demands of the rulers. As a result, local public bodies became the main architects of market structures. How they facilitated transactions in the capital market will be discussed in the next chapter.



## CHAPTER THREE

### PUBLIC INTEREST: THE INSTITUTIONAL FRAMEWORK OF MARKETS FOR PUBLIC DEBT

Public bodies were not neutral participants in the capital market. They gave shape to the institutional framework, and some of the market structures they developed benefited economic exchange in general, while others were designed to help their own interests. The capital market was made up of separate institutions for public debt and private debt, and some that benefited both, such as contracting institutions. The institutional framework of markets for public debt will be discussed in Chapters Three and Four, that for markets for private debt in Chapters Five and Six.

In the previous chapter we have already seen why public debt was a matter of utmost importance: it was an instrument that public bodies used to manoeuvre in the political arena. Moreover, once it was created, reprisals posed a threat to trade and religious life. In the late Middle Ages individual public bodies sold an increasing number of *renten*. Before we turn to the rise and expansion of markets for public debt (Chapter Four), we will first discuss how public bodies created institutional frameworks to give them access to capital markets. They did this by introducing institutions that improved their position in the market without using extra-economic force, such as the information network they developed to sell and service *renten* and the apparatus responsible for managing public debt (section 3.1).

Another institution was relevant to the distinct type of *renten* public bodies sold. Unlike private persons and institutions, which primarily depended on special mortgages – especially real estate – public bodies rarely used specified assets to secure *renten*.<sup>1</sup> Instead, they mortgaged all

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<sup>1</sup> Initially the Church's ban on usury forced public bodies to secure *lijfrenten* on excises or consumption taxes, and to secure *losrenten* on real estate. In late medieval Holland this distinction gradually disappeared: general mortgages were used to secure both types of *renten* (Cf. this dichotomy between *lijfrenten* and *losrenten* in Munro, "The medieval origins", 528). In the late Middle Ages Holland cities rarely mortgaged fixed revenues. There are only a few examples: before 1429 Dordrecht mortgaged *lijfrenten* on the *makelaardij* (agencies the city leased out) and in 1505 Haarlem mortgaged

their assets and those of their subjects, both present and future. These general mortgages tied the entire community to public debt. They only functioned when *renteniers* had possibilities for seeking compensation for defaults, in particular through reprisals and the penalties of canon law. Such reprisals may seem harsh, but they were the backbone of impersonal markets for public debt; transactions among strangers and possibilities for alienating *renten* or reselling them in secondary markets required strong security. Responsibility for public order meant that the public sector had to provide subjects with institutions that allowed application of the law of reprisal; as a result, it tried to improve personal execution (section 3.2).<sup>2</sup>

At the same time the sheer political importance of access to capital markets and the economic consequences of defaults persuaded public bodies to use extra-economic force to improve their own position. The main institutions they developed in this respect were restrictions on resale and alienation of *renten* and *ex post* measures to limit the options *renteniers* had to seek compensation for defaults (section 3.3). Thus, at times public bodies cancelled the institutions they had used to create funded debt in order to prevent some of the negative consequences.

### 3.1 *Good Institutions: The Organization of Funded Debt*

A 1413 sale of *lijfrenten* by the city of Leiden – raising 1746 English *nobelen* – can illustrate how public bodies created funded debt.<sup>3</sup> The government of Leiden paid Count Willem VI 12 lb. for permission to sell *renten*.<sup>4</sup> Once the city was allowed to enter the capital market, it had a fair amount of travel expenses, renting wagons and ships and paying wages to representatives of Leiden. Three mayors travelled to The Hague to meet the broker Gillis van den Wijngaerd and talk about the sale of

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*losrenten* on excise revenues (Dokkum & Dijkhof, “Oude Dordtse lijfrenten”, 53–55; Van der Heijden, *Geldschieters*, 136).

<sup>2</sup> Cf. the obligation to maintain order in a society, Isenmann, “Morals and values”, 186.

<sup>3</sup> Meerkamp van Embden, *Stadsrekeningen* I, 225. Another source, the Leiden *privilegeboek*, mentions 346 English *nobelen* (GAL SA I 80, privilegeboek A, f. 74–76v).

<sup>4</sup> Meerkamp van Embden, *Stadsrekeningen* I, 227. Van Loenen pointed out that Haarlem asked permission to sell *renten* from city governments as well: in 1442 two Haarlem agents travelled to Dordrecht to gain permission to sell *lijfrenten* to Dordrecht citizens (Van Loenen, “De rente-last van Haarlem”, 7).

*renten* in Brabant.<sup>5</sup> Later the city sent two representatives to Antwerp to sell *renten*.<sup>6</sup> They returned from Antwerp shortly afterwards with the contracts.<sup>7</sup> Communication with Gillis van den Wijngaerd cost 63 s. 12 d., because the broker sent messengers to report to the magistrates of Leiden.<sup>8</sup> Furthermore, because of the unstable political situation in Brabant, Gillis had a number of expenses himself, amounting to 21 lb. 16 s. Hindered by the political situation abroad, the city also sent the messenger Walich to Utrecht to sell *renten*; the costs amounted to 26 s. 8 d.<sup>9</sup> Then he travelled to Antwerp, where he had further expenses when he had an awkward fall and dislocated his arm. The cost of medical attention was 13 s. 4 d.<sup>10</sup>

The 1413 sale of *renten* required the city government to meet to decide how to proceed. While the *gerecht* (government) and *vroedschap* (council) met at the city hall to talk about the sale, they drank wine, and after the meeting the government had dinner as well.<sup>11</sup> After the mayors of Leiden met with Gillis van den Wijngaerd in The Hague, the government and council met again, and once again the former had dinner.<sup>12</sup> Finally, when the *rente* contracts were sealed, wages and the cost of wine amounted to 40 s.<sup>13</sup>

When these *renten* were sold and representatives from Leiden received the money, they used the services of a moneychanger; the costs were 6 lb. 3 s. 4 d.<sup>14</sup> The *rente* contracts involved costs for materials as well. The city paid 4 s. for the boxes used to transport the contracts to Antwerp, and 20 s. for the wax used to seal the contracts.<sup>15</sup> The total expenses while organizing the issue were 89 lb. 17 s. 4 d., or about 1.7 per cent of the principal sum the *renten* yielded. In this case transaction costs remained low, in part because the city managed to sell *renten* in one city.

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<sup>5</sup> Expenses: 35 s. 4 d. (Meerkamp van Embden, *ibid.* I, 231; Blok, *Geschiedenis* I, 252).

<sup>6</sup> Expenses: 17 lb. 6 s. (Meerkamp van Embden, *ibid.* I, 231–232).

<sup>7</sup> Expenses: 18 lb. 10 s. (Meerkamp van Embden, *ibid.* I, 232).

<sup>8</sup> Meerkamp van Embden, *ibid.* I, 255.

<sup>9</sup> Meerkamp van Embden, *ibid.* I, 256.

<sup>10</sup> Meerkamp van Embden, *ibid.* I, 266.

<sup>11</sup> Expenses wine 21 s. 4 d., dinner 30 s. 8 d. (Meerkamp van Embden, *ibid.* I, 250–251).

<sup>12</sup> Expenses: 48 s. 8 d. (Meerkamp van Embden, *ibid.* I, 251).

<sup>13</sup> Meerkamp van Embden, *ibid.* I, 251.

<sup>14</sup> Meerkamp van Embden, *ibid.* I, 270.

<sup>15</sup> Meerkamp van Embden, *ibid.* I, 268.

Intermediaries such as Gillis van den Wijngaerd were key figures in the capital market.<sup>16</sup> They established contacts between creditors and debtors and thus helped reduce transaction costs; they probably screened potential debtors as well, using their knowledge of the capital market to provide a credit rating. It is difficult to see how the capital market could have functioned without their services. When Rotterdam wanted to sell *renten* in Utrecht, Jan van Hoey acted as intermediary. He told the Rotterdam magistrate to send representatives to discuss matters because “he knew how to get things done”.<sup>17</sup>

Intermediaries helped service funded debt by paying *renten*: Symon Claesz. of Antwerp managed the *renten* Rotterdam owed in Brabant and Flanders. He is referred to as a “financier” (*fijnre*).<sup>18</sup> Haarlem’s public debt was managed by the Antwerp *fijnre* Mattheus Helmont.<sup>19</sup> Moneychangers often acted as intermediaries as well.<sup>20</sup> Tyman van Delff managed Dordrecht’s public debt in Antwerp:

*Item Tyman van Delff, der stadtwisselaer van Andwerpen die onser stede lijftuchtrenten aldair betaelt heeft binnen desen jair, denghenen die op die stede renten sprekende hebben, ende oec toesiet off dair yement offlivich wordt die renten op die stede heeft: hem gegeven van desen jari voir sinen arbeit xx cronen. . . .*<sup>21</sup>

(Tyman van Delff, the moneychanger of Antwerp, who paid the *renten* our city was due in this year, and who monitors whether *renteniers* pass away as well: paid for his services this year 20 crowns)

Dordrecht probably used the services of Ghent and Bruges intermediaries as well: in Bruges Jacop van Rye managed the city’s public debt.<sup>22</sup> J.C. van Loenen concluded that Haarlem negotiated with city governments before selling *renten* and used institutions and people with insight in the demand for *renten*. In 1428 the broker Bertelmeeus

<sup>16</sup> Cf. intermediaries Neal, “The finance of business”, 165–170; Hoffman, Postel-Vinay & Rosenthal, *Priceless markets*, 117–118; Kernkamp, *Vijftiende-eeuwse rentebrieven*, 14–15; VerLoren van Themaat, *Oude Dordtse lijfrenten*, 22, 49, 55–56; Houtzager, *Holland’s lijf- en losrenteleningen*, 22–23.

<sup>17</sup> ... *want hij wel wege wist* (Houtzager, “Rotterdam’s lijfrenteleningen”; translation CJZ).

<sup>18</sup> Unger, *Stadsrekeningen*, 38, 99–100; Houtzager, *Hollands lijf- en losrenteleningen vóór 1672*, 22.

<sup>19</sup> RAK SAH inv. no. 320 f. 63–65.

<sup>20</sup> VerLoren van Themaat, *ibid.*, 49 and note 120, 55–56.

<sup>21</sup> VerLoren van Themaat, *ibid.*, 103.

<sup>22</sup> VerLoren van Themaat, *ibid.*, 98, 103.

Jacobsz. helped the city “to sell the *lijffrenten* for as much as possible”.<sup>23</sup> In the same year Haarlem paid someone named Hughe for his efforts to sell *lijffrenten* in Dordrecht; he was probably a broker.<sup>24</sup> And in 1442 the broker Johannes appears in the accounts of Haarlem; “he helped to sell the *lijffrenten* because he knew the people” of Dordrecht.<sup>25</sup>

Funded debt required the annual payment of *renten*. Transferring money could be expensive and therefore intermediaries probably advanced *renten* to *renteniers*, so the cities could make do with occasional payments to middlemen. Leiden used the services of a government agent responsible for paying the count’s foreign *renten* (*clerc vande lijffpensien buten slands*). Also, in 1427 Hughe Sriver went to Bruges and Ghent to pay the *lijffrenten* Haarlem, Delft, and Leiden were due.<sup>26</sup> And in 1420 Hendrik Adelyen was responsible for the *lijffrenten* the count owed in Malines.<sup>27</sup> Another option was to have visiting merchants transfer *renten* to *renteniers*: in 1496 the Malines merchant Aert Spaen not only received his own *rente* when he visited Gouda, but also those of some of his fellow citizens.<sup>28</sup> Public bodies used the services of citizens travelling abroad as well: in 1306 Jan Florents van der Wor, a citizen of Dordrecht, paid a sum to a creditor living in Bruges on behalf of the city of Dordrecht. And of course, sending a government representative was also an option: in 1309 a clerk of Dordrecht travelled to Antwerp to pay part of a debt.<sup>29</sup>

Intermediaries monitored the status of *lijffrenten* as well. They received a small amount of money when they informed their employer that a *rentenier* had passed away and the *rente* was terminated: Tyman van Delff received a gratuity when he reported the death of four *renteniers* in 1445.<sup>30</sup> But the cities of Holland did not only rely on moneychangers to find out about foreign *renteniers*. Anyone reporting the death of a *rentenier* received a small amount of money, the *bodebrood* – literally, bread given to a messenger; city accounts often contain sums paid as

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<sup>23</sup> ... *die de lijffpensien totten meeste gelden halp vercopen* (Van Loenen, “De rentelast van Haarlem”, 6).

<sup>24</sup> Van Loenen, *ibid.*, 7.

<sup>25</sup> ... *die him halp om die lijffpensien te vercopen soe hij die lude aldair kende* (Van Loenen, *ibid.*, 7).

<sup>26</sup> Marsilje, *Het financiële beleid*, 97, 121.

<sup>27</sup> Bos-Rops, *Graven op zoek naar geld*, 171.

<sup>28</sup> Dijkhof, “Goudse renten”, 34.

<sup>29</sup> Van Dalen, *Inventaris*, 55, 62.

<sup>30</sup> VerLoren van Themaat, *ibid.*, 103.



*bodebrood*, which indicates that public bodies depended on informal networks for information as well.<sup>31</sup>

Public debt also required administration. One example will serve to show the efforts medieval and early modern public bodies expended to service their public debt: the surviving *rente* contracts up to 1700, available in the Municipal Archives of Leiden, take up 80 metres of shelf space.<sup>32</sup> Managing funded debt required civil servants to keep an extensive administration, and traces of this can be found in city accounts, often containing tens or even hundreds of pages dedicated to funded debt. The number of sources and the extensive administration are exponents of the increasing value and complexity of public debt.

In 1371 Dordrecht appointed a committee to reorganize its public debt (Chapter Four). Perhaps this committee was the first step in the appointment of treasurers (*tresoriers*), financial specialists predominantly responsible for managing public debt. Initially, the mayors (*burgemeesters*) managed city finances, but as finances became more complicated – in no small part due to the growth of public debt – the office of the treasurer was introduced. In Leiden treasurers first appear in 1399. At that time they were called *homans*: experienced magistrates, appointed on an ad hoc basis to reorganize city finances. Leiden only institutionalized the office after 1477, when the officials were called *tresoriers*.<sup>33</sup> Elsewhere they appear in the first half of the 15th century: in Dordrecht (1428), Haarlem (1417), Amsterdam (1413–1444), and Gouda (1402).<sup>34</sup> The treasurers of Gouda were supposed to help the city to get rid of *rente* payments, which is suggested by the 1402 decree that established the office:

*Dese ordenancy sal ghedueren toter tijd toe dat die stede vry van lijfrenten ende van andere renten zy...*<sup>35</sup>

<sup>31</sup> Van der Heijden, *Geldschieters van de stad*, 131–132; Dokkum & Dijkhof, *ibid.*, 49; Van Loenen, *ibid.*, 4–5.

<sup>32</sup> Bangs, “Holland civic lijfrente-loans”, 75, note 2.

<sup>33</sup> Marsilje is not certain whether the appearance of the *homans* was strictly a reaction to the financial problems, or an attempt to channel partisan struggle by increasing the number of offices. However, Brand believed that the *homans* were appointed to help reorganize finances (Marsilje, *Het financiële beleid*, 65–85; Brand, *Over macht en overwicht*, 147–153).

<sup>34</sup> Sanderson, “Politieke en sociaal-economische aspecten”, 28, note 12; Temminck, “De ontwikkeling van de autonomie van de stad Haarlem in de middeleeuwen”, 129; Ter Gouw, *Amsterdam III*, 404; Heinsius, “De financiën”, 294.

<sup>35</sup> Heinsius, *ibid.*, 294.

(This decree will be upheld until the city will have dissolved its *lijfrenten* and other *renten*)

Treasurers appear in smaller cities as well. When Rotterdam's public debt hindered trade in 1436, the city government asked Philip the Good's permission to appoint a *Veertigraad*, an electoral college that would appoint four treasurers, who were supposed to reorganize city finances,

... [opdat] die cooplude buten veylich varen, keren ende hoir neringen doen mochten....<sup>36</sup>

(so merchants may travel safely and engage in trade)

Thus, public debt and the threat of reprisals forced city governments to specialize. Treasurers improved financial administration: to prevent fraud, they started to record the residences in city accounts and the age of *renteniers* in contracts.<sup>37</sup> In 1490 the treasurers of Gouda created ledgers of *renten* the city was due. Combined with accounts of *renten* the city paid out, the ledgers showed the net burden of *renten*; this was a clear improvement over the ad hoc accounting the city had practiced before (Chapter Four). Gouda also ordered the religious institution of the Brethren of the Common Life to print 24 identical ledgers (illustration 2).<sup>38</sup> This was probably done to further improve financial administration, and the same was true of the requirement that *renteniers* sign receipts and hand over terminated *renten*.<sup>39</sup>

### 3.2 Good Institutions: The Development of Personal Execution

Public debt was based on the general mortgage, which subjected members of the public body to the law of reprisal. This institution depended on apprehending foreign merchants, seizing their goods, or imprison-

<sup>36</sup> Van der Schoor, *Rotterdam*, 93; Unger, *De Regeering*, IV; Memorialen Rosa I–III, 157, 217–218. In 1440 Schoonhoven received permission to appoint treasurers as well (*ibid.* I–III, 236–237).

<sup>37</sup> Leiden started to record the residence and age in the first half of the 15th century (Blok, *Geschiedenis* I, 252).

<sup>38</sup> Cf. this religious institution, in our source referred to as *Collatiebroeders*: Liefinck, “Bouwstenen”.

<sup>39</sup> Dijkhof, “Goudse renten”, 59–60. A reference to receipts is already mentioned in a 1329 *rente*, and in the 1390 concept of a Gouda *lijfrente* contract (Muller, *Regesta Hanoniensa*, 175; Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 8–9).

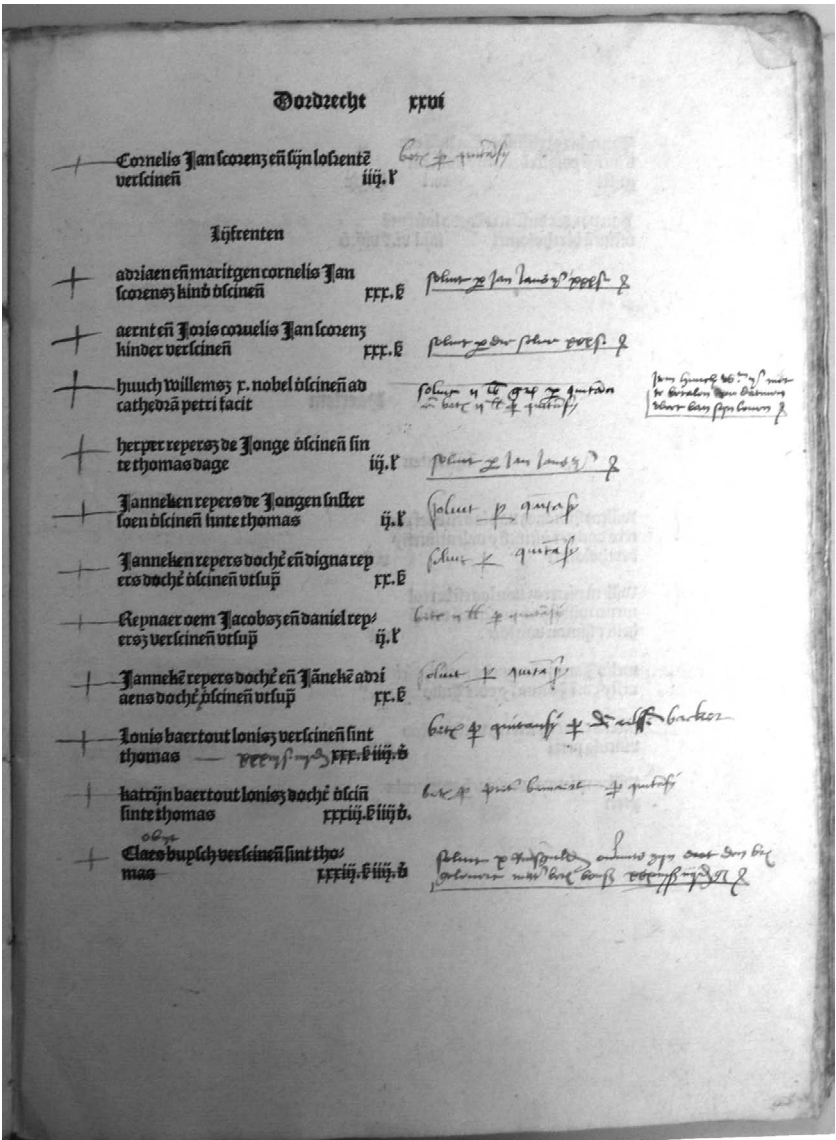


Image 2. Printed ledger of renten Gouda owed (1490)

In 1490 the government of Gouda ordered the Brethren of the Common Life to print 24 identical ledgers listing the *renten* the city was due. This *geprente register* may well be one of the earliest examples of the use of printing in public administration in Holland. On the left the *renten* Gouda owed to *renteniers* living in Dordrecht are printed, on the right handwritten notes about *rente* payments (Streekarchief Midden-Holland, Oud Archief Gouda inv. no. 1047).

ing them for debt. In the late Middle Ages the procedure for seizing goods was relatively sophisticated (Chapter Five), but despite some improvements, imprisonment for debt often remained a complicated and expensive way to enforce compensation.

The emergence of markets for public debt required institutions that allowed personal execution. Paradoxically, to this end public bodies depended on the institutions other cities and villages provided: if Dordrecht wanted to sell *renten*, *renteniers* should be able to have merchants from Dordrecht imprisoned for debt in their residences, as well as in the main trading cities of the Low Countries. In this respect the institutional development of the public sector as a whole benefited the emergence of markets for public debt.

Initially, possibilities for apprehending, seizing, and imprisoning foreigners were far from perfect. Institutions allowing for personal execution appear in the 13th century, probably because the general mortgage was already used as a security in the market for private debt and in transactions involving consumer credit. The 1245 charter of Haarlem tackled the problem of defaulters shunning their creditor's residence and thus escaping personal execution. First, foreign defaulters were summoned to appear in court, and if they did not appear, they were sentenced in absentia, which allowed the sheriff to travel to the debtor's residence to seize goods. Alternatively, the citizens of Haarlem could ask the count to execute the sentence when he visited the city.<sup>40</sup> Although similar bylaws appear elsewhere, it is difficult to see how such measures could have had much effect.

If the debtor – or a guarantor who was responsible for the former's debt – was located, the creditor had to get a court order before authorities started to execute it, giving the debtor time to obstruct the course of justice by alienating or hiding goods or fleeing. The provisional attachment protected creditors against such fraud, allowing for seizing goods or, in extreme cases, imprisonment. It first appears in the 1220 charter of Dordrecht:

*Si quis burgentium hospiti vel hospes burgensi bone sua per scabinatum crediderit et suos denarios as certum terminum solutiani prefixum habere non potuerit, ad persolvendum compellemus pignore vel denariis debitorem,*

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<sup>40</sup> Hoogewerf, *Het Haarlemse stadsrecht*, 167–173, 280–281.

*qui si non habuerit unde solvere valet, eius personam creditori presentare debemus.*<sup>41</sup>

If citizens or foreigners accept securities ratified by aldermen and do not receive their money within a certain term, we [the count] will force them [the debtors] to compensate them [the creditors] with goods or money; in the event the debtor cannot pay, we [the count] are obliged to hand him over to the creditor.<sup>42</sup>

The 1246 charter of Delft mentions provisional attachment as well. Unlike most other articles, which were derived from the charter of Haarlem, this particular article was probably derived from common law. Citizens were allowed to attach the goods of knights located within Delft, except for knights on horseback, on the walls of the cemetery, or in the cemetery itself.<sup>43</sup>

The account A. Nortier gives of the customs of Leiden is very illuminating. The creditor had to ask the sheriff to execute the provisional attachment (*besetting*); then the beadle, assisted by two citizens, went to the debtor, who had a few options. The debtor could appoint goods to be provisionally apprehended, appoint guarantors, or follow the beadle and be imprisoned until the next court day.<sup>44</sup> Fraud was heavily punished: moving attached goods was fined with 40 lb.<sup>45</sup> Moreover, debtors who tried to escape civil action, risked losing their citizenship.<sup>46</sup> There is ample proof that the practice in Leiden reflects the situation elsewhere in Holland.<sup>47</sup>

<sup>41</sup> *OHZ* I, 592, *ibid.* II, 584. The quoted article is from the 1252 reissue of the charter; the corresponding article of the 1220 charter is illegible because of damage to the source.

<sup>42</sup> Translated from the medieval Dutch, translation CC (*ibid.* II, 587).

<sup>43</sup> Van Kruining, *Delft 12 april 1246*, 42.

<sup>44</sup> Nortier, *Bijdrage*, 22–25.

<sup>45</sup> Haarlem (Huizinga, *Rechtsbronnen*, 55 no. 51, 324 no. 47, 333 no. 87); Leiden (Nortier, *Bijdrage*, 76); Purmerend and Purmerland (Hoeffler, “Costumen”, 569); Naarden and Gooiland (Hoeffler, *ibid.*, 573); Country of Putten (Bezemer, “Oude rechten van Putten”, 242); Edam (Besemer, “Keurboekje van Edam”, 153).

<sup>46</sup> Cf. examples Dordrecht (Fruin, *Rechtsbronnen* I, 225); Leiden (Blok, *Rechtsbronnen*, 223, 257, 343); Gouda (Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 42).

<sup>47</sup> Dordrecht (Fruin, *ibid.* I, 133–140); Haarlem (Huizinga, *Rechtsbronnen*, 193; Joosting, “Haarlemse dingtalen”, 632–633); Schiedam (Heeringa, *Rechtsbronnen*, 96–98); Den Briel (Pols & Fruin, *Het rechtsboek*, 150–151); Geervliet (Pols, “Oudste rechten van de stad Geervliet”, 82, 189–191); ’s Gravenzande (Telting, “Oude rechten van ’s Gravenzande”, 376); Naters (Van Meurs, “Dingtalen van Naters”, 586–587); Zuidholland (Fruin, *ibid.* II, 250–252).

The expropriation of goods was only possible if the defaulter's possessions were known. Sometimes imprisonment for debt was the only way to force debtors to cooperate and designate the goods to be seized. We have already encountered a rudimentary type of imprisonment for debt in the 1220 charter of Dordrecht. The 1245 charter of Haarlem has a similar article which prescribes that insolvent debtors were to be arrested by a beadle and imprisoned for two weeks, which probably means until the next court day. The creditor had to pay for the prisoner's food.<sup>48</sup> Unless the debtor compensated the creditor, he was handed over to the creditor and imprisoned at the latter's home.<sup>49</sup> This was a very awkward measure that had some obvious downsides: it required space, investments, and above all, it caused a major upheaval to privacy and family life. Imprisonment was expensive as well, because the prisoner had to be fed; the charter clearly states that the creditor was not allowed to starve the prisoner to death. There were three ways for the imprisonment to come to an end: the debtor could pay the amount owed, both parties could negotiate terms of down payment, or the creditor could remit the debt.<sup>50</sup> Debtors not willing to cooperate, and refusing to compensate the creditor, faced a lengthy imprisonment at the cost of the latter.<sup>51</sup> In the 17th century debtors patiently waiting for creditors to give in were still referred to as "eating through the bars".<sup>52</sup> No doubt few creditors wished to go through these difficulties to obtain compensation.

Lacking a proper legal framework for imprisonment for debt, creditors and debtors often turned to informal instruments. The *leisting* can be found in many *rente* contracts, and must be regarded as a measure to improve legal security. We already encounter the *leisting* in 14th-century Dordrecht, where the institution was prohibited in 1319.<sup>53</sup> Despite such measures, both creditors and debtors still visited inns to

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<sup>48</sup> In 15th-century Gravenzande this amounted to 5 *stuivers* a day (Telting, *ibid.*, 386).

<sup>49</sup> Cf. Delft (Fruin, *ibid.*, 182) and Den Briel (Matthijssen, *Rechtsboek*, 171).

<sup>50</sup> Hoogewerf, *Het Haarlemse stadsrecht*, 194–199; De Blécourt & Fischer, *Kort begrip*, 281–282.

<sup>51</sup> This article was still in effect in Burghorn in 1505 (Pols, *Rechtsbronnen* II, 400). Some examples of creditors paying for their debtors' imprisonment: Woudrichem (1467) (Korteweg, *Rechtsbronnen*, 363); Zuid-Holland (15th century) (Fruin, *Dordrecht* II, 253).

<sup>52</sup> Steyn, *Gijzeling*, 28.

<sup>53</sup> Balen Jansz., *Beschryvinghe*, 496.

live up to *leistingen* until well into the 16th century.<sup>54</sup> The procedure did not always require debtors to travel to an inn; another type of *leisting* allowed the creditor to travel to the debtor's residence and stay at an inn until the arrears had been paid. In the *rente* contract, creditor and debtor agreed the latter would pay for his stay. This type of *leisting* did not involve imprisonment for debt, but did put pressure on the debtor.<sup>55</sup> A third type emerged in the course of the Middle Ages. Not every creditor had time to travel to the debtor's residence and stay at an inn for a number of days, so after a while, the *leisting* was transformed into payment of damages for every day the creditor had to wait for his money.<sup>56</sup> Perhaps this arrangement may be regarded as a way to take concealed interest?

Compared to the legal security formal institutions offered, the *leisting* provided creditors with a few important advantages. They did not need to endure the cost of imprisonment; the debtor paid for the *leisting*, which reduced transaction costs. Furthermore, the *leisting* did not require creditors to take legal action. Only the sheriff's permission was needed to start the procedure.<sup>57</sup> It also allowed debtors to appoint guarantors, who agreed to take up residence in a tavern in case of default. This type of security increased creditworthiness by adding to the number of people responsible for the debt. But one disadvantage was that the *leisting* was an informal institution, and the only way to enforce it was by defamation: creditors were allowed to inform the public about debtors and guarantors who did not live up to their promises.<sup>58</sup>

Matters improved when authorities took responsibility for imprisonment for debt. In Haarlem in 1390, creditors were allowed to imprison for debt in the city prison or in the castle.<sup>59</sup> In Dordrecht second-hand dealers could be imprisoned for debt at the Puttock prison in 1411, and

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<sup>54</sup> According to Kernkamp, the damages replaced staying at an inn in the course of the Middle Ages. Yet, in Holland many examples of the latter were to be found. Especially city-magistrates frequently travelled to other towns to be imprisoned for debt (Kernkamp, *Vijftiende-eeuwse rentebrieven*, 13; Zuijderduijn, "Het lichaam van het dorp").

<sup>55</sup> De Blécourt & Fischer, *Kort begrip*, 282 note 1.

<sup>56</sup> Cf. Kernkamp, *Vijftiende-eeuwse rentebrieven*, 18 (Haarlem), 24, 27 (Leiden), 35–36 (Amsterdam).

<sup>57</sup> Rintelen, *Einlager*, 147.

<sup>58</sup> De Blécourt & Fischer, *ibid.*, 282.

<sup>59</sup> Huizinga, *ibid.*, 62–63. The bylaw was reissued in 1557 (*ibid.*, 336).

in 1454 all defaulters risked imprisonment for debt.<sup>60</sup> The creditors still had to pay for the imprisonment; in Dordrecht it was a penny a day for bread.<sup>61</sup> The situation in Dordrecht and Haarlem was very similar to the 16th-century provisional attachment (*gijzeling*) and imprisonment for debt (*arrest op de persoon*).

*Gijzeling* can be compared to the medieval provisional attachment. The defaulter was imprisoned by authorities and summoned to appear at a special *gijzel* chamber or inn within 24 hours.<sup>62</sup> If the debtor did not appear, a civil servant tracked him down and immediately apprehended and imprisoned him. The defaulter remained imprisoned for two weeks at his own expense. After two weeks the *gijzeling* was abandoned; then, the plaintiff was allowed to apply the *arrest op de persoon*, meaning the debtor was moved to a real prison. Unlike the initial *gijzeling* when the debtor had to pay for his own imprisonment, the plaintiff paid for the *arrest op de persoon*.<sup>63</sup> The latter simply paid a sum of money and authorities took care of the organization of the penalty, making *arrest op de persoon* a far more credible threat than imprisonment at home.

*Gijzeling* and *arrest op de persoon* were not 16th-century innovations; the former had existed for centuries, the latter first appeared at the end of the 14th century. *Arrest op de persoon* required specific places where prison sentences could be executed. Existing prisons – including those in castles – had a limited capacity and were not designed to carry out such judgements, the main exception being heresy, which often involved a lengthy imprisonment.<sup>64</sup> After 1400 prisons were used more frequently for civil judgements and some were even especially designated to this purpose.<sup>65</sup> This required professionals. Initially wardens were appointed

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<sup>60</sup> Fruin, *Rechtsbronnen* I, 75, 118–120. The bylaw was reissued in 1497 (Fruin, *ibid.* I, 133). Cf. Gouda Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 501.

<sup>61</sup> Fruin, *ibid.* I.

<sup>62</sup> Steyn, *Gijzeling*, 9–10.

<sup>63</sup> De Blécourt & Fischer, *ibid.*, 282; Fischer, *De geschiedenis van de reële executie bij koop*, 298–299, 308; Steyn, *ibid.*, 95–100. The procedure of execution is described by Steyn (*ibid.*, 11–19).

<sup>64</sup> In Leiden the authorities were confronted with the limited capacity of the *Gravensteen* prison when large numbers of heretics awaited trial in the first half of the 16th century, and they had to expand the capacity of the cellars (Blok, *Geschiedenis* II, 179–180).

<sup>65</sup> Hallema, *De geschiedenis van het gevangeniswezen*, 50–51; Steyn, *ibid.*, 26. In Haarlem the government agents Philip Wielant and Jean Roussel hit on the idea that prisons could support civil law. At the beginning of the 16th century, they advised the Haarlem government to use prisons for civil procedures (Hallema, *De geschiedenis van het gevangeniswezen*, 51).



on an ad hoc basis; full-time wardens only appeared in the course of the late Middle Ages.<sup>66</sup> Such economies of scale enabled the existence of prisons to reduce the cost of civil judgements.

Even though the emergence of *gijzeling* and *arrest op de persoon* were improvements, execution of civil judgements was still hampered by many exceptions. Trade was not to be obstructed, which is why authorities allowed merchants special privileges during fairs, safeguarding them from seizure and imprisonment for debt.<sup>67</sup> Other groups enjoyed similar privileges: citizens were often protected against attachment in the surrounding countryside. Amsterdam received the privilege for its citizens not to be attached for debt in the countryside north of the Meuse River, unless creditors had a *schepenbrief* or *schepenkennis* (Chapter Five).<sup>68</sup> But some villages also held privileges allowing their subjects the provisional attachment of citizens.<sup>69</sup>

The general mortgage was the main institution underlying public debt. Individuals may have been difficult to track down, but it was always possible to apprehend a random member of a public body. The great pains public bodies took to improve enforcement of general mortgages must be seen in the light of the expansion of public debt in the late Middle Ages. Investors in public debt demanded institutions that allowed them to seek compensation in case of default; the expansion of commercial credit – often based on personal liability – contributed to their demands as well. Still, in spite of improvements, imprisonment for debt remained a complicated and expensive procedure, which is why creditors are likely to have preferred seizing goods (Chapter Five).

### 3.3 *Bad Institutions: Coping with Default*

Resisting the impulse to change the rules may well have been the main problem standing in the way of the establishment of public debt. Rulers

<sup>66</sup> In Dordrecht a warden was appointed in 1455 (Fruin, *Dordrecht* II, 129–130).

<sup>67</sup> Nortier, *Bijdrage*, 18–19; cf. Dordrecht Fruin, *Rechtsbronnen* I, 228–229. Despite the *jus de non evocando*, Leiden citizens were often imprisoned for debt. Cf. for a clarifying account of the problem Woerden citizens had in 1393, Van Mieris, *Groot charterboek* III, 601.

<sup>68</sup> Such privileges once again indicate ratified debts were to be preferred (Nortier, *Bijdrage*, 18–19). Cf. other examples Dordrecht (Fruin, *ibid.* I, 236); Nieuwpoort (Telting, *ibid.*, 22); Heusden (Van Mieris, *ibid.* II, 650–651).

<sup>69</sup> Hof van Delft (Van Mieris, *ibid.* II, 666); Vlaardingen (Van Mieris, *ibid.* II, 377).

were not the only ones who defaulted; public bodies resorted to this as well. Their judicial and legislative powers allowed them to change the rules by revoking the securities of their *renteniers*, thus limiting possibilities for seeking compensation for defaults. Such measures may have solved acute budget deficits, but they also ruined solvency for years afterwards.

The public sector frequently defaulted during the civil war at the beginning of the 15th century and especially at the end of the century, when Holland's main cities had created an unprecedented public debt (Chapter Four). Adverse political and economic developments caused trade to contract and tax revenues to decline. Facing declining revenues, the main cities had a hard time servicing public debt, and in the end they defaulted on *renten*. This caused citizens to fall victim to reprisals, trade to stagnate even more, and city finances to further deteriorate. Public bodies reacted in a number of ways. They turned to the central government for help, requesting *Staeten* and moratoriums (*atterminaties*) to cancel out reprisals and gain time to reorganize finances. They also negotiated deals with other public bodies and individual creditors about terms of down payment. Finally, they issued rules restricting market functioning. The purpose was either to curb the options creditors had for seeking compensation, or to cancel out the resale of *renten* in the secondary market, which was regarded as a major element contributing to more complex *rente* payments and defaults.

From 1492 to 1494 Dordrecht, Haarlem, Leiden, Amsterdam, and Gouda asked Maximilian and Philip the Handsome for *Staeten* and moratoriums. But before dealing with these we will discuss the causes underlying the financial problems. Charles the Bold and Maximilian increased their financial demands and forced the cities to accept high taxes – which required them to turn to the capital market to participate in the 1482 issue of *gemenelandsrenten*, and to sell *renten* on behalf of the ruler. At the same time internal conflicts caused problems: the war with Guelders, the final epoch of partisan struggle between *Hoeken* and *Kabeljauwen*, and the 1491–1492 rebellion of the “Cheese-and-Bread-people” required investments and hindered trade, causing revenues to fall. Furthermore, the revolts of the Flemish cities from 1482 to 1492 affected Holland's export industries.<sup>70</sup> Haarlem was a major victim of

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<sup>70</sup> Cf. the economic problems the Holland cities faced: Sewalt, “Atterminacie ende staet”, esp. 61–65; Hamaker, “De stad Leiden in staat van faillissement”, 1–2; Bangs,

the turmoil: Maximilian punished the city for its participation in the 1492 revolt by seizing the comital revenues the city used to pay the *losrenten* it had earlier sold to support the count.<sup>71</sup> It is little wonder, then, that the city could not keep up *rente* payments.

Moreover, the general economic contraction at the end of the century and Maximilian's mint policy – causing significant devaluation, rising prices, and obstructions to trade – contributed heavily to the financial problems.<sup>72</sup> Everywhere industries declined and tax revenues decreased.<sup>73</sup> Confronted with declining revenues, the government of Haarlem decided to increase the tax on every brew from 7½ to 24 *stuivers*, and the tax on beer from 4 to 10 *stuivers*.<sup>74</sup> Leiden's indebtedness at the Calais staple for sheepskins, and the obstruction of trade due to reprisals, caused its cloth industry to decline. As a result, the revenues of the tax on sheepskins decreased, adding to the problems Leiden already had servicing its public debt: the magistrates reacted by increasing excises on sheepskins by 164 per cent from 1491 to 1498, causing Leiden's competitive position in international markets to decline.<sup>75</sup> The revenues of Gouda declined for similar reasons; there magistrates also reacted by raising taxes, including those on beer exports.<sup>76</sup>

In Haarlem and Leiden wealthy entrepreneurs and other citizens reacted to tax increases and the obstruction of trade by leaving the town: they renounced their citizenship and moved to other towns.<sup>77</sup> The cities became trapped in a vicious circle. Desperate for help, Leiden turned to Philip the Handsome in 1496, claiming the arrears in *rente*

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“Holland civic lijfrente-loans”, 77–78; Dijkhof, “Goudse renten”, 107–108; Dijkhof, “Om der minste schade”, 24.

<sup>71</sup> In 1478 Maximilian gave Haarlem the revenues of Texel and Vronergeest. The city was allowed these revenues to pay the *losrenten* it had sold on behalf of the ruler (Sewalt, *ibid.*, 59).

<sup>72</sup> Spufford, *Monetary problems*, 136, 142–144; Enno van Gelder, “De muntpolitiek”, 43–48; Dijkhof, *ibid.*, 24.

<sup>73</sup> Noordegraaf, *Holland's welvaren?* 30–34; Kaptein, *De Hollandse textielnijverheid*, 87–91.

<sup>74</sup> The Haarlem brewers complained about high excises in a source probably dating from 1524 (Van Loenen, *De Haarlemse brouwindustrie*, 10–18, 68–69; Sewalt, *ibid.*, 85).

<sup>75</sup> Posthumus, *De geschiedenis van de Leidse lakenindustrie* I, 234–235; Downer, “De financiële toestand”, 11–12; Brand, “The Leiden drapery”, 125–131; Brand, “Crisis, beleid en differentiatie”, 61–62.

<sup>76</sup> Dijkhof, “Goudse renten”, 105–110; Dijkhof, “Omme de meeste schade”, 25.

<sup>77</sup> How many citizens left Leiden is unknown, but according to one source 600 citizens left Haarlem (Sewalt, *ibid.*, 61–63).

payments made it look as if the citizens of Leiden, fearing reprisals, were like captives within the city walls.<sup>78</sup> No doubt the situation was not as bad as that, but defaults had dealt the economy a severe blow. Like Haarlem, the city entered a long period of financial problems, arrears, and continuous moratoriums. The other cities fared better: Dordrecht, Amsterdam, and Gouda received moratoriums, which they used to reorganize their debts.<sup>79</sup>

The moratoriums the cities received have led to some misunderstanding among historians. H.G. Hamaker and I. Prins thought that some of the cities of Holland were bankrupt. W. Downer pointed out that was not the case because public bodies may have lost the ability to dispose of property for a period of time, but public assets were not attached. E. Sewalt distinguishes three terms used in the late Middle Ages to refer to moratoriums: the *surseance* was a moratorium granted after a disaster; Amsterdam received one in 1452 after a fire had set the city ablaze.<sup>80</sup> The *atterminatie* was a moratorium granted to help an indebted individual or institution to survive. It was the ultimate legal instrument public bodies could resort to.<sup>81</sup> This postponement of payment for a certain time safeguarded public bodies from reprisals and

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<sup>78</sup> Van Mieris, *Handvesten*, 418. Cf. other examples, Kokken, *Steden en staten*, 230–232; VerLoren van Themaat, *Oude Dordtse lijfrenten*, 55–56, 86; Sewalt, *ibid.*, 62–63; Posthumus, *Bronnen* II, 162–163; GAL inv. nr. 82, f. 400v–402v, 441–446, 459–463; Downer, *ibid.*, 12; Bangs, “Holland’s civic lijfrente loans”, 77–78; Breen, *Rechtsbronnen*, 381–383; Dijkhof, “Goudse renten”, 82, 113–114.

<sup>79</sup> Dordrecht never used its 1494 moratorium: all *renten* were paid on time. Why affluent Amsterdam needed a moratorium is unclear. Prins doubted that Amsterdam had major financial problems. Dijkhof pointed out that Gouda’s finances had improved considerably when the city requested a second *Staet* in 1498. There are a number of reasons why cities requested *Staeten* they did not really need: a moratorium guarded citizens against reprisals, which was beneficial to trade. Furthermore, a sense of injustice may have induced magistrates to request a moratorium: their own citizens did not receive *renten*, while they had to pay the *renteniers* of other cities. Attempts to appear impoverished were also common: cities anxiously guarded their tax quorum and tax cuts. Finally, we have already seen how five large cities collectively sold *gemenelandsrenten* in 1482: only Amsterdam insisted on borrowing individually. Haarlem, Leiden, and Gouda stopped paying the *gemenelandsrenten*. *Renteniers* turned to reprisals, and because of the collective character of the *renten*, they could choose to harass Dordrecht, Haarlem, Delft, Leiden, and Gouda citizens. When Haarlem and Gouda received moratoriums in 1492 and escaped legal action, *renteniers* turned to Dordrecht, Delft, and Leiden citizens. Collective public debt forced the latter to request moratoriums to prevent the obstruction of trade caused by the defaults of Haarlem and Gouda (Prins, *Het faillissement*, 11–12, 26–30, Dijkhof, *ibid.*, 105, 112; Dokkum & Dijkhof, “Oude Dordtse lijfrenten”, 87–88).

<sup>80</sup> Prins, *ibid.*, 28.

<sup>81</sup> Downer, ‘De financiële toestand’, 17; Sewalt, *ibid.*, 63.

other legal actions. For the duration of the moratorium public bodies did not dispose freely of their assets, however.<sup>82</sup> Often the *atterminatie* was accompanied by a number of requirements the ruler stipulated to ensure public bodies would reorganize their debts in the right way; combined, they were recorded in a large privilege called the *Staet*.<sup>83</sup> The *Staet* that Leiden received in 1504 is a clear example, containing many stipulations about city finances and government.<sup>84</sup>

The *Staet* that Philip the Handsome granted Haarlem in 1492 allowed the city to postpone its arrears and *rente* payments for three years.<sup>85</sup> Included were all *lijffrenten*, *losrenten*, and other *renten* the public body owed, as well as *renten* the collective of cities had sold in 1482. Starting in October 1495 Haarlem was supposed to begin repaying *renten* and arrears, paying half a year of arrears annually. Excluded were *renten* the city owed the ruler and those of the poor and needy.<sup>86</sup> Philip granted similar *Staeten* to Gouda in 1492, Leiden (probably) in 1493,<sup>87</sup> and Dordrecht and Amsterdam in 1494.<sup>88</sup> Alkmaar and The Hague received *Staeten* in the beginning of the 16th century.<sup>89</sup>

We must remember that receiving a moratorium was a desperate measure: it shifted the balance of power and allowed the ruler to encroach on civic autonomy. At first Philip the Handsome did not pursue that possibility, but when Haarlem and Leiden could not recover their debts, the ruler took firm measures. Haarlem gradually lost its autonomy: first the government agents Philips Wielant and Jean Roussel were appointed as supervisors of a 1497 *Staet*. In 1501 Philip started to

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<sup>82</sup> Fockema Andreae, *Rechtsgeleerd handwoordenboek*; Fockema Andreae & Van Apeldoorn, *Inleidinge tot de Hollandsche rechtsgeleerdheid*, 347–349; Downer, *ibid.*, 17.

<sup>83</sup> Hamaker, “De stad Leiden in staat van faillissement”, 3.

<sup>84</sup> Edited by Hamaker, *ibid.*, 189–209.

<sup>85</sup> Cf. editions of *Staeten Verloren van Themaat*, *ibid.*, 116–120 (Dordrecht 1494), Sewalt, *ibid.*, 127–130 (Haarlem 1492), Posthumus, *Bronnen* II, 156–158 (Leiden 1494), Hamaker, *ibid.*, 189–209 (Leiden 1504), Prins, *ibid.*, 36–39 (Amsterdam 1494).

<sup>86</sup> Sewalt, *ibid.*, 64, 127–130. The 1494 Dordrecht *Staet* strongly is similar to the Haarlem *Staet*, with the notable exception that Dordrecht was supposed to repay arrears in six years.

<sup>87</sup> Bangs is probably right in dating Leiden’s first *Staet* in 1493. The eldest *Staet* available to the historian, from 1494, is clearly a continuation of an earlier privilege, which may well have ran for a year (Bangs, *ibid.*, 75).

<sup>88</sup> Haarlem received its moratorium on October fourth, 1492; Gouda had already requested a moratorium in 1491, only to receive it in the course of 1492 (Sewalt, *ibid.*, 63, 127–130; Dijkhof*ibid.*, 105 note 141; Heinsius, “De financiën”, 353–354; Prins, *ibid.*, 35–39).

<sup>89</sup> Alkmaar in 1510 and 1517, The Hague in 1519 (Prins, *ibid.*, 30).

appoint mayors, treasurers, and aldermen. He reduced the number of mayors from four to two and the number of treasurers from three to two. Wielant and Roussel received extensive rights: they were allowed to alter the legal framework of Haarlem.<sup>90</sup> They had completely different ideas about government than the city magistrates. Having studied law at one of the great European universities, they preferred Roman law to common law.<sup>91</sup> The laws of Haarlem may have been written down, but they were still based on German common law and lacked the systematic approach of Roman law. Convinced that Haarlem's existing legal framework was an archaic codex, and that Roman law was to be preferred, Wielant and Roussel revised large parts of the legal framework of Haarlem.<sup>92</sup> In 1501 they issued bylaws for the breweries, the city's main industry, and in 1503 bylaws on orphans. Their most spectacular attempt at legal reform was the revision of the complete codex of bylaws (*keurboek*) according to Roman law.<sup>93</sup> The new codex was written in or shortly after 1503, but all in vain, because it never replaced the existing legal framework.<sup>94</sup> Roman law was only gradually introduced by the central government in the course of the 16th century.<sup>95</sup>

The *Staeten* Leiden received adversely affected its autonomy: when government agents investigated the failure of the 1494 and 1497 *Staeten*, they blamed the magistrate of Leiden. Philip the Handsome limited civic autonomy when a new *Staet* was issued in 1504: until 1510 he would

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<sup>90</sup> Fruin, "Een wetboek voor Haarlem", 393.

<sup>91</sup> Roussel studied at the universities of Louvain and Cologne, Wielant and Oem van Wijngaerden, who was appointed supervisor in Leiden, at Louvain (Sewalt, *ibid.*, 83; Ter Braake, "Korte biografie", 66).

<sup>92</sup> Sewalt thinks Wielant wrote the new codex with Haarlem's indebtedness in mind. But it is doubtful whether some legal innovations, such as the introduction of a ten-year limit period for *rente* contracts, were indeed aimed at easing the city's problems by reducing the number of lawsuits. In reality Holland common law was based on one-year limit periods, so in this respect Wielant's codex clearly did not improve matters, but simply introduced the ten-year limit period of Roman law to the Haarlem codex (Sewalt, *ibid.*, 89–90).

<sup>93</sup> Wielant especially changed criminal law and police law according to Roman law. In Leiden Oem van Wijngaerden revised the *keurboek* as well (Fruin, *ibid.*, 417; Blok, *Geschiedenis* II, 142).

<sup>94</sup> Fruin, *ibid.*, 398–399.

<sup>95</sup> The bylaws on orphans that Wielant had reorganized were introduced in Leiden in 1545. In this respect the work of the government agents slowly set in motion the further penetration of Roman law. How exactly did Oem van Wijngaerden's, Wielant's, and Roussel's influence affect the reception of Roman law and modernize the government is an intriguing question.

appoint the mayors, treasurers, and aldermen.<sup>96</sup> He appointed the government agent Floris Oem van Wijngaerden as supervisor and permitted him to issue bylaws and change the city's legal framework.<sup>97</sup>

There were also other ways to postpone *rente* payments: in 1494 the main cities of Holland received a safeguard from Charles VIII of France guaranteeing that merchants of the six large cities would not be arrested because of arrears.<sup>98</sup> Negotiations with other public bodies were an option as well: at the beginning of the 15th century problems with public debt were already dealt with in *composities* with Brabant and Flanders (Chapter Two). More often, *composities* were arranged between cities: We have already mentioned a few that Holland arranged with Ghent, Bruges, and Antwerp in the 1420s. Further, in 1461 Amsterdam negotiated one with Utrecht.<sup>99</sup>

Safeguards issued during fairs were another example of privileges undermining the general mortgage: to attract foreign merchants, authorities guaranteed them a safe journey after they passed the marks indicating the limits of the fair.<sup>100</sup> The important fair of Voorschoten guaranteed visitors that they would not be held accountable for debts of fellow citizens. They could only be arrested and prosecuted for contracts agreed during the fair, and did not need to fear reprisals on other debts during the fair.<sup>101</sup>

Moratoriums, *composities*, and safeguards cancelled out the legal instruments underlying the capital market and thus undermined the position of creditors. They could no longer turn to reprisals to seek compensation. Obviously, creditors would never have agreed to buy *renten* if they could not dispose of such legal instruments: the law of reprisal was a pillar of public debt. By issuing a general mortgage, public bodies explicitly allowed creditors to apply the law of reprisal.

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<sup>96</sup> The number of mayors was reduced from four to two, the number of treasurers from three to two (Downer, *ibid.*, 13; Downer, "De ontwikkeling", 138).

<sup>97</sup> Hamaker, "De stad Leiden in staat van faillissement", 4–9. The 1494 *Staet* already designated two or four government agents to reorganize Leiden's finances. Whether they were indeed appointed is not known (Downer, "De financiële toestand", 11).

<sup>98</sup> Prins, *ibid.*, 11–12.

<sup>99</sup> Scheltema, *Inventaris* I, 83.

<sup>100</sup> The famous fair of Bergen-op-Zoom in Brabant profited from a safeguard issued by the local lord (Kortlever, "The easter and cold fairs", 627–629; Sloodmans, "Arrest en overval als belemmeringen van de Bergse jaarmarktvrijheid", 96).

<sup>101</sup> Van der Gouw, *Het ambacht Voorschoten*, 47–48. Cf. other examples, Breen, *Rechtsbronnen*, 10; Fruin, *De oudste rechten* I, 207.

We encounter the general mortgage in *lijfrente* contracts Leiden issued in 1407–1408:

*Ende gebrake daer yet an dat soude die houder des briefs verhalen an een yghelic onsen poorteren of sijn goede, ware die gheleghen sien of bevinden mach, tsi binnen den palen van Hollant of daer buten.*<sup>102</sup>

([In case of default] the owner of the contract should seek compensation from any citizen or his goods, no matter where, within Holland and abroad.)

References to other legal instruments were made as well. They usually appear in a formula called *willige condemnatie* (literally, “voluntary condemnation”). In the *lijfrente* contracts of Leiden it is formulated as follows:

*Ende dese geloften hebben wi ghelooft ende loven vander stede weggen voir ons ende onsen nacomeliingen medepoorteren wel te houden ende te voldoen ende ons des niet te weren mit enighen recht of vertrec, tsi gheestelic of wairlic...*<sup>103</sup>

(We promise to uphold these conditions and promise as a city that present and future citizens will uphold these conditions as well, and will not try to escape legal action by invoking any law or postponement, both worldly and ecclesiastic)

Moratoriums and *composities* obviously conflicted with the *willige condemnatie*. Of course, *renteniers* did not concede: in 1499 Cornelis van Brouhesen had a citizen of Leiden imprisoned in Oosterhout in Brabant for Leiden’s public debt. The Brabant Council ordered his release, referring to Leiden’s moratorium.<sup>104</sup> Such sentences may have been beneficial for trade, but they harmed creditworthiness.

Negotiations with individual creditors were less damaging to creditworthiness. The earliest examples are the agreements Dordrecht, Middelburg, and Zierikzee struck with their creditors at the beginning of the 14th century (Chapter Two). In 1410 Gouda struck a deal with a *rentenier*: the *rentenier* received a *losrente* for the three years of arrears on a *lijfrente*.<sup>105</sup> Such ad hoc solutions were popular among public bodies: in the remainder of the century we frequently find cities turning

<sup>102</sup> Blok, *Geschiedenis* I, 329–330.

<sup>103</sup> Blok, *ibid.* I, 329–330.

<sup>104</sup> Downer, *ibid.*, 12–13. Cf. Sewalt, *ibid.*, 72.

<sup>105</sup> Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 51.



*lijfrenten* into *losrenten* and the other way around.<sup>106</sup> In 1430 Dordrecht even granted Robbe Jacobsz. a building permit after the *rentenier* had allowed the city to redeem his *lijfrente* and acquitted arrears.<sup>107</sup> Furthermore, in 1445 the city granted lady Lijsbetten, widow of Pieter Hoddemonts, a tax exemption for 3½ *aem* wine and 26 barrels of beer for the rest of her life.<sup>108</sup> Nevertheless, public bodies could not force foreign *renteniers* to accept such measures, and risked resistance when they used force on their own subjects.<sup>109</sup> That is why the solutions they offered did not necessarily disadvantage the *renteniers*.

At the end of the 15th century Gouda offered creditors various options: those who had bought *renten* before the 1489 revaluation of the mint were given the option of being paid in the new coinage on condition that they forgave four to six years of arrears. Some other *renteniers* were willing to forgive arrears as well, on condition they would be paid on time in the future; in case of new defaults the arrangement would be held null and void. Others – especially citizens of Gouda – forgave the city without any further conditions. Not surprisingly, many other *renteniers* demanded to receive all arrears. They were only willing to negotiate about the terms when they would be compensated. But not all *renteniers* were willing to agree to a *compositie*: some tried to force the city to pay immediately by turning to ecclesiastical or worldly courts. Often cities conceded: they repaid these *renteniers*, and when possible, redeemed their *renten*.<sup>110</sup>

One method public bodies used to reorganize public debt has led to a misunderstanding among historians. Cities often offered *renteniers* a conversion of their *renten* (*conversie*). The *renteniers* handed over their *renten* contracts and then received contracts with a reduced rate of return. A 1491 example from Gouda may clarify the matter: representatives of Gouda travelled to Dordrecht, Haarlem, and Amsterdam to come to terms with *renteniers*. They offered to convert the creditors' *renten* from the twelfth penny (8.3 per cent) to the sixteenth penny (6.25

<sup>106</sup> Amsterdam converted *losrenten* to *lijfrenten* in 1464 (Houtzager, *Hollands lijf- en losrenteleningen vóór 1672*, 24).

<sup>107</sup> VerLoren van Themaat, *ibid.*, 99.

<sup>108</sup> VerLoren van Themaat, *ibid.*, 102.

<sup>109</sup> Van der Heijden implies public bodies forced *renteniers* to accept changes (Van der Heijden, *Geldschietters*, 137).

<sup>110</sup> Dijkhof, "Goudse renten", 112–114. Cf. other examples, Van Bourgondiën, "Medemblik voor het Hof van Holland", 41; Hanus, *Tussen stad en eigen gewin*, 83.

per cent).<sup>111</sup> The annual *rente* remained the same as it had been; as a result the *rente* increased in value.<sup>112</sup> If a creditor had bought a *rente* of 10 guilders at the twelfth penny, he or she had paid 120 guilders. After converting this *rente* to the sixteenth penny, the annual *rente* remained 10 guilders, but the value increased to  $10 \times 16 = 160$  guilders. In our example the 40 guilders amounted to the arrears, and converting simply meant arrears were cancelled out by adding them to the principal sum. The *renteniers* would receive the arrears when the city redeemed the *rente* or, more likely, when they sold the *rente* in the secondary market.<sup>113</sup>

Public bodies could often count on their subjects in times of hardship. In 1500 the government of Amsterdam summoned all inhabitants owning *renten* the city had issued to attend a meeting. Amsterdam had failed to pay out *renten* and now tried to get the *renteniers* to consent to postponement of payments. The *renteniers* had come in great numbers to the city's new hall, and were asked to take a seat or stand in an orderly manner. The magistrate explained in a roundabout way why the *renten* had not been paid yet. Postponement was necessary, and, the magistrate warned, not consenting would cause harm to both the city and the *renteniers*. This was an unmistakable message; the *renteniers* agreed to wait for the city to start payments, without resorting to legal action.<sup>114</sup>

Sometimes public bodies had clear incentives not to sell *renten* in certain cities and countries because public debt was always a potential threat to trade. There are a few examples of measures Amsterdam

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<sup>111</sup> Heinsius, "De financiën van de stad Gouda", 353. Leiden converted *losrenten* of foreigners from 6.7% to 5.5% in 1497. Gouda converted *losrenten* from 8.3% to 6.25% in 1490. Schiedam converted a *losrente* from 6,7% to 6,25% (Downer, *ibid.*, 12; Dijkhof, "Goudse renten", 47; Kernkamp, *Vijftiende-eeuwse rentebrieven*, 53–56).

<sup>112</sup> Cf. Dijkhof, *ibid.*, 47, note 263, and Van Loenen, "De rente-last van Haarlem", 83, indicating conversions did not change the value of *renten*.

<sup>113</sup> The principle is briefly discussed by Roggen (Roggen, "Inleiding", 20, note 11). Dijkhof seems to have misunderstood the mechanism behind conversions: he thinks a conversion from *de penning 12* to *de penning 16* in 1490 caused the *renteniers* to lose on their initial investment. Accordingly, a conversion meant that the *renteniers* had to pay extra to balance principal sum and *rente*, or that the *rente* was readjusted to the disadvantage of the *rentenier*. Both seem unlikely: why would *renteniers* accept such measures? Van Loenen makes the same error for a 1485 Haarlem conversion (Dijkhof, "Goudse renten", 47; Van Loenen, *ibid.*, 83).

<sup>114</sup> Van der Laan & Van Iterson, *Resoluties van de vroedschap van Amsterdam 1490–1550*, 25–26. Many Gouda citizens redeemed their city of arrears as well (Dijkhof, *ibid.*, 113).

took to ensure that public debt would not interfere with its economic interests. When Middelburg defaulted on collective public debt, which threatened the crucial passage through the Sound, Amsterdam took over Middelburg's debt.<sup>115</sup> And in 1514 the representatives of Amsterdam told government agents they had redeemed most of the *gemenelandsrenten* they owed in Bruges – probably to prevent reprisals for (accidental) defaults.<sup>116</sup> Thus, trading cities such as Amsterdam were probably weary of being indebted in cities frequently visited by its merchants.

We have already seen that most *renteniers* of Leiden lived in Holland and Brabant. Surprisingly, only few *renten* were sold in wealthy Flanders and nearby Zeeland. Perhaps demand for *renten* was small, but Leiden was probably also quite anxious about selling *renten* in Flanders and Zeeland because of the economic consequences of defaults.<sup>117</sup> The city's main trade route, providing Leiden with sheepskins from Calais for its textile industry, went through Flanders and Zeeland, making the creation of public funded debt in these areas a risky operation. An attempt by the Flemish cities – important producers of textiles as well – to thwart the supplies of their rival was not unlikely.<sup>118</sup>

These economic concerns contributed to the emergence of domestic capital markets. Public bodies understood very well that borrowing at home was safer than borrowing abroad. A 1457 example from Dordrecht shows the city first tried to sell *lijfrenten* to its own citizens. The citizens were given notice at least three times of the possibility for investing in funded debt. Finally the city announced that citizens and inhabitants still had two days before the city would

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<sup>115</sup> Lombarts, *Memoriale T*, 165–166.

<sup>116</sup> Fruin, *Informacie*, 173.

<sup>117</sup> At times, the Leiden government became weary of selling *renten* abroad. A 1492 privilege allowing the city to sell *renten* explicitly states these were to be sold to Leiden citizens. And in 1497 the Leiden council launched a plan to terminate foreign debts. Members of the council and economic elite (*Rijkdom*) offered to pay to redeem existing *renten*. The city would offer *renteniers* a conversion on their *renten*, and if they refused, Leiden citizens would take over the redeemable *renten*, and convert them to the eighteenth penny (5.6%). Thus, Leiden clearly aimed at shifting its public debt to its own subjects (Fruin, *Informacie*, 240; Van Mieris, *Handvesten*, 419–420).

<sup>118</sup> The sea route was deemed unsafe because of pirates. As a result, Leiden merchants preferred the overland trade, usually via Grevelingen, Duinkerken, Nieuwpoort, Bruges, Sluis, and Arnemuiden, i.e. through West Flanders and Zeeland (Posthumus, *De geschiedenis van de Leidse lakenindustrie* I, 219). Bangs discusses the threat of public debt for the Calais supplies (Bangs, "Holland civic lijfrente-loans", 78–82).

... *die renten vercopen anderen luden van buyten, in den buyck van Holland ende Zeelant.*<sup>119</sup>

(sell the *renten* to people from outside, in the public body of Holland and Zeeland.)

Dordrecht clearly preferred to create funded debt among its own subjects. Magistrates also knew that participating in the capital markets of Holland created cash flows within the county and prevented money from disappearing into the purses of foreigners. When the central government summoned the cities of Holland to sell *renten* in 1523, the latter indicated it would be wise not to sell abroad: this would lead to the decline of the common wealth (*algemeen vermogen*), and expose the cities to the law of reprisal.<sup>120</sup> This concern clearly suggests an economic policy similar to protectionism aimed at improving the economy of Holland.

Extra-economic force was not unheard of either. At times public bodies forced subjects to buy *renten*, warned them not to invest in the public debt of other cities, and even prohibited the purchase of *renten* issued by other public bodies.<sup>121</sup> Thus they ensured they would have an ample supply of potential *rente* buyers. At the same time public bodies selected their creditors with great care and tried to avoid risky transactions by excluding certain regions and social groups.

Public bodies not only objected to religious institutions buying *renten* because of their increasing wealth, but also because they could apply the penalties of canon law. In this respect the secondary market was a major cause for concern: public bodies could not prevent creditors from reselling *renten* to religious institutions. When payments were postponed and prices dropped below face value, religious institutions were eager buyers.<sup>122</sup> In 1505 Haarlem prohibited resale to people outside the city's jurisdiction to avoid the law of reprisal or the penalties of canon law.<sup>123</sup>

Public bodies disapproved of resale to foreigners as well, because this would increase expenses and could even have political consequences.

<sup>119</sup> VerLoren van Themaat, *ibid.*, 107–108. Cf. Hanus, *Tussen stad en eigen gewin*, 51–52.

<sup>120</sup> Ter Gouw, *Amsterdam IV*, 36–37.

<sup>121</sup> The Oversticht city of Kampen prohibited investing in the public debt of other public bodies (Kernkamp, *Vijftiende-eeuwse rentebrieven*, 7 note 10).

<sup>122</sup> Kernkamp, *ibid.*, 14 note 36; Sewalt, *ibid.*, 72–73; Downer, *ibid.*, 8.

<sup>123</sup> ... *vryer of stercker handt* (Sewalt, *ibid.*, 97–98).

That is why resale was restricted to citizens of Leiden in a 1408 *lijfrente* contract.<sup>124</sup> In 1414 Haarlem prohibited resale and alienation to foreigners; perpetrators faced a fine of 60 lb. and ten years' banishment. The bylaw was issued in the best interest of the city and to prevent more damage from happening (*om nutschap ende oirbair ende der stede mere scade te verhoeden*).<sup>125</sup> The magistrate of Den Briel took matters a step further: in 1449 the town prohibited resale of any contracts, thus not only cancelling out secondary markets for *renten*, but those for other credit instruments as well.<sup>126</sup>

To prevent transaction costs from rising, public bodies restricted the distance they would travel to pay *renten*. Amsterdam paid *renten* in the exchanges of Utrecht and Antwerp, Leiden up to ten miles outside Holland, and the city of Schiedam in Delft, Leiden, Rotterdam, or any other city *soe nae ons gelegen* (at a similar distance).<sup>127</sup>

Another way to keep track of public debt was by creating the right to take over *renten* when they were offered for sale. In 1522 Gouda issued the following bylaw:

*Item mits dat veel renthen ten live ende ter losse up die stede voir zeer cleyne prijs gecoft worden, sullen die tresoriers... a tempore sciencie die nacoop moegen nemen.*<sup>128</sup>

(Because many *lijfrenten* and *losrenten* issued by the city are bought for very low prices [on the secondary market], [it is decided that] the treasurers will have the right to take over the sale.)

The bylaw indicates that discounting *renten* was quite common. The magistrates of Gouda recognized the possibilities this offered for the reorganization of public debt: taking over resold *renten* allowed them to redeem debts at prices below face value! Moreover, they might even decrease the number of *lijfrenten* – which was usually impossible. Other cities assumed the right to take over *renten* as well: Rotterdam did so in 1499 and The Hague in 1551.<sup>129</sup>

<sup>124</sup> Kernkamp, *ibid.*, 21–22; Blok, *Geschiedenis* I, 329–330.

<sup>125</sup> Huizinga, *Rechtsbronnen*, 120.

<sup>126</sup> De Jager, *De middeleeuwsche keuren*, 56.

<sup>127</sup> Kernkamp, *ibid.*, 35, 38, 41, 44, 47–48, 51, 53–54; Blok, *Geschiedenis* I, 329.

<sup>128</sup> Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 534.

<sup>129</sup> Unger, *Stadsrekeningen*, XXV; 't Hart & Fischer, *Costumen*, 59.

### 3.4 Conclusion

To be able to create funded debt, public bodies developed market structures. The threat of reprisals persuaded them to change the rules: moratoriums flagrantly disregarded *rente* contracts. Such measures were at the expense of the creditworthiness of public bodies, however, and might even lead rulers to take back civic autonomy. Arrangements with other public bodies and individual *renteniers* (*composities*) were less dangerous. Still, defaults always posed a threat to the public sector, which is why public bodies often tried to contain public debt. Selling *renten* to members of the public body cancelled out reprisals, and restricting public debt to areas not crucial for trade limited the consequences of defaults as well. Furthermore, confining public debt to laymen cancelled out the penalties of canon law. In this respect the alienation of *renten* and resale in the secondary market were a major cause of concern, and at times public bodies tried to limit the liquidity of *renten*.

The public sector created institutions to reduce transaction costs; information networks consisting of brokers allowed it to sell and service *renten* at moderate expense. Improvements in financial administration limited the risk of (accidental) defaults and reprisals. In Chapter Five we will see how the public sector also developed contracting institutions that were crucial to markets for public and private debt.

The emergence of public debt also required institutions allowing for personal execution. In the late Middle Ages, however, personal execution had not improved much, and even though public bodies actively assisted plaintiffs, helped them locate debtors, and imprisoned people for debt, it remained an expensive way to seek compensation. Yet, the institutions of the markets for public debt increasingly allowed the public sector to attract funds by selling *renten*. In the next chapter we will see when these markets first emerged and what their capacity was.



## CHAPTER FOUR

### THE EMERGENCE OF MARKETS FOR PUBLIC DEBT

*Wat duvell is dit: daer siin vercoft vj<sup>c</sup> pont groot t'siaers alleen bij den borgermeester ende bij tween of drien buten weten ende consente van der gemeenten ende van den goeden luden van der stede.<sup>1</sup>*

(What devil is this: the mayor and two or three others have sold 600 lb. [worth of *renten*] without the knowledge and consent of the citizens.)

These are not the words of a government agent, magistrate, or political commentator, but of Aert Jansz., a mason from Dordrecht. He was sentenced to a fine for this criticism of the government of Dordrecht in 1471. Today, discussions of public debt would not be expected among construction workers. Why was Aert interested in Dordrecht's public debt? In the late Middle Ages Holland's main cities created an increasing funded debt, which had profound effects on society; the debt affected politics, economy, and religion. Aert was probably concerned about these effects, which had a direct impact on the lives of ordinary people.

In the late Middle Ages public bodies sold a mounting number of *renten*; markets for public debt allowed them to keep transaction costs low. This chapter will trace the emergence of such markets by looking at the rise of funded debt as a means for funding among public bodies. First we will discuss floating and funded debt in Dordrecht, where Aert Jansz. lived. Sources are available for this city that enable us to obtain a clear idea of developments there from the second half of the 13th century on (section 4.1). Following that, we will examine the sale of *renten* by other public bodies. The decreasing importance of floating debt and forced loans, the growing participation in markets for public debt by public bodies, and the quantity of *renten* public bodies sold are indicators of the capacity of market structures (section 4.2).

Expansion was not restricted to the supply side: demand for *renten* increased as well. The geographic dispersion of public debt reveals a different picture of the capacity of the market (section 4.3). In the late

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<sup>1</sup> VerLoren van Themaat et al., *Oude Dordtse lijffrenten*, 111.



Middle Ages markets for public debt allowed an increasing number of public bodies to sell *renten* to *renteniers* throughout Holland and much of the Low Countries.

#### 4.1 *The Financial Nexus: Dordrecht*

There is good reason to begin this account of the development of public debt with a section on Dordrecht. The financial history of this, Holland's oldest city, is relatively well documented: its 13th-century city accounts are by far the oldest in the northern Low Countries.<sup>2</sup> These accounts were drawn up from 1283 to 1287, and give some insight on Dordrecht's public debt. Even though a series of accounts are lacking – for the 14th century only some fragments have survived, but for the 15th century the accounts of 1429, 1445, 1446, 1450, 1485, 1490, and 1496 are still available to the historian – the accounts of Dordrecht allow us to see the development of public debt during the late Middle Ages. In contrast, for other cities it is nearly impossible to know the public debt before the end of the 14th century.

In the second half of the 13th century, Dordrecht was Holland's financial centre. We have already seen how the city mediated between Count Floris V and his creditors (Chapter Two). Potential financiers frequently visited this trading city, ensuring a constant supply of money and the possibility of creating financial networks, especially with the southern Low Countries. Dordrecht already housed the comital mint before 1284,<sup>3</sup> confirming the fact that the city was indeed a financial centre.<sup>4</sup>

Of course, the counts noticed Dordrecht's thriving commerce. They developed a taxation system based on a number of tolls and the staple of Dordrecht. Dordrecht and its surrounding countryside, the bailiwick of Zuidholland, had an economic system not unlike that of city-states.

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<sup>2</sup> Burgers & Dijkhof, *De oudste stadsrekeningen*, IX.

<sup>3</sup> A coin ascribed to Count Floris IV (1222–1234), bearing the inscription *MONETA DORD'CI* indicates that a Dordrecht mint already existed in the first half of the 13th century. Some (implicit) references to minters are made in sources of 1262, 1282, and 1286. The mint itself is mentioned in a 1283 charter (De Boer, "De Dordtse munt", 284–285).

<sup>4</sup> De Boer pointed out that the Dordrecht mint indicates "the availability of precious metals, flows of money, activities of moneychangers, silver and goldsmiths, payments of tolls, the contracting of large economic transactions" (De Boer, *ibid.*, 283 [translation CJZ]).

Other cities developed later and along different paths because the counts of Holland did not allow them to become as powerful as Dordrecht.

The sources allow an initial view of the public debt of Dordrecht at the end of the 13th century.<sup>5</sup> Although it is unlikely that all contracts for loans have been preserved, there is no reason to assume that what we still have is not representative of public funding. Loans ranged from 10 lb. *Brabants* to 4000 lb. *Vlaamse*, and the city even contracted a loan in kind. Yet some main trends are apparent: financial relations with the counts were important, most loans were floating debts to be repaid within a year, and townsmen were prominent among the creditors.

The oldest loan available fits perfectly in this picture: it was closely connected to comital finances, contracted with a citizen, and due within a year. At the end of April 1284 Dordrecht borrowed 532 lb. *Vlaamse* from the Ghent citizen Janne den Groeten. The town promised to repay the creditor after a year, on 1 May 1285. Dordrecht spent the money on a payment to Michael Baceleer; the city had secured a sum of money that Baceleer had lent to Count Floris V, and when the latter defaulted, Baceleer pursued legal action. The creditor ordered the aldermen of Dordrecht to appear in *leisting*, meaning they had to stay at an inn until the dispute was settled. To escape this inconvenient and expensive penalty, Dordrecht decided to borrow 532 lb. *Vlaamse* from Janne den Groeten, to pay Baceleer.<sup>6</sup>

This was not accidental: defaults by third parties frequently forced Dordrecht to turn to the capital market. In Chapter Two we saw how Dordrecht, Zierikzee, and Middelburg borrowed 4000 lb. *Vlaamse* to pay the count of Flanders a debt the towns had secured on behalf of Lambert de Vries.<sup>7</sup> The counts often did not pay much heed to their obligations, and thus exposed their guarantors to legal action.<sup>8</sup> Count Floris frequently shirked his responsibility: the accounts of Dordrecht

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<sup>5</sup> Unless noted otherwise, amounts are expressed in the coinage of account used by the Dordrecht government, the pound of 20 shillings (Burgers & Dijkhof, *ibid.*, XXXI–XXXII).

<sup>6</sup> Van Dalen, “Oorkonden”, LXIX.

<sup>7</sup> Van Dalen, *Regesten*, nr. 89.

<sup>8</sup> Securing loans the counts contracted with Pieter Heldebolle, Gillis Claward, Jhanne ser Pietersz., Pieter van der Spoye, and Gherart Cant probably caused problems as well. In 1296 Dordrecht could not pay Gillis Claward: Jan den Snider paid 141 lb. English and was given a redeemable *rente*. In June 1301 Dordrecht, Zierikzee, and Middelburg agreed with the creditors that the latter renounced the debts (Van Dalen, *Inventaris*, 72–73; Van Dalen, *Regesten*, no. 108–112; Van Dalen, “Oorkonden”, CLVIII).

contain many references to payments made on behalf of the count.<sup>9</sup> To prevent conflicts with debtors, Dordrecht sometimes even agreed to take over comital debts. In 1284 the city issued an obligation worth over 1019 mark Holland to the brothers Willem and Ghise Dukink. Dordrecht probably took responsibility for a comital debt it had secured in 1282. Once it had taken responsibility for payments, the city repaid Willem and Ghise Dukink within three years.<sup>10</sup> Later, Dordrecht took over large debts to other comital creditors as well.<sup>11</sup>

Not all loans were related to comital finances; Dordrecht also borrowed on its own behalf. In 1285 it came to terms with Lord Jan van Kuyk in a dispute about his toll on the Meuse River. Count Floris appointed two referees to negotiate a new tariff. The 1286–1287 city account shows that Dordrecht must have paid at least 148½ lb.; the city borrowed the money from Janne ver Diedwienz., Tielmanne ver Machtildez., Tielemanne den Vriesen, Janne ver Diedwienz., Willem Dukink, and probably Sheriff Coline, all prominent citizens who lent amounts ranging from 12 lb. to 44 lb.<sup>12</sup> On other occasions the city borrowed smaller amounts: in 1286 the city owed 20 mark Holland to Sheriff Coline, and in 1287 10 lb. *Brabants* to Ghijsbrecht ver Wyfghoedenz. Such small debts frequently appear in the city accounts

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<sup>9</sup> Burgers & Dijkhof, *ibid.*, 22 (18; 3, 10), 32 (30; 10), 41 (41; 17), 55 (54; 11); De Boer, “Het gewicht van Dordt”, 38–39.

<sup>10</sup> Willem Dukink received 250 lb. in 1283–1284, 615 lb. 19 s. 6 d. in 1284–1285 and 150 lb. in 1285–1286. In 1285–1286 60 lb. was paid to Ghise and Willem Dukink as well. The sum of all payments made to Willem and Ghise Dukink – 1075 lb. – approaches the 1091 *Mark* Holland the city owed the two brothers in 1284 (Burgers & Dijkhof, *ibid.*, 11 (6; 8), 14 (8; 4), 22 (18; 12), 25 (21; 7), 37 (36; 1), 38 (19; 2), 26 (21; 9), 26 (22; 4).

<sup>11</sup> In 1289 Dordrecht agreed to bail for a debt worth 630 lb. that Floris V owed Jan Pac. Shortly after, the city probably agreed to repay the debt (Van Dalen, *Inventaris*, 70 nr. 241). In 1290, 1291 and 1294 Dordrecht agreed to secure debts worth 1200 lb. and 400 lb. that Floris V owed Gillis Claward and Bard. In 1296 the city borrowed from Jan den Snider to pay Gillis Claward (Van Dalen, “Oorkonden”, 212, 221–222, 253–254).

<sup>12</sup> The account of 1284–1285 mentions 12 lb. borrowed from an unknown creditor, the account of 1285–1286 mentions 24½ lb. borrowed from Janne ver Diedwienz., and the account of 1286–1287 mentions 112 lb. borrowed from Tielmanne ver Machtildez., Tielemanne den Vriesen, Janne ver Diedwienz., and Willem Dukink. It is likely that *haren Willame* (probably Willem Dukink) and Coline each lent 20 lb. as well. (Burgers & Dijkhof, *ibid.*, LXXVIII, 33 (31; 17), 47 (46; 6), 53 (53; 7–13); De Boer, “Het gewicht van Dordt”, 45; Coldewey, *De heren van Kuyk*, 85; Niermeyer, *Bronnen* I, 59–61, no. 121).

and were probably used to cope with acute budget deficits.<sup>13</sup> Some other entries are less easy to interpret: in 1283–1284 the city paid back an ancient debt worth 7 lb. to Lord Jan van Heusden. What this debt was for and when it was contracted is unclear.<sup>14</sup>

Dordrecht was in demand for a large number of goods and services, for which payments were often postponed. Medieval city governments bought large quantities of wine: the accounts of Dordrecht contain postponed payments to wine merchants.<sup>15</sup> Burgers and Dijkhof calculated that in 1283–1284 Dordrecht's mayors closed their account with a 925 lb. shortage; 275 lb. of this debt was paid by their successors.<sup>16</sup> Alternatively, civil servants provided the city with credit: mayors and later treasurers were supposed to advance money from their own purses. Usually, they were reimbursed by their successors.<sup>17</sup>

Consumer credit also allowed the city to use a peculiar technique to borrow money: the account of 1284–1285 makes it clear how the magistrates turned their creditworthiness in the markets for goods into a loan:

*Item die van Rostocke 100 lb. 38 lb. ende 8 s. van rocge die die stede jehens heme cochten omme hare scult mede te verlecghene.*<sup>18</sup>

(The merchants of Rostow 138 lb. 8 s. for rye the city had bought to rearrange its debts.)

We have already encountered this technique – *fineren* – in Chapter Two. In this case Dordrecht had bought rye on credit, and immediately sold it for hard cash. Only later did the Rostow merchants receive the 138 lb. 8 s. Many magistrates of Dordrecht were merchants themselves, so they knew their way around the markets of Dordrecht and were perfectly capable of *fineren* at low cost. In our example the city sold the

<sup>13</sup> In 1283–1284 Janne Baiop lent the city 10 lb., in 1284–1285 Janne Malegysse lent 5 lb., and in 1285–1286 Willem Dukink lent 6 lb. 15 s., a *cnape van Harlame* lent 4½ lb. 5½ s., Janne Makedanse lent 5½ lb., and Harnoude Otgijrs *svager* lent 4 lb. (Burgers & Dijkhof, *ibid.*, 6 (2; 7), 21 (17; 8), 25 (20; 8), 41 (41; 10), 64 (60; 47), 71 (66; 10), 73 (69; 1).

<sup>14</sup> Ancient debts frequently appear. They were paid to a clerk, a Lombard, the lady of Hainault, a beadle, and a bailiff, to name but a few (Burgers & Dijkhof, *ibid.*, 9 (5; 7 & 18) 11 (6; 8), 13 (7; 27), 22 (18; 24) 54 (54; 2).

<sup>15</sup> Burgers & Dijkhof, *ibid.*, 22 (18; 4), 46 (46; 5). Cf. expenses for wine *idem*, 8 (3; 1–23), 27–28 (24; 1–33).

<sup>16</sup> Burgers & Dijkhof, *ibid.*, LXIII–LXIV.

<sup>17</sup> Dokkum & Dijkhof, “Oude Dordtse lijfrenten”, 86, 87.

<sup>18</sup> Burgers & Dijkhof, *ibid.*, 23 (18; 26).

rye for 136 lb. 16 s. 9 d.;<sup>19</sup> when the debt was repaid a few months later, Dordrecht only paid 1 lb. 11 s. 3 d. more. When other expenses are taken into account – transaction costs, taxes, and transport, amounting to 73 s. – the entire transaction involved expenses worth 4.4 per cent of the sum Dordrecht had raised.<sup>20</sup> In the 13th century this was a price to beat! Clearly, *fineren* could be more attractive than borrowing from moneylenders at high interest rates.<sup>21</sup>

Such moneylenders were active in Dordrecht. Bertelmeus de Lombard frequently appears in the city accounts. He acted as an intermediary, arranging payments between the city and private persons.<sup>22</sup> There is no clear evidence that Dordrecht borrowed from the Lombard.<sup>23</sup> The best clue that the city may indeed have done so is a *leisting* in the 1284–1285 account: Bertelmeus forced the magistrates of Dordrecht to stay at an inn. Perhaps the city owed him money?<sup>24</sup> But admittedly, the Lombard may have acted on behalf of foreign creditors as well.

Dordrecht also created funded debt: there is a ledger of *lijfrenten* on two lives the city was due in Bruges, probably from 1293–1294 (image 3).<sup>25</sup> The five *renten* amounted to 300 lb. *Parijse*, which were due every year on Assumption Day (August 15). It is likely that the sale raised at least 3000 lb., and the writer of the ledger even complained that the *renten* had heavily indebted the city: “*daer svaer bandun ende wilkoer der ghemeenre steede op staet*”.<sup>26</sup> The early emergence of funded debt

<sup>19</sup> Burgers & Dijkhof, *ibid.*, 20 (17; 1).

<sup>20</sup> The city paid 7 s. *lijfscope*, 38 s. excise-tax, 10 s. for *makelaardij* and 18 d. for transport (Burgers & Dijkhof, *ibid.*, 22 (18; 5, 13).

<sup>21</sup> Cf. about the *fineren*: Van Uytven, “De macht van het geld”, 216–217. Other references to *fineren* are made in the 1283–1284 account, when the city paid a debt in Utrecht, and the 1284–1285 account, when the city paid a messenger reporting on the *finering* in Bruges when the city bought rye from a Rostow merchant and when the city bought wine from Willem Dukink to raise money to pay Woutere ver Trudenz. (Burgers & Dijkhof, *ibid.*, 14 (8; 18), 20 (17; 2), 28 (25; 3); Van Dalen, *Geschiedenis van Dordrecht* I, 483).

<sup>22</sup> Burgers & Dijkhof, *ibid.*, 11 (6; 8), 20 (17; 6), 32 (30; 10).

<sup>23</sup> Some payments to Bertelmeus may have been payments to third parties as well (Burgers & Dijkhof, *ibid.*, 14 (8; 4), 24 (20; 8), 25 (21; 4), 26 (22; 16).

<sup>24</sup> Burgers & Dijkhof, *ibid.*, 23 (19; 1). VerLoren van Themaat did not find evidence that Holland cities borrowed from Lombards either (VerLoren van Themaat, “Geschiedenis van de lijfrente”, 11).

<sup>25</sup> Dokkum and Dijkhof already suspected this source must have served as a ledger (Dokkum & Dijkhof, *ibid.*, 48). Cf. ledgers of *renten* Kernkamp, *Vijftiende-eeuwse rentebrieven*, 66–70.

<sup>26</sup> Gemeentearchief Dordrecht (GAD), Archief 1, inv. no. 488; Cf. incomplete edition: VerLoren van Themaat et al., *ibid.*, 93. The precise dating of the source has led to some misunderstanding. On its website the Gemeentearchief Dordrecht dates

is remarkable: in this respect Dordrecht was far ahead of other cities in Holland. Its background is unclear, but considering the large sum the city borrowed, it may not be far-fetched to think that Dordrecht used the money to redeem one or more comital loans. If this is indeed what happened, the city reorganized its finances by converting floating debt into funded debt.

While Dordrecht did not contract much funded debt in the first half of the 14th century, debts did not disappear altogether: in 1310 the city sold a *rente* worth 3 lb. 30 p. to the Van der Pitte family of Ghent,<sup>27</sup> and in 1311 Jan ver Diedwienz. granted a *rente* worth 10 lb. 7½ s. – issued by the city at an earlier stage – to the almshouse (*Heilige Geest*).<sup>28</sup> The apparent decline in contracting funded debt may be caused by a lack of sources – no city accounts are available – but political factors may also have contributed to this development. Count Floris' ambitions were difficult to match, and it is not unlikely that his successors did not require comparable funds. Moreover, public debt is created in a political arena, and perhaps Floris' successors lacked the power to persuade the cities to mediate in the capital market. Perhaps they could even do without: when Jan II succeeded Jan I (1296–1299), a personal union consisting of Hainault, Holland, and Zeeland emerged. Ruling the county of Hainault, John II could turn to cities located near the important Champagne fairs, which offered excellent financial services. Whatever the causes, the cities of Holland and Zeeland probably did not mind: public debt had proved to be a burden threatening economic

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it around 1280. This is unlikely: not only are there no references to the payment of *lijffrenten* to be found in the 13th century Dordrecht city accounts (1283–1287), the *renteniers* we encounter in the edition of VerLoren van Themaat do not appear in the accounts either. The source must have been written after 1287. Based on the writing, Burgers estimated the source is from 1293–1294 (Dijkhof, “De economische en fiscale politiek”, 9, note 44). This is very likely: Gillis Clauwaerde, one of the *renteniers* mentioned in our source, frequently appears in Dordrecht sources after 1290. The city secured money Count Floris borrowed from Clauwaerde in 1293 and 1294, and paid him in 1295. Furthermore, Clauwaerde was one of the *renteniers* harassing Dordrecht for arrears at the beginning of the 14th century. A date after 1287 and before the year when Clauwaerde took legal action, 1309, thus seems likely.

<sup>27</sup> The *rente* was sold to Heinrike Gerardsz., who acted on behalf of Wasselijan van der Pitte and the children of Nicolaas [van der Pitte]. First, the *rente* would be paid to Wasselijan and Nicolaas' children, next Heinrike would grant the *rente* to a religious institution (Van Dalen, *Regesten*, no. 153).

<sup>28</sup> Van Dalen, *ibid.*, no. 159.

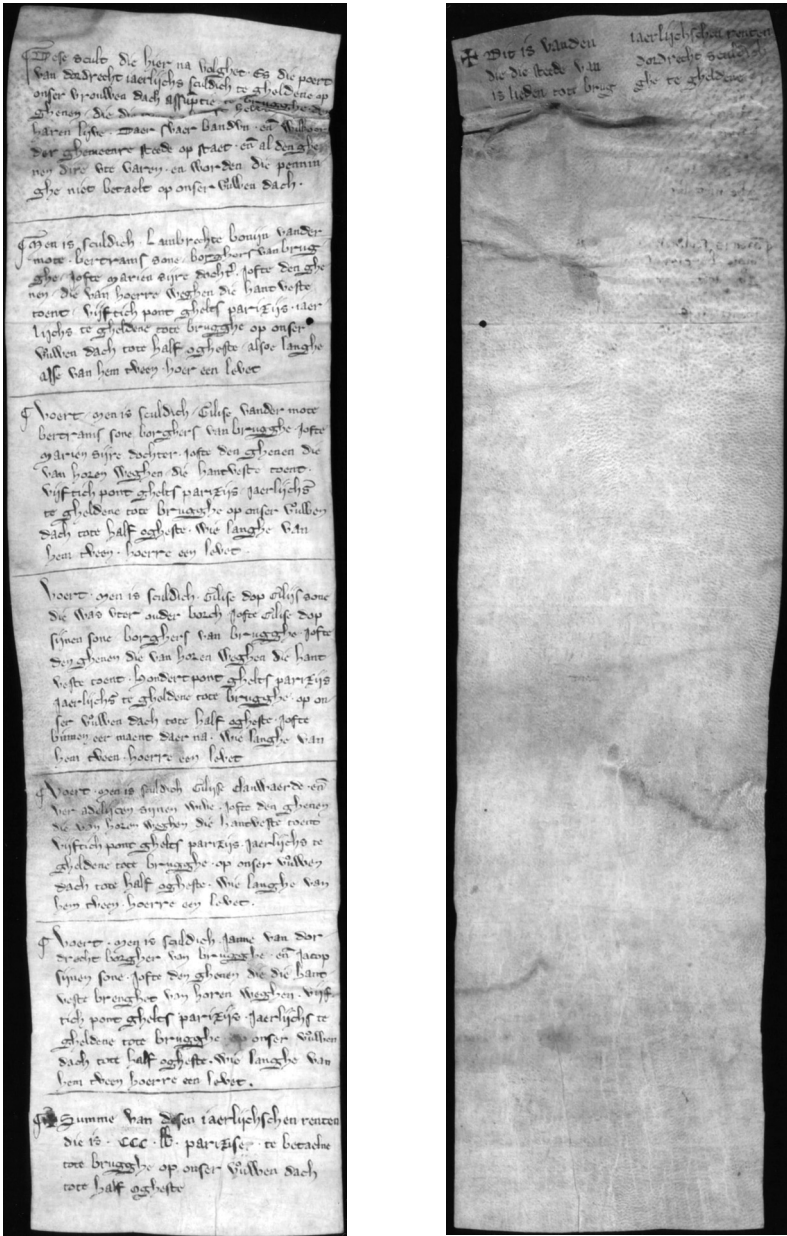


Image 3. Ledger of *renten* Dordrecht owed in Bruges (+/-1293–1294)  
This ledger of *lijffrenten* on two lives Dordrecht was due in Bruges was probably written in 1293–1294. It allows for a rare view of public debt in the 13th century. The image shows both front and back (Erfgoedcentrum DiEP, Stadsarchief: de grafelijke tijd, inv. no. 488).

exchange, and Dordrecht, Middelburg, and Zierikzee struggled with Floris' debts until they were dissolved in 1309.<sup>29</sup>

We have already seen how collective public debt was revived in 1345, when Count Willem IV sold *lijfrenten* in the southern Low Countries. In the second half of the century, Dordrecht contracted public debt once again: a list of loans contracted in 1366 and 1367 shows that the city had borrowed heavily, selling no fewer than 11 *lijfrenten* worth 134 lb. *Hollands* and 30 *oude schilden*, and four *losrenten* worth 148 lb. *Hollands*.<sup>30</sup> It is likely that these issues raised at least about 2500 lb. *Hollands*.<sup>31</sup> Most *renten* were paid in two annual terms, with the exception of three *losrenten* due on October 1, during the fair of Dordrecht. This was a convenient date to pay *renteniers*: seven biannual *renten* were due on 1 October as well.<sup>32</sup> Furthermore, the city contracted seven other loans, raising 2800 lb. *Hollands*. These loans were free of interest (*zonder scade iof commer*), at least this is what the source tells us. But who in his right mind would have lent sums up to 1600 lb. *Hollands* without being compensated? Surely Dordrecht must have paid some concealed interest on these loans. This is even more likely if we consider that the city would only repay the loans in 40 years!

Why Dordrecht borrowed over 5000 lb. *Hollands* is unclear, but it comes as no surprise to find the city heavily indebted in 1368, when arrears amounted to 10,733 lb. 11 s., almost as much as the annual revenues of 11,287 lb. 15 s.<sup>33</sup> To reorganize city finances, a committee was appointed in 1371.<sup>34</sup> Twelve citizens<sup>35</sup> were assigned:

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<sup>29</sup> Middelburg still had to cope with Antwerp *lijfrenten* in 1325 (Unger, *Bronnen* II, 46).

<sup>30</sup> GAD, Archief 1, 489.

<sup>31</sup> The interest rates of the redeemable *renten* were 10% (2x) and 12.5% (2x). These issues raised 1328 lb. Interest rates of *lijfrenten* are unknown, but these were always higher than interest rates of redeemable *renten*. Assuming interest rates of *lijfrenten* were at least 12.5%, the issue must have raised over 1072 lb. Holland and 240 *oude schilden*.

<sup>32</sup> Other term days were Christmas Eve (December 24), Midsummer (June 24), *Victorsdag* (October 10), May first, Easter, St. Michael (September 29), April first, *beloken Pasen* (Sunday after Easter).

<sup>33</sup> Van Dalen, "Nieuwe fragmenten van Dordtsche rekeningen", 216.

<sup>34</sup> Edited by Van der Wall, *Verhandeling* II, 304–308; Cf. incomplete edition: VerLoren van Themaat et al., *ibid.*, 94–95, no. 5; Van Dalen, *Geschiedenis van Dordrecht* I, 142; Van Herwaerden, *Geschiedenis van Dordrecht* I, 117, dating the commission to 1369.

<sup>35</sup> Three members of the city government, three members of the *oude rade* (council), and six representatives of the trades.



...omme der vorsz. stede te helpen brenghen bi Gods ghenaden uten laste van sculde ende commer...<sup>36</sup>

(by the grace of God to help the city resolve its debts and other problems)

The committee made 12 recommendations, including the stipulation that all *losrenten* and the arrears on these *renten* should be redeemed in six years, and that the arrears on *lijfrenten*, unredeemable *renten*,<sup>37</sup> and other debts should be repaid in six years as well. The city would create funds by doubling excise taxes on wine and beer and other revenues. To reorganize the debts, all payments would be made on 11 November. To add to their credibility, the whole city government promised to go into a *leisting* in case the reorganization would not succeed.

In spite of its financial problems, Dordrecht continued to sell *renten*. In 1385 the town sold a *lijfrente* worth 9 lb. 3 s. 2 d. to Jacob Lisse.<sup>38</sup> And much like other cities, Dordrecht occasionally turned to forced loans. In 1385 the city “borrowed” 664 lb. 13 s. 8 d. from its citizens; 162 individuals lent sums ranging from ½ lb. to 5 lb.<sup>39</sup> In 1399 another forced loan raised 491 lb. 7 s. 6 d.; the city repaid its creditors the next year.<sup>40</sup> Finally, in 1400 a forced loan raised 163 lb.<sup>41</sup> The emergence of forced loans must be ascribed to the political ambitions of Count Albrecht, who waged war against the lords of Arkel on the southeastern border, and tried to subject Frisia. To this end he demanded increasing sums of money from his subjects.<sup>42</sup>

As far as the sources allow for any generalization, until the end of the 14th century, the public debt of Dordrecht was diversified: the government contracted floating and funded debt and made use of consumer credit and *fineren*. Public finances clearly relied on credit: city accounts were always short. As early as 1284–1285 Dordrecht was short 51 per cent of annual revenues, and in 1368 deficits were 95 per cent (figure 4.1).

<sup>36</sup> Van der Wall, *ibid.* II, 304.

<sup>37</sup> The source distinguishes *losrenten* and *erfrenten*; if the latter were not redeemable *renten*, they probably were unredeemable *renten*.

<sup>38</sup> Dozy, “Extracten”, 94.

<sup>39</sup> Dozy, *ibid.*, 94–101.

<sup>40</sup> The city used the loan to pay soldiers (Dozy, *ibid.*, 101–109).

<sup>41</sup> Dozy, *ibid.*, 110.

<sup>42</sup> Dordrecht levied forced loans in 1385 to finance the siege of Zevenbergen, in 1399 to pay for soldiers at an unknown location, and in 1400 for a military expedition to Westfriesland. Other cities levied forced loans at the end of the 14th century as well.

Over time, funded debt gained importance: VerLoren van Themaat characterized the 15th century as “the bloom of *lijfrenten*” in the northern Low Countries.<sup>43</sup> This is certainly true for Dordrecht, where *renten* had become a structural element of expenses by 1429 (figure 4.1). No less than 64 per cent of total revenues went to *rente* payments, making public debt a main financial concern of the government of Dordrecht. In the remainder of the century this figure was about 60 per cent. At times the city could not pay its *renteniers*, and *renten* were the main cause of the substantial deficits the city coped with.<sup>44</sup> These deficits were relatively low in 1450, at 34 per cent of total revenues, but they reached 183 per cent in 1485, a few years before Dordrecht would request a moratorium.

There is more evidence suggesting that funded debt finally succeeded: VerLoren van Themaat et al. counted no fewer than 90 issues of *lijfrenten* and *losrenten* in the 15th century. Initially the capital markets of the southern Low Countries remained important: according to H.W. Dokkum and E.C. Dijkhof, *renteniers* from Brabant and Flanders still prevailed at the beginning of the century.<sup>45</sup> In the 1420s the number of *renten* sold to creditors from Dordrecht had already increased, and in the 1470s other markets appear as well: Dordrecht sold *renten* in the Nedersticht (Utrecht), Zeeland (Zierikzee), and Holland (Delft, Leiden, Amsterdam, Gouda, Rotterdam).<sup>46</sup> Finally, in 1496 Dordrecht paid *renten* throughout Holland: Haarlem, Delft, Leiden, Amsterdam, Gouda, Rotterdam, The Hague, Heusden, Gorinchem, Geervliet, Schiedam, Oudewater, Den Briel, and even the villages of Capelle, Leiderdorp, and Warmond.<sup>47</sup> Admittedly, some of these *renten* probably ended up in small towns and villages due to migration among creditors and alienation through inheritance. Still, it is clear that Dordrecht increasingly succeeded in contracting funded debt within Holland. As we will see, other cities in Holland witnessed a similar development.

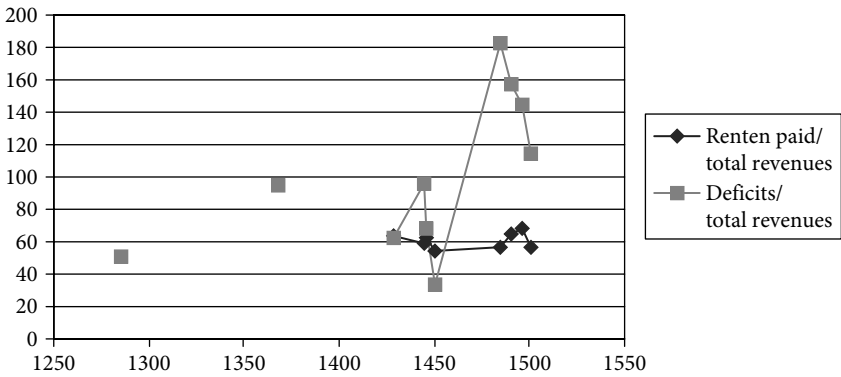
<sup>43</sup> VerLoren van Themaat, *ibid.*, 12 [translation CJZ].

<sup>44</sup> Dokkum & Dijkhof, *ibid.*, 82–83.

<sup>45</sup> In 1409 the city sold *renten* in Brabant (Antwerp, Brussels, Malines, Den Bosch, and Lier) and Flanders (Ghent and Bruges) (Van Dalen, *Geschiedenis van Dordrecht* I, 479).

<sup>46</sup> *Renteniers* lived in the Brabant cities of Den Bosch, Breda, Lier, and Herenthals as well (Dokkum & Dijkhof, “Oude Dordtse lijfrenten”, 76).

<sup>47</sup> GAD, Inventaris 1, inv. no. 439. I was unable to read the names of all cities and villages. Some other residences of *renteniers* include Montfoort, Culemborg, Oudenbosch, Doornik, Sluis, Loevestein, Tongerlo, and Nijmegen.



Source: VerLoren van Themaat, *Oude Dordtse lijfrenten*, 78.

Figure 4.1. Public debt of Dordrecht (1285–1501)

The magistrates of Dordrecht were frequently confronted with the disadvantages of public debt. Angry *renteniers* turned to the law of reprisal: in 1409 the city borrowed money from the moneychangers of Dordrecht to release two citizens imprisoned for debt in Rotterdam. The two were held to force Dordrecht to pay *renten*.<sup>48</sup> Likewise, in 1422 a citizen of Dordrecht was summoned to appear before the court of the University of Cologne, and in 1446 the mayors also had expenses for releasing citizens imprisoned for public debt. In 1486 Dordrecht even advised its citizens not to travel to Breda in Brabant because they risked being harassed enormously – “*groettelic gequelt ende gemolesteert*” – by an angry *rentenier*.<sup>49</sup> Similar problems induced Dordrecht to issue a peculiar bylaw in 1411: when a foreign creditor harassed a citizen of Dordrecht for private or public debt, Dordrecht would do the same to the foreign creditor and his fellow citizens.<sup>50</sup> After all, an eye for an eye, a tooth for a tooth was a valued principle of medieval law.

Not only was the magistrate of Dordrecht constantly trying to keep its citizens out of trouble, the city negotiated with angry *renteniers* as well. The city accounts of 1429, 1446, 1447, and 1490 contain expenses for representatives travelling to *renteniers* to negotiate instalment

<sup>48</sup> Fruin, *Rechtsbronnen* II, 15–16.

<sup>49</sup> Dokkum & Dijkhof, *ibid.*, 80. VerLoren van Themaat et al., *ibid.*, 115; Fruin, *Rechtsbronnen* II, 41.

<sup>50</sup> Fruin, *ibid.* I, 85–86. Cf. a 1425 example of the execution of this bylaw, Fruin, *ibid.* II, 48–49.

plans.<sup>51</sup> In 1422 one of them allowed the city to redeem a *lijfrente*, and in 1429 the heirs of a *rentenier* acquitted the city of arrears, possibly to escape an inheritance tax the city levied.<sup>52</sup> We already encountered Robbe Jacopsz., who acquitted arrears in exchange for a building permit.<sup>53</sup> And in 1445 a *rentenier* received a tax cut after having acquitted arrears.<sup>54</sup> Others were less lenient, and immediately turned to the law of reprisal when payments failed. The obvious solution was to redeem their *renten*.<sup>55</sup>

Alternatively, Dordrecht turned to the ruler for help. In 1425 Philip the Good granted Dordrecht a privilege allowing its citizens to be released on bail, when they were imprisoned for debt in the Flemish city of Sluis.<sup>56</sup> In 1488 Maximilian rewarded Dordrecht for its support during the revolt of the Flemish cities by cancelling all *renten* held by citizens of Ghent, Bruges, and Ieper.<sup>57</sup> And in 1494 Philip the Handsome granted the city a *Staet*, including a moratorium, allowing for postponement of *renten*. The duke ordered his officials not to allow *renteniers* to take legal action against citizens of Dordrecht for the time of the moratorium. For three years Dordrecht was allowed to pay only half of the *renten*, with the exception of debts to the central government and the poor and needy. After the three years the city would start paying *renten* again; the arrears were supposed to be repaid in six years.<sup>58</sup>

<sup>51</sup> VerLoren van Themaat et al., *ibid.*, 98–99, 102–104, 116.

<sup>52</sup> VerLoren van Themaat et al., *ibid.*, 97–98. Cf. other examples *ibid.* 99 (2x), 100, 113. It is indeed possible, as VerLoren van Themaat et al. maintain, that Dordrecht levied an inheritance tax. The *exue*, or *jus detractus*, was a tax levied on goods inherited by foreigners (De Blécourt & Fischer, *Kort begrip*, 52; Fockema Andreae, *Rechtsgeleerd handwoordenboek*, 159).

<sup>53</sup> VerLoren van Themaat et al., *ibid.*, 99.

<sup>54</sup> VerLoren van Themaat et al., *ibid.*, 102. The *rentenier*, lady Lijsbeth widow of Pieter Hoddemonts, had some problems with her Dordrecht pension. In 1441 the city tried to compensate her for arrears by granting her some real estate, but this transaction failed to go through. In 1445 she received a tax cut, and in 1448 – probably fed up with continuing defaults – she granted all arrears to the *manhuys*, a charitable institution (VerLoren van Themaat et al., *ibid.*, 101–102, 104).

<sup>55</sup> Heinric Steenwech of Den Bosch cost Dordrecht large amounts of money: this *rentenier* frequently took legal action against Dordrecht, and arrested or imprisoned its citizens. In 1446–1447 the city probably redeemed his *rente*; this was funded by the sale of other *renten*, a technique known as *conversie*, converting one debt into another (Dokkum & Dijkhof, *ibid.*, 51).

<sup>56</sup> VerLoren van Themaat et al., *ibid.*, 97.

<sup>57</sup> The privilege was reissued in 1491 (Dokkum & Dijkhof, *ibid.*, 86; Van Dalen, *Inventaris*, 47).

<sup>58</sup> Cf. edition VerLoren van Themaat et al., *ibid.*, 116–120.

Recently, Manon van der Heijden investigated Dordrecht's public debt after 1550. She distinguished buyers from Dordrecht and foreigners: in 1555 75.8 per cent of *renten* was sold to inhabitants of Dordrecht, and in 1572 it was 95.5 per cent! From 1550 to 1650 domestic investors bought 400 (77 per cent) of 490 *lijfrenten* the city sold.<sup>59</sup> It is safe to say that the volume of the capital market of Dordrecht further increased in the 16th and 17th centuries. In the end the government could get nearly all the money it needed from inhabitants. Forced loans were already rare in the 15th century and no longer appear in the 16th century: even in 1572, at the beginning of the Revolt, the city managed to borrow in a free market. It is true that buyers were predominantly found among the magistrates of Dordrecht, who were encouraged to help the city pull through, and during the Revolt interest rates increased, but extra-economic force was no longer necessary.<sup>60</sup>

The history of Dordrecht's public debt reveals the development of capital markets. As early as the 13th century the town depended on a broad range of financial techniques, some were quite advanced, such as funded debt contracted abroad, others were rudimentary, such as *fineren*. In the 15th century Dordrecht sold an increasing number of *renten* in foreign and domestic capital markets. Funded debt had become the city's main credit instrument: *renten* accounted for about 60 per cent of the city's expenses. Even though other types of credit never really disappeared, they were clearly surpassed by funded debt. This development coincided with the growth of domestic free capital markets – including a Dordrecht market – where inhabitants sought possibilities for investing their savings.

#### 4.2 *The Rise of Markets for Public Debt*

The Dordrecht sources are a fortunate exception: for other cities in Holland it is nearly impossible to gain insight on the development of

<sup>59</sup> In 1555 33 *lijfrenten* were sold, 25 in Dordrecht, 8 outside. In 1572 89 *lijfrenten* were sold, 85 in Dordrecht, 4 outside (Van der Heijden, "Public debt in Dordrecht", 192, table VI).

<sup>60</sup> Van der Heijden does point out that sometimes "investments [were] made from a sense of urban duty". Maarten Prak and Jan Luiten van Zanden also pointed out that the Dutch Republic witnessed an emerging sense of citizenship (Van der Heijden, "Public debt in Dordrecht", 187–188 [translation CJZ]; Prak & Van Zanden, "Towards an economic interpretation of citizenship").

public debt before the 15th century. Most series of city accounts were destroyed by fire, or simply not preserved because they lost relevance over time. As a result, Leiden's 1391–1392 account is the oldest to be found outside Dordrecht. Even though there is some evidence that the cities participated in foreign capital markets – Haarlem, Delft, Leiden, Amsterdam, Gouda, and Alkmaar developed collective public debt – it is likely that the public finance of Dordrecht was relatively advanced, at least until the second half of the 14th century.

Like Dordrecht, other public bodies used a number of techniques to create floating debt. Public finance relied on consumer credit, and mayors and treasurers often advanced money and reimbursed creditors from their own purses. The mayors of Leiden advanced considerable sums – sometimes several thousands of pounds – making wealth a strict condition for those called to the office. As a result, public finances were not differentiated from private finances: in the words of Jan Marsilje, the mayors' personal wealth was “interwoven” with the city's treasure chest.<sup>61</sup>

As we have seen, Dordrecht sometimes used force to create both floating and funded debt. This type of funding was especially popular among the governments of Italian city states that had a strong republican tradition, because forced loans were thought to be a corollary of the notion that every citizen should support the state.<sup>62</sup> Cities in the Low Countries did not use this financial technique as much. As James Tracy shows, they had another option because of their distinct legal status. These cities “could be ‘legal persons’, capable of owning property and swearing oaths”. This enabled them to sell *renten* as a public body.<sup>63</sup>

It is not difficult to see the advantages that selling *renten* in a free market had over forced loans, which could cause unrest among citizens.<sup>64</sup> Moreover, the market for *renten* was much larger than the financial scope of forced loans, which could only tap into the wealth of the population of the public body. And – contrary to what one would

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<sup>61</sup> Marsilje, *Het financiële beleid*, 64–65; Van der Heijden, “Stadsrekeningen”, 134.

<sup>62</sup> Other advantages were that citizens preferred forced loans to taxation, and that theologians and jurists did not deem forced loans that bore interest to be usurious (Munro, “The medieval origins”, 514–515; Tracy, *A financial revolution*, 218–219).

<sup>63</sup> Tracy, “Long-term urban debt”, 19–20; Munro, *ibid.*, 519–520. It is somewhat remarkable that Tracy stresses the importance of forced loans in Holland in the 15th century, and at the same time seems to think these loans were not characteristic for public bodies in the Low Countries.

<sup>64</sup> Molho, “The state and public finance”, 105.

perhaps expect – forced loans were not always less expensive than *renten* contracted in the capital market. To prevent upheaval, Leiden offered high interest rates of 20 per cent when the city forced all citizens to buy a *lijfrente* in 1399.<sup>65</sup>

There seems to be a correlation between emergency situations and the levying of forced loans: at the end of the 14th and beginning of the 15th centuries, internal warfare frequently called for ad hoc loans. In such situations selling *renten* was not an option because it was a relatively slow procedure, and moreover, because warfare adversely affected creditworthiness. On the other hand, with the enemy at the gates, citizens had clear incentives to agree to forced loans, for example, during the civil war at the beginning of the 15th century.<sup>66</sup> Likewise, financial problems and declining creditworthiness induced the main cities to levy forced loans at the end of the 15th century.<sup>67</sup>

Magistrates probably preferred selling *renten* in the capital market and only used force in crisis situations.<sup>68</sup> A 1521 example from Leiden shows what magistrates thought to be best. Seeking funds, they first tried to sell *renten* to the population of Leiden, and when this did not yield enough, they turned to forced loans. When they were confronted with opposition to this, the magistrates offered buyers of *renten* exemption from a tax they had announced. The magistrates were confident this was an attractive offer:

... [dat er] by desen eenige poorteren, ende innewoonderen, bedunckende beter te zyn, by coope van renten jaerlicx penningen te ontfanghen, ende die scattinche verlaten te wesen, dan mitter scattinche belast te bliven, zonder daer of yet te ontfanghen...<sup>69</sup>

(among the citizens some would think they were better off buying *renten* and receiving an annual sum of money, and being exempt of taxation, than paying the tax and not receiving anything)

<sup>65</sup> Blok, *Geschiedenis* I, 249. The city government apportioned the value of the *renten* by estimating personal wealth.

<sup>66</sup> Blok suspects Leiden issued a forced loan in 1393. In 1420 nearly 500 citizens contributed to another forced loan, imposed to finance the war against John of Bavaria (Blok, *Geschiedenis* I, 249).

<sup>67</sup> Leiden imposed forced loans in 1482, 1483, 1487, 1493, and 1498, Haarlem in 1483, 1484, and 1485, Amsterdam in 1472, Gouda (probably) in 1481, 1482, and 1486 (Bangs, "Holland civic lijfrente-loans", 79; Fruin, *Informacie*, 241; Sewalt, "Attermincie ende staet", 45; Ter Gouw, *Amsterdam* III, 100; Dijkhof, "Goudse *renten*", 107, 109).

<sup>68</sup> Kernkamp, *Vijftiende-eeuwse rentebrieven*, 7; Marsile, *Het financiële beleid*, 280.

<sup>69</sup> Van Mieris, *Charters Leiden*, 443–445.

The magistrates were wrong, though: most citizens of Leiden did not think the heavily indebted city would pay *renten*, and preferred to be taxed. This example shows that public bodies carefully weighed their options. It also demonstrates that the existence of forced loans in late medieval Holland does not mean that capital markets were altogether absent.

When did the other main cities contract funded debt? Haarlem may already have sold *renten* in the 14th century. The city paid a *rente* to Aert de Paismakere of Malines in 1351. Whether this was indeed a transaction in the capital market is difficult to determine: the city may have granted Aert a *rente* in recompense for his services, which was quite common. We encounter the same problem with a *lijfrente* granted to Hendric van Lunen in 1399.<sup>70</sup> The first transactions Haarlem definitely made in the capital market are from the beginning of the 15th century: the city sold two *renten* in 1402, another one in 1403, and two more in 1410.<sup>71</sup> In the following decades the city quickly created a large funded debt: in 1428 *rente* payments were its main expenses (figure 4.4). A 1414 bylaw illustrates the weight of funded debt: the government of Haarlem prohibited citizens from reselling *renten* the city had issued. Perpetrators faced a penalty of 60 lb. and a ten-year banishment.<sup>72</sup> We have already seen that public bodies often objected to the resale of *renten* because it increased transaction costs, especially when *renten* were sold to people living at a distance. Resale to clerics was even a greater cause of concern because such *renteniers* could turn to the severe penalties of canon law in case of default. The bylaw indicates that the public debt of Haarlem had reached a level where resale posed a potential threat.

Obtaining a clear idea of Haarlem's public debt may be difficult, but to get an impression of the situation in Delft is even harder, because its medieval archives went up in flames centuries ago. Yet there are some data available: a 1408 marriage contract from Dordrecht mentions *renten* the wife had on the city of Delft.<sup>73</sup> In 1414 Count Willem VI granted the city permission to sell *lijfrenten*,<sup>74</sup> and there is no reason

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<sup>70</sup> Enschedé, *Inventaris*, 11, 154.

<sup>71</sup> Enschedé, *ibid.*, 71.

<sup>72</sup> Huizinga, *Rechtsbronnen*, 120.

<sup>73</sup> Fruin, *Rechtsbronnen* II, 9–12.

<sup>74</sup> Bos-Rops, *Graven op zoek naar geld*, 131 table 19. Permission to sell *lijfrenten* was not a strict condition: Dordrecht only received its first permission to sell *renten* in 1486, at a time when it had already issued numerous *lijfrenten* (VerLoren van Themaat, "Geschiedenis van de lijfrente", 9).



to assume that Delft did not capitalize on this privilege. Furthermore, for reasons unknown, in 1445 the government of Dordrecht warned its citizens not to buy *renten* from other cities in Holland, including Delft, indicating that Delft participated in the capital market.<sup>75</sup> The first *rente* contracts available to the historian are from 1472, 1479, and 1481.<sup>76</sup>

The archives of Leiden allow for a better view. In 1352 the city sold a *lijfrente* worth 20 s. *Flemish* on the lives of Peterkijn and Coelkijn, the children of Jan de Wollecoper.<sup>77</sup> Their names seem foreign, and it is likely that they were from the southern Low Countries. *Lijfrenten* appear in Leiden's oldest complete city account, from 1391–1392, when the city paid *renten* worth 32 lb. in Bruges. The 1399–1400 account mentions *lijfrenten* worth 24 lb. in Bruges.<sup>78</sup> Furthermore, Count Willem VI granted Leiden permission to sell *lijfrenten* in 1408 and 1413: the latter sale raised 1746 English *nobelen*.<sup>79</sup> That year the city already paid *renten* worth 895 English *nobelen*, no less than 40.8 per cent of its ordinary revenues (figure 4.3).<sup>80</sup> Another source reveals that public debt caused acute problems: a bylaw, probably from 1398, prohibited the mayors of Leiden from contracting debts exceeding the city's ordinary revenues, unless they had permission of the city government. Thus Leiden tried to limit public debt.<sup>81</sup>

Gouda already participated in domestic capital markets in the 14th century. The city's *verhuerboeck*, a register used by aldermen, lists at least 53 *renteniers* who had bought *renten* from 1390 to 1397 (table 4.1).<sup>82</sup> Gouda sold at least 35 *renten* to foreigners living in Utrecht, Dordrecht,

<sup>75</sup> VerLoren van Themaat et al., *ibid.*, 101. The cities were Haarlem, Leiden, Delft, Amsterdam, and Den Briel.

<sup>76</sup> Soutendam, *Inventaris*, 13, 30, 32–33.

<sup>77</sup> Blok, *ibid.* I, 250.

<sup>78</sup> Meerkamp van Embden, *Stadsrekeningen* I, 5, 90; Blok, *ibid.* I, 250.

<sup>79</sup> Marsilje, *Het financiële beleid*, 285.

<sup>80</sup> Marsilje, *ibid.*, 290.

<sup>81</sup> Hamaker, *De middeneeuwsche keuren*, 14 no. XI.

<sup>82</sup> In 1389 11 *lijfrenten* were sold to Dordrecht citizens. The issue raised 4000 s. Dordrecht, the city, paid an interest rate of 9.1%. In 1390 Gouda attracted at least 288 French Francs by selling 26 *lijfrenten* at an interest rate of 9.1%. This issue included 80 Francs worth of *lijfrenten* sold to nine Utrecht clerics, and four more *lijfrenten* to Utrecht citizens. The city had sold another *rente* worth 22 s. Holland not listed in the *verhuerboeck*. Other *lijfrenten* were sold to a Dordrecht canon and an Amsterdam priest. In 1393 the city sold five *lijfrenten*, one of which was sold to a Utrecht couple. The principal sum was used to redeem the *lijfrenten* the city owed Dordrecht citizens. In 1393 three *lijfrenten* worth 35 *engelsche nobelen* were sold, probably raising 318½ *engelsche nobelen*, in 1396 a *lijfrente* worth 15 s. Francs was sold, probably raising 136½ s. Francs, and in 1397 a *lijfrente* worth 20 s. Francs was sold, probably raising

and Amsterdam. In 1389 the city attracted 4000 s. *Dordrecht*, selling 11 *lijfrenten* at an interest rate of 9.1 per cent.<sup>83</sup> A year later the city raised at least 288 French francs by selling 26 *lijfrenten* at an interest rate of 9.1 per cent.<sup>84</sup> In 1393 it sold three or four *lijfrenten* worth 35 English *nobelen*, probably raising 318½ English *nobelen*, followed by one or two *lijfrenten* worth 15 s. French sold in 1396, probably raising 136½ s. French, and one or two *lijfrenten* worth 20 s. French, probably raising 182 s. French in 1397. Thus, the city repeatedly turned to capital markets to create a large funded debt with its own citizens and those of Utrecht, Dordrecht, and Amsterdam.

Table 4.1. Geographic dispersion of *renten* owed by Gouda (1389–1397)

Year	Gouda	Dordrecht	Amsterdam	Utrecht	Unknown	Total
1389		11 <sup>85</sup>				11
1390				11	6	17
1393					3–4 <sup>86</sup>	3–4
Before 16 September 1394 <sup>87</sup>	1 <sup>88</sup>	1	2	3	3	10
1396					1–2 <sup>89</sup>	1–2
1397				1–2 <sup>90</sup>		1–2
Unknown		1	2	3	4	10
Total	1	13	4	18–19	17–19	53–56

Source: Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 3–7.

182 s. Francs. (Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 3–7; *Geselschap, Inventaris*, 177).

<sup>83</sup> The 1389 issue raised 4000 s. Dordrecht. The pensions amounted to an annual 364 or 365 s. Dordrecht, or 9.1% of the principal sum.

<sup>84</sup> Gouda sold yet another *rente* worth 22 s. Holland not listed in the *verhuerboeck* (*Geselschap, Inventaris*, 177).

<sup>85</sup> *Lijfrenten* on two lives.

<sup>86</sup> Whether Jan Classen and his wife each bought a *lijfrente*, or one *lijfrente* on two lives, is unclear.

<sup>87</sup> Dated by using the day one of the *renteniers*, Dirk Willem Zonderdanxsoen, died (*Sinte Lambrechtsavond na noenen*).

<sup>88</sup> The *rentenier* Dirk Willem Zonderdanxsoen was murdered in 1394, and his body was brought to Gouda, presumably his residence.

<sup>89</sup> Whether Gheryt de Roden and his daughter each bought a *lijfrente*, or one *lijfrente* on two lives, is unclear.

<sup>90</sup> Whether Zwarte Claes Willemsone and his wife each bought a *lijfrente*, or one *lijfrente* on two lives, is unclear.

Although data from Amsterdam are rare, we do know that the city received permission to sell *lijfrenten* in 1402, 1405, 1413, and 1416.<sup>91</sup> For the rest of the century the city struggled with financial problems: in 1429 a committee was appointed to reorganize public debt.<sup>92</sup> Financial problems reappeared after the city was destroyed by fire in 1452: Amsterdam needed a moratorium and ten years of tax exemption to pull through.<sup>93</sup> Public debt continued to be a problem, and in 1461 the city negotiated with Utrecht, probably about difficulties in paying *renten*.<sup>94</sup> Finally, in 1469 another committee was appointed to reorganize Amsterdam's public debt.<sup>95</sup> These problems with public debt may well have been caused by *rente* sales.

Even though the data on early public debt are scarce, it is clear that all of Holland's six main cities contracted funded debt at the beginning of the 15th century. There are more sources available for the later period. The well-documented cities of Haarlem and Leiden allow an overview of urban public debt in the 15th and 16th centuries; their series of city accounts show its development. The volume of *rente* sales and the geographic dispersion of *renten* can serve as indicators for the capacity of the market for public debt.

Before we turn to the accounts, it may be useful to point out that mayors and treasurers did not maintain a sophisticated administration: they did not work with budgets, but estimated expenses using data from previous years. They met unforeseen expenses by borrowing or selling *renten*. The accounts they kept often lack coherence, in part due to the use of fictitious entries of sums they had not yet received or paid out. Sometimes bookkeepers listed *renten* they expected to pay out as already paid; as a result, defaults are sometimes difficult to distinguish. Finally, the advances mayors and treasurers made from their own purses add to the difficulty in understanding the sources.<sup>96</sup>

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<sup>91</sup> Houtzager, *Hollands lijf- en losrenteleningen vóór 1672*, 23–24; Bos-Rops, *Graven op zoek naar geld*, 131 table 19.

<sup>92</sup> Lombards, *Memorialen Rosa I–II–III*, 20.

<sup>93</sup> *Chronologisch register op het vervolg van het groot charterboek*, 80; Scheltema, *Inventaris 1*, 75–76.

<sup>94</sup> Scheltema, *ibid.* I, 83.

<sup>95</sup> VerLoren van Themaat et al., *Oude Dordtse lijfrenten*, 111 nr. 67.

<sup>96</sup> Van der Heijden, "Stadsrekeningen", 135–136.

For Leiden, Jan Marsilje analyzed city finances before 1477; P.J. Blok provides some data for the later period.<sup>97</sup> Leiden received both ordinary and extraordinary revenues.<sup>98</sup> The most important ordinary revenues were excise taxes, especially on beer and wine. The excise on sheepskins (*velaccijns*) was also important, because this raw material was used in the city's main industry, the fabrication of woollen cloth. Furthermore, the city leased out the right to use public goods: these included fishing in the canals and lakes, stalls in the marketplaces, and frames used to stretch cloths.<sup>99</sup>

Occasionally, these ordinary revenues were increased with extraordinary revenues. The way Leiden attracted additional funds is shown in figure 4.2. At the beginning of the century the city still levied irregular taxes to cope with unforeseen expenses: this *schot* or *ommesetgeld* was still gathered during the civil war between Jacqueline and John of Bavaria, but there are no indications that irregular taxes were levied after 1434.<sup>100</sup> Of course, this type of funding was not popular: in 1398 the city decided to postpone irregular taxes for the time being and switch to indirect excise taxes, no doubt in an attempt to limit the risk of tax revolts.<sup>101</sup>

Borrowing was an alternative for irregular taxation. Floating debt was not very popular, however: P.J. Blok already remarked that the city did not turn to Lombards for loans, nor do other financiers appear in the accounts.<sup>102</sup> The main sources for floating debt were mayors and treasurers, who advanced money from their own purses to cover shortages. In figure 4.2 we see this type of credit under "deficits". As a result, accounts were closed with large debts to the mayors, rather than with numerous outstanding debts to a large number of petty creditors.

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<sup>97</sup> Marsilje has edited the main entries in the accounts of 1412–1413, 1425–1426, 1426–1427, 1433–1434, 1448–1449, 1451–1452, 1459–1460, 1460–1461, 1461–1462, 1462–1463, 1463–1464, 1464–1465, 1465–1466, 1466–1467, 1468–1469, 1469–1470, 1470–1471, 1471–1472, 1472–1473, 1474–1475, 1475–1476, 1476–1477. The financial year started on 10 November. (Marsilje, *Het financiële beleid*, 252–265; Blok, *Geschiedenis II*, 280–284.)

<sup>98</sup> This is the typology Marsilje derived from Blok (Marsilje, *ibid.*, 266).

<sup>99</sup> Cf. a complete list of ordinary revenues Marsilje, *ibid.*, 266–280.

<sup>100</sup> Marsilje mentions *schot* or *ommesetgeld* levied in 1413, 1419, 1425–1426, 1427, 1433, and 1434 (Marsilje, *ibid.*, 281, note 187).

<sup>101</sup> Blok, *ibid.* I, 162, 244–245; Hamaker, *De middeneeuwsche keuren*, 13–14 nr. IX. Marsilje, *ibid.*, 280–281. It is likely the bylaw, as well as two other bylaws aimed at the reorganization of city finances, were issued in 1398 (Meerkamp van Embden, *Stadsrekeningen I*, 56, note 1).

<sup>102</sup> Blok, *ibid.* I, 248–249.

The advantages are obvious: the city's indebtedness remained comprehensive, and unlike petty creditors, the mayors were unlikely to press charges against the city.<sup>103</sup>

As in Dordrecht, the government of Leiden sometimes levied forced loans. A 1420 forced loan – not shown in the figure because the 1419–1420 city account has not been preserved – is one of the few examples. The loan raised 5812 lb., which the city used to fight John of Bavaria's troops.<sup>104</sup> We also encounter some other forced loans before 1433 and after 1477, when the city experienced financial problems.

Finally, sometimes Leiden enjoyed unexpected revenues. In figure 4.2 these windfalls are included in the category "other". To give an example, in 1477 the city sold ships it had privateered, as well as the remaining provisions from its own warships.<sup>105</sup> Windfalls were a structural, yet unimportant revenue: in 1452 the maximum sum these raised was 1950 lb., a mere 9.5 per cent of ordinary revenues.

When we look at figure 4.2, it becomes clear that Leiden favoured the capital market for funding. From 1413 to 1477 Leiden frequently sold *renten*, raising relatively large amounts of money. Over time, deficits advanced by mayors declined, the importance of floating debts remained modest, and the unpopular irregular taxes disappeared. Windfalls were common, but unimportant revenues.

Figure 4.3 provides an idea of the burden of funded debt. It shows the annual *renten* payments set off against ordinary revenues. Here, ordinary revenues give an indication of the real burden of funded debt; excluded are emergency measures such as levying irregular taxes, forced loans, and *rente* sales, which were often a direct reaction to the need to service funded debt. Setting *rente* payments off against the emergency measures the city took to pay *renteniers* would confuse the picture and make the situation appear too rosy.

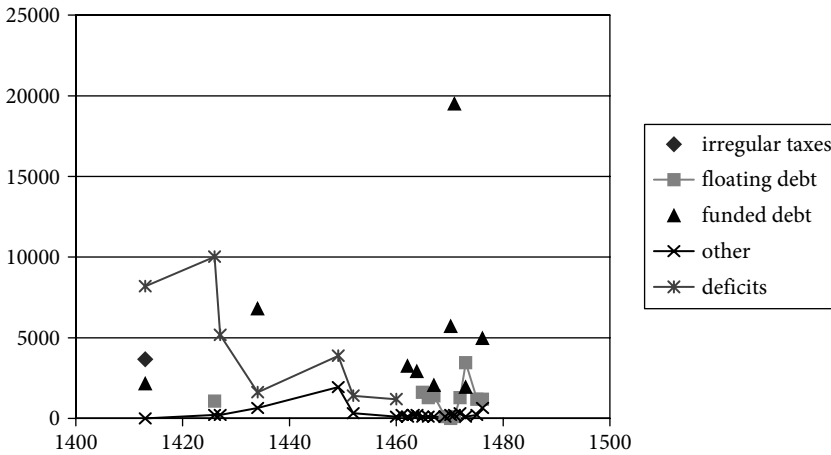
Looking at the trend, it is clear that the burden of *renten* was a consequence of political and economic developments. Leiden sold many *renten* during the war-torn period at the beginning of the century: Jan Marsilje points out that the value of *renten* the city was due rose eight-

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<sup>103</sup> Marsilje, *ibid.*, 64–65. In Gouda the same mechanism is visible (Dijkhof, "Goudse *renten*", 94; Heinsius, "De financiën", 300–301).

<sup>104</sup> Blok, *ibid.* I, 249.

<sup>105</sup> Marsilje, *ibid.*, 266, note 132.



Source: Marsilje, *Het financiële beleid*, 252–265.

Figure 4.2. Extraordinary revenues of Leiden (1413–1477) (lb.)

fold from 1413 to 1434.<sup>106</sup> Warfare and reprisals by *renteniers* hindered trade, causing a decline in ordinary revenues and making servicing of *renten* even more difficult: the city had to reserve up to 69 per cent of its ordinary revenues to meet payments in 1426 and 1434.<sup>107</sup>

Public debt declined in the relatively peaceful and prosperous era known as the Golden Age of Burgundy, from 1440 to 1477. The *renten* Leiden had contracted at the beginning of the century disappeared: many *lijffrenten* were terminated because the *renteniers* died, and the magistrates also redeemed *losrenten*.<sup>108</sup> Our sources do not indicate that the city sold any *renten* from 1434 to 1462; as a result, the burden of funded debt dropped to 21 per cent in 1472 and 1477.

By then the city had already entered an era of increased financial pressure caused by the financial demands of the rulers, warfare, and an economic crisis. The political ambitions of Charles the Bold, who wanted to create a strong state between the German Empire and France, and of

<sup>106</sup> Marsilje, *ibid.*, 291.

<sup>107</sup> Historians have already pointed out the vicious circle of declining ordinary revenues and continuing defaults as a major element contributing to the financial problems at the end of the century. It is likely this mechanism was in effect in the twenties and early thirties as well (Downer, “De financiële toestand van de stad Leiden omstreeks 1500”, 7–8; Sewalt, “Atterminatie ende staet”, 61–65).

<sup>108</sup> Leiden redeemed *losrenten* in 1452, 1460, 1461, 1462, 1463, 1466, 1467, and 1475 (Marsilje, *ibid.*, 252–265).

Maximilian, led to rising taxes and the sale of *renten* to fund the war Charles the Bold fought with France. The city raised the unprecedented sum of 19,465 lb. in 1472,<sup>109</sup> and there was even a revival of collective public debt in 1482.<sup>110</sup> The re-emergence of partisan struggle in Holland sparked a number of wars and rebellions, forcing the city to invest in defence and warfare. This “chronic state of warfare” led to decreasing trade, inflation, and declining ordinary revenues for public bodies.<sup>111</sup> Initially Leiden continued to pay *renten*, but from 1477 to 1484 matters deteriorated quickly: *rente* payments rose from 5700 lb. to 15,700 lb. A peculiarity in medieval bookkeeping indicates that the burden of *renten* dropped rapidly from 1484, when 59 per cent of ordinary revenues went to *renteniers*, to 24 per cent in 1493, and even 3 per cent in 1496 (figure 4.3). In reality the burden remained high: in their accounts the treasurers only booked *renten* they paid out, and not those they defaulted on. As a result, the accounts do not show Leiden’s real financial obligations. In 1496 the city postponed *rente* payments, using a moratorium granted by the ruler. Despite such measures, financial problems lingered until well in the 16th century, when *rente* payments reached levels of 81 per cent of ordinary revenues in 1526, and 78 per cent in 1547. The city received no fewer than 18 moratoriums between 1494 and 1574.<sup>112</sup>

The archives of Haarlem contain a large number of 15th-century city accounts. Figure 4.4 shows Haarlem’s funded debt as a percentage of ordinary revenues. The ordinary revenues were estimated by subtracting the income that the town generated from *rente* sales from the total revenues. Admittedly, this method does not take other extraordinary revenues into account, but unfortunately our source does not allow for a more accurate analysis of the finances of Haarlem.<sup>113</sup>

In Haarlem the burden of *renten* developed along the same lines as in Leiden: at the beginning of the century the political situation fre-

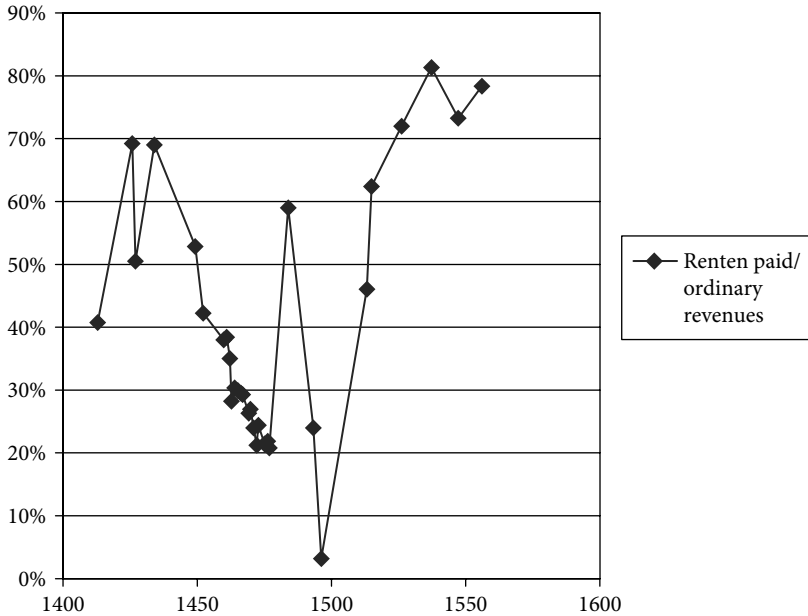
<sup>109</sup> Marsilje, *ibid.*, 265 note 105, 287.

<sup>110</sup> Cf. an overview of payments Leiden made to the rulers Marsilje, *ibid.*, 302–309.

<sup>111</sup> Brand, *Over macht en overwicht*, 27–28, quote on p. 27 [translation CJZ]. Cf. the way financial problems caused the Leiden drapery to decline, Posthumus, *De geschiedenis van de Leidse lakenindustrie* I, 234–235, 406; Brand, “The Leiden drapery”, 125–131; Brand, “Crisis, beleid en differentiatie”, 61–62.

<sup>112</sup> Downer, “De financiële toestand”, 17.

<sup>113</sup> In his study on public funded debt in 15th-century Haarlem, Van Loenen has merely recorded total revenues and revenues from *rente*-sales (Van Loenen, “De rentelast”, 130–131).



Sources: Marsilje, *Het financiële beleid*, 252–265; Blok, *Geschiedenis II*, 280–284.

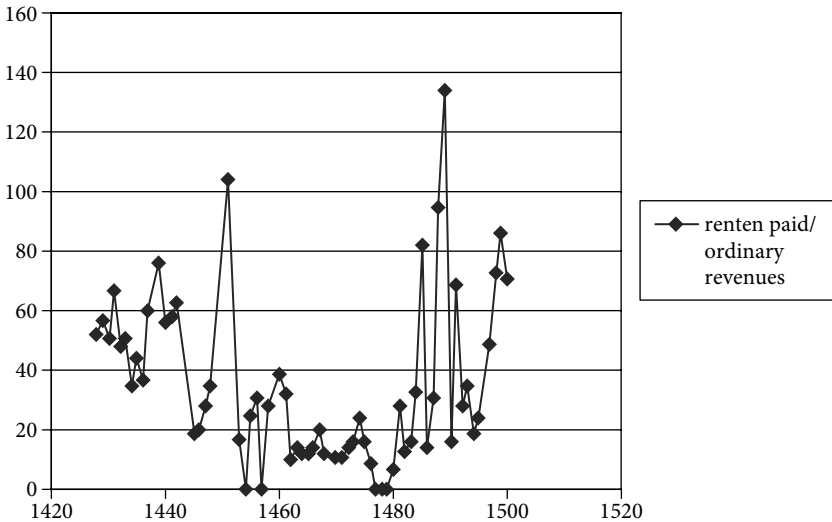
Figure 4.3. *Rente* payments of Leiden as a percentage of ordinary revenues (1413–1556)

quently forced the magistrates of Haarlem to turn to the capital market. From 1443 to 1469 appeals to the capital market were rare, however: the town only sold *renten* in 1457, 1463, and 1466. Afterwards, during the difficult final quarter of the century, Haarlem turned to the capital market nearly every year.<sup>114</sup>

The burden of *renten* reflects Haarlem's activities in the capital market: *renten* accounted for a large share of ordinary revenues until 1442 (40 per cent to 60 per cent) and then the burden dropped (except for a peak in 1451) to a level of 10 per cent to 20 per cent. After 1480 *rente* payments increased, reaching levels over 80 per cent, and even 134 per cent in 1489. The trend is also much more volatile because of occasional defaults. Haarlem's creditworthiness had nearly vanished, and in 1491 the city requested a moratorium, allowing the city to

<sup>114</sup> Van Loenen, *ibid.*, 59–62.





Source: Van Loenen, “De rente-last”, 130–131.

Figure 4.4. *Rente* payments of Haarlem as a percentage of ordinary revenues (1428–1500)

postpone *rente* payments; this is why payments also reached low levels from 1492 to 1495.

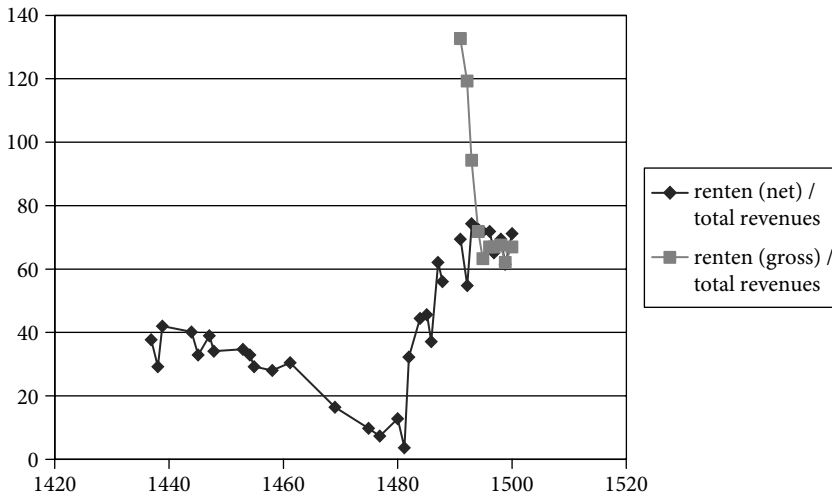
In Gouda the burden of *renten* dropped later than in Haarlem and Leiden (figure 4.5).<sup>115</sup> The city had sold numerous *renten* in the wake of a devastating fire in 1438, causing its indebtedness to remain relatively high until 1461, at over 30 per cent of total revenues.<sup>116</sup> Our sources indicate that the city did not sell any more *renten* between 1448 and 1472, causing the burden to drop to 3.6 per cent in 1481. Sales started again after 1475, yielding large amounts, especially in 1480 and 1481, at respectively 13,510 lb. and 28,720 lb.<sup>117</sup> Dijkhof explains that Gouda’s frequent defaults confuse the picture of the burden of *renten*.<sup>118</sup> He reconstructed the burden of *renten* from 1489 to 1500 using ledgers that allow a view of *renten* the city was due (gross *rente* payments). His reconstruction is shown in figures 4.5 and 4.6, along with the net

<sup>115</sup> Cf. Gouda’s ordinary and extraordinary finances Heinsius, “De financiën”, 306–314.

<sup>116</sup> Heinsius, *ibid.*, 314–315.

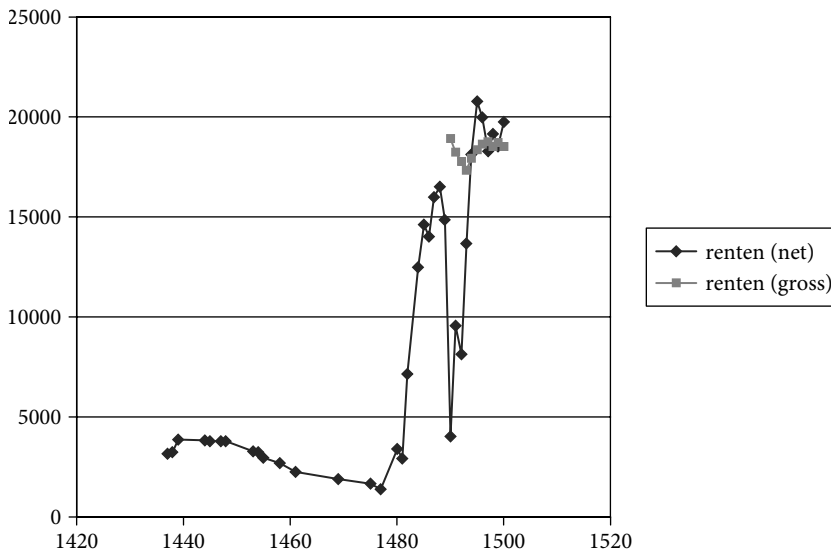
<sup>117</sup> Heinsius, *ibid.*, 322, 370–371.

<sup>118</sup> Dijkhof, “Goudse renten”, 108.



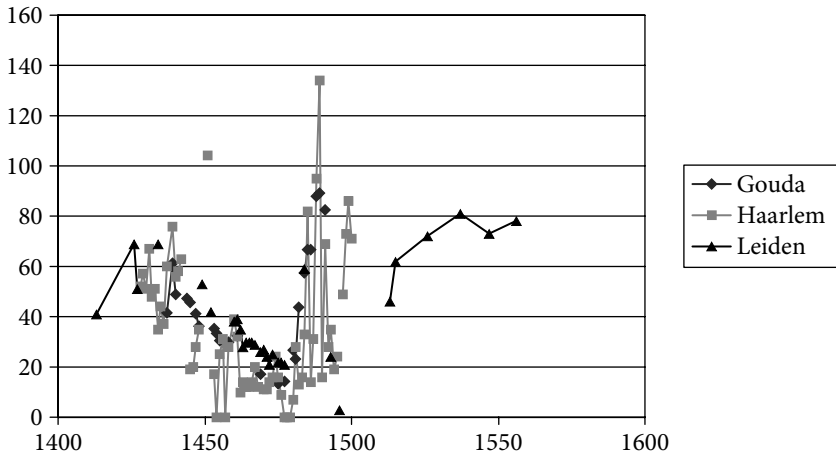
Sources: Heinsius, “De financiën”, 362-375; Dijkhof, “Goudse renten”, 224-225.

Figure 4.5. *Rente* payments of Gouda as a percentage of ordinary revenues (1437-1500)



Sources: Heinsius, “De financiën”, 362-375; Dijkhof, “Goudse renten”, 224-225.

Figure 4.6. *Renten* Gouda owed (1437-1500) (lb. of 30 gr.)



Sources: cf. figures 4.3–4.5.

Figure 4.7. *Rente* payments of Haarlem, Leiden, and Gouda as a percentage of ordinary revenues (1413–1547)

*renten* payments. The figure clearly shows that the drop from 1489 to 1492 was caused by defaults.

Figure 4.7 shows the *renten* Haarlem, Leiden, and Gouda paid as a percentage of ordinary revenues. Two elements stand out: in the 15th century the three cities created funded debt on an unprecedented scale, making *rente* payments a major concern for the magistrates. We have already seen that this was also true for Dordrecht. The cities predominantly reacted to increasing demands by the rulers: according to Heinsius, the counts not only swallowed up Gouda's money but that of all of Holland as well.<sup>119</sup> Warfare and long-term economic cycles were equally influential, forcing magistrates to turn to the capital market when ordinary revenues declined. The importance of such exogenous factors is clearly apparent in the figure. The burden of *renten* developed along similar lines: the three towns paid out *renten* worth about 40 per cent to 60 per cent of their ordinary revenues in the politically unstable first half of the century. In the relatively peaceful time after 1440, payments dropped to 10–30 per cent, only to rise again in the turbulent era after 1480, when the towns even had to postpone *rente* payments.

The strong similarities in the development of public debt among the towns of Holland indicates the importance of exogenous factors such

<sup>119</sup> Heinsius, *ibid.*, 347.

as comital policy, warfare, and long-term economic cycles. It also suggests a need to look beyond the borders of Holland to see if there were similar developments in the 14th and early 15th century. To this end we have reconstructed the public debt of Middelburg, in Zeeland, from 1336 to 1500 (figure 4.8). For a long time Holland and Zeeland were joined in a personal union. From 1354 to 1433 the house of Bavaria ruled Holland, Zeeland, and Hainault, and in 1433 these three counties became part of the territories of the dukes of Burgundy. Considering the importance of external factors, there is no reason to assume that financial pressure on the cities of Holland and Zeeland were markedly different. That is probably why figure 4.8 shows a similar trend to that of the towns of Holland. Initially, the burden of *renten* rose until it reached 90 per cent in 1420, followed by a steady drop, when it nearly disappeared in 1454 and 1455, and then there was a relatively modest revival in the second half of the century.

Nine accounts of Middelburg have been preserved from 1365–1400.<sup>120</sup> Although the 1365–1366 account is incomplete, the town already paid *lijfrenten* worth 5014 lb., 31 per cent of all revenues. In 1366–1367 Middelburg paid *lijfrenten* worth 4964 lb., which was 40 per cent of ordinary revenues. In 1373–1374 the first major sale of *renten* appears in the accounts: Middelburg raised 6840 lb. to pay for war by selling *lijfrenten*; this sum amounted to 50 per cent of ordinary revenues.<sup>121</sup> By then funded debt was already considerable, and this seems to add weight to the scattered evidence of funded debt contracted by Dordrecht, Leiden, and Gouda in the second half of the 14th century.

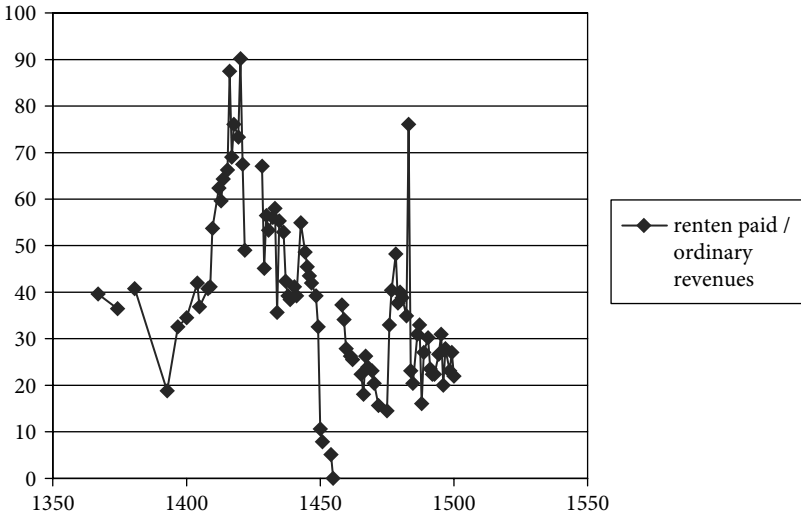
The development of floating debt is particularly revealing. In the 14th century Middelburg still contracted floating debt with Lombards. In 1365–1366 the city paid 2960 lb. to Lombards, followed by 738 lb. in 1373–1374, and 536 lb. in 1374–1375.<sup>122</sup> After 1375, however, such payments gradually disappeared, and in the 15th century these moneylenders rarely appear in the accounts. The gradual disappearance of the Lombards in the second half of the 14th century was not confined to Zeeland: we have already seen how they lost their position as financiers to the counts, and furthermore, they rarely appear in the

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<sup>120</sup> Middelburg city-accounts of 1365–1366, 1366–1367, 1373–1374, 1374–1375, 1376–1377, 1380–1381, 1392–1393, 1396–1397, and 1399–1400 have been preserved. Cf. Unger, *Bronnen* II, 522–527.

<sup>121</sup> Unger, *ibid.* II, 522–523.

<sup>122</sup> Unger, *Bronnen* II, 522–523.



Source: Unger, *Bronnen II*, 522–595.

Figure 4.8. *Rente* payments of Middelburg as a percentage of ordinary revenues (1367–1500)

accounts of the cities of Holland. The reason for the disappearance of the Lombards is obvious: they lost ground when public bodies gained access to capital markets.

#### *Funded Debt at the Beginning of the 16th Century: the 1514 Informacie*

An examination of the 1514 *Informacie*, a large investigation into the wealth of most cities and villages in Holland, provides an excellent overview of public debt. What was access to capital markets like shortly before Tracy's financial revolution? Before turning to the public debt of smaller cities and villages, we will first discuss the data the *Informacie* shows about the main cities.

In 1514 government agents travelled through Holland to interview representatives of cities and villages.<sup>123</sup> They tried to gain insight on the economic situation in order to devise a new distribution code for taxation. In Holland the central government was not entitled to tax its subjects individually; instead, it ordered each community to pay its

<sup>123</sup> The only region not investigated was the country of Voorne and Putten. Some villages under the jurisdiction of powerful noblemen, and therefore exempt from taxation, do not appear in the source either. (Fruin, *Informacie*, VI, XXVIII.)

share, based on a distribution code. The local governments then taxed the inhabitants of the towns and villages.<sup>124</sup> The government agents interviewed the representatives of cities and villages, and questioned them about the number of inhabitants, the economic situation, and the way they usually levied taxes. They also asked about the financial situation, about revenues and expenses. The questions they asked about public debt are of particular interest here: the government agents inquired about the *renten* local communities had contracted, and also asked when and why they had sold them. This clearly makes the *Informacie* a unique source for the study of Holland's capital market.<sup>125</sup>

As with any source, the *Informacie* has its disadvantages as well.<sup>126</sup> Some historians question the source's credibility, pointing out that town and village representatives probably tried to make things look worse than they were in order to get a favourable tax assessment. It is true that some of them clearly exaggerated, resulting in fine reading material about the horrors of war and natural disaster. Despite being under oath, some representatives even made false statements.<sup>127</sup> Even though other historians concluded that the data are reliable, we should keep in mind that representatives are likely to exaggerate public debt to a certain extent.<sup>128</sup>

In 1514 the main cities were still recovering from the financial problems they had encountered at the end of the 15th century. Some were still struggling to repay arrears, most notably Haarlem and Leiden. All cities used a considerable part of their ordinary revenues for *rente* payments (table 4.2). The representatives of Delft claimed the city used

<sup>124</sup> Fruin, *ibid.*, IX–X.

<sup>125</sup> Cf. the questionnaire Fruin, 1866, 4–5. An earlier survey on the economic situation in Holland, the 1494 *Enquête*, is less elaborate: the government agents did not explicitly ask about public debt.

<sup>126</sup> Cf. a brief evaluation of the merits of the source, Kaptein, *De Hollandse textielnijverheid*, 85–86.

<sup>127</sup> Fruin, *ibid.*, 149, 300. Hoppenbrouwers pointed out that the data on landed property are often unreliable (Hoppenbrouwers, "Mapping an unexplored field", 44). Kaptein concludes that the data the *Informacie* has on the production of textiles are unreliable (Kaptein, *De Hollandse textielnijverheid*, 240). Boschma-Aarnoudse showed the number of houses that the representatives of the city of Edam reported was too low (Boschma-Aarnoudse, *Tot verbetering*, 207–209).

<sup>128</sup> Both Van der Woude and Noordegraaf have shown the overall view the *Enquête* and *Informacie* provide seems reliable, and recently Van Zanden also used the *Informacie* to develop a national account of Holland for 1510–1514 (Van der Woude, *Het Noorderkwartier*; Noordegraaf, *Hollands welvaren?*; Van Zanden, "Taking the measure").

Table 4.2. Public debt in 1514 (six main cities) (lb. of 40 gr.)

City	Ordinary revenues	<i>Rente</i> payments (net)	<i>Rente</i> payments / ordinary revenues	Arrears	Arrears / ordinary revenues
Dordrecht	22,518	13,722	60.9	19,956	88.6
Haarlem	21,177	15,766	74.4	83,517	394.4
Delft	28,733	33,894	118.0	–	–
Leiden	26,762	16,947	63.3	123,275	460.6
Amsterdam	33,666	23,496	69.8	–	–
Gouda	23,377	13,746	58.8	22,884	97.9

Source: Fruin, *Informacie*.

118.0 per cent of ordinary revenues to pay *renten*, which suggests that the city had to increase extraordinary revenues to survive. On the other hand, Delft did not have any arrears, so in this respect its financial situation was relatively good. Amsterdam seems to have fared best: its *rente* payments amounted to 69.8 per cent of its ordinary revenues, and more important, the city had no arrears. Dordrecht, Haarlem, Leiden, and Gouda did have considerable arrears, especially Haarlem, at 394.4 per cent of its ordinary revenues, and Leiden at 460.6 per cent! It is likely that these arrears were caused mainly by *renten* the cities had defaulted on.<sup>129</sup>

Public debt was not confined to the main cities: in the *Informacie* smaller public bodies claim to have contracted funded debt as well. The participation of smaller cities and even villages in capital markets is an excellent indicator of market structures. It is difficult to determine just when smaller cities first turned to the capital market. Some of them participated in collective public debt: Rotterdam in 1407, Alkmaar, Hoorn, Rotterdam, Schoonhoven, Geertruidenberg, Heusden, and Oudewater in 1416, and Alkmaar, Rotterdam, Schiedam, Hoorn, and Oudewater in 1417–1418.<sup>130</sup> Only Rotterdam, however, was among the organizing cities in the 1407 *rente* sale, and the others only helped secure *renten*.

The earliest example of a small city selling *renten* comes from Gorinchem, which sold a *lijfrente* to the children of Amelrijk van Eke

<sup>129</sup> In 1514 Haarlem and Leiden still had moratoriums allowing them to default on part of their *renten*.

<sup>130</sup> Cf. Chapter 2.

of the Brabant city Den Bosch in 1349.<sup>131</sup> Hoorn sold a *lijfrente* to Jan, the grandson of Claes Ysebrant, in 1373. The *rente* was worth 2 French shillings, and was secured on a parcel in Hoorn.<sup>132</sup> In 1388 Woudrichem received a privilege stating that the small town did not have to contribute to the sale of *lijfrenten* in Brussels. Apparently the count had planned this sale – of which we know nothing – and had asked this town to cooperate.<sup>133</sup> Furthermore, in 1407 Count Willem VI granted the city of Medemblik permission to sell *lijfrenten*. In 1408 Geertruidenberg owed a *rente* to a woman from Dordrecht.<sup>134</sup> Alkmaar contracted public debt as well; the city was already heavily indebted in 1413, and in an attempt to help to reorganize finances the count granted it permission to sell *lijfrenten* and levy excise taxes. Finally, Schoonhoven in the southeast of Holland sold *lijfrenten* in 1416.<sup>135</sup>

Rotterdam, one of the few smaller cities with 15th-century city accounts, offers more data about public debt. The city received permission to sell *lijfrenten* in 1418, and the accounts show that the magistrates already secured *lijfrenten* on its excise revenues before 1425–1426.<sup>136</sup> The 1426–1427 account reveals the city had raised 1806 lb. selling *lijfrenten*. Rotterdam spent 6676 lb. on *rente* payments, no less than 76 per cent of ordinary revenues.<sup>137</sup> A few years later, in 1429–1430, the sale of *lijfrenten* raised 1019 crowns, 56 per cent of ordinary revenues.<sup>138</sup> Shortly after, the city defaulted on *rente* payments and clashed with Utrecht *renteniers*.<sup>139</sup>

Even the small town of Heusden in the southeast of Holland created funded debt as early as 1457. Loans amounted to 105 crowns, 13 per cent of ordinary revenues. The city paid *renten* worth 11 crowns and

<sup>131</sup> Bruch, *Middeleeuwsche rechtsbronnen*, 21–24.

<sup>132</sup> Vangassen, *Bouwstoffen*, 39.

<sup>133</sup> Korteweg, *Rechtsbronnen*, 157.

<sup>134</sup> Fruin, *De oudste rechten* II, 9–12.

<sup>135</sup> That year, Alkmaar received permission to sell *lijfrenten* as well, and in 1414 Count Willem granted the city a similar privilege (Bos-Rops, *ibid.*, 131; Van Mieris, *Groot charterboek* IV, 239).

<sup>136</sup> Unger, *Stadsrekeningen*, 3–5; Houtzager, “Rotterdam’s *lijfrenteleningen* in de middeleeuwen”.

<sup>137</sup> An irregular tax had raised 3690 lb. (Unger, *ibid.*, 35–39).

<sup>138</sup> An irregular tax had raised 512 crowns. Rotterdam’s frequent participation in the capital market in the remainder of the 15th and 16th century becomes clear when we look at the 22 privileges to sell *renten* the city received between 1469 and 1596 (Unger, *ibid.*, XXV).

<sup>139</sup> According to Sneller, the 1430 treaty between Holland and Utrecht contains an arrangement aimed at the recovery of Rotterdam’s funded debt (Houtzager, *ibid.*).



10 *stuivers* after it had sold *lijfrenten* in 1456, which was a modest 1.5 per cent of ordinary revenues.<sup>140</sup> In 1514 matters were very different, however: Heusden had created funded debt worth 74.2 per cent of annual revenues, which it could not pay. Furthermore, the city had arrears – floating and funded debt – worth 6400 lb., a stunning 349.5 per cent of ordinary revenues!

Heusden's finances did not differ much from those of the other smaller cities: in 1514 all of them had created funded debt (table 4.3). Alkmaar (82.7 per cent) and Gorinchem (80.7 per cent) spent large parts of their ordinary revenues on *rente* payments. They coped with considerable arrears as well: Alkmaar's *rente* payments were one year in arrears, 82.7 per cent of ordinary revenues, while Gorinchem's arrears amounted to 88.0 per cent. Schiedam was in trouble as well: its arrears amounted to 100.2 per cent of its ordinary revenues. Other cities had less trouble paying *renten*, and some had only very modest debts, such as Heukelum (37 lb.) and Asperen (25 lb.).

Of course, defaults and reprisals also hindered small town economies. Medemblik faced three lawsuits from 1496 to 1500. The *rentenier* Jan van Haarlem even summoned the city to court twice, in 1496 and again in 1498.<sup>141</sup> During the *Informacie* representatives of Schoonhoven also complained that the town was involved in a lawsuit over a dispute about the coinage to be used for *rente* payments.<sup>142</sup>

The scope of rural public debt is probably one of the best indicators of the capacity of capital markets.<sup>143</sup> In 1514 59.9 per cent of the villages interviewed by government officials had created funded debt: 85 villages had sold *lijfrenten*, 161 had sold *losrenten*, and 148 had sold both. Villages had good access to capital markets. Complaints were rare: Petten, in the north of Holland had not sold *renten* because of its remote location.<sup>144</sup> And in spite of earlier *rente* sales, Hilversum was confronted with a lack of creditworthiness. The village switched from public to private debt, securing *renten* on houses and landed

<sup>140</sup> Krom, *De oudste stadsrekening*, 25–26.

<sup>141</sup> Van Bourgondiën, “Medemblik voor het Hof van Holland”, 40–42.

<sup>142</sup> Fruin, *ibid.*, 387. Cf. Chapter 1.

<sup>143</sup> This part is largely based on Zijderduijn, “Het lichaam van het dorp”. In 1415 the villages of Niedorp and Schagen already stipulated that Count Willem should not ask them to lend him money (Pols, *Rechtsbronnen* I, 34, 37).

<sup>144</sup> “*zoe zy verde geseten zijn...*” (Fruin, *ibid.*, 165).

property.<sup>145</sup> Noordwijk faced a similar problem: the village could not find any buyers, even when it offered to pay the high interest rate of 25 per cent!<sup>146</sup> And Boskoop had in vain tried to sell a *rente* in nearby Gouda to raise money to release villagers imprisoned in the village of Bodegraven.<sup>147</sup>

The central government learned a valuable lesson from the *Informacie*: the ubiquitous funded debt in the countryside had to be restrained. What the precise objections were is unclear, but a decree ordering villages to obtain official approval before creating funded debt was issued in 1515. *Renten* contracted without the government's consent would be cancelled, and the villages would be punished. In an attempt to clear away ancient debts, creditors were summoned to make their claims known to the central government. In this way the central government helped villages obtain a clearer idea of their debts.<sup>148</sup>

Table 4.4 shows the integration of public bodies in the central government's financial policy. The main cities were pushed hardest, contracting funded debt worth nearly 1.88 lb. per capita. Smaller cities had contracted *renten* worth 0.79 lb. per capita, and in villages financial pressure was lowest, at 0.21 lb. per capita. The main reason for these differences is probably because the rulers did not use rural public bodies as intermediates in the capital market. Only indirectly, by levying taxes, did they force villages to sell *renten*.

The existence of funded debt in the countryside indicates that villages had little trouble selling *renten*. Market structures allowed them to create and service funded debt and moreover, helped keep transaction costs low. The interest rates villages paid, 6.5 per cent on average, indicate that *renteniers* were fully satisfied with the legal security rural public

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<sup>145</sup> "Seggen oock, dat, zoe zy niet gelooft en waeren meer renten up heurluyder dorp te vercoopen, zoe hebben zy upte huysen ende landen particulier gehaelt an losrenten 100 currente guldens tsjaers. . . ." (they secured 100 Rg. worth of redeemable *renten* on their houses and lands because they lacked the creditworthiness to sell any more *renten* on their village) (Fruin, *ibid.*, 234).

<sup>146</sup> "overmidts dat zij geen gheloof en hadden, zoewel zij boden te vercoopen renten den penningh om 6, 5 ende 4" (because they lacked creditworthiness, even though they tried to sell *renten* at an interest rate of 16.7%, 20% and 25%) (Fruin, *ibid.*, 130). The average interest rate around 1500 was about 6.25%.

<sup>147</sup> Fruin, *ibid.*, 607. Other villages complaining about a lack of creditworthiness were Honterland, Ter Aar, Zevenhoven, and Noorden, Zandambacht, Matenesse, and Kijfhoek.

<sup>148</sup> Fruin, *ibid.*, 620–621.

bodies offered: on average the main cities paid only slightly less, 6.3 per cent, while small towns paid 6.4 per cent (table 4.4).<sup>149</sup>

Table 4.3. Public debt in 1514 (small towns) (lb. of 40 gr.)

City	Ordinary revenues	<i>Rente</i> payments	<i>Rente</i> payments / ordinary revenues	Arrears	Arrears / ordinary revenues
Beverwijk		580		2663	
Alkmaar	5320	4397	82.7	4397	82.7
Hoorn	5600	1928	34.4		
Enkhuizen		1619			
Medemblik		306			
Edam		572			
Monnikendam		246–557 <sup>150</sup>		2776	
Naarden		1383		1507	
Weesp and Weesperkerspel		1100		6000	
Muiden		90			
Purmerend		181–183			
Woerden	296	81	27.4	180	60.8
Oudewater	13.739	457	3.3		
The Hague	2629	1388	52.8		
Vlaardingen		168			
's Gravenzande	307	315	102.6		
Schoonhoven	2842	910–995 <sup>151</sup>	32.0–35.0	2000	70.4
Gorinchem	5680	4585	80.7	5000	88.0
Heusden	1831	1358	74.2	6400	349.5
Rotterdam	10.373	6055 <sup>152</sup>	58.4–59.2	3000	28.9
Schiedam	4224	2689	63.7	4231	100.2
Geertruidenberg	1547	552	35.7		
Asperen		25			
Heukelum		37			

Source: Fruin, *Informacie*.

<sup>149</sup> This does not mean that interest rates did not vary: *losrenten* were sold against interest rates ranging from 5% to 12%. Yet, most *renten* were sold at interest rates of 6–6.25%: of 282 interest rates, 84 are either 6.0% or 6.25%. Interest rates were about 6%: 239 *renten* were sold at interest rates ranging from 5% to 7.1%.

<sup>150</sup> The amounts mentioned do not accord with the sum mentioned in the source.

<sup>151</sup> The city was prosecuted by *renteniers* for a dispute about *rente* payments. If the city lost the lawsuit, *renten* would increase by 85 lb.

<sup>152</sup> The total amount Fruin mentions does not accord with the other amounts in the source.

Table 4.4. *Rente* payments per capita and interest rates in 1514  
(lb. of 40 gr.)

	<i>Rente</i> payments	Inhabitants	<i>Rente</i> payments / capita	Average interest rate (N)
Main cities	11,571	52,000	2.26	6.3% (33)
Smaller cities	28,581	36,000	0.79	6.4% (43)
Villages	16,879	82,000	0.21	6.5% (206)

Source: Fruin, *Informacie*.

### 4.3 Geographic Diffusion of Public Debt

In the course of the 15th century the scope of public debt clearly increased; market structures allowed a large number of public bodies to sell *renten*. Just where public bodies found *renteniers* is also interesting: the geographic diffusion of buyers of *renten* reveals what market structures allowed. We have already seen how domestic capital markets emerged at the end of the 14th century. For a better idea of their development, we have reconstructed the funded debt of Haarlem and Leiden. J.C. van Loenen detailed the residences of *renteniers* of Haarlem from 1428 to 1490. For Leiden we have taken samples of the city accounts of 1433–1434, 1448–1449, 1499–1500, and 1547–1548. The 1433–1434 account is the oldest that lists *renteniers*' residences, followed next by the 1448–1449 account. We also included the data from city accounts from about 50 and 100 years later.<sup>153</sup>

Our sources do have a few shortcomings, however. Not all *renten* the cities contracted with their own citizens were contracted on a free market: sometimes the city government forced the citizens of Leiden to buy *lijfrenten*. When the city levied a forced loan in 1420, it probably turned part of this floating debt into funded debt by offering creditors *lijfrenten*. These were not bought in a free market and cannot serve as an indicator of the emergence of capital markets. Another problem was the practice of not recording those *renten* public bodies defaulted on in city accounts, making our sources somewhat incomplete, especially around 1500. Finally, it is also possible that some *renteniers* had

<sup>153</sup> The 1498–1499 and 1548–1549 accounts are not available.

moved, so their residences are not always a good indicator of market structures.

The composition of Leiden's funded debt is shown in figure 4.9. Two things stand out: the importance of Leiden's capital market, and, after 1448–1449, of other capital markets in Holland. In 1433–1434 Leiden paid *renten* worth 8541 lb. to its own citizens, 84.9 per cent of all funded debt, whereas the city only had funded debt worth 33 lb. elsewhere in Holland. Capital markets elsewhere in Holland became more important in the remainder of the 15th century: in 1448–1449 they accounted for 29.4 per cent of *renten*, in 1499–1500 for 38.7 per cent, and in 1547–1548 for 27.4 per cent. Combined, Leiden had sold on average more than 79.6 per cent of its *renten* in Leiden and on other capital markets in Holland in the four years sampled.<sup>154</sup>

The *renten* Leiden sold elsewhere in Holland were clearly contracted in a free market: the government of Leiden could not force anyone to buy *renten*, except for its own citizens. As stated, in 1433–1434 the city only paid a few *renten* in other cities in Holland: the account lists three *renten* paid *binnen lands* (within the county), but where exactly in Holland these were paid is unknown. Elsewhere in the account we do encounter some *renteniers* living in Haarlem, Delft, and Amsterdam. Fifteen years later domestic capital markets were much more important. The importance of the main cities is apparent: 77.9 per cent of the *renten* Leiden was due elsewhere in Holland, was paid to citizens of Dordrecht, Haarlem, Delft, Amsterdam, and Gouda. Delft stands out as a city replete with financiers, accounting for no less than 35.6 per cent of the *renten* Leiden paid out in Holland. Although little is known about medieval Delft, the city was an important financial centre, and in the 16th century the citizens of Delft were important investors in *gemenelandsrenten* as well.<sup>155</sup> Furthermore, The Hague *renteniers* received 6.5 per cent of all *renten* Leiden paid out, and the most surprising residence is in the village of Noordwijk, on the shores of the North Sea near Leiden, accounting for 15.6 per cent of *renten*! A closer look reveals that the Van der Boechorst family bought all 20 *renten*. Some members of this family of nobles were among Leiden's elite and

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<sup>154</sup> The importance of the Leiden capital market has already been noticed by Bangs, who stated that “from ca. 1400 on, it is certain that most Leiden *lijffrenten* were paid to Leiden burghers” (Bangs, “Holland civic lijffrente-loans”, 78).

<sup>155</sup> Tracy, *A financial revolution*, 127, table 12, 145, table 15b.

participated in government.<sup>156</sup> Finally, a range of *renteniers* living in small towns appears in the 1499–1500 city accounts: Rotterdam, Weesp, Muiden, Schiedam, Geervliet, and Gorinchem, together, accounting for 10.9 per cent of the *renten* Leiden owed in Holland. Leiden even paid *renten* in Warmond, a nearby village, and Scheveningen, a village close to The Hague.

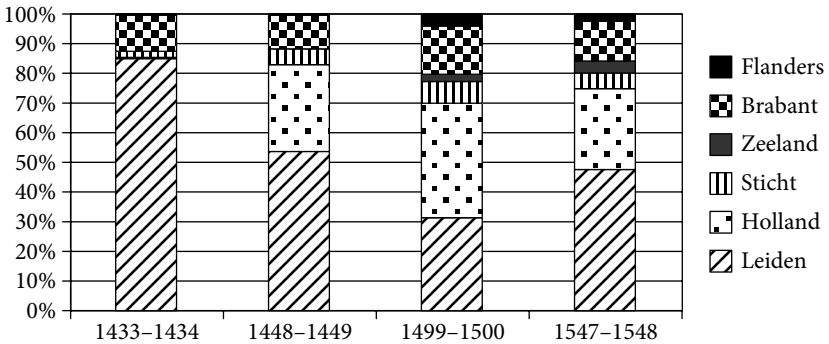
Initially, capital markets elsewhere in the northern Low Countries were not very important: in 1433–1434 Leiden paid no *renten* in Zeeland and only 224 lb. in the Nedersticht and Oversticht (indicated as “Sticht” in figures 4.9–4.11). A few years later *renteniers* were found in other parts of the northern Low Countries as well. Even though the amounts Leiden paid in the Nedersticht and Oversticht remained modest, in 1448–1449 Kampen, Deventer, and Wijk bij Duurstede appear as residences of *renteniers*. Zeeland *renteniers* first appear in 1499–1500, when Middelburg and Zierikzee citizens received *renten* worth 72 lb. In 1547–1548 Leiden paid 427 lb. in the two Zeeland cities, 3.8 per cent of all *renten*. The value of *renten* sold in the northern Low Countries is not very impressive, but the mere fact that the government contracted funded debt in the Sticht and Zeeland indicates that market structures must have allowed low transaction costs.

The southern Low Countries remained important: in 1433–1434 Brabant creditors received 1207 lb., 12.0 per cent of all *renten*. They lived in Antwerp, Brussels, Malines, Lier, and Herenthals. In 1499–1500 citizens of Louvain and Den Bosch appear as *renteniers* as well. That year payments in Brabant were relatively high, 16.4 per cent of all *renten*. Only rarely did Leiden turn to capital markets in Flanders: in 1433–1434 the city owed 54 lb. in Bruges, and payments did not exceed 4.0 per cent of the total *rente* payments in 1499–1500.

When we turn to Haarlem, the early emergence of capital markets in Holland is shown in figure 4.10, which details *rente* payments from 1420 to 1428. These early accounts do not cover the entire administrative year and only allow for a general idea of public debt. Yet, it is clear that Haarlem paid a considerable amount of *renten* in Holland, ranging from 41 per cent in 1426–1427 to 76 per cent in 1420–1421. Many *renten* were paid outside Haarlem, in Leiden, Amsterdam, Alkmaar, and the village of Wijk aan Zee, ranging from 23 per cent in 1427–1428

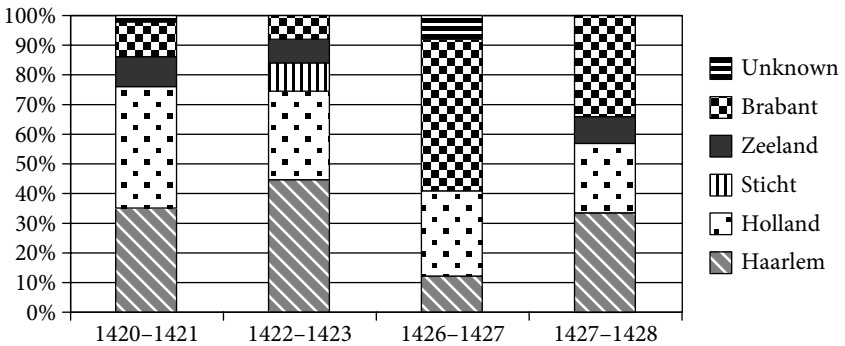
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<sup>156</sup> Brand, *Over macht*, 243, table 8.1, 254–255, table 8.3.



Sources: GAL SA I 519, 522, 580, 628.

Figure 4.9. Geographic dispersion of *renteniers* of Leiden (1433–1548)



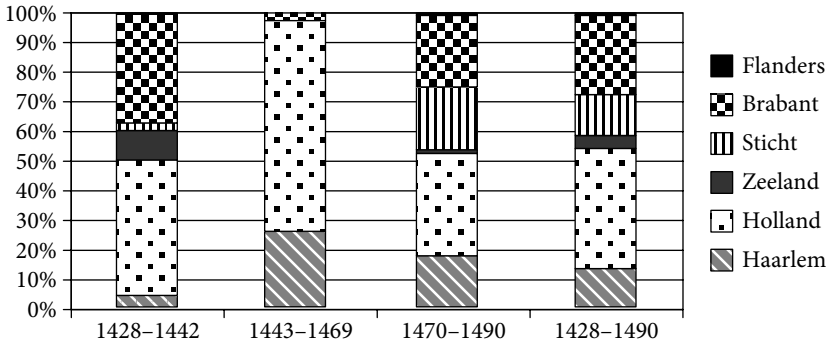
Sources: RAK SAH 317–320.

Figure 4.10. Geographic dispersion of *renteniers* of Haarlem (1420–1428)

to 41 per cent in 1420–1421. Payments abroad were considerable in 1426–1427, when 51.2 per cent of *renten* was paid in Brabant.<sup>157</sup>

The data presented in figures 4.9 and 4.10 only provides an idea of *renten* Haarlem and Leiden *did* pay out. Defaults were quite common, however, so the *rente* payments may well give a distorted image of public debt. To counter this problem, in figure 4.11 all *lijfrenten* Haarlem contracted from 1428 to 1490 have been included. *Losrenten* are not taken

<sup>157</sup> 1427–1428 payments of *lijfrenten* sold as collective public debt have been excluded here (RAK SAH inv. no. 320 f63–63v).



Source: Van Loenen, “De rente-last”.

Figure 4.11. Geographic dispersion of *renteniers* of Haarlem (1428–1490)

into account because our source, J.C. van Loenen’s manuscript, does not contain the residences of *renteniers*.<sup>158</sup> Although not all city accounts are available, the data still cover 55 of the 62 years.<sup>159</sup> Following Van Loenen’s approach, we divided the data in three periods, 1428–1442, 1443–1469, and 1470–1490.

In the first period Haarlem contracted few *lijffrenten* with its own citizens: 2710 lb. worth of *lijffrenten*, only 3.8 per cent of all *lijffrenten*. *Lijffrenten* contracted elsewhere in Holland were much more important, accounting for 32.611 lb., 46 per cent of all *lijffrenten*. *Renteniers* lived in the six main cities, and The Hague, Alkmaar, and Den Briel. From 1443 to 1469 the town of Oudewater and the villages Oostvoorne and Bennebroek also appear. At that time, *renteniers* from Haarlem accounted for 25.5 per cent, and *renteniers* from Holland for 71.9 per cent of all *lijffrenten*! In the final period foreign markets regained importance: *renteniers* from Haarlem fell to 22.7 per cent and *renteniers* from Holland to 41.3 per cent. The city of Weesp and village of Ankeveen also appeared as residences of *renteniers*.

Haarlem sold *lijffrenten* in Zeeland: from 1428 to 1442 Middelburg and Zierikzee *renteniers* received 10.1 per cent of all *lijffrenten*. The Nedersticht was less important; Utrecht *renteniers* only accounted for

<sup>158</sup> *Lijffrenten* raised most by far, 206.304 lb. of 30 gr. against 81.860 lb. of 30 gr. for *losrenten*.

<sup>159</sup> The 1436–1437, 1442–1443, 1443–1444, 1448–1449, 1449–1450, 1451–1452, 1458–1459, and 1468–1469 accounts are not available.



Table 4.5. Geographic dispersion of *lijffrenten* owed by Haarlem (1428–1490)

	Nr.	Average value
Haarlem	258	159
Holland	666	159
Zeeland	67	154
Sticht	205	120
Brabant	450	125
Flanders	9	45

2.3 per cent, but after 1470 Haarlem sold many *lijffrenten* in this city, amounting to 14.7 per cent.

The Brabant capital markets were of great importance, accounting for 36.9 per cent of *renteniers* from 1428 to 1442, and 19.3 per cent from 1470 to 1490. *Renteniers* lived in Antwerp, Malines, and Louvain. On the other hand, Haarlem rarely sold *lijffrenten* in Flanders: *renteniers* only accounted for 0.6 per cent from 1428 to 1442, and 0.9 per cent from 1470 to 1490.

The geographic dispersion of the *renten* Haarlem and Leiden sold is remarkable: even though concentrating public debt at one location clearly would have helped reduce costs, they sold *renten* nearly everywhere. Perhaps in an attempt to spread risks, both cities sold a large number of relatively small *renten* throughout the Low Countries: table 4.5 reveals that the *lijffrenten* Haarlem sold abroad were not particularly valuable. The average value of the *renten* the city sold in Holland was 159 Rg., and *renten* sold abroad were less valuable. Apparently market structures allowed Haarlem to contract and service a highly diversified funded debt throughout the Low Countries.

At the end of the Middle Ages smaller cities and villages contracted foreign funded debt, which indicates that they managed to reduce costs as well. The 1426–1427 Rotterdam city account shows that the city paid 68 per cent of its *lijffrenten* in Brabant and Flanders, 21 per cent in Utrecht, 7 per cent in Zeeland, and 5 per cent in Holland. In 1429–1430 the city owed 80 per cent of *renten* in Brabant and Flanders, 8 per cent in Utrecht, 4 per cent in Zeeland, and 8 per cent in Holland.<sup>160</sup> When the 1514 *Informacie* was held, Rotterdam owed *renten* in large areas of Holland: the city had sold *renten* worth 426 lb. to its own citizens,

<sup>160</sup> Unger, *Stadsrekeningen*, 38–39, 99–102.

217 lb. elsewhere in Holland, 9 lb. in Zeeland, 35 lb. in the Nedersticht, and 83 lb. in Brabant.<sup>161</sup>

In 1514 the small city of Gorinchem owed *renten* to its own citizens and to *renteniers* living in Dordrecht, Haarlem, Delft, Amsterdam, Gouda, Rotterdam, The Hague, Schoonhoven, and abroad in the Nedersticht (Utrecht) and Brabant (Den Bosch and Culemborg). Inhabitants of Gorinchem had bought 1462 lb. worth of *renten*, inhabitants of Holland 546 lb., those of the Nedersticht 283 lb., and those of Brabant 340 lb.<sup>162</sup>

Finally, even villages sold *renten* abroad: in 1514 Spanbroek in the north of Holland owed *renten* in Haarlem, Amsterdam, Guelders (Harderwijk), and the Oversticht (Kampen).<sup>163</sup> The villagers of Ouddorp even paid a *rente* to a student of the University of Louvain.<sup>164</sup>

#### 4.4 Conclusion

In general, public bodies increasingly came to rely on funded debt: the history of the public debt of Dordrecht and Leiden shows that funded debt contracted in capital markets gradually surpassed several types of floating debt, even though some of these did not disappear. In general, public bodies turned to free markets for public debt; only incidentally did they use extra-economic force and wrest forced loans – either to save time or because of a lack of demand in free capital markets.

In the 15th century an increasing number of public bodies began to sell *renten*, ranging from the States of Holland, collectives of cities, individual cities, and villages. The 1514 *Informacie* shows that all cities and the majority of villages serviced funded debt. Market structures linked public bodies with *renteniers*, and allowed them to contract an increasing public debt: the main cities managed to create funded debt usually worth around 50 per cent of ordinary revenues. The public sector thus capitalized on its assets; the rulers were the main beneficiaries,

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<sup>161</sup> Fruin, *ibid.*, 461–462. Rotterdam had sold *renten* in Holland (Dordrecht, Delft, Leiden, Amsterdam, Gouda, Rotterdam, The Hague, Schiedam, Schoonhoven), Zeeland, the Nedersticht (Utrecht), and Brabant (Antwerp, Malines, Bergen op Zoom, and Geel).

<sup>162</sup> Fruin, *ibid.*, 407–408.

<sup>163</sup> Fruin, *ibid.*, 114.

<sup>164</sup> Fruin, *ibid.*, 134.

either because the public sector mediated in the capital market on behalf of the ruler, or because it managed to attract funds to pay taxes.

The demand side shows a similar expansion. Initially the main cities turned to capital markets outside Holland – especially those of Brabant and Flanders, but in the second half of the 14th century they also began to sell to inhabitants of Holland, and in the remainder of the Middle Ages these became the main buyers of *renten*. Domestic markets for public debt not only emerged in Holland, but in Zeeland, the Nedersticht, and Oversticht as well. These markets not only provided the public sector access to *renteniers* living in the main cities, but also in small towns and villages. Both the volume of public debt and its geographic dispersion indicate that markets for public debt matured in the second half of the 14th and 15th centuries.

In Chapter Two we have already seen how collective responsibility for debt provided bargaining power to the public sector, and also forced it to organize. Individual public bodies experienced similar effects: the mounting public debt allowed them to derive political power from their intermediary position and to demand privileges to maintain their autonomy. Furthermore, participating in the market for public debt forced them to improve their government apparatus. Public bodies became powerful and well-organized, and were responsible for a large number of social issues. One of these was responsibility for markets for private debt. Why the public sector became the main architect of market structures, and what its invaluable contributions to the appearance of capital markets were will be discussed in the next chapter.

## CHAPTER FIVE

### THE INSTITUTIONAL FRAMEWORK OF MARKETS FOR PRIVATE DEBT

Under medieval law privileged social groups – most notably clergy and nobility – had the right to be tried by their peers and could reject a summons issued by public courts. Also, the many jurisdictions that made up the public sector had their own distinct rules, which they vigilantly guarded. Most of the many law codes that structured medieval society were never written down, but only existed as a body of common law. Holland acquired a complete overview of civil law only when the Civil Code was introduced in 1809. Thus, to detail the most important institutions underlying its medieval capital markets is not easy.

Fortunately, even though terminology, acquisition terms, and fines could differ markedly, some important institutions appear nearly everywhere. In this chapter we will classify the many rules aimed at the capital market in three institutional clusters: contracting institutions, institutions aimed at problems related to asymmetric information, and property rights institutions. These institutions were (and still are) crucial elements of capital markets: contracts allowed creditors to turn to arbitrators to seek compensation from defaulters. The three clusters helped participants in economic exchange to reduce transaction costs, and thus were the foundations of the capital market.

Focusing on three clusters of institutions operated by public bodies may oversimplify a very complex situation. First, within Holland there were regional differences. Whereas the south followed a Germanic legal tradition, in the north ancient Frisian customs remained influential for much of the Middle Ages. Furthermore, we will see that public bodies were not the only authorities providing contracting parties with institutions: nobles, clerics, and notaries also provided participants in economic exchange with some institutions. Moreover, contracting parties could opt for informal institutions: when they trusted one another, they could do without the more expensive formal securities. Even when they did use the formal institutions, contracting parties often added informal institutions as secondary securities. Despite this diversity, what follows is a survey of the core institutional framework of private capital markets.

Holland's strong public sector made the institutional framework of the medieval capital market relatively homogeneous. We have already seen how the counts of Holland created a social structure consisting of powerful public bodies, and that this was developed at the expense of nobles and clerics, who were slowly driven out of the judiciary. Their position was taken over by government agents and organizations of subjects. In town and countryside public bodies became responsible for institutional change, and instead of autonomous feudal elements with the capacity to use extra-economic force, government agents and representatives of the public body developed market structures.<sup>1</sup> Section 5.1 explains why local courts had a virtual monopoly on voluntary jurisdiction and how this allowed them to claim a central position in the capital market. As with any organization, the public sector had the option to turn to extra-economic force; we have already seen that public bodies could create "bad institutions" to improve their position in the market for public debt. Section 5.2 analyzes why the public sector usually developed "good institutions" in the market for private debt. What the three institutional clusters embracing the capital market looked like is the subject of the section 5.3.

### 5.1 *Local Courts as Pivotal Points in Economic Exchange*

Holland's territorial structure had important consequences for its economy. Government agents and organizations of subjects formed homogeneous local authorities, which created uniform institutional frameworks that had universal rules for voluntary jurisdiction and civil law. This allowed local courts to obtain virtual monopolies in civil and voluntary jurisdiction and to become pivotal points of economic exchange, especially in the markets for land and capital.

To understand the origins of this situation, we should consider the initial political consequences of landownership. Until the late Middle Ages, landowners had political influence, and as a result, transactions in the land market caused the local balance of power to change. This gave public bodies incentives to monitor such transactions, and therefore common law prescribed that transfers of land and the creation of real rights had to be made in public, in front of the gathered community.

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<sup>1</sup> Cf. the way government agents acted as intermediaries bringing together central and local initiatives, Braddick, *State formation in early modern England*, 27–28.

This custom gradually shifted from publicizing transactions in front of the entire community to ratification by the local court.<sup>2</sup> In Holland this ancient principle of common law was codified in the 1245 charter of Haarlem, and it can also be found in many other legal sources.<sup>3</sup>

Ratification by the local court was not mandatory, but it did provide contracting parties with optimal legal security.<sup>4</sup> Thus, economic exchange was directed towards public bodies. Furthermore, the strength of ratification by local courts drove out competitors. Initially, nobles and clerics also had a say over transactions, but when public bodies expanded their services, ratification by noble and religious authorities quickly lost its attraction. Contracting parties turned to local courts to have wills, marriage contracts, and transactions in the markets for land and capital ratified, making them pivotal points of economic exchange.<sup>5</sup> In the markets for land and capital, this situation remained in effect until the fall of the Dutch Republic in 1795.<sup>6</sup>

To receive optimal legal security, mortgages also had to be ratified by the local court.<sup>7</sup> This somewhat overlooked principle requires elaboration because it linked the emerging capital market to the existing legal framework of the land market. Jan Mathyssen, in his legal survey on the city of Den Briel written at the beginning of the 15th century, treats the subject:

[Q] *Ofmen gheen erve sculdich en is te bieden so voirs. is, dan datmen vercoept?*

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<sup>2</sup> Van Iterson, "Eigendomsverdracht", 340; Pols, *De openbaarheid des eigendoms*, 4–5.

<sup>3</sup> Pols, *De openbaarheid des eigendoms*, 56–57; Van Iterson, *ibid.*, 340. Cf. a general survey, Wessels Boer, *Bijdrage*, 261–323.

<sup>4</sup> Bresslau, *Handbuch* I, 711; Herman, *Het karakter*, 61–62. This principle of German law is confirmed by some of the Republic's most famous lawyers, such as De Groot, Van Leeuwen, and Bort (Verburt, *Levering*, 46–48).

<sup>5</sup> Cf. successions De Blécourt & Fischer, *Kort begrip*, 352–353; Pols, *De openbaarheid des eigendoms*, 60. Cf. marriage contracts, Pols, *De openbaarheid des eigendoms*, 14–16, 61–62.

<sup>6</sup> De Blécourt & Fischer, *ibid.*, 159; Lee, *An introduction to roman-dutch law*, 138–140.

<sup>7</sup> Fockema, Andreae and De Smidt are most explicit, while De Blécourt and Fischer seem to implicate the creation of real rights involved the granting of the *rechte weer* (Fockema Andreae, *Het Oud-Nederlandsch burgerlijk recht* II, 48; De Smidt, "De rechtsbronnen", 142; De Blécourt & Fischer, *ibid.*, 158; Korteweg, "Jaargeding en poortgeding", 247; Fruin, *De oudste rechten* I, 60–61, 93–94). A similar mechanism is visible in early modern France, where notarial contracts offered the best legal security (Hoffman, Postel-Vinay & Rosenthal, *Priceless markets*, 31–32).

[A] *Wie erve of husinghe, dair erve toehoirt, bezwaren wil, hetsy dat hy dair jairlike renten in vercopen wil... die sal openbairliken ten ban bieden iii saterdaghen...*<sup>8</sup>

([Q] Are there any other transactions requiring the aforementioned ratification besides sale of land?)

[A] He who wants to mortgage real estate or sell *renten* on real estate... will publicize the transaction on three Saturdays)

Mathysen raises the question of whether any other transaction besides the sale of real estate requires ratification by the local court; the answer is that the mortgage does. As we will see, publicizing the transaction on three Saturdays was an institution closely associated with ratification.

A 1433 Ameide bylaw also shows that the creation of *renten* had to take place before the local court:

*Item soe wie erff pacht off lyffrenten heeft op enige goet daer hy den eygen off heeft, die sal comen manen mit synen eyghen brief teynden den dach der betalinghe voir schout ende scepenen eer men dat goet verboeren sal.*<sup>9</sup>

(Whoever creates a *losrente* or *lijffrente* on any of his possessions will prove his property to the local court with a contract; only then will the transaction be concluded.)

In 's Gravenzande *renten* required ratification by the local court as well:

*Niemant moetmen renten verkoopen binnen der vrijheyt van Zande, hij en kome voor den vollen geregte op een dingdagh ende verlijde den koop aen beyden sijden, anders en magt niet gestadigh sijn.*<sup>10</sup>

(No one will sell *renten* within the jurisdiction of 's Gravenzande without appearing in court and announcing the sale, or else they will not be upheld in a court of law.)

Charles V confirmed this practice in a 1529 decree,<sup>11</sup> and thus strengthened the monopoly on voluntary jurisdiction. Furthermore, in a 1580 decree, ratification was coupled to registration of mortgages.<sup>12</sup> In 1612

<sup>8</sup> Fruin & Pols, *Het rechtsboek*, 115–116 [translation CJZ].

<sup>9</sup> De Geer, "Die handveste van der Ameyde", 29–30.

<sup>10</sup> Telting, "Oude rechten van 's Gravenzande", 399. Cf. other examples, Breen, *Rechtsbronnen*, 16; Soutendam, "Het oudste keurboek van Delft", article 79; Pols, "Oudste rechten van het land van Putten", 159; Pols, "Bevestiging der handvesten van Goedereede", 333.

<sup>11</sup> Verburgt, *Levering*, 47–48.

<sup>12</sup> Verburgt, *ibid.*, 50.

the Dutch Republic went even further, decreeing mortgaging without registration – and ratification by public bodies – to be invalid.

It is important to understand that the monopoly on voluntary jurisdiction was not absolute: private contracts were only prohibited after the 1529 decree. Earlier, nobles and clerics ratified a minority of the contracts, and sometimes the public courts of cities undermined the monopoly of rural courts as well: the historian of law, J.W. Verburgt, noted how the aldermen of Leiden ratified a number of transactions of land in the surrounding countryside.<sup>13</sup> A 1534 Den Briel bylaw prohibiting the mortgaging of real estate indicates that subjects may have tried to evade this measure by having mortgages contracted by other authorities:

*Ende waert dat yemande sijn selfs zeghel hiervan gave off anders yemande bade voir hem te zegelen, dat en soude van gheenre wairden wesen ende men en soude dair gheen recht off doen.*<sup>14</sup>

(In the event that anyone should seal the contract himself or ask someone else to seal the contract, this would not be upheld in a court of law.)

Such private contracts offered little or no legal security, so why would anyone turn to other authorities for ratification? First, illiteracy among local courts may have induced contracting parties to have rural transactions ratified by urban courts. In the 13th century the citizens of Dordrecht were allowed to have transactions of land in Zuidholland ratified by their own court if they did not get ratification from village courts.<sup>15</sup> It is difficult to imagine that every village already disposed of a *scribent* at that time, so getting evidence in writing may have forced contracting parties to turn to the court of Dordrecht.<sup>16</sup> Furthermore, local courts often refused to ratify transactions involving clerics, who were thus forced to look for other authorities that had contracting institutions. Finally, medieval society consisted of many privileged groups, each entitled to litigate before its own courts. Contracting parties probably turned to feudal and religious authorities if they expected the transaction might lead to legal action before a feudal or ecclesiastic

<sup>13</sup> Verburgt, *ibid.*, 48.

<sup>14</sup> De Jager, *De middeleeuwse keuren der stad Brielle*, 56; explicitly formulated in a 1470 Delft bylaw as well (Soutendam, *ibid.*, 417).

<sup>15</sup> Fruin, *De oudste rechten I*, 89–90, 93–94, 60.

<sup>16</sup> Muller Fz. made the same argument for the Nedersticht (Muller Fz., “Sprokkelingen”, 476–482).



court.<sup>17</sup> Having charters drawn up by two public courts may have been attractive for similar reasons: when Ewout Willemsz. van Dobben sold a parcel of Zoeterwoude land to the nuns of the Rodenburg convent in Leiden in 1503, the contracting parties had contracts drawn up by the sheriff of Zoeterwoude and the aldermen of Leiden; perhaps the nuns felt more secure having a contract ratified by the court of Leiden?<sup>18</sup>

Nobles, clerics, notaries, and foreign public bodies provided participants in economic exchange with alternatives to local courts. Nobles and clerics never really threatened the latter's monopoly, however: the contracts they recorded provided contracting parties with far less legal security than contracts drawn up by public bodies. We have already seen that there may have been a few reasons to turn to religious authorities: they were probably the best alternative for public courts because they had their own legal structure. Canon law provided creditors with strong institutions they could use for contract enforcement.<sup>19</sup> On the other hand, the Church's views on usury made ratification of loans by parish priests and abbots unlikely. Ratification by nobles offered contracting parties less legal security, and that is why they rarely sealed *rente* contracts. When they did, they merely added weight to contracts public bodies had already sealed.

Notaries may have obtained voluntary jurisdiction in much of Europe, but in Holland they were predominantly active in the field of canon law until the end of the Middle Ages, and thus did not threaten the position of public bodies.<sup>20</sup> Notaries could not encroach on voluntary jurisdiction because their deeds lacked power of execution and offered little legal security compared to contracts ratified by public bodies.<sup>21</sup> This is why the registers of notaries from Haarlem – available from 1570 – contain few transfers of real estate or the creation of *renten*.<sup>22</sup> According to

<sup>17</sup> Cerutti, “De schepenbank”, 74–75.

<sup>18</sup> GAL, *Inventaris kloosters*, inv. no. 1607.

<sup>19</sup> In Friesland, Groningen, and Drenthe clerics took care of ratification (Van Synghel, “Inleiding”, 9–10; Paping & Brood, “De protocollen”, 61).

<sup>20</sup> Pitlo, *De zeventiende en achttiende eeuwse notarisboeken*, 235; Herman, *Het karakter*, 63–65; Van den Bichelaer, *Het notariaat*, 189; Spijkerman, “Verleden akten”, 122–123, 154–155, note 28.

<sup>21</sup> Herman, *Het karakter van ons hypotheekrecht*, 62; Sprenger van Eyk, *De wetgeving op het notaris-ambt*, 18–19.

<sup>22</sup> Based on samples of registers of May 1575, May 1585, May 1595, and May 1605. The registers do contain one *lijfrente* and a few transfers of *renten* on the secondary capital market (Streekarchief Kennemerland (SAK) Oud Notarieel Archief (ONA) Haarlem 2 f. 26, 185, 259v; Zuijderduijn, “Conjunctuur in laatmiddeleeuws Haarlem”).

the historian of law, A. Pitlo, notaries in the northern Low Countries were never part of the judiciary, and therefore they could not perform the delivery, a strict condition for transactions in the markets for land and capital.<sup>23</sup> So, even though the number of notaries increased in the 16th and 17th centuries, they were never influential in the markets for land and capital. In 1529 and 1542 the central government explicitly prohibited notaries from ratifying transfers of real estate, *renten*, wills, and the creation of real rights for real estate.<sup>24</sup> As stated above, in 1612 the Dutch Republic decreed mortgaging without registration to be invalid, thus securing the pivotal position for the public sector. By then, notaries had become quite important, but they did not operate independently: when notaries from Leiden organized public auctions of real estate in the 17th century, they were assisted by government agents who could execute the delivery and see that a copy of the deed of purchase was handed over to the town clerk.<sup>25</sup>

The most serious threat to the local courts' monopoly on voluntary jurisdiction came from powerful cities. In Brabant urban courts were allowed to ratify transactions involving rural real estate.<sup>26</sup> Den Bosch is a good example: its court ratified transfers of real estate in the surrounding Meijerij and beyond, and was competent in disputes. Village courts dealt with voluntary jurisdiction and civil law as well, causing numerous conflicts between cities and villages. Den Bosch citizens could try to gain a more favourable sentence – or merely obstruct the course of justice – by taking a dispute to their own court. This could easily end up in long and bitter legal conflicts.<sup>27</sup> In Holland we encounter cities with similar privileges in the south: Dordrecht in Zuidholland, the city of Heusden in the Land van Heusden, and Woudrichem in the Land van Putten.<sup>28</sup> It is no coincidence that these regions developed early (Dordrecht and Zuidholland), had Brabant origins (Heusden), or remained independent until the 15th century (Putten): in these areas

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<sup>23</sup> Pitlo, *De zeventiende en achttiende eeuwse notarisboeken*, 236–237.

<sup>24</sup> Pitlo, *ibid.*, 237.

<sup>25</sup> Verburgt, *Levering*, 33–34.

<sup>26</sup> Den Bosch (Coopmans, “De onderlinge rechtsverhoudingen”, 95–96), Louvain (Van Uytven, “Imperialisme of zelfverdediging”, 41), Brussels (Godding, “Impérialisme urbain ou auto-défense”, 131–132).

<sup>27</sup> Van der Ree-Scholtens, *De grensgebieden*, 90–98.

<sup>28</sup> Fruin, *De oudste rechten* I, 89–90, 93–94, 60; Hoppenbrouwers, *Een middeleeuwse samenleving* I, 610–612; Hoppenbrouwers, “Town and country”, 73–75; Korteweg, *Rechtsbronnen* I, 91, 103.

the counts of Holland had had few opportunities to prevent cities from usurping voluntary jurisdiction.<sup>29</sup>

The strong position public bodies had in voluntary jurisdiction was not limited to Holland, but was a characteristic of a northwest European system. Recently Bas van Bavel showed how public bodies in the northern Low Countries and the Rhineland gained a great deal of influence in ratification and registration of transfers in the land market.<sup>30</sup> Earlier, J.A. Kossmann-Putto pointed out that three main legal traditions existed with respect to voluntary jurisdiction in medieval Europe: in southern Germany and from northern France to the Baltic region, secular courts held a monopoly on voluntary jurisdiction, in Italy and southern France notaries dominated voluntary jurisdiction, and in the centre of France and some German cities, charters issued by religious institutions prevailed.<sup>31</sup>

Under the Dutch Republic the public sector maintained its pivotal position. The Republic's famous lawyers created a clever mix of German and Roman law, aptly called Roman-Dutch law. Whereas the application of Roman law often resulted in less transparency in the capital market, for instance, by allowing ratification of contracts by any authority, the Republic's lawyers retained the centuries old local courts' monopoly on voluntary jurisdiction. Thus, they avoided one of the dangers of Roman law, its lack of publicity in economic exchange. Interestingly, historians of law prefer Roman-Dutch law to the legal systems of large parts of France and the German Empire because it benefited economic exchange – especially transactions in the capital market.<sup>32</sup> Roman-Dutch Law inherited institutions securing transparency in economic exchange from medieval times – especially the position of local courts. This inheritance may well have contributed to the success of capital markets in the time of the Dutch Republic.<sup>33</sup>

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<sup>29</sup> Cf. the background of the weak power Holland cities wielded over their countryside Hoppenbrouwers, *Ibid.*, 76–79; De Vries, “The transition”, 80–81.

<sup>30</sup> Van Bavel, “The land market”, 131–132.

<sup>31</sup> Kossmann-Putto, *Kamper schepenakten*, 14; Lopez & Raymond, *Medieval trade*, 229.

<sup>32</sup> Herman, *Het karakter*, 109–110; Feenstra, “Zur Rezeption in den Niederlanden”, 266–267. Van Warmelo arrives at a similar appreciation of Roman-Dutch law without taking elements of German law into consideration (Van Warmelo, “Roman-dutch law in practice during the seventeenth and eighteenth century”, 345).

<sup>33</sup> Herman, *ibid.*, 19; Lee, *An introduction to roman-dutch law*, 139–140.

## 5.2 *Public Bodies as Agents of Institutional Change*

Although the monopoly on voluntary jurisdiction initially was a custom aimed at controlling political shifts, local courts retained it long after the political consequences of landownership had disappeared. They cherished it because it allowed them to direct and monitor economic exchange, which was useful for purposes of taxation, public order, and economic policy. These three incentives were at the heart of the local political economy and the main motives for institutional change.

Of course, public bodies may have had other incentives for institutional change. In an attempt to pursue economic policy, rulers forced them to introduce certain regulations, although that hardly ever happened before the 16th century. Furthermore, in the late Middle Ages Roman law became quite popular, especially since increasing numbers of lawyers appeared in the government apparatus. We have already seen their enthusiastic attempts to improve legal frameworks in Chapter Three, and they may well have been initiators of other types of institutional change as well.<sup>34</sup>

Public bodies had to answer to ruler and subjects. Michael Braddick explains that in England “there were local initiatives alongside central initiatives”. The latter were mediated by local office holders who were “intermediaries mediating policy in the light of local interest”.<sup>35</sup> In Holland, sheriffs were supposed to mediate between the central government and subjects. To maintain their position, they often had to concede to local interests, and therefore, institutional change must predominantly be comprehended as a bottom-up phenomenon. Public bodies managed to maintain a virtual monopoly on voluntary jurisdiction and create an institutional framework for the capital market because the central government and subjects often shared concerns about taxation, public order, and economic policy.

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<sup>34</sup> The introduction of the *willig decreet* may be an example (cf. below).

<sup>35</sup> Braddick, *State formation in Early Modern England*, 27. Epstein points at the importance of the region as the unit where “the most powerful political and administrative organization took place” (Epstein, *Cities, regions and the late medieval crisis: Sicily and Tuscany compared*, 8).

### *Taxation*

The counts of Holland did not have the authority to tax their subjects directly: taxes – *jaarbede* or *schot* – were first shared among cities and villages using a distribution code (*schotponden*), and then the public bodies apportioned the taxes among their subjects.<sup>36</sup> Cities usually levied excise taxes on commodities and incidentally used land or home ownership as the basis for apportioning direct taxes.<sup>37</sup> In the countryside public bodies predominantly used landownership as an indication of wealth.<sup>38</sup> Public bodies based their assessment on other capital goods as well: in the town of Edam and the rural region of De Zeevang, a range of capital goods – including cattle, *renten*, and cash – was considered when taxes were apportioned in 1462.<sup>39</sup> Considering the importance of landownership as an indication of wealth, public bodies had clear incentives to monitor transactions in the land market. This became even more important when the increasing number of transactions and the emergence of leases caused landownership to become highly diffuse.

Local water management boards – consisting of the sheriff and officials called *heemraden* – used landownership to assess taxes as well. They levied taxes in the name of the *hoogheemraadschappen*, regional water management boards responsible for dikes, sluices, and mills. The *hoogheemraadschappen* ordered that data on landownership were to be used to assess taxes as early as the 14th century.<sup>40</sup> Thus, both public bodies and the water management boards had clear incentives to monitor transactions in the land market.

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<sup>36</sup> Bos-Rops, *Graven op zoek naar geld*, 25–26. These taxes were levied in most of Holland, except for the regions of Amstelland, Woerden, Westfriesland, Zwijndrechtse Waard, and Land van Heusden (Bos-Rops, *ibid.*, 24).

<sup>37</sup> Gouda levied a *haardstedegeld*, a tax levied for every owner of a fireplace (Goudriaan, Ibelings & Visser, *Het Goudse haardstedegeldregister*).

<sup>38</sup> Fruin, *Informacie*, 37, 287, 582–583, 596–597. In the mid-16th century the registers of voluntary jurisdiction (*transportregisters*) were used to draw up the registers of tax assessments (*morgenboeken*) (Van Amstel-Horák, “De Rijnlandse morgenboeken”, 99–100).

<sup>39</sup> Cf. section 6.2.

<sup>40</sup> The *hoogheemraadschap* of the Rijnland region ordered that its taxes were to be based on landed property in 1319. In Schieland the *ambachten* were ordered to keep registers in the 14th century as well. Local water management boards registered landownership as early as 1326 (Fockema Andreae, *Rechtsbronnen der vier hoofdwaterschappen*, 201, 263–265, 270–271, 400–401; Fockema Andreae, *Het hoogheemraadschap van Rijnland*, 52–55; Postma, *Het hoogheemraadschap van Delfland in de middeleeuwen 1289–1589*, 188–190).

The virtual monopoly on voluntary jurisdiction allowed public bodies to assess taxes among subjects and prevent tax evasion. Charles V probably recognized the merits the monopoly had for purposes of taxation. In 1529 he codified existing common law and ordered all transfers of real estate to be ratified by the local court. This measure was especially helpful when he reorganized taxes in 1542 and introduced a 10 per cent tax on annual profits from real estate, including rents and *renten*. We have already seen that this tax was a moderate success, whereas other new taxes failed miserably. This success must be ascribed to ancient structures allowing for monitoring of the markets for land, rents, and *renten*.

### *Public Order*

Their virtual monopoly on voluntary jurisdiction allowed public bodies to maintain public order. In the late Middle Ages Holland was still a violent society, where even conflicts related to civil law could easily escalate. A 1454 bylaw from Dordrecht provides telling testimony: not only does it prescribe the rules for the execution of court sentences, but it informs us about the practice of civil law as well. Officials responsible for the execution of court sentences (*kolfdragers*) often met with fierce resistance when they tried to seize goods or imprison anyone for debt. Matters could be so bad that plaintiffs had to raise a mob to support the official:

*...so ist een maniere, dat sy mit menichte van volck daerom uutvaren moeten, die den colffdrager stercken ende den luden also met grote zware costen helpen vangen...*<sup>41</sup>

(one expensive way [to execute a court sentence] is by raising a host of people to support the *kolfdrager* and to help him to arrest [the convict])

Worse, friends and family often supported the debtor. Attempts to execute a civil sentence could well end in violence:

*...so heeft die sculdenaer dicwile vrienden ende magen off sijn bueren by hem, ende sett hem ter were tegens den heer ende tegens die luden...*<sup>42</sup>

(the debtor is often supported by a group of friends, family members, and neighbours who oppose [the group of the official])

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<sup>41</sup> Fruin, *De oudste rechten* I, 117.

<sup>42</sup> Fruin, *ibid.* I, 117.

The bylaw even mentions occasions when the convict ran off, causing the official's mob to shoot arrows at the fugitive. The execution of civil sentences often ended in chaos and manslaughter.<sup>43</sup>

Prevention is better than the cure, and therefore public bodies tried to limit fraud. The development of clear property rights was a major step: creditors had to be sure the appointed mortgage was in fact at the disposal of the debtor, and would not be confiscated or taken over by a third party. This was not necessarily self-evident, because property rights were not always clear. Institutions known as *Beispruch* and *naastingsrecht* reduced transparency in the economy. Both originated in the early Middle Ages, when private property in land did not exist. Land was part of the patrimony, and family members had a right to obstruct the alienation of real estate beyond the family. The *Beispruch* allowed them a say in the alienation of land, while the *naastingsrecht* allowed them to take over the sale. As early as the Carolingian period these rights hindered economic exchange and were bought off.<sup>44</sup> Over time, other groups gained the *naastingsrecht* as well: Bas van Bavel distinguishes family members, neighbours, and village community, as well as feudal and manorial lords. Neighbours and village communities used the institution to prevent the alienation of land to foreigners, feudal lords to monitor the sale of fiefs, and manorial lords used it to monitor the land market and generate revenues by levying fines.<sup>45</sup> Even though property rights improved with reclamation of the peat area and the growth of the cities, causing subjects to gain absolute and exclusive rights on their land,<sup>46</sup> the *naastingsrecht* was fairly resilient. Even in the 16th century, transactions in the market for land were still taken over.<sup>47</sup> Thus, it is no surprise to see that participants in the capital market depended on institutions to protect them against claims from third parties.

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<sup>43</sup> Fruin, *ibid.* I, 117. Cf. examples of disputes about debts ending in feuds, Glaudemans, *Om die wrake wille*, 133–134.

<sup>44</sup> De Blécourt & Fischer, *Kort begrip*, 99.

<sup>45</sup> Van Bavel, *ibid.*, 123–126; Bezemer, “Een en ander over het oud-hollandsche naastingsrecht”, 508–530; Pols, *Westfriese stadsrechten* I, CXCI–CXCI. Cf. *naastingsrecht* of creditors: Korteweg, “Jaargeding en poortgeding”, 243.

<sup>46</sup> Van Bavel, “Rural development, landownership and tenurial rights in Holland”, 5; Van der Linden, *De cope*, 88–89; Verhoeven, “De betekenis van de Delftse stadskeur van 15 april 1246”, 62.

<sup>47</sup> Osinga & Gelinck, *Kenningboek* II, 57–58.

Mortgages with hidden *renten*, tithes, or other real rights were also a serious problem, because such dues were connected to the land, and thus reduced the net value of the mortgage. What was even more important: in Holland plaintiffs with the oldest claim to land were preferred in a court of law, and thus the number and value of dues already secured by a mortgage were decisive for the likelihood that a new mortgagee would be compensated in case of default. The 1529 decree probably refers to this type of fraud:

... *die koopers werden gecircumvenieert ende bedrogen ende daeruyt dickwils questie ende processen rijsen...*<sup>48</sup>

(buyers are deceived[,]) often causing disputes and legal action)

Thus, asymmetric information threatened participants in the capital market. To prevent conflicts, public bodies ordered sellers of land to make dues known. In Gouda selling land with hidden dues was fined by 100 crowns; the offender was forced to redeem the dues and was threatened with banishment.<sup>49</sup> The *Rechtsboek van Den Briel*, a legal survey, explains how public bodies tried to solve problems related to asymmetric information. In Den Briel ratification included evaluation of the proposed transfer: aldermen fined mortgagers that hid dues.<sup>50</sup> The *dingtaal* (a survey of legal formulae) of Zuidholland confirms this practice: during the court session the sheriff asked the *heemraden* whether they were convinced real estate was unburdened. They answered

... *jae off neen, uuytgesondert alsulcke renten... die voer ons niet geschiet, gecomen of gepasseert en sijn...*<sup>51</sup>

(yes or no, except for those *renten*... that have not been ratified by us)

Monitoring transactions was an old tradition: in the Land van Putten the *heemraden* already evaluated transfers of land in 1311.<sup>52</sup> The 16th-century Mijnsherenland van Moerkerken *protocolboek* gives several examples of such investigations: in 1532 local authorities stated they

<sup>48</sup> De Blécourt, *Bewijsstukken* II, 377–378. A 1589 Leiden bylaw states that the availability of data on property and dues on real estate was one of the main incentives for the 1529 decree (Verburgt, *Levering*, 44–45).

<sup>49</sup> Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 113.

<sup>50</sup> Fruin & Pols, *Rechtsboek van Den Briel*, 115–116. In the bailiwick of Zuidholland the *heemraad* acknowledged the seller was the rightful owner of land (Korteweg, *Rechtsbronnen*, 87).

<sup>51</sup> Fruin, *ibid.* II, 310–311; Korteweg, *ibid.*, 87.

<sup>52</sup> Korteweg, *Rechtsbronnen*, 86.



had verified mortgaged land was not burdened with any other *renten*.<sup>53</sup> And in another 1532 case they discovered a hidden *rente* on land that was about to be mortgaged.<sup>54</sup> Thus, the Mijnsherenland van Moerkerken authorities tried to prevent fraud.<sup>55</sup>

A peculiar type of legislation hints at problems with hidden dues as well: in the 15th century many cities prohibited the mortgaging of urban real estate, probably in an attempt to halt the stacking of mortgages that obscured the capital market. Haarlem prohibited mortgaging in 1411.<sup>56</sup> Other cities introduced similar bylaws at the middle of the century, such as Leiden (1459),<sup>57</sup> Gouda (1468), Delft (1460), Den Briel (1449) and 's Gravenzande (1448).<sup>58</sup> All bylaws state that aldermen would no longer ratify *rente* contracts secured on houses and yards. In Leiden there was an exception for vacant yards not yet burdened with *renten*. A few sources in the archives of Leiden confirm that its government upheld the bylaw: a 1525 *kenning* (a civil action in writing) states that

... *die privilegien, costumen ende kueren van deser stede houden, dat men geen huysen belasten noch ypothekeeren en mach mit enige renten...*<sup>59</sup>

(the privileges, customs and bylaws of this city prescribe that one is not allowed to mortgage houses with *renten*)

A 1575 *kenning* states that two businessmen had to secure a *rente* on two houses outside of the city in 1553:

... *alsoe men doentertijt gheen huijsen als ypoteeck en mochten beswaren...*<sup>60</sup>

<sup>53</sup> NA 3.03.08.104 inv. nr. 1, Register ende protocol Mijnsherenland van Moerkerken, f. 4.

<sup>54</sup> NA 3.03.08.104 inv. nr. 1, Register ende protocol Mijnsherenland van Moerkerken, f. 3v, cf. f. 116v.

<sup>55</sup> Cf. the examples given by Van Iterson, 'Eigendomsoverdracht', 341–342, 344.

<sup>56</sup> *Der stede kuerboeck van Haerlem*, LXXIX; Huizinga, *Rechtsbronnen*, 91, 318. The bylaw was still in effect in 1557.

<sup>57</sup> This bylaw also appears in the *keurboeken* of 1583 (no. 70) and 1658 (no. 118). It was renounced in 1568. Whether this bylaw was just aimed at the *stapelen* (stacking) of *renten*, as Brand claims, is unclear (Hamaker, *De middeneeuwsche keurboeken van de stad Leiden*, 206, 270, 376, 383–384; Brand, *Over macht en overwicht*, 219).

<sup>58</sup> Rollin Couquerque & Meerkamb van Embden, *Rechtsbronnen*, 474; Soutendam, "Het oudste keurboek van Delft", 412; De Jager, *De middeleeuwsche keuren der stad Brielle*, 56; Telting, "Oude rechten van 's Gravenzande", 413; Fockema Andreae & Van Apeldoorn, *Inleidinge tot de Hollandsche rechtgeleerdheid*... II mention Oudewater as well.

<sup>59</sup> Blok, *Leidse rechtsbronnen*, 346.

<sup>60</sup> Osinga & Gelink, *Kenningboek der stad Leiden 1570/1580 II*, 89–90.

(because at the time it was not allowed to mortgage houses [within Leiden])

A 16th-century survey of the customs of the *Hof van Holland* informs us of the situation in Delft:

*Tot Delft is een kuere geweest voor den brant eende oock alsnoch, dat men geen huysen aldaer mach stellen tot een speciael onderpant, dewelcke eens in den jare '37 es gestelt in surchéance den tyt van vyff jaren...*<sup>61</sup>

(In Delft there was a bylaw, both before and after the fire, prohibiting the mortgaging of houses [; this bylaw] was postponed for five years in 1537)

It is difficult to understand why city governments issued these bylaws. A 1430 bylaw from Leiden prohibited the stacking of *renten* (taking out several mortgages on one parcel).<sup>62</sup> This may have caused abuses related to asymmetric information and may also have induced city governments to prohibit mortgaging and thus to protect public order.

### *Economic Policy*

The pursuit of economic policy gave public bodies another incentive to retain their monopoly on voluntary jurisdiction. Villages often coped with free riders profiting from public works but not contributing to taxes. Nobles and clerics enjoyed tax exemption, and citizens often refused to pay, claiming they already contributed to taxes in their residences.<sup>63</sup> Preventing the appearance of free riders was the obvious solution; the monopoly on voluntary jurisdiction allowed the public body to monitor transactions in the land market and use informal pressure to prevent alienation to certain social groups. Public bodies often refused to ratify transactions involving members of the clergy: in 1328 the alienation of land to clerics was prohibited in all of Holland. Sheriffs, aldermen, and neighbours were not allowed to ratify such transactions; city governments often took similar measures.<sup>64</sup> Other groups were

<sup>61</sup> Van Apeldoorn, *Uit de practijk van het Hof van Holland in de tweede helft van de zestiende eeuw*, 242.

<sup>62</sup> GAL, SA I inv. no. 84, f. 296. Cf. Brand, *Over macht en overwicht*, 219, who mentions 1459 as the year of introduction.

<sup>63</sup> Gosses, *Welgeborenen en huislieden*, 46–47; Jongkees, *Staat en kerk*, 18–19.

<sup>64</sup> Van Mieris, *Groot charterboek* II, 464, 477; Huizinga, *Rechtsbronnen*, 176–177; Pols, *Westfriesche stadsrechten* II, 64; Fruin, “Het oudste keurboek van Rotterdam”, 73–74; Bruch, *Middeleeuwsche rechtsbronnen van Gorinchem*, 191. The practice also appears

excluded as well: the small city of Heukelum did not ratify purchases by religious institutions, bastards, and the mentally ill.<sup>65</sup>

Local courts controlled exchange in the capital markets as well. We have already seen a few examples: limits to the resale of *renten* issued by the public body and the prohibition on mortgaging urban real estate. Authorities also tried to protect subjects against the unfavourable effects of selling *renten*: bylaws allowing debtors to redeem *renten* were ubiquitous.<sup>66</sup> The same goes for laws allowing debtors to take over *rente* contracts offered for sale in the secondary market; thus, they were allowed to buy *renten* below face value.<sup>67</sup> A 1465 bylaw from Gouda allowed debtors to redeem *renten* held by clerics, regardless of the conditions of the contract.<sup>68</sup> Finally, we have also seen a measure taken by the small town of Den Briel that cancelled the secondary market altogether by prohibiting the resale of any credit instruments to third parties.<sup>69</sup>

Public bodies dealt with ethical concerns as well: Heukelum refused to ratify transactions involving usury and unredeemable *renten*.<sup>70</sup> Haarlem prohibited usury:

... dat nyemant en woker binnen hairlem noch binnen mercken noch gelt om gelt en geven noch onredelike scarpe comenscip en doe...<sup>71</sup>

(within the city limits of Haarlem no one is allowed to commit usury)

The aldermen of Delft were not allowed to ratify usurious loans:

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in the north of the German Empire, in Lübeck (Haberland, *Der Lübecker Renten- und Immobilienmarkt*, 49).

<sup>65</sup> Van der Gouw, "Rechtsbronnen Heukelum", 37–38, 42. Cf. Den Briel: De Jager, *Rechtsbronnen*, 56.

<sup>66</sup> Dordrecht (1400) (Fruin, *De oudste rechten* I, 96–97); Haarlem (1392) (*Der stede kuerboeck van Haerlem*, L; Huizinga, *ibid.*, 73, 319); Delft (Soutendam, "Het oudste keurboek van Delft", 412–413); Gouda (Rollin Couquerque & Meerkamb van Embden, *Rechtsbronnen*, 470).

<sup>67</sup> Haarlem (1411) (*Der stede kuerboeck van Haerlem*, LXXIX); Leiden (1406) (Hamaker, *De middeneeuwsche keurboeken van de stad Leiden*, 30–31); Dordrecht (Fruin, *ibid.* I, 127); Delft (Soutendam, *ibid.*, 412; Rollin Couquerque & Meerkamp van Embden, *ibid.*, 471).

<sup>68</sup> Rollin Couquerque & Meerkamp van Embden, *ibid.*, 471–472.

<sup>69</sup> De Jager, *De middeleeuwsche keuren der stad Brielle*, 56.

<sup>70</sup> Van der Gouw, "Rechtsbronnen Heukelum", 37–38, 42.

<sup>71</sup> *Der stede kuerboeck van Haerlem*, LXXIX.

*Nyement en moet scepenkennes begheren noch nemen van ghelde, daer kenlike woker in roert...*<sup>72</sup>

(No one is allowed to have a ratified contract for a transaction involving usury)

Gouda prohibited contracts involving interest:

*...alsdat men van nu voortan geen brieven meer bezegelen sal, dewelke inhouden, dat men gelt overneemt tsy V, VI, VII jaren of meer ende dair jairlicx winning of geven in een maniere van renten ende de lesten dach te betalen de heele somme, die men overgenomen heeft mitten verscenen renten.*<sup>73</sup>

([the aldermen] will no longer ratify contract loans running five, six, seven, or more years involving interest and the principal sum to be repaid on the final day)

The contracts Gouda prohibited were usurious loans, because the creditor decided when the loan had to be repaid; *losrenten*, on the other hand, were repaid at the initiative of the debtor. On a closely related topic, Delft and Schiedam did not allow subjects to stand surety for Lombards.<sup>74</sup>

Thus, public bodies interfered extensively with the economy. The fact that their measures were often inspired by religion and culture is not important: public bodies believed they served the public good by refusing transfers involving clerics, bastards, and the mentally ill, as well as unredeemable *renten* and usurious loans. It gave them plenty of incentives to monitor economic exchange and to retain their virtual monopoly on voluntary jurisdiction.

### 5.3 Institutional Framework

In Holland the gap between legislation and economy was small.<sup>75</sup> Economic elites had a large say in local government; together with sheriffs, they were responsible for legislation and institutional change. Both government agents and economic elites were likely to participate in the capital market. James Tracy pointed out that government agents

<sup>72</sup> Fruin, "Het oudste der tot dusver bekende keurboeken van Delft", 329. Cf. Soutendam, *ibid.*, 409.

<sup>73</sup> Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 498.

<sup>74</sup> Soutendam, *ibid.*, 409; Heeringa, *Rechtsbronnen*, 116.

<sup>75</sup> De Vries & Van der Woude, *The first modern economy*, 160.

were among the most important investors in public debt, and Manon van der Heijden demonstrated that the elite of Dordrecht bought a large proportion of *renten* as well.<sup>76</sup> Legislators were either responsible for creating and servicing public debt, or participated in the capital market themselves, and as a result they are likely to have had an interest in the capital market.

Public bodies had several incentives to shape the capital market through institutional change. Their decisions could be influenced from above and below. In the first chapter we have seen the extent to which the central government interfered in institutional change: direct influence could be extorted by sheriffs and by issuing general decrees. Public bodies also had incentives: taxation, maintaining public order, and the pursuit of economic policy. Individual participants in the capital market had other goals: they demanded institutions that helped reduce transaction costs. How popular pressure brought about institutional change is not always clear, although it is likely that subjects petitioned for legislation.<sup>77</sup>

These top-down and bottom-up elements resulted in institutional frameworks that supported participants in the capital market in town and countryside. Such elements comprised the three institutional clusters mentioned earlier: contracting institutions, institutions aimed at asymmetric information, and property rights institutions.

### *Contracting Institutions*

Literacy is a strict condition for creation of funded debt: the emergence of evidence in writing helped to establish clear property rights. In the late Middle Ages the public sector developed an extensive framework of contracting institutions, resulting in clerks writing many thousands of *rente* contracts. It is probably no coincidence that a clerk from the village of Mijnsherenland van Moerkerken put pen to paper and wrote the following rhyme:

*Die wil borghen  
Die coemt morghen*

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<sup>76</sup> Tracy, *A financial revolution*, 137–192, esp. 187; Van der Heijden, *Geldschieters*, 165–169.

<sup>77</sup> In the 16th and 17th centuries petitions written by subjects often resulted in the issuing of bylaws; it is likely the same mechanism was in effect in the late Middle Ages (Van Nierop, “Popular participation”, 286–287).

*Tis huden enen dach  
Dat ic ny borghen en mach.*<sup>78</sup>

(Who wants to mortgage  
Should return tomorrow  
Today is a day  
I am not allowed to mortgage)

The rhyme was probably written between 1532 and 1552, at a time when mortgages were frequently contracted. Written evidence had come a long way. In the Holland region the Carolingian accomplishments in the area of written evidence disappeared in the 9th century, and were replaced by testimonies of witnesses.<sup>79</sup> For a few centuries the economy of Holland probably functioned without evidence in writing. Rudimentary economies could do without: “[b]efore documents were used, the truth of an event or transaction had been established by personal statements, often made on oath, by the principals or witnesses. If the event were too far in the past for that, the oldest and wisest men were asked what they could remember about it”.<sup>80</sup>

It is highly unlikely that such oral societies managed to create funded debt, but they did create institutions allowing for the use of credit. The *wijnkoop* added witnesses (*wijnkoopslieden*) to the transaction; in case of default, the seller could refer the court to these witnesses.<sup>81</sup> Their testimonies could be valuable: in the cities of Brielle and Goedereede and the Country of Putten, the testimony of *wijnkoopslieden* had the same force of law as a contract ratified by the local court.<sup>82</sup> In Leiden common law prescribed that

*...soe wat dat die wyncoopslyude tugen, dat dat van waarden wesen sel...*<sup>83</sup>

(testimonies of *wijnkoopslieden* will be upheld in a court of law)

The *wijnkoop* was used as a primary security to secure floating debt, and as a secondary security to secure funded debt. Sometimes *wijnkoopslieden* first witnessed the purchase agreement and later accompanied

<sup>78</sup> NA 3.03.08.104 inv. no. 1 [written on the cover].

<sup>79</sup> Redlich, *Privaturkunden*, 68–69; Meilink, *Archief abdij Egmond I*, 90–91.

<sup>80</sup> Clanchy, *From memory to written record*, 295.

<sup>81</sup> Verburgt, *Levering*, 23–26; De Blécourt & Fischer, *ibid.*, 276; Fockema Andreae, *Het Oud-Nederlandsch burgerlijk recht II*, 9–11, 11, note 1; Mitteis, *Rechtsfolgen*, 74–75.

<sup>82</sup> Van Mieris, *Groot charterboek IV*, 1050–1053; Dijkman, “Markets and power” (paper 2005), 46.

<sup>83</sup> Verburgt, *Levering*, 24.

contracting parties when they had the transaction ratified by aldermen.<sup>84</sup> In general, the *wijnkoop* was a binding agreement, although common law allowed contracting parties to reverse sales, especially when these were negotiated among contractants who had had a drink too many.<sup>85</sup> Another alternative for written evidence was the *kerfstok*, a stick used to record transactions by cutting notches. The stick was split along its length, and kept by contracting parties, and was upheld in courts of law.<sup>86</sup>

Oral agreements were best concluded in the presence of one or more aldermen or *heemraden*. Their testimony, the *schepenkennis*, had optimal force of law, just as the *schepenbrief* did (which was a contract ratified by the local court). The *schepenkennis* functioned well in a rudimentary economy, but when the number of transactions increased, aldermen could no longer memorize every transaction they had observed and started keeping registers called *schepenprotocollen*, books with summaries of transactions the local court had witnessed. These were unsealed notes with the legal force of charters.<sup>87</sup> They offered the legal security of written evidence at low cost, and were especially convenient for floating debts. The appearance of *schepenprotocollen* must be regarded as an important institutional improvement, making evidence in writing something many people could afford. The origins of the *schepenprotocollen* lay in the German Empire, in Cologne, where public bodies created *Schreinskarten*, notes written as reminders of ratified transactions and stored in the magistrate's chest (*Schrein* = chest, *karten* = cards). These *Schreinskarten* were first used in 1135, and later spread to northern France and the Low Countries.<sup>88</sup>

In Holland the oldest surviving *schepenprotocol* is the *aktenboek* of Dordrecht, which began in 1403.<sup>89</sup> For Haarlem, a similar source is

<sup>84</sup> Verburgt, *ibid.*, 18–19, 25.

<sup>85</sup> De Goede, *Seventuig*, 33, 212; Verburgt, *ibid.*, 22. Mitteis believed the *wijnkoop* could not be cancelled (Mitteis, *Rechtsfolgen*, 77–78). Cf. a 1553 example of *wijnkoop*, Osinga & Gelink, *Kenningboek der stad Leiden*, 3–4.

<sup>86</sup> The *kerfstok* was used in the Leiden cloth industry and at the Geervliet toll (Posthumus, *De geschiedenis van de Leidse lakenindustrie* I, 263; Blok, *Leidse rechtsbronnen*, 223, 312–313; Niermeijer, *Bronnen* I, 228).

<sup>87</sup> Unlike charters, the *notitia* did not conclude a juridical act; it was merely evidence in writing (Bresslau, *Handbuch* II, 732; De Blécourt & Fischer, *ibid.*, 276).

<sup>88</sup> Kossmann-Putto, *Kamper schepenakten*, 12–15.

<sup>89</sup> Whether the Leiden *Stedeboek* (1348-) can be regarded as a *schepenprotocol* is unclear: the source seems to be too multiform.

available from 1470.<sup>90</sup> In the countryside the oldest *schepenprotocollen* available are from Zuidholland: a Rijsoord register began in 1448, one from Ouderkerk aan de IJssel in 1459, and one of Blokland in 1489.<sup>91</sup> Some qualitative sources indicate that registers may have been kept elsewhere at an early stage as well: in 1479 the bailiff of Zuidholland ordered the sheriff, aldermen, and clerk of every village in the Country of Putten to register transactions in the land market on penalty of a fine. The same decree states that *renten* mortgaged on land were to be registered every seven years; unregistered *renten* would no longer have force of law.<sup>92</sup> In 1476 the villagers of Hazerswoude disputed the tax exemption of landowners from Leiden. Both parties agreed not to sell any land without appearing before the local court. They also decided that the Hazerswoude sheriff and tax collectors would keep a register.<sup>93</sup> These sources have not been preserved, however, and whether they were registers comparable to the *schepenprotocollen* remains unknown.

The *schepenprotocollen* were predominantly used to secure floating debt. This is indicated by samples from Haarlem, which contain 315 floating debts and 17 funded debts from 1471 to 1535.<sup>94</sup> In the village of Ouderkerk aan de IJssel, 143 floating debts and 2 funded debts were recorded from 1453 to 1467.<sup>95</sup> Even though the *schepenprotocollen* provided contracting parties with the same legal security as *schepenbrieven*, the latter had the advantage of liquidity: especially buyers of *renten* wanted to be able to alienate these, which is probably why they required *rente* contracts.

In an article about the increase in literacy in 13th-century Holland, Jan Burgers, Eef Dijkhof, and Jaap Kruisheer explain how the demand for a comprehensive and more secure alternative for oral agreements was the dynamic force behind the appearance of chanceries in cities.<sup>96</sup> Both public bodies and subjects were in demand for contracts allowing economic growth and the creation of public and private funded debt.

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<sup>90</sup> In Gorinchem a *Klocksboeck* was probably used as a *schepenprotocol* (Bruch, *Middeleeuwse rechtsbronnen*, 187). Cf. the Haarlem source Zuijderduijn, "Conjunctuur in laatmiddeleeuws Haarlem".

<sup>91</sup> Some other early registers include Mijnsherenland van Moerkerken (1532), Brandwijk (1507), Heinenoord (1535), Maasdam (1532), and Meerkerk (1505).

<sup>92</sup> Pols, "Oude rechten van Putten", 158–159.

<sup>93</sup> Van Mieris, *Handvesten*, 776–777.

<sup>94</sup> SAK ONA samples of registers of May 1575, May 1585, May 1595, and May 1605.

<sup>95</sup> Nationaal archief 3.03.08.300 microfilm no. 2.

<sup>96</sup> Burgers, Dijkhof & Kruisheer, "De doordringing van het schrift", 201.



*Lijfrenten* and *losrenten* were contracted in charters that concluded a juridical act and served as evidence.<sup>97</sup> To confirm the validity of the recorded action, a seal was affixed. It is likely that the counts in the West Frisian area already had a comital seal in the 10th century; these seals have not been preserved, however, and the oldest surviving seal of the counts of Holland (from 1083) is thought to be a forgery. In the second half of the 12th century all comital charters were affixed with a seal, and later, a large number of social groups used seals to give legality to the charters they issued, including local courts, nobles, and clerics.<sup>98</sup>

Initially, finding a *scribent* was a problem: authorities often lacked literate personnel. In the 12th century Egmond Abbey was the main centre of literacy in Holland; the monks working in its scriptorium supervised and staffed the comital chancery and wrote documents for the settlement of Haarlem. Some other religious institutions developed scriptoria as well, most notably Rijnsburg Abbey.<sup>99</sup> In the second half of the 13th century, the number of scriptoria increased: documents were written in the comital chancery, at the courts of high lords, and in towns. Dordrecht kept an advanced administration – including its city accounts – and even had its own secretary from 1277 to 1291. From 1260 to 1280, writers appear in Haarlem, Delft, and Leiden as well.<sup>100</sup> In the remainder of the Middle Ages literacy grew rapidly, and *scribents* appeared everywhere in town and country.<sup>101</sup>

The contracts public bodies drew up and ratified were formalized and embedded in an extensive legal framework. Ratifications by aldermen were recorded in *schepenbrieven*, and those of *heemraden* in the countryside in *heemraadbrieven*. General terms concerning *schepenbrieven* first appear in a 1282 bylaw from Dordrecht;<sup>102</sup> later we encounter similar stipulations elsewhere as well. In general, for funded debt plaintiffs had to file legal action with their *schepenbrieven* within a year after the default.<sup>103</sup> Only when execution was impossible because of

<sup>97</sup> De Blécourt & Fischer, *ibid.*, 275–276; Van Mingroot, “Typologisch overzicht van het bronnenmateriaal”, 402–406.

<sup>98</sup> Kruisheer, *De oorkonden en de kanselarij* I, 49–52; De Hemptinne, “Siegel. Niederländische Fürstentümer”; Schlögl, “Beglaubigung”.

<sup>99</sup> Burgers, Dijkhof & Kruisheer, *ibid.*, 193–197.

<sup>100</sup> Burgers, Dijkhof & Kruisheer, *ibid.*, 197–201.

<sup>101</sup> Vangassen publicized a list of the places where charters were issued, which included many villages (Vangassen, *Bouwstoffen*, 263–273).

<sup>102</sup> Van den Bergh, *Oorkondenboek* II, no. 447.

<sup>103</sup> Fruin, *De oudste rechten* I, 87; *Der stede kuerboeck van Haerlem*, LI. In Rotterdam *rente* contracts were valid for an indeterminate period of time as well (Fruin, “Het oudste keurboek van Rotterdam”, 75).

the absence of the debtor and securities, was an extension allowed: the *schepenbrief* was then extended by affixing a so-called *transfix* (image 4).<sup>104</sup> *Schepenbrieven* were strong evidence: they were not to be overruled by any evidence except for other *schepenbrieven* and *schepenkennis*. In general, the oldest was preferred by courts of law.<sup>105</sup>

The institutional framework was gradually improved. An early example of this can be found from 1281, when Dordrecht changed legislation regarding *schepenbrieven*. Until then the *schepenbrieven* lost their validity after one year, unless they were extended. Having a contract extended every year was expensive, time-consuming, and for most foreigners simply impossible. In 1281 the city government issued a bylaw stating that *schepenbrieven* sealed by at least four aldermen would be upheld indefinitely.<sup>106</sup> The importance of this bylaw for the emergence of a market for funded debt cannot be overestimated: not having to extend *rente* contracts every year helped reduce transaction costs considerably. In 1293 the bylaw was adjusted and confirmed by Floris V. The number of aldermen involved was also changed: from then on *schepenbrieven* ratified by at least three aldermen would be upheld indefinitely.<sup>107</sup>

In the 16th century public bodies also started to register charters they issued. Initially, these registers were long lists of minutes in chronological order. When these lists grew longer, using them became a problem and required adjustments. The *Register Vetus*, compiled in 1585 by the secretary of Leiden, Jan van Hout, is a good example. Classified in parcels, it contains data about ownership and mortgages.<sup>108</sup> Elsewhere, transactions were drawn up in several registers: in Haarlem, at least from 1530 on, a register for down payments mortgaged on ships was in use, the register of *scheeps, kusting en bijlbrieven*. In 1548 authorities registered *renten* secured with special mortgages in the *belastboeken*. Later, another register was used for general mortgages. Finally, even transactions in the secondary capital market were registered. In the end six types of registers were in use:

<sup>104</sup> Nortier, *Bijdrage*, 56–57. Fruin, *ibid.* I, 211.

<sup>105</sup> Nortier, *Bijdrage*, 60–61; Cf. Hoorn (Hoeffler, “Costumen”, 563); Rijnland (Fruin, “Costumen”, 467).

<sup>106</sup> OHZ IV, no. 1951.

<sup>107</sup> Van Dalen, “Oorkonden”, no. CXXX. For reasons unknown, the bylaw was reversed in 1368: once again contracts had to be extended after one year. Later the 1368 change was abolished (Fruin, *De oudste rechten* I, 95–96, 227).

<sup>108</sup> Van der Vlist, “De bonboeken te Leiden”, 87.

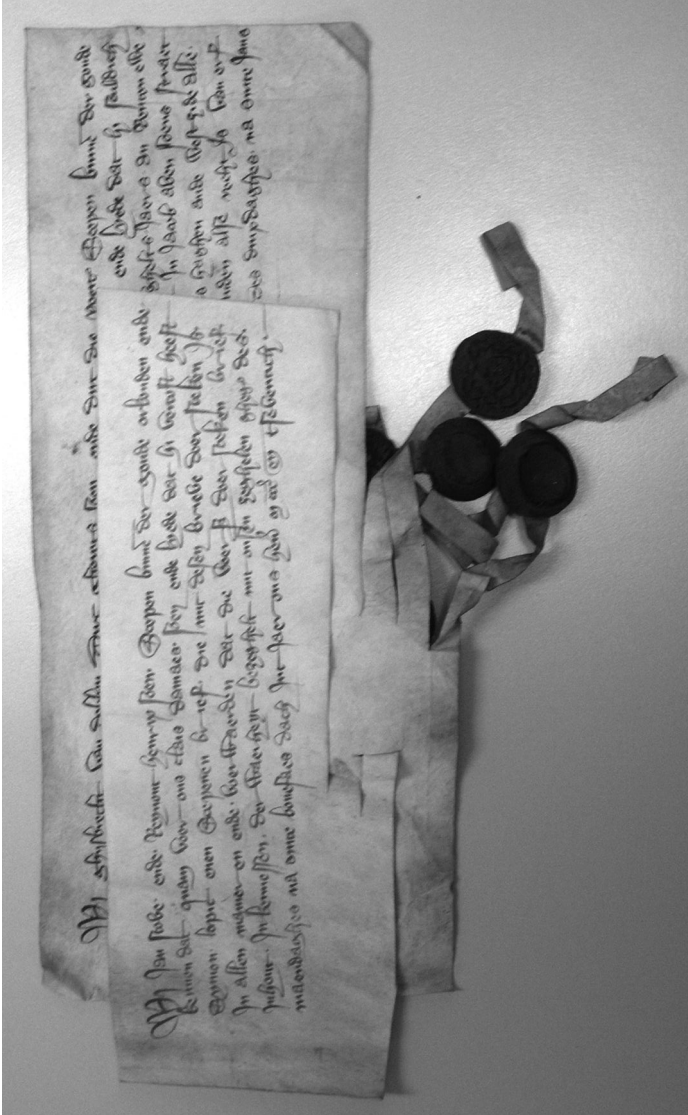


Image 4. *Rentebrief* with *transfix* (from resp. 1369 and 1370)

Contract with transfix attached to it. The image shows that the seals of the transfix prevent it from being detached from the contract (Streekarchief Midden-Holland, Archieven van de gasthuizen (St. Catharinagasthuis, St. Elisabethgasthuis en bestedelingenhuis), inv. no. 228a/b).

- *schepenregisters* containing floating debt secured with mortgages on real estate
- *belastboeken* containing *renten* secured with mortgages on real estate
- registers containing loans secured with general mortgages
- registers of *scheeps, kusting en bijlbrieven* containing down payments secured with mortgages on ships
- registers of transactions in the secondary capital market
- registers kept by notaries.

Registration allowed local authorities to tax the profits of real estate more efficiently (Chapter One). To assure that local courts would indeed keep registers, in 1560 Philip II charged secretaries and clerks to register real rights on real estate on penalty of a fine.<sup>109</sup> Registration also allowed public bodies to prevent fraud in the capital market: a survey issued by the secretary of Leiden, Jan van Hout, in 1592, instructed officials to use registers to verify whether the seller of real estate was the rightful owner before they ratified a transaction. They had to inquire into hidden dues as well.<sup>110</sup> A 1732 bylaw from Leiden also shows how the local court prevented fraud: the secretary of the audit office would check in the registers whether real estate was burdened with any dues.<sup>111</sup>

Registers not only allowed public bodies to prevent fraud, they increased the legal security of participants in the capital market as well. Both these registers and the *schepenprotocollen* provided local authorities with instruments to settle disputes. A Geervliet bylaw states that

*Ende wanneer uuyt den wetboec panden wil van verleden dagen, die sal altos panden des dinxdaechs voer noene. Ende wie dan dat wetboec ende verlyen hebben wil, die sal den clerck geven van elc verlyen een grooth, ende dat sal hy weder inpanden metter verleeder schult.*<sup>112</sup>

(Whoever wants to seize for debts due has to proceed before Tuesday noon. And whoever wants to use the register will pay the clerk every time 1 gr., which will be seized together with the debts due)

<sup>109</sup> Van der Vlist, *ibid.*, 87.

<sup>110</sup> Verburgt, *ibid.*, 28–29.

<sup>111</sup> Verburgt, *ibid.*, 23, 34.

<sup>112</sup> Pols, “Oudste rechten van de stad Geervliet”, 85–86. Cf. the Goedereede *schepen-protocol* (1491–1492) Pols, “De rechten der stad Goedereede”, 310–311.

Thus, in Geervliet creditors were allowed to use the *schepenprotocol* (here described as *wetboec ende verlyen*: law book and publications); a clerk looked up the note and charged the small sum of 1 gr., which the creditor could recover from the debtor. Finally, many public bodies also used registers to help subjects whose contracts were stolen or lost.<sup>113</sup>

Elsewhere in the Low Countries and the Rhineland registration of transfers in the land market emerged in the late Middle Ages as well. Taxation was often a major incentive: in Brabant registration was introduced to allow the duke to levy a 5 per cent tax on transfers of real estate, and in Flanders feudal lords also registered transfers of real estate for purposes of taxation.<sup>114</sup> In France registration emerged much later: there a public lien registry was only created after the French Revolution. Before that time, the capital market depended on the records notaries kept.<sup>115</sup>

#### *Coping with Asymmetric Information*

When Holland still consisted of small-scale, self-sufficient, local economies, transfers of land were concluded during the assembly of the community, which included all interested parties.<sup>116</sup> If problems related to asymmetric information existed at all, they could either be met by consulting members of the community, or by informal institutions. In the north of Holland an old institution helped participants in the markets for capital and land solve problems of asymmetric information: the *Zeventuig*. The owners of seven adjacent parcels witnessed every transaction involving land sale, lease, or the creation of real rights. Prospective buyers, tenants, and mortgagees could consult them about property rights, credit rating, and possible hidden fees. So, when someone named Coppetgijn created a *rente* on his land in Amstelveen in 1392, six landowners witnessed the transaction; one witness was absent.<sup>117</sup> In this case the testimony of the *Zeventuig* was

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<sup>113</sup> Spierings, *Het schepenprotocol*, 82 note 69, 144; Van der Vlist, *ibid.*, 87. Many bylaws indicate local courts wrote new charters once the old ones were lost. Cf. Dordrecht (Fruin, *ibid.* I, 217); Zuidholland (Fruin, *ibid.* II, 265).

<sup>114</sup> Van Bavel, "The land market", 130–132; Limberger, "Merchant capitalism and the countryside", 172, note 33.

<sup>115</sup> Hoffman, Postel-Vinay & Rosenthal, *Priceless markets*, 229–230.

<sup>116</sup> Pols, *De openbaarheid des eigendoms*, 4; Pols, *Westfriesche stadsrechten* I, CXCVII.

<sup>117</sup> Vangassen, *Bouwstoffen*, 87. Cf. another example *ibid.*, 85 (1390).

used in combination with ratification by the local court: the aldermen of Amstelveen recorded a *schepenbrief* of the transaction as well.

Problems with asymmetric information only emerged when assemblies of all community members were replaced by local courts that no longer coincided with the whole community, and when foreigners started to participate in the markets for land and capital.<sup>118</sup> There was less transparency and transaction costs increased, and therefore participants in economic exchange started to demand special institutions to protect them against the risks of asymmetric information. Public bodies offered a number of institutions.<sup>119</sup> On the condition that the participants had transactions ratified by the local court and used institutions aimed at the publication of transfers in the markets for capital and land (*jaargedingen* and *willig decreet*), the public body virtually cancelled claims by third parties by granting the participants inviolable ownership (*rechte weer*). Inviolable ownership was granted after an acquisition term of a year and a day; in between, sellers of *renten* and real estate secured buyers with a general mortgage (*vrijwaring*).

Institutions aimed at asymmetric information allowed public bodies to prevent disputes threatening public order. According to a 16th-century Hoorn bylaw, the *jaargeding* was aimed against

... groote faulten ende gebreecken die te veel tijts gebuert zijn int vercopen van den huysen, landen ende andere onroerlicke goeden, die voor vry ofte mit eenige opstall van renten vercoft zijn geweest... ende dan nochtans naederhant bevonden es geweest dat dieselve meer belast waren dan daarmede die vercoft zijn geweest...<sup>120</sup>

([the] common abuse of selling houses, land, and other immovables as if they were unburdened or burdened with *renten*... and later [they] turned out to be burdened with more than admitted during the sale)

The *jaargeding* allowed participants in the capital market to publicize transactions; it was a strict condition for receiving inviolable ownership. In Holland it already appears in the 1245 charter of Haarlem: during one of three annual *jaargedingen* (court sessions lasting three days), subjects publicly challenged third parties claiming rights on mortgages to step forward. If no one came forward, the local court granted the *vredeban*, prohibiting interested parties from taking justice in their own hands;

<sup>118</sup> De Blécourt & Fischer, *ibid.*, 158.

<sup>119</sup> De Blécourt & Fischer, *ibid.*, 97–101.

<sup>120</sup> Pols, *Westfriesche stadsrechten* I, CXCIV–CXCVI.

they still had a year and a day to dispute the transaction before the local court. After that the delivery (*levering*) was immediately rounded off, and inviolable ownership was granted.<sup>121</sup> The *jaargeding* existed in many areas of Holland, in a large number of cities<sup>122</sup> and probably in the countryside of Kennemerland and Delfland as well.<sup>123</sup>

Like the *jaargeding*, the *rechte weer* goes back to the 13th century.<sup>124</sup> It appears in the 1245 charter of Haarlem:

*Si quis patrimonium vel hereditatem alicuius mercatus fuerit et sub testimonio scabinorum sine reclamazione per annum et diem vel amplius possederit, possessor ipsius patrimonii vel hereditatis nulli post dictum terminum, et si imperatur, tenebitur respondere.*<sup>125</sup>

(When someone has bought an inherited immovable, or another immovable, and aldermen can testify it has been peacefully possessed for a year and a day, after the conclusion of the term, the possessor of this inherited immovable or other immovable will no longer be forced to answer to third parties.)

Like the *jaargeding*, the *rechte weer* existed in the cities with charters derived from Haarlem and in the countryside of Kennemerland and Delfland as well.

Article 49 of the 1245 charter of Haarlem shows how the *rechte weer* helped solve problems of asymmetric information. The peaceful possession of a security for over a year provided the creditor with the rightful ownership:

*Si quis bona titulo pignoris sibi obligata possederit sine reclamazione per annum et amplius, et aliquis eidem iniurietur, sola manu iurando confirmabit quicquid in illis bonis habuerit.*<sup>126</sup>

<sup>121</sup> Hoogewerf, *Het Haarlemse stadsrecht*, 149–153. The origins and emergence of the *jaargeding* have been subject of debate (Fruin, “Jaargeding in Holland en Zeeland”, Van Apeldoorn, “Vredeban en rechte weer”, Korteweg, “Jaargeding en poortgeding”).

<sup>122</sup> The cities of the *Hollands-Brabantse stadsrechtfamilie*: Haarlem, Delft, Alkmaar, Medemblik, Texel, Wieringen, Enkhuizen, Hoorn, Broek, Schellinkhout, Lutjebroek, and Hoogkarspel. This institution existed elsewhere as well, such as Metz in the north of France (Bresslau, *Handbuch II*, 735).

<sup>123</sup> Van der Heijden, *Aantekeningen bij de geschiedenis van het oude vaderlandse recht. Tweede stuk (de leenheerlijke periode)*, 73; Fruin, “Over het jaargeding in Holland en Zeeland gedurende de latere middeleeuwen”, 99–103; Gosses, *De rechterlijke organisatie van Zeeland in de middeleeuwen*, 154–155; Verburgt, *Levering*, 109–110.

<sup>124</sup> Cf. the *rechte weer* Hoogewerf, *Het Haarlemse stadsrecht*, 262–263; De Blécourt & Fischer, *ibid.*, 157–159; Van Apeldoorn, “Vredeban en rechte weer”.

<sup>125</sup> Hoogewerf, *Het Haarlemse stadsrecht*, 261 [translation from Dutch to English by CJZ].

<sup>126</sup> Hoogewerf, *ibid.*, 240–241 [translation from Dutch to English by CJZ].

(When someone has peacefully possessed goods given in pledge for over a year, and someone disputes his right, he will be allowed to swear with one hand and confirm which rights he has on these goods.)

Thus, the *rechte weer* allowed the buyer to take an oath of purification to reject claims of third parties.<sup>127</sup> Initially, these institutions were aimed at the market for land; they already existed before funded debt appeared in Holland. When the inhabitants of Holland wanted to secure *renten* with mortgages and demanded institutions to limit problems of asymmetric information, public bodies simply allowed them to use the existing institutions of the land market.

It took a year and a day before inviolable ownership was granted. Until then third parties could still put forward claims, and the buyer required extra securities. Usually sellers safeguarded the buyers with general mortgages lasting for a year and a day. This *vrijwaring* was already prescribed by common law in the 14th century.<sup>128</sup> A 1368 *rente* contract from Haarlem has the following:

*Ende heeft hem ghelooft te waren als men vrye renten binnen der vryhede van haerlem sculdich es te waren.*<sup>129</sup>

(And [he] has promised to safeguard [the transaction] as is required for *renten* within the jurisdiction of Haarlem.)

An example from a 1409 *rente* from Dordrecht shows what the *vrijwaring* was aimed at:

*Hierbi ghelooft hi hem dese renten voirsch. te waren van allen commer ende aentale...*<sup>130</sup>

(He [the debtor] promised to safeguard him [the creditor] against all troubles and claims)

This *vrijwaring* of mortgages was a standard procedure that appeared in nearly all *rente* contracts.<sup>131</sup>

<sup>127</sup> I agree with Hoogewerf that the article is aimed at securities, and not at seized goods as Huizinga thought. Hoogewerf's reading is very much like the later situation, when the mortgager secured the mortgagee for the period of a year and a day before the *rechte weer* was granted (Hoogewerf, *ibid.*, 241).

<sup>128</sup> Cf. the *vrijwaring* Van Iterson, "Eigendomsoverdracht", 359; Van Iterson, *Willig decreet*, 4–8; Godding, *Le droit privé*, 465.

<sup>129</sup> Vangassen, *Bouwstoffen*, 32–33. Cf. other Haarlem examples *idem* 24–25.

<sup>130</sup> Fruin, *Oudste rechten I*, 14–15.

<sup>131</sup> Some examples: Amsterdam: Vangassen, *Bouwstoffen*, 28 (1361), 82 (1390), 82–83 (1390), 97–98 (1394); Schipluiden: Vangassen, *Bouwstoffen*, 34 (1369); Zoeterwoude:



The historian of law W. van Iterson pointed out that this was a somewhat cumbersome system. He writes that the *willig decreet*, an institution he believed to have been derived from Roman law<sup>132</sup> that was introduced in Holland in the 16th century, improved matters considerably. It offered sellers the possibility of obtaining inviolable ownership within 1½ to 2 months: public announcements were made in a church (*zondaagse geboden*) or in the marketplace (*marktdaagse geboden*) three or four times, at two-week intervals. Thereafter, delivery was immediately rounded off: the *vredaban* disappeared, and the *vrijwaring* was no longer necessary.<sup>133</sup> Thus, the *willig decreet* was considerably faster than the *jaargedingen*, being concluded in six to eight weeks.<sup>134</sup>

The *willig decreet* appears in sources from several cities and villages.<sup>135</sup> A 1532 source from the village of Mijnsherenland confirms this practice in the land market:

...wij schout ende heemraderen voors. kennen dat wij over de gifte vanden vijf morgen lants voorn gestaen hebben ende den eyghendom daerof vrij kennen, ende dat den coep daerof gecondicht is int openbaer onder die hoechmisse inden kercke vanden ambocht voirs als des sonnendaechs voer vastelavont...<sup>136</sup>

(we, sheriff and *heemraden*, acknowledge the delivery of the five *morgen* land, and confirm the ownership, and the publication of the sale in public during mass in the shire on the Sunday before Shrove Tuesday)

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GAL, Archieven gasthuizen, inv. no. 456, f. 183 (1384); Leiderdorp: GAL, Archieven Gasthuizen, inv. no. 456, f. 406 (1526).

<sup>132</sup> Feenstra rejected the claim that the *willig decreet* was an institution based on Roman law (Feenstra, *Romeinsrechtelijke grondslagen van het Nederlands privaatrecht*, 55).

<sup>133</sup> The disappearance of the *vredaban* comes as no surprise. Taking the law in one's own hands may have been an option in the 13th and 14th centuries, at the beginning of the 16th century it was no longer tolerated by local authorities.

<sup>134</sup> Van Iterson, *Willig decreet*, 16–19.

<sup>135</sup> Den Briel (Fruin & Pols, *Rechtsboek*, 113–115), Schiedam (Heeringa, “Bladen uit het oudste keurboek en stadboek van Schiedam”, 251–252), Stad aan 't Haringvliet (Van der Gouw, “Rechtsbronnen van Stad aan het Haringvliet”, 74–75), Heenvliet (Pols, “De keuren van Heenvliet van 1536”, 217), Geervliet (Pols, “Oudste rechten van de stad Geervliet”, 189, 197), The Hague ('t Hart & Fischer, *Costumen*, 92), the Land van Altena (Korteweg, *Rechtsbronnen*, 87–89), Zuidholland (Fruin, *ibid.* II, 45–46, 310–311).

<sup>136</sup> NA, 3.03.08.104, inv. no. 1 (*Register ende protocol Mijnsherenland van Moerkerken*), f. 1. It is unclear if this is a case of *willig decreet*, or the procedure described by Fruin, where at first a public announcement was made to safeguard the buyer from rights of take-over, and then the buyer had to wait for a year and a day before any further claims from creditors were nullified. Since the Mijnsherenland van Moerkerken *rente* contracts do not mention anything like the “year and a day clause”, it seems the inviolable ownership was achieved well within a year (Fruin, “Over het jaargeding in Holland en Zeeland”, 107).

In Mijnsherenland such public announcements were mandatory: a 1540 contract states that

... den coop daer af int open baer inden prochie kercken van mijnsherenlant ghecondicht is na den recht vanden lande...<sup>137</sup>

(the sale was publicized in the parish church of Mijnsherenland, as is stipulated by the law of the country)

Elsewhere in Holland the *vrijwaringen* survived: in Dordrecht, Gouda, Amsterdam, Rotterdam, and Oudewater, and the regions of Rijnland, Delfland, Schieland, and the Country of Putten they prevailed until the 18th century. In Leiden they coexisted with the *willig decreet*.<sup>138</sup> In practice the institutions did not differ much: both started with the publication of the proposed transfer, followed by a limitation period. There are two differences, however: the system involving delivery using *jaargeding* and *vrijwaring* was negative, based on acquisitive prescription after completion of the limitation period, while the *willig decreet* was a positive system.<sup>139</sup> Furthermore, being conditional, the *willig decreet* allowed third parties to make their claims known after they returned, minors to pursue legal action when they had reached maturity, and it even made exceptions for *personae miserabiles*.<sup>140</sup> Thus, this may have been a relatively rapid way to accomplish what was desired, but it did not provide as much legal security as the *jaargeding* and *vrijwaring*, at least from the perspective of the contracting parties. It is difficult to tell whether the *willig decreet* was indeed a major step forward, as W. van Iterson suggests; the coexistence of both institutions seems to indicate that not all contemporaries were sure either. Perhaps some public bodies switched because of the popularity of Roman law among lawyers, rather than because they deemed it an improvement.

Finally, a topic closely related to problems of asymmetric information is how sellers and buyers of *renten* met. The capital market was an abstract phenomenon and was not held at a specific time or place, so intermediaries must have somehow structured it. Who these people were is not wholly clear, but it is likely private persons turned to the same intermediaries as public bodies (Chapter Three). Another possibility

<sup>137</sup> NA, 3.03.08.104, inv. no. 1, f. 40v–41.

<sup>138</sup> Van Iterson, *Willig decreet*, 6–8.

<sup>139</sup> Verburgt, *Levering*, 79.

<sup>140</sup> According to Verburgt “one was not positively secured” after delivery by *willig decreet* (Verburgt, *ibid.*, 78).

is that members of local governments functioned as intermediaries: in England *scribents* acted as brokers.<sup>141</sup> These intermediaries were probably predominantly active within towns, making them the centres of regional capital markets. A rare 1505 example from the village of Noordwijk seems to confirm this: in 1505 the village sold 31½ Rg. worth of *lijfrenten* to Beguines living in the St. Agnieten Beguine house in Leiden. The 1505 village account has the following entry:

*Item vridaghes tot leyden gheweest om te vercopen up derp onkoest v s.*<sup>142</sup>

(On Friday they went to Leiden to sell *renten* secured on the public body; expenses 5 s.)

It is unlikely they went directly to the Beguines; they probably consulted an intermediary already familiar with the Beguines' demand for *lijfrenten*.

#### *Property Rights Institutions*

Whether loans were orally agreed on or put in writing, one way or another contracting parties needed ways to seek compensation for possible defaults. They could take the law in their own hands, use informal pressure, or turn to authorities. Maintaining order was a comital prerogative that was anxiously guarded by both the government apparatus and public bodies; to protect their authority and ensure public order, they offered subjects the possibility of pursuing civil action. Although some subjects may have wanted to take the law in their own hands, most probably recognized that law enforcement agencies provided a safe and inexpensive way to seek compensation.

To this end, informal institutions were useful to a certain extent: creditors operating in personal capital markets could confront defaulters with their behaviour, perhaps cause a scene or threaten them with ostracism. Anyone familiar with medieval history will agree that informal constraints guided medieval man through life: his preoccupation with honour caused him to fear defamation. A number of institutions helped creditors appeal to the defaulter's sense of honour and thus to enforce

<sup>141</sup> Neal, "The finance of business", 165–170; Hanus, *Tussen stad en eigen gewin*, 108. I am indebted to John Munro for pointing out the possibility that *scribents* acted as intermediaries.

<sup>142</sup> Gemeentearchief Noordwijk inv. no. 291 (account of 1505).

contracts: *maanbrieven* and *klaagbrieven*, complaints about a person in writing, were nailed to the doors of churches (image 5).

Legal procedures to have someone declared in disgrace are another example of institutions aimed at a person's sense of honour. Especially nobles used their reputation as security.<sup>143</sup> In 1298 the noble Diderik van Brederode secured a transaction with all his goods and added

*...ende bekenne my daertoe trouweloos ende eerloes, ende dat men my na dier tyt nimmermeer geloven en mach by genre sekerheden...*<sup>144</sup>

([in the event of default] I will be disgraced, and will not be allowed to secure anything in any way)

The noble Jan van Arkel, lord of Noordeloos, was disgraced after he did not appear in court in 1386. The court of the bailiwick of Zuidholland sentenced him to be

*... witteloes, trouweloos, eerloes, ende meyneedich, syn wapen uut te hangen, ende te verkeeren...*<sup>145</sup>

(outlawed, untrustworthy, dishonoured, perjured, to have his coat of arms desecrated and displayed)

For Jan van Arkel, the desecration of his coat of arms – which was a symbol of his lineage – must have been particularly painful. Putting honour at stake was an informal institution, however. We only know of one public body that formalized defamation: a 1489 Burghorn bylaw prescribes that defamed subjects would be punished by the sheriff and public court by public display – *op een kaak te stellen ende anders*.<sup>146</sup>

The legal framework of canon law allowed for some other informal institutions. When Floris V bought the region of Naardinland from the abbess of Elten in 1280, he secured the payment of a *rente* of 25 lb. *Utrechts* by exposing himself to excommunication. Interestingly, the bishop of Utrecht had already sentenced Floris to be excommunicated in case of default, so the punishment would have immediately taken effect, without a prior lawsuit.<sup>147</sup> The measures of canon law were excessive;

<sup>143</sup> De Blécourt & Fischer, *Kort begrip*, 280–281. Perhaps nobles, presiding over fiefs they could not mortgage, often lacked hard securities, forcing them to turn to informal constraints.

<sup>144</sup> Van Mieris *Groot charterboek* I, 598. Cf. another example *ibid.*, 598–599.

<sup>145</sup> Van Mieris, *ibid.* III, 451.

<sup>146</sup> Pols, *Westfriesche stadsrechten* I, 132.

<sup>147</sup> Van Mieris, *ibid.* I, 405–406. This procedure is very similar to summary execution.



Image 5. *Maan- en klaagbrief* (1493)

Detail of a 1493 *maan- en klaagbrief*. The image shows a messenger delivering a letter to Charles, Duke of Guelders. In this letter the imprisoned Bernard van Meurs summons the duke to release him from custody by paying a ransom. In Holland *maan- en klaagbrieven* were also used to appeal to debtors' sense of honour and thus enforce payment (Regionaal Archief Zutphen, Kaartencollectie Zutphen, inv. no. 1956).

the interdict postponed religious services in canon regions and parishes, and excommunication removed people from the Church of Rome. By exposing himself to excommunication, Floris convinced the abess of Elten of his intentions to pay the *rente*. Provided they were allowed to turn to religious courts, angered creditors frequently opted for the severe penalties of canon law as a means of contract enforcement.

Informal institutions often appealed to honour and religious zeal. Whether creditors were satisfied with informal constraints or demanded hard securities depended on the relationship between creditor and debtor, creditworthiness, and the value of the principal sum. In general, risky transactions required formal institutions executed by authorities. Debtors could secure their investment in two ways: they could explicitly contract a well-described security (special mortgage; *speciale hypotheek*) or hold debtors personally liable by having them – or their guarantors – pledge their present and future possessions (general mortgage; *generale hypotheek*). In the market for private debt the special mortgage was the most important security; general mortgages were often used as supplementary securities.<sup>148</sup>

The *Lex Frisionum* is the oldest codification of law in effect in the area of Holland. This was the law of the Frisians, written down in the 8th or 9th century on the initiative of Charlemagne. It contains the common law that was in effect in the lands of the Frisians, the coastal area from Denmark to Zeeland. It provides a rare view of how people secured loans at an early stage. One article indicates that possessories were common: in the event servants and horses were held as security and caused any damage, the owner would be responsible. This type of security, the possessory (*vadium*), was worth at least as much as the principal sum.<sup>149</sup> Transactions involving a possessory were not part of the capital market because they did not allow the debtor to remain in possession of the security. The *Lex Frisionum* tells us even more about securing loans: an article about violent seizure states that default was punishable by reconciliation.<sup>150</sup> In Carolingian times the economy lacked

<sup>148</sup> Herman, *Het karakter*, 4–7.

<sup>149</sup> Fockema Andreae, *Oud-Nederlandsch burgerlijk recht*, vol. II, part III, pp. 2–3; De Blécourt & Fischer, *ibid.*, 272–273. The possessory is mentioned in the 1289 Medemblik charter (Pols, *Westfriese stadsrechten I*, CCIX).

<sup>150</sup> Eckhardt & Eckhardt *Monumenta Germanicae Historia. Fontes Iuris Germanici Antiquae. Lex Frisionum*, 64–65, 100–101. Essential elements of the *leges barbarorum* were probably upheld after the Carolingian Empire collapsed. The same continuity can

a legal framework for allowing debtors to retain their securities, and this encouraged people to take justice in their own hands.

Over time, institutional change caused transaction costs to decline. This led to the value of the possessory becoming less than the principal sum. When public bodies allowed subjects to pursue civil action, the *festuca* appeared, which was a possessory of little value – often a coin.<sup>151</sup> In Holland we encounter the *festuca* as the *godspenning*, a small sum transferred to the seller, who in turn gave it to charity.<sup>152</sup> This security was still used in the late Middle Ages, and the same goes for the *wijnkoop*, which involved a possessory as well.

Continuing institutional change allowed debtors to start using non-possesories over time. These required authorities to actively assist creditors seeking compensation for defaults. In Holland public bodies already offered subjects debt recovery services in the first half of the 13th century. By then, the outlines of the institutional framework of the late Middle Ages are already visible. Authorities took care of the execution of obligations by attaching goods and persons. Two types of execution supported the capital market: the summary execution offered optimal legal security to creditors having their loans ratified by aldermen, and provisional attachment protected those with other types of contracts.<sup>153</sup>

Having a mortgage ratified by the local court allowed creditors to use summary execution: in case of default creditors could immediately seize the mortgage. They did not have to file legal action and wait for a court judgement, thus they avoided becoming entangled in lengthy legal procedures.<sup>154</sup> The summary execution goes back to the 13th century. According to the 1245 charter of Haarlem, customers of a tavern faced summary execution when they did not pay their bill.<sup>155</sup> The 1246

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be suspected regarding common law that was not codified under Charlemagne (De Blécourt & Fischer, *ibid.*, 15).

<sup>151</sup> De Blécourt & Fischer, *ibid.*, 272–273.

<sup>152</sup> Although the *godspenning* predominantly existed in the southern Low Countries, it does appear in Brielle and Leiden in the 15th century (Fockema Andreae & Van Apeldoorn, *Inleidinge tot de Hollandsche rechtsgeleerdheid* II, 270; Verburgt, *Levering*, 25).

<sup>153</sup> The summary execution is referred to as *parate executie* or *willige condemnatie* in Dutch; in English the term agreed judgement is used.

<sup>154</sup> De Blécourt & Fischer, *ibid.*, 260.

<sup>155</sup> Hoogewerf, *Het Haarlemse stadsrecht*, 210–213.

's Gravenzande charter also mentions this institution.<sup>156</sup> Defaulters were granted 14 days to pay before the mortgage would be handed over to the creditor.<sup>157</sup>

A. Nortier's dissertation on civil law in Leiden gives a detailed description of the procedure of summary execution. The creditor went to the sheriff with a ratified contract and requested summary execution. Accompanied by two aldermen, the sheriff went to the debtor's residence to seize movables. To ensure the debtor would pay the expenses of the creditor, the sheriff seized goods worth 150 per cent of the debt. The goods remained attached for two weeks, allowing the debtor time to protest; then the property was transferred to the creditor.<sup>158</sup> Yet authorities did not want to ruin debtors. Attachment of immovables was only allowed if the value of movables was insufficient to cover the debt; in the first instance the authorities prosecuted for the creation of a *rente* worth 10 per cent of the debt (*pandrente*). It was secured on the immovable and transferred to the creditor. This *rente* was awarded after two weeks, unless the debt was repaid. Expropriation, first of movables, then of immovables, was only executed if the debtor defaulted on the *pandrente*.<sup>159</sup>

The summary execution probably existed in much of Holland. The procedure in Dordrecht, Delft, and Gouda is similar to the situation in Leiden as well as for the rural region of Zuidholland.<sup>160</sup> Also, references to summary execution are made in sources for a large number of cities and regions.<sup>161</sup> Many more cities, villages, and regions had

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<sup>156</sup> OHZ II, 312–314. Shortly afterward 's Gravenzande received a charter that was derived from the Haarlem charter. Kruisheer suspects this is a forgery (OHZ II, 345–355).

<sup>157</sup> Whether article 11 of the 1220 Dordrecht charter is about summary execution is unclear: *Iudex neminem pandabit nisi cum scabinis* [the sheriff would not attach without involving the aldermen]. In this article *pandabit* could mean either summary execution or provisional attachment (OHZ I, 592).

<sup>158</sup> Nortier, *Bijdrage*, 73–75.

<sup>159</sup> Nortier, *ibid.*, 79–80.

<sup>160</sup> Fruin, *De oudste rechten* I, 133–140; Fruin, "Het oudste der tot dusver bekende keurboeken van Delft", 330; Fruin, *De oudste rechten* II, 253–254, 303–309; Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 431–432, 509, 659–660.

<sup>161</sup> Fockema Andreae & Van Apeldoorn, *Inleidinge tot de Hollandsche rechtsgeleerdheid* II, 250, 272; Cf. examples of Dordrecht (Balén Jansz., *Beschryvinghe*, 28) Haarlem (Joosting, "Haarlemse dingtalen", 637–639), Amsterdam (Breen, *Rechtsbronnen*, 12), Hoorn (Hoeffler, "Costumen", 564), Land van Putten (Pols, "Oudste rechten van het land van Putten", 127) Langerak (De Geer, "De heerlijkheid van Langerak en hare rechten", 171), Westfriesland (Pols, *Westfriesche stadsrechten* I, CCXIII), Waterland



bylaws protecting summary execution, indicating the institution was widespread.<sup>162</sup> These bylaws were strictly necessary: according to Nortier, in Leiden most debtors appealed against summary execution; it was probably no different elsewhere. In most cases courts of law rejected such appeals (*pandkeringen*) because summary execution required evidence in writing. *Pandkeringen* delayed the course of justice and added to the work of the legal apparatus.<sup>163</sup> Public bodies would not stand for this: to discourage debtors from starting a *pandkering*, the government of Haarlem penalized debtors if they lost their appeal.<sup>164</sup> Creditors also took measures themselves: in *rente* contracts they made their debtors promise not to obstruct legal action, a condition known as *willige condemnatie*. In 1469 the government of Haarlem decided that appealing against the execution of *schepenbrieven* containing a *willige condemnatie* would not be upheld in court, unless the contract itself contained a remittance, written on its reverse side, or the defendant could hand over a remittance sealed by aldermen of Haarlem.<sup>165</sup> Thus, both local authorities and creditors protected summary execution, and by doing so, they ensured that transaction costs remained low.

Bylaws from Haarlem indicate that resistance against seizure was quite common: debtors faced a fine when they designated goods to be seized that they did not own.<sup>166</sup> This happened for instance in the Kennemerland region: debtors let local authorities seize goods they did not (fully) own, such as fiefs or goods belonging to third parties.<sup>167</sup> Yet another way to avoid seizure was by using a *bescudbrieve*, probably a charter obstructing the course of justice.<sup>168</sup> And of course, simply refus-

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(Van Mieris, *ibid.* II, 735), Rijnland (Fruin, “De costumen”, 460–463) and the village of Ketel (Van Meurs, “Ordonnantie van de wetten van de Ketel”, 572).

<sup>162</sup> Den Briel (Pols, “Voorboden van Den Briel van 1346”, 355), Ameide (De Geer, “Die handtveste van der Ameyde”, 23–24), Nieuwpoort (Telting, “Oude rechten van Nieuwpoort”, 31), Land van Putten (Pols, *ibid.*, 128–129).

<sup>163</sup> Nortier, *Bijdrage*, 81. Many Leiden examples of *pandkering* can be found in Osinga & Verwijs, *Kenningboek*; De Blécourt, *Kenningboek*; Blok, *Leidse rechtsbronnen*.

<sup>164</sup> Huizinga, *Rechtsbronnen*, 70 no. 109. Cf. the Westfriesland area: De Goede, *Seventuig*, 231.

<sup>165</sup> In 1461 the Haarlem government decreed the *willige condemnatie* only to be effective when it was recorded in a *schepenbrief* (Huizinga, *ibid.*, 147, 158 no. XXIX).

<sup>166</sup> Huizinga, *ibid.*, 70 no. 110.

<sup>167</sup> De Goede, *ibid.*, 231.

<sup>168</sup> Huizinga, *ibid.*, 84 no. 153 (1405), 152–153 nr. XXV (1463); Hamaker, *Keurboeken*, 199, 25; Nortier, *Bijdrage*, 59–60; Fruin, “Het oudste der tot dusver bekende keurboeken van Delft”, 1, 22. The terms *bescudde* and *bescudbrieve* are rather vague. According to the *Middelnerlands woordenboek*, the term *bescudden* means avoiding a judgement,

ing to follow the court's orders was an option as well: a 1463 bylaw from Haarlem states that the creditor could ask the sheriff to force the debtor to hand over the designated seized goods.<sup>169</sup>

Summary execution was a powerful legal instrument: in the 17th century the lawyer Simon van Leeuwen even deemed it to be a harsh procedure. By then, summary execution had nearly disappeared; it was reserved to the state and the Princes of Orange.<sup>170</sup> Van Leeuwen's remarks indicate that this was a legal instrument providing medieval creditors with a fairly aggressive instrument for seeking compensation for default. In this respect civil law in medieval Holland may even have offered creditors more legal security than in later eras.

For a long time land remained the main capital asset of medieval Europe. This changed when urbanization, commercialization, and division of labour offered people a way to earn a living outside agriculture. In the 14th century the elite of Leiden invested in a host of sectors, including trade and manufacture, *renten*, and the lease of excises, tolls, and tithes; only a small percentage of urban wealth was invested in land and houses. Citizens of Leiden chose to pursue a highly diversified investment policy to avoid commercial risk.<sup>171</sup> Furthermore, in the late Middle Ages investments in real estate were no longer so profitable, especially when landownership no longer contributed to social prestige and political power.<sup>172</sup> The interest rates offered in the capital market and the profitability of direct investments in trade and manufacture may well have been more attractive than investing in real estate. The scarce information on medieval and early modern merchants indicates that the main part of their wealth was not invested in real estate. The Antwerp merchant Jan Gamel, who died in 1572, had invested only 31 per cent of his wealth in real estate.<sup>173</sup> When Hans Thijs, an Amsterdam merchant, passed away in 1611, he had only 20,200 guilders invested

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so *bescudbrieve* is probably charters allowing debtors to avoid seizures; what sort of charters these were and who issued them remains unclear.

<sup>169</sup> Huizinga, *ibid.*, 152–153 no. XXV.

<sup>170</sup> Nortier, *Bijdrage*, 82. In the Middle Ages, local authorities already used summary execution to enforce tax payments (Pols, *Westfriese stadsrechten* II, 95, 323, 346, 356, 368, 388–389, 402; Breen, *Rechtsbronnen*, 12).

<sup>171</sup> Van Kan, *Sleutels*, 95–96; Brand, *Over macht en overwicht*, 201.

<sup>172</sup> According to Brand, Leiden citizens did not derive political power or legal advantage from urban landownership. Mere economic incentives underlay investments in land, and as a result, citizens did not hesitate to alienate the land they had acquired (Brand, *ibid.*, 236–238).

<sup>173</sup> De Smedt, "Antwerpen", 84, cited by Soly, "Het verraad", 265–266.

in real estate, which was no more than 8 per cent of his wealth.<sup>174</sup> In 1682, real estate made up only 24 per cent of the wealth Louis Trip, another Amsterdam merchant.<sup>175</sup> And by the 18th century, the elite of the cities of Hoorn, Gouda, and Leiden rarely invested over 15 per cent of their wealth in houses, farms, land, and lordships.<sup>176</sup>

In their quest to capitalize on their assets, subjects looked for ways to mortgage movables. Personal liability for debts allowed them to pledge all their possessions, both present and future. This required an advanced government apparatus because debtors may have been difficult to locate, and movables could be hidden or alienated. Even though public bodies made some improvements to the institutional framework that allowed for execution of personal liability (Chapter Three), in the market for private debt the general mortgage never surpassed the special mortgage. The former was rarely used as a prime security, and legal historians agree it simply offered too little security.<sup>177</sup> The popularity of the general mortgage also declined from measures the central government took: in 1580 it was decreed that the special mortgage was preferred as evidence in a court of law. Worse, it stipulated that the general mortgage would be dissolved when goods were alienated, whereas the special mortgage remained intact.<sup>178</sup> As a result, creditors preferred the special mortgage, and only accepted the general mortgage as additional security.<sup>179</sup> In the end personal liability offered less security than land. This is hardly surprising: today, creditors still prefer real estate as security.

Finally, after having been compensated for damages by payments in kind for centuries, plaintiffs in the late Middle Ages could also be

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<sup>174</sup> Gelderblom, *Zuid-Nederlandse kooplieden*, 144.

<sup>175</sup> Klein, *De Trippen*, 44–45.

<sup>176</sup> De Vries & Van der Woude, *The first modern economy*, 591–592. The figures Jan de Vries and Ad van der Woude give for Leiden, based on the work of Dirk Jaap Noordam for the period before 1650 to 1674, and Maarten Prak for 1700 to 1780, seem to indicate a dramatic shift away from investment in real estate in the course of the 17th and 18th centuries. While Noordam arrives at a percentage of 58.4% for the 17th century, Prak has 13.9% a century later. De Vries and Van der Woude explain the declining demand for real estate by pointing out how government bonds had become alternatives to investments in real estate.

<sup>177</sup> Herman, *Het karakter*, 15–18, 27–28; Van Kuyk, “Germaansch- en Romeinsch recht in de 16<sup>e</sup> eeuw”, 23; Feenstra, “Zur rezeption in den Niederlanden”, 265–267.

<sup>178</sup> Herman, *Het karakter*, 59–60, 79–80; Pols, *De openbaarheid des eigendoms*, 66–67; Hoefler, “De costumen”, 556.

<sup>179</sup> Herman, *ibid.*, 66–67.

compensated in specie.<sup>180</sup> Public bodies sold seized goods at public auctions and used the profits to compensate the creditors. Compensation in specie made debt recovery much easier. It no longer required that the market value of confiscated goods be estimated, and was fairer to both creditor and debtor.

This institution of the *verkooppan* required that local authorities organize a public sale where the debtor's possessions were auctioned to compensate the creditor. If the auction did not raise enough money, the debtor remained responsible for the difference; any possible surplus went to the debtor. The image below appears in a bylaw from Haarlem. Defaulters faced public sale of their possessions within two weeks. Movables were seized and auctioned first. To ensure the debtor was not immediately reduced to beggary, the tools he used to make a living were excluded as far as possible. If the auction did not raise enough money for compensation, the authorities could sell the debtor's house. The public sale of real estate was linked to the *kerkgeboden* of the *willig decreet*: the proposed sale was announced in the church during mass, allowing anyone claiming rights on real estate to step forward and make such known. After three announcements during mass, third parties were no longer allowed to lodge claims; this clearly contributed to the legal security of the buyer. If the public sale of real estate did not raise enough, the debtor was ultimately imprisoned for debt.<sup>181</sup>

#### 5.4 Conclusion

Holland's medieval capital markets depended heavily on government institutions. The county's strong public sector was the natural ally of participants in the capital market seeking ways to reduce transaction costs. Holland's late development and weak feudal structures allowed government institutions to create a virtual monopoly on voluntary jurisdiction; this was codified in the 16th and 17th centuries and survived until the fall of the Republic in 1795. The pragmatic application

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<sup>180</sup> The type of execution shifted from *vervalpan*, where the property of the securities was transferred from debtor to creditor, to *verkooppan*, compensation in money after a public sale (De Blécourt & Fischer, *ibid.*, 247–248; Herman, *Hypotheekrecht*, 98–99).

<sup>181</sup> Huizinga, *ibid.*, 186–194 art. 30–32. In Leiden real estate of debtors was already sold at public auctions by the mid-15th century (Nortier, *Bijdrage*, 82–84); Cf. other examples for Dordrecht (Fruin, *De oudste rechten* I, 133–140); Heukelum (Van der Gouw, “Rechtsbronnen van Heukelum”, 45); Westfriesland (De Goede, *ibid.*, 224).

of Roman law by lawyers helps explain why public bodies remained in charge; elsewhere notaries took over, causing publicity in economic exchange to decline, but in Holland local courts retained their authority and continued to improve the services they offered participants in the markets for land and capital. This was not only true for Holland, however, since public bodies held virtual monopolies on voluntary jurisdiction in large parts of northwest Europe. Yet, it is likely that the public sector was stronger in Holland. The implications for the economy may be difficult to estimate (interference by the public sector in economic exchange is not necessarily a favourable development), but the capital market clearly needed a powerful public sector that provided *renteniers* with contracting institutions, institutions aimed at asymmetric information, and property rights institutions.

Because market structures were created at a local level, by government agents guarding the interests of the state and organizations of subjects reining in such agent's tendencies to lead to dictatorship, "good institutions" prevailed. The state endorsed strong public bodies because they allowed for optimal and just taxation, the execution of economic policy, and the establishment of a solid legal framework. Subjects allowed the state to appoint such agents because they needed reliable authorities to order society. They demanded a judiciary that provided voluntary and civil jurisdiction, legislation and services only authorities can provide.<sup>182</sup>

The public sector provided the inhabitants of Holland with market structures. Public bodies held a virtual monopoly on voluntary jurisdiction; they were the only providers of formal contracting institutions. This allowed them to offer services that reduced transaction costs and debt recovery institutions, including summary execution and imprisonment for debt. The three institutional clusters that were so instrumental for the capital market were primarily derived from the market for real estate. It is possible to say that the institutional framework of the capital market already existed before *renten* appeared in Holland. This helps explain why public bodies could quickly adapt to demands for market structures and why *renten* changed hands in town and

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<sup>182</sup> Cf. about the state as an institution created to protect property and social order, Braddick, *State formation in early modern England*, 15 and Kowaleski, *Local markets and regional trade in medieval Exeter*, 202, claiming that "common law courts... greatly improved the legal machinery that governed the enforcement of contracts and obligations' in the late fourteenth century".

countryside. Furthermore, because two major markets shared an institutional framework, the public sector had many incentives to improve the institutional clusters.

Contracting institutions, institutions coping with the problem of asymmetric information, and property rights institutions reduced transaction costs. They channelled supply and demand and provided contracting parties with legal security; thus they made up the core of the private capital market. We have already seen how markets for public debt allowed for an increasing number of transactions; in the next chapter we will examine the capacity of markets for private debt.



## CHAPTER SIX

### THE EMERGENCE OF MARKETS FOR PRIVATE DEBT

It is not an easy task to show what the market structures discussed in the previous chapter allowed. Although inventories of medieval institutions are replete with *lijfrenten* and *losrenten*, such isolated contracts tell us little about the market for private debt. To get an idea of the development of capital markets, serial sources are required. Unfortunately, few have been preserved for medieval Holland.

In this chapter we address issues related to the market for private *renten*. What did they allow, and is there evidence that institutional improvements contributed to increasing volume in the market? The latter touches on a major problem for economists and economic historians: how to distinguish the effects institutional economic elements had on economic growth. Three types of evidence will be presented to support the idea that the improvement of market structures had a profound effect on the capacity of capital markets. We will first discuss the appearance of advanced techniques. Above we have already seen that public bodies managed to contract funded debt in impersonal and geographically dispersed capital markets. It is difficult to prove that markets for private debt had a similar capacity: sellers of *renten* often found buyers in their immediate surroundings, and a lack of sources prevents us from discovering whether *renten* were sold in impersonal markets. To prove that the capital market had the capacity to bring about transactions between people who had not necessarily had any (prior) relations, the focus will be on qualitative elements that indicate *renten* were abstract contracts that were transferable and even used as securities (section 6.1).

The depth of the capital market is another useful indicator of its capacity. Was the market restricted to a small group of wealthy people, or were transaction costs so low that nearly everyone could buy and sell *renten*? The social composition of participants in the capital market shows whether market structures improved the creditworthiness of the population at large, or just served the needs of a lucky few. The volume of the capital market is another aspect that can serve as an indicator for the capacity. Of course, it is likely to reflect other elements as well,



such as population change and economic cycles,<sup>1</sup> yet volume is a useful indicator of the (minimum) capacity of the market. In section 6.2 we will use a source from the De Zeevang, which includes the small town of Edam and its surroundings, to get an idea of the depth and volume of the capital market.

Interest rates are usually regarded as important indicators of the efficiency of institutional frameworks. In section 6.3 we show that these dropped significantly in the 14th and 15th centuries, which seems to suggest that the institutional framework of capital markets improved. Before we can use interest rates as a straightforward indicator for market capacity, however, we must establish a clear link by eliminating other elements that may have affected interest rates, most notably the quantity of money per capita and usury laws.

### 6.1 *Qualitative Aspects*

In one of the few surveys of the medieval capital market in the northern Low Countries, published in 1961, J.H. Kernkamp stated that “we are only aware of a few *lijfrenten* contracted between private persons”.<sup>2</sup> By implication, only public bodies provided an institutional framework that allowed them to sell *lijfrenten*. But in reality medieval archives contain many thousands of *rente* contracts negotiated between private parties.

If we consider that transactions involving *renten* are fairly complex, their first appearance in Holland is an important indicator of the development of an institutional framework for capital markets. The 1245 charter of Haarlem reveals some of the situation in the 13th century. Since this source was derived from the charter of the Brabant city of Den Bosch, it does not necessarily reflect the entire situation in Haarlem. Yet, article 62 of the charter is an addition that does reflect the local situation. It seems to indicate that it was not yet very common to mortgage land in 1245:

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<sup>1</sup> For instance, in times of war and economic hardship the volume of the market often declined (Van der Heijden, *Geldschietters van de stad*, 158–161).

<sup>2</sup> Kernkamp, *Vijftiende-eeuwse rentebrieven*, 6 [translation CJZ].

*Omne pignus et bona pignori obligata, sive in humidis sive in siccis, sive in decimis vel in aliis bonis, ego prefatis burgensibus secundum consuetudinem oppidi de Harlem fideliter conservabo...*<sup>3</sup>

(I [the count] will maintain all securities, wet or dry, tithes or other goods, according to the common law of Haarlem)

The securities, wet or dry, that the article mentions, were regalia the count himself held, or had alienated, such as tithes and rights to fishery.<sup>4</sup> The other goods may have been movables or immovables, but the fact that the article does not simply mention land as a security seems to suggest that mortgaging land was still unusual. Other early charters, of Geertruidenberg (1217), Dordrecht (1220), and Leiden (1265, but originating in the 12th century), do not indicate that land was used as a security either.

The earliest *lijfrente* we found a record of is one valued at 4 lb. that Pieter van Rollant granted his sister Beatrice in 1290.<sup>5</sup> Another example from 1301 is particularly illuminating because it demonstrates that by that time *renten* were not only granted, but also sold. Willame Heinemansz. van Uutwike had sold a *rente* worth 20 lb. 12s. to lady Machtelt tot den Meelhuse. The *rente* was ratified by the aldermen of Dordrecht and secured on a yard in Dordrecht. The lady had paid 206 lb. *Louvain* for the *rente*.<sup>6</sup> The earliest *losrente* we found was issued in Dordrecht in 1296.<sup>7</sup> Furthermore, in Delft *renten* were already used in lawsuits in 1344. Plaintiffs accepted *pandrenten* as a compensation issued by the local court: the fact that they were satisfied with such *renten* secured on real estate of defaulters indicates that by then *renten* were deemed reliable financial assets.<sup>8</sup>

Investors often seek liquidity, which allows them to turn financial assets into ready money at any time.<sup>9</sup> A solid institutional framework helps increase the liquidity of *renten* by allowing *renteniers* to alienate

<sup>3</sup> Hoogewerf, *Het Haarlemse stadsrecht*, 278–280.

<sup>4</sup> *Middelnederlands woordenboek (CD-ROM)*, headword “nat”.

<sup>5</sup> SAK, *Inventarisreeks*, Band 23, regesten kloosters no. 27–28. Cf. a 1291 *lijfrente* issued by Loosduinen Abbey OHZ V, 60–61. Cf. a 1298 *rente* on the house and yard of Jan Wittemaker SAK, *Inventarisreeks*, Band 23, regesten kloosters no. 35. Cf. no. 36, 40, 41 etc.

<sup>6</sup> Van Dalen, *Regesten*, 50.

<sup>7</sup> Van Dalen, *ibid.*, 93; cf. a 1301 example *ibid.*, 113.

<sup>8</sup> Muller, *Regesta Hanoniensa*, 238. Cf. a 1362 example *ibid.*, 240.

<sup>9</sup> Cf. the importance of liquidity on capital markets Jonker, “Competing in tandem”, 66–67; Gelderblom & Jonker, “Completing a financial revolution”, 641; Neal, “How it all began”, 118–119.

and even sell their *renten* whenever they want to, and receive all or at least most of the face value. Liquidity is an important indicator of market structures as well, because third parties require fairly sophisticated institutions before they are willing to take over *renten*. When a *rente* was contracted, the *rentenier* usually met with the seller, and could thus, to a certain extent, estimate the latter's creditworthiness. Third parties, on the other hand, depended on the institutional framework of the original *rente* contract.

In general, secondary capital markets are believed to have emerged in the 17th century.<sup>10</sup> In Holland *renten* and other financial assets were already transferred as early as the 14th century.<sup>11</sup> In 1314 the religious institution of St. Jan in Haarlem bought a *rente* worth 10 lb., which Floris van der Dortoghe (the *rente* payer) and Gerijde heer Meysensoene (the *rentenier*) had contracted earlier, in 1309.<sup>12</sup> And even though evidence is sometimes sketchy, there are many other examples, suggesting that alienation of *renten* was quite common in the late Middle Ages.<sup>13</sup>

Other financial assets were alienated to third parties. In Dordrecht obligations were alienated as early as 1409, and according to a 1497 decree, they even changed hands rapidly before being repaid.<sup>14</sup> The earliest example of the resale of another type of obligation (called *kusting*) is from 1432, when the widow of Karstijn Gherbrant Andryesz., probably from Hoorn, sold to the almshouse all *kusting*en that Jacob Meusch owed her.<sup>15</sup>

*Rente* contracts were alienated over and over again through inheritance, endowment, and resale. In 1364 Dirk van Loon and his collaborators sold a *rente* to Machtelt, widow of Wouter Hughenz. Over

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<sup>10</sup> Gelderblom and Jonker regard the absence of price listings published in journals and the lack of bonds used as collateral as indications that a secondary capital market did not appear before the 17th century (Gelderblom & Jonker, *ibid.*, 642–643).

<sup>11</sup> Cf. the existence of resale elsewhere in northwest Europe in Chapter 7.

<sup>12</sup> Gerijde paid Floris 80 lb. a few months after the transaction. If this was indeed a payment for the *rente*, the interest rate cannot have been higher than 12.5%, because the buyer paid at least 80 lb. for a *rente* worth 10 lb. (SAK Inventarisreeks band 23 regesten kloosters no. 72, 81, 84, 176).

<sup>13</sup> Cf. 1337, 1339 (2x), 1347, 1361, 1363, 1366, 1401, 1467, 1498 examples, Muller, *Regesta Hanoniensa*, 242, 251, 263; Overvoorde, *Inventaris Kloosters I*, 237, 238–239, 240, 241, 249, 249–250; Sernee, Drossaers & Feith, *Kloosters Delfland*, 219.

<sup>14</sup> “die dicwil in veel luyden handen comen eer dieselve betaelt wort. . . .” (Fruin, *De oudste rechten I*, 135; Fruin, *ibid.* II, 14; cf. 1422 *ibid.*, 41).

<sup>15</sup> De Goede, *Seventuig*, 215–216, Cf. a 1479 example *ibid.*

a century later that *rente* still existed: in 1467 Andries Hughenz. sold the *rente* to Aelwiin Baerntsz., who sold it to the Bernadieten Cloister in the village of Warmond in 1470.<sup>16</sup> *Renten* alienated five or six times were not exceptional, and this is probably why *rente* contracts were made out to bearer at an early stage: a 1318 *rente* contract was put in the name of Ver Aven uten Campe, or the bearer of the contract.<sup>17</sup> Many similar contracts are known,<sup>18</sup> and some bylaws also indicate that financial assets made out to bearer were common.<sup>19</sup> Other sources indicate that alienated financial obligations were upheld in a court of law: at the beginning of the 16th century the court of Leiden heard a case between Adriaan Jansz. and Mouwerijn Klaasz. Mouwerijn had summoned Adriaan to force him to honour the financial obligation the former had gotten possession of. The court ruled in his favour.<sup>20</sup>

*Renten* were often paid for several decades, or even centuries.<sup>21</sup> *Renteniers* and *rente* payers changed rapidly: the former due to inheritance, endowment, or resale, the latter because mortgaged real estate also changed hands quickly, and *renten* were transferred with the mortgage. As a result, *renten* quickly became abstract contracts no longer retained by the original contracting parties.

Today, many *rente* contracts can be found in the archives of religious institutions, which received them through inheritance and resale. Religious institutions were eager buyers, especially when public bodies defaulted on *renten*, and *renteniers* offered them for sale below face value. Buying existing *renten* was a lucrative and safe investment, and allowed religious institutions to invest despite prohibitions excluding them from land and capital markets. There is much evidence that religious institutions were eager for *renten*: in Chapter Three we have already seen how public bodies tried to limit the resale of *renten*. In 1505 Haarlem prohibited the resale of *renten*, and even explicitly stressed that no *rente* should be allowed to come into the hands of religious

<sup>16</sup> Overvoorde, *Inventaris Kloosters* I, 240.

<sup>17</sup> SAK Inventarisreeks band 23 regesten kloosters no. 204.

<sup>18</sup> Cf. SAK Inventarisreeks band 23 regesten kloosters no. 396, 579; Kernkamp, *Vijftiende-eeuwse rentebrieven*, 17; Fruin, *ibid.* II, 37; Blok, *Rechtsbronnen Leiden*, 154.

<sup>19</sup> Fruin, *ibid.* I, 56, 62, 135, 236–237.

<sup>20</sup> Blok, *ibid.*, 323; cf. Fruin, *ibid.* II, 14, 41.

<sup>21</sup> Overvoorde, *Inventaris Kloosters* I, 237 (at least from 1335–1367), 238–239 (at least from 1346–1421), 240 (at least from 1359–1418), 241 (at least from 1364–1470), 249 (at least from 1383–1529), and 249–250 (at least from 1383–1429).

institutions and universities.<sup>22</sup> Furthermore, there is also reason to believe that clerics often bought and received *renten*: in 1465 the magistrates of Gouda allowed *rente* payers to force clerics to redeem their *renten*, by paying the high rate of 20 times the face value.<sup>23</sup>

Another indicator of the liquidity of *rente* contracts is the possibility for using them as security. A 1350 bylaw of Dordrecht stipulated that imprisoned owners of a *schepenbrief* worth at least an annual 1 lb. were allowed to use this as a security to bail themselves out.<sup>24</sup> Altogether, these findings seem to indicate that not only *renten* issued by public bodies were negotiable in the late Middle Ages, as John Munro has demonstrated, but also private *renten*.<sup>25</sup>

## 6.2 Quantitative Aspects: *renten* in Edam and De Zeevang

Gathering data about the volume and depth of the capital market requires serial sources covering a particular area. Such data must not only list all *renten* contracted, but should have extensive information on creditors and debtors as well. In Holland such serial sources are only available from well into the 16th century.<sup>26</sup> One of the few earlier quantitative sources that allow an idea of the capacity of the capital market comes from a region to the northeast of Amsterdam. The *verpachtingskohieren* of the small city of Edam and its surroundings, De Zeevang, list the capital assets of inhabitants, including *lijffrenten*, *losrenten*, and other financial assets. The source was recorded to apportion taxes among inhabitants. The government of Edam took the following assets into consideration:

<sup>22</sup> Sewalt, "Atterminacie ende staet", 97. Leiden had already complained about the resale of *renten* to religious institutions and universities in 1497. 's Gravenzande also prohibited the resale of *renten* to religious institutions (Van Mieris, *Handvesten*, 419; Telting, "Oude rechten van 's Gravenzande", 400).

<sup>23</sup> Rollin Couquerque & Meerkamp van Embden, *Rechtsbronnen*, 471–472.

<sup>24</sup> Fruin, *Rechtsbronnen* I, 91. *Renten* issued by public bodies were also used as securities: when Aernt Jansz. die Cuper owed Willem Bever Danielsz. 10 *gouden engelse nobelen* in 1441, the former appointed a *rente* issued by the city of Dordrecht to be held by Willem, and allowed him the usufruct until the debt was repaid. In the Land van Heusden *renten* were used as a security as well (VerLoren van Themaat, *Oude Dordtse lijffrenten*, 101; Hoppenbrouwers, *Een middeleeuwse samenleving* I, 399–400).

<sup>25</sup> Munro, "The medieval origins of the financial revolution".

<sup>26</sup> Cf. Chapter 5. Oscar Gelderblom and Joost Jonker are presently gathering source material on Holland's early modern capital market.

...goeden, huijsen, erven, landen, ewelicke renten, losrenten, lijffrenten, gelt, schult, schepen, waeren, comanscappen, beesten, bedden, ende alle andere goeden...<sup>27</sup>

(goods, houses, yards, land, hereditary tenure, *losrenten*, *lijffrenten*, money, debts, ships, merchandise, animals, beds, and all other goods)

Inhabitants were supposed to register their capital assets when the *verpachtingskohieren* were recorded, every 7 or 8 years. The oldest *verpachtingskohier*, from 1462, was probably created to apportion the *bede* tax, which the dukes of Burgundy levied from 1462 to 1472. An assessor walked through the town and villages and stopped at the houses to question the inhabitants. He recorded hundreds of details such as the following:

*Item lijsbeth jan woutersdr. tverndeel van jan woutersz. huus, II deymt in die langweren after an vegers langweren, I Rijns gulden ter los, XV Rijns gulden an gelt, een bed.*<sup>28</sup>

(Lijsbeth Jan Woutersdr. a quarter of Jan Woutersz. house, 2 *deimt* in the *langweren* behind Vegers *langweren*, 1 Rijns gulden redeemable, 15 Rijns gulden in cash, one bed.)

Lijsbeth, the daughter of Jan Woutersz., owned a quarter of her father's house, land (2 *deimt*, a square measure), and a bed. She either paid or received a *losrente* of 1 *Rijns gulden* and held 15 *Rijns gulden* in money. The source thus allows for an analysis of the distribution of *renten* among the population.

The historian J. Sparreboom was the first to call attention to this unique source.<sup>29</sup> In her introduction to the *verpachtingskohieren*, C. Boschma-Aarnoudse elaborated on this and largely based her dissertation on these sources, but she did not include *renten*, obligations, and money.<sup>30</sup> Before we turn in depth to the picture the source yields of the capital market in Edam and De Zeevang, we should point out some of its shortcomings. Tax registers based on interviews are likely to yield a biased picture because the taxable community was likely to want to appear impoverished to escape high taxes. This is probably why our sources contain more *rente* payers, who eagerly stated the annual

<sup>27</sup> Boschma-Aarnoudse, *Tot verbeteringe*, 405.

<sup>28</sup> Waterlands Archief Purmerend (WA), Stad Edam (SE), inv. no. 237 f. 1v.

<sup>29</sup> Sparreboom, "Twee fiscale bronnen"; Sparreboom, "Beroepsstructuur, vermogensstatistiek en taxatie".

<sup>30</sup> Boschma-Aarnoudse, *Tot verbeteringe*.

sums they had to pay, than *renteniers*, who were more likely to keep silent about their investments.

Furthermore, in the late Middle Ages *renten* were already liquid. This means that it is possible some *rente* payers and *renteniers* may not themselves have contracted *renten*. It is difficult to determine how many of the households in our sample had bought or sold *renten* and how many had received them another way. Yet, even if the latter were numerous, it has only minor implications for the capacity of the market. Every type of alienation and acquisition of *renten* was essentially an economic exchange that depended on the institutional framework of the market. For instance, inheriting a *losrente*: such a *losrente* grants the possessor a rightful share in the estate – it is a transaction between inheritor and heir. The heir will only accept this *losrente* if a solid institutional framework ensures it will be paid out. Therefore, the very possibility of alienating *renten*, even to the point where the original contracting parties no longer had any part in them, should be regarded as evidence for well-functioning market structures. Put another way, the institutional framework allowed *rente* payers to alienate mortgaged goods and *renteniers* to use *renten* to smooth intergenerational transfers through inheritance, gift, and resale. Such transactions are even more complex than the creation of *renten*, and may also serve as indicators of the capacity of the market. Whether households had had any part in the creation of *renten* or not, the economic position of households owning or owing *renten* is an indication of the trust the people of Edam and De Zeevang had in the institutional framework of the capital market.

Also, in many cases it is impossible to determine whether the *renten* mentioned by the source were in fact *lijfrenten* or *losrenten*. The term “*renten*” could also refer to tithes, leases, and ancient dues.<sup>31</sup> Therefore, the population we use to estimate the capacity of the capital market of Edam and De Zeevang is based strictly on clear references to *lijfrenten* and *losrenten*.

Finally, it is not always clear whether heads of households received or owed *renten*. The government agents who recorded this in our source either distinguished between *renteniers* and *rente* payers in a now incomprehensible way, or they were careless in this respect. A large number of *renten* remain somewhat obscure and do not allow analysis

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<sup>31</sup> Van Bavel, *Goederenverwerving en goederenbeheer van de abdij Mariënweerd*, 235; Van Kan, *Sleutels tot de macht*, 69–70.

of the socio-economic situation of participants in the capital market; therefore, these are not included in the population.

Let us use a sample of the *verpachtingskohieren* from 1462, 1514, and 1563. The sample thus includes the first and final year available. The first thing that stands out in the *verpachtingskohieren* is that many households in Edam and De Zeevang either received or paid *renten* (tables 6.1 to 6.3).<sup>32</sup> When we examine the data for 1462, in Edam 30.9 per cent of the households either received or paid a *rente*, *losrenten* being most popular. This indicates that mortgaging real estate with *renten* was fairly common and that many people turned to the capital market at some point. The percentage of households receiving or paying *renten* declined to 20.7 per cent in 1514, to increase again to 53.3 per cent in 1563. In the countryside figures were lower, at 18.1 per cent (1462), 5.9 per cent (1514), and 22.8 per cent (1563).

It is important to stress that these are minimum figures: as stated, the population of Edam and De Zeevang had few incentives to provide assessors with detailed information of their assets, and were likely to have withheld *renten* they received to escape high taxes. Furthermore, many obligations are difficult to identify and are not included in the tables presented here, although they may well have been *renten*. In reality, figures were probably higher than the figures indicate, and it is likely that the majority of real estate in Edam and De Zeevang was burdened with *renten*.<sup>33</sup>

Table 6.1. Funded debt in Edam and De Zeevang (1462)

	<i>Lijfrenten</i>	<i>Losrenten</i>	Total	Participation
Edam	40	121	157	30.9%
De Zeevang	13	24	37	18.1%
Total	53	145	194	27.5%

Source: *verpachtingskohieren*

Participation calculated using the number of heads of households: in Edam 508, in De Zeevang 204 (Boschma-Aarnoudse, *Tot verbetering*, 421–426).

<sup>32</sup> Cf. a more elaborate discussion of this source, Zuijderdijn, “Assessing a late medieval capital market”.

<sup>33</sup> Hoppenbrouwers arrived at a similar conclusion for the *Land van Heusden* when he researched the *cijnsregisters* of religious institutions, no doubt only showing part of the duties the villagers were due: in Vlijmen and Baardwijk “nearly all landowners paid *renten* to religious institutions” (Hoppenbrouwers, *Een middeleeuwse samenleving* I, 404).



Table 6.2. Funded debt in Edam and De Zeevang (1514)

	<i>Lijfrenten</i>	<i>Losrenten</i>	Total	Participation
Edam	36	96	120	20.7%
De Zeevang	2	16	18	5.9%
Total	38	112	138	15.6%

Source: *verpachtingskohieren*

Participation calculated using the number of heads of households: in Edam 580, in De Zeevang 303 (Boschma-Aarnoudse, *Tot verbeteringe*, 421–426).

Table 6.3. Funded debt in Edam and De Zeevang (1563)

	<i>Lijfrenten</i>	<i>Losrenten</i>	Total	Participation
Edam	69	394	421	53.3%
De Zeevang	18	101	108	22.8%
Total	87	495	529	41.9%

Source: *verpachtingskohieren*

Participation calculated using the number of heads of households: in Edam 790, in De Zeevang 473 (Boschma-Aarnoudse, *Tot verbeteringe*, 421–426).

Keeping the shortcomings of our source in mind, we have selected 413 *rente* payers and *renteniers* of whom there is absolutely no doubt.<sup>34</sup> This sample contains 93 *renteniers* and 320 *rente* payers. 78.1 per cent of the households that paid *renten* were headed by men; yet, women were quite prominent among the *rente* payers, comprising 19.7 per cent of the population (table 6.4). In Holland women were relatively independent in juridical and financial matters. Most were under custody of their fathers or husbands, but widows, women of men staying abroad, and women presiding over express or tacit procuration could perform juridical acts aimed at the acquisition of property.<sup>35</sup> In some cases we can be sure the women must have been widows, for instance, when our source lists *Trijn Allerts mit haar kinder* (Trijn Allerts with her children) as the head of a household.<sup>36</sup> It seems that only a small

<sup>34</sup> For 1462 this yielded 12 *renteniers* and 102 *rente* payers, for 1514 50 *renteniers* and 65 *rente* payers, and for 1563 31 *renteniers* and 153 *rente* payers (table 6.4). I have excluded the Edam orphanage, owing 28 Rg. worth of *lijfrenten* in 1563, and the *Huiszitten armen*, an almshouse owing 181 Rg. in 1563 (Waterlands Archief (WA) Stad Edam (SE) inv. no. 238 f. 78).

<sup>35</sup> Van der Heijden, *Geldschieters van de stad*, 161–162.

<sup>36</sup> WA SE inv. no. 237 f. 22v. Cf. *ibid.* f. 27 and inv. no. 238 f. 8v.

proportion of 5.3 per cent of our population of *rente* payers consisted of widows. Van der Heijden made a similar observation in her study of the buyers of *renten* issued by the cities of Dordrecht, Haarlem, and Zwolle from 1550 to 1650: only about one-third of the women *renteniers* were widows.<sup>37</sup> Finally, in 2.2 per cent of the cases, the sex of the head of households could not be determined. These households are simply described as those of someone's descendants.<sup>38</sup>

Most of the female households were not particularly wealthy. Table 6.5 shows data on the taxes women *lijfrente* payers were assessed after the *verpachtingskohieren* were drawn up. We then compared these with the average taxes paid by the households in Edam, based on another source, the *schotkohieren*, which list the taxes all households were assessed. Admittedly, the 1462 average of taxes paid by female *rente* payers is relatively high, at 2.69 lb., whereas the average was 1.05 lb. This was mainly a result of the wealth of Lysbeth Jans, who was assessed at 5.125 lb.<sup>39</sup> In 1514 female *lijfrente* payers were assessed at 0.67 lb., against 0.725 lb. for the population at large, and in 1563 at 0.94 lb. against 0.8125 lb. The figures for female *losrente* payers also show a poor correlation with high tax assessments.

Nor were the male *lijfrente* payers particularly wealthy. In 1462 those living in Edam were assessed at 1.84 lb. on average, whereas the figure for the entire population was 1.05 lb. In 1514 they were more wealthy than the population at large: the *rente* payers were assessed at an average of 1.6 lb, and the taxable community at 0.725 lb. Finally, in 1563 the people owing *lijfrenten* were relatively wealthy, assessed at 1.46 lb., considerably higher than the 0.8125 lb. the average household was assessed. *Losrente* payers were also below the average in 1462 and 1563.

In the countryside of De Zeevang *rente* payers were often less wealthy than the average (table 6.5). Figure 6.1 also indicates that both urban and rural *rente* payers were often in the lower tax categories, and that *renten* were not only owned by the wealthiest: 28 of 63 *lijfrente* payers (44.4 per cent) that we have a tax assessment for were assessed below the average, and for *losrente* payers, this was the case for no fewer than 125 of 179 (57.6 per cent).

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<sup>37</sup> Van der Heijden, *Geldschietters van de stad*, 164.

<sup>38</sup> These households are described as those of "the children of N" (cf. WA SE inv. no. 237 f. 11, 19v, 188, 198, 200v, 203; *ibid.* inv. no. 238 f. 20, 46, 57, 96).

<sup>39</sup> *Ibid.* inv. no. 237 f. 19v.

Table 6.4. *Rente* payers in Edam and De Zeevang according to gender

	Year	Male	%	Female	%	Widows	%	Children	%
<i>Lijfrenten</i>									
Edam	1462	17	77.3	5	22.7	1	4.5	–	0
	1514	9	64.3	5	35.7	1	7.1	–	0
	1563	23	74.2	8 <sup>40</sup>	25.8	2	6.5	–	0
De Zeevang	1462	10	100.0	–	–	–	0	–	0
	1514	1	100.0	–	–	–	0	–	0
	1563	9	100.0	–	–	–	0	–	0
Subtotal		69	79.3	18	20.7	4.6	4.9	–	0
<i>Losrenten</i>									
Edam	1462	46	88.5	4	7.7	2	3.9	2	3.9
	1514	32	72.7	11	25.0	1	2.3	1	2.3
	1563	60	76.9	15	19.2	5	3.9	3	3.9
De Zeevang	1462	13	72.2	5	27.8	3	16.7	–	0
	1514	5	83.3	1	16.7	–	0	–	0
	1563	25	71.4	9	25.7	2	2.9	1	2.9
Subtotal		181	77.7	45	19.3	13	3.0	7	3.0
Total		250	78.1	63	19.7	17	5.3	7	2.2

Source: *verpachtingskohieren*

Table 6.5. Taxation of *rente* payers in Edam and De Zeevang (lb. (N))

	Year	<i>Lijfrenten</i>		<i>Losrenten</i>		Avg. total
		Male	Female	Male	Female	
Edam	1462	1.84 (9)	2.69 (2)	0.86 (25)	0.75 (4)	1.05
	1514	1.6 (9)	0.67 (3)	0.91 (27)	0.75 (8)	0.725
	1563	1.46 (14)	0.94 (8)	0.59 (57)	0.71 (22)	0.8125 <sup>41</sup>
De Zeevang	1462	0.96 (8)	–	0.75 (9)	–	1.05
	1514	0.375 (1)	–	0.6 (5)	–	0.825
	1563	0.86 (9)	–	0.74 (23)	–	0.7625 <sup>42</sup>

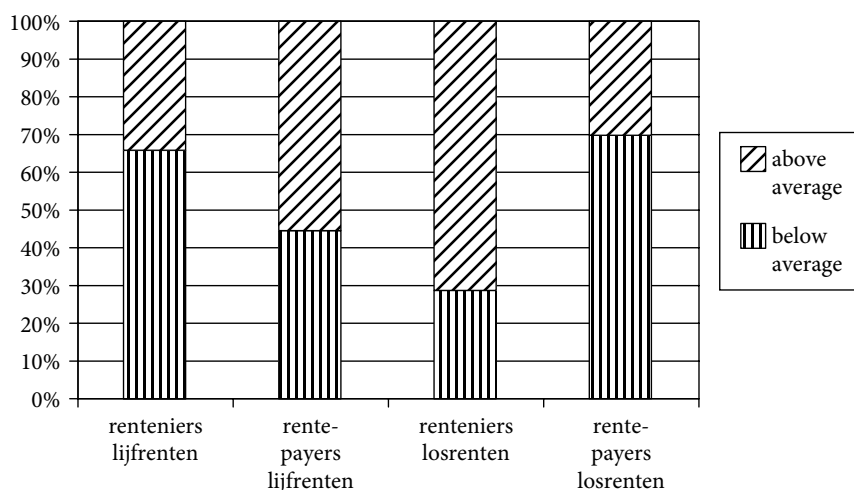
Sources: *verpachtingskohieren* and *schotkohieren*

Averages based on Boschma-Aarnoudse, *Tot verbeteringe*, 464–467.

<sup>40</sup> We have identified Jan Jansz. Pieter Aris as male and Brantgen Pieter Jan Maechs as female (WA inv. no. 238 f. 17v, 95v).

<sup>41</sup> Calculated by taking the average of 1554 (2.7 *verndel*, 0.68 lb.) and 1569 (3.8 *verndel*, 0.95 lb.) (Boschma-Aarnoudse, *ibid.*, 466–467).

<sup>42</sup> Calculated by taking the average of 1554 (2.9 *verndel*, 0.73 lb.) and 1569 (3.2 *verndel*, 0.8 lb.) (Boschma-Aarnoudse, *ibid.*, 469–470).



Sources: *verpachtingskohieren* and *schotkohieren*

Figure 6.1. Tax assessments of *renteniers* and *rente* payers in Edam and De Zeevang

Women were reasonably prominent among the *renteniers* at 29.7 per cent of the population (table 6.6). This seems to confirm that *renten* were often bought by parents and granted to daughters to support them, or by widows looking for an easy, profitable way to invest money from an inheritance; the high proportion (32.4 per cent) of female receivers of *lijfrenten* indicates that this particular type of *rente* may have been a popular means to provide for women running their own households.<sup>43</sup> The table lists four widows among 27 women *renteniers*; another five *renten* were received by the descendants of a *rentenier*.

On average, women *renteniers* of *lijfrenten* were not very wealthy: in 1514 they were assessed at 0.94 lb., while the population at large was assessed at 0.73 lb., and in 1563 at 0.48 lb. against 0.81 lb. (table 6.7). Female *renteniers* with *losrenten* were somewhat wealthier than the average households in 1462 and 1514, but less wealthy in 1563. Women of modest means participated in the capital market of Haarlem

<sup>43</sup> On the other hand, in Edam women owned more *losrenten* than *lijfrenten*. In Dordrecht, Haarlem, and Zwolle women were predominantly in demand for *lijfrenten* (Van der Heijden, *Geldschietters van de stad*, 162–163).

as well: according to Manon van der Heijden even women with few assets invested in *renten* there.<sup>44</sup>

Male *renteniers* of *lijfrenten* were assessed below the average (table 6.7). This seems to indicate that they were not members of the economic elite, something we encounter in Dordrecht and Haarlem as well, where many petty merchants and artisans invested in *lijfrenten*.<sup>45</sup> Male *renteniers* of *losrenten* tended to receive relatively high assessments, however. In 1462 the two *renteniers* from Edam we have assessments for paid on average 1.44 lb. (against 1.05 lb.). The sample contains 19 *renteniers* in Edam for 1514, on average assessed at 2.14 lb. (against 0.73 lb.) and five for 1563 assessed at 4.75 lb. (against 0.81 lb.). For De Zeevang there are fewer data available: in 1563 three *renteniers* were assessed at an average of 0.63 lb. (against 0.76 lb.). Whereas *renteniers* of *lijfrenten* tended to receive low assessments, *renteniers* of *losrenten* contributed relatively much to taxes (figure 6.1): no fewer than 27 of 38 households in our sample were assessed above the average.

On average both *renteniers* and *rente* payers were not significantly wealthier than the population at large. This seems to indicate that market structures were capable of reallocating savings among large segments of the population. In this respect the capital market of Edam and De Zeevang differed somewhat from markets in cities in the north of Germany and the southern Low Countries, which were more dominated by elites and middle groups (Chapter Seven). Perhaps the large proportion of households owning real estate they could use to mortgage offers the most straightforward explanation for the importance of middle groups. The vast majority of the households in Edam and De Zeevang owned at least a house,<sup>46</sup> so nearly all households had the securities required to sell *renten*.

<sup>44</sup> Van der Heijden, *ibid.*, 165.

<sup>45</sup> Van der Heijden, *ibid.*, 179, 185; Dokkum & Dijkhof, "Oude Dordtse lijfrenten", 80.

<sup>46</sup> In 1462 84.2% of Edam households owned the houses they lived in, in 1514 79.2%, and in 1563 86.9%. In De Zeevang homeownership was even more common: in 1462 98.4%, in 1514 95.4%, and in 1563 97.8%. Furthermore, in 1462 57.0% of Edam households owned land, in 1514 57.4%, and in 1563 45.6%; in the countryside in 1462 81.5% of the households of De Zeevang owned land, in 1514 87.6%, and in 1563 81.9% (Boschma-Aarnoudse, *ibid.*, 458–464, 470–477).

Table 6.6. *Renteniers* in Edam and De Zeevang according to gender

	Year	Male	%	Female	%	Widows	%	Children	%
<i>Lijfrenten</i>									
Edam	1462	6	100.0	–	0	–	0	–	0
	1514	8	61.5	5	38.5	1	7.7	–	0
	1563	8	61.5	5	38.5	2	15.4	–	0
De Zeevang	1462	–	0	–	0	–	0	–	0
	1514	1	100.0	–	0	–	0	–	0
	1563	–	0	1	100.0	–	0	–	0
Subtotal		23	67.7	11	32.4	3	8.8	–	0
<i>Losrenten</i>									
Edam	1462	3	50.0	3	50.0	–	0	–	0
	1514	24	68.6	7	20.0	1	2.9	4	11.4
	1563	6	50.0	5	41.7	–	0	1	8.3
De Zeevang	1462	–	0	–	0	–	0	–	0
	1514	–	0	1	100.0	–	0	–	0
	1563	3	100.0	–	0	–	0	–	0
Subtotal		36	63.2	16	28.1	1	1.8	5	8.8
Total		59	64.8	27	29.7	4	4.4	5	5.5

Source: *verpachtingskohieren*Table 6.7. Taxation of *renteniers* in Edam and De Zeevang (lb. (N))

	Year	<i>Lijfrenten</i>		<i>Losrenten</i>		Avg. total
		Male	Female	Male	Female	
Edam	1462	0.63 (5)	–	1.44 (2)	1.44 (2)	1.05
	1514	0.67 (8)	0.94 (4)	2.14 (19)	1.71 (3)	0.725
	1563	0.77 (8)	0.48 (5)	4.75 (5)	0.59 (4)	0.8125 <sup>47</sup>
De Zeevang	1462	–	–	–	–	1.05
	1514	0.5 (1)	–	–	–	0.825
	1563	–	–	0.63 (3)	–	0.7625 <sup>48</sup>

Sources: *verpachtingskohieren* and *schotkohieren*Averages based on Boschma-Aarnoudse, *Tot verbeteringe*, 464–467.

<sup>47</sup> Calculated by taking the average of 1554 (2.7 *verndel*, 0.68 lb.) and 1569 (3.8 *verndel*, 0.95 lb.) (Boschma-Aarnoudse, *ibid.*, 466–467).

<sup>48</sup> Calculated by taking the average of 1554 (2.9 *verndel*, 0.73 lb.) and 1569 (3.2 *verndel*, 0.8 lb.) (Boschma-Aarnoudse, *ibid.*, 469–470).

### 6.3 Interest Rates

Interest rates are often regarded as good indicators of institutional change. Douglass North writes that “[t]he level of interest rates in capital markets is perhaps the most evident quantitative dimension of the efficiency of the institutional framework”.<sup>49</sup> H.J. Habakkuk also writes that interest rates express the risks of investing in the capital market and can be used as an indicator of institutional development.<sup>50</sup>

Gathering interest rates is a time-consuming affair, because sources rarely mention principal sums or the sum required to pay to redeem the *rente*, and usually only record the amount of the *rente*. This practice was probably caused by the Church’s usury doctrine, which allowed *renten*, but made people avoid openly becoming involved in transactions that seemed to charge interest. Interest rates for *lijfrenten* were not only rare, they were complicated because some sellers may have taken the life expectancy of *renteniers* into account and paid a lower rate of return for *renten* contracted on children. The interest rates of *losrenten* were less ambiguous. Figure 6.2 shows the trend in interest rates for *losrenten*.

*Losrenten* do not appear before the end of the 13th century; annual pensions were granted, but they were not yet bought. Yet, contracts for such pensions sometimes reflect interest rates: for instance, in 1248 Count Willem II granted Arnoud van Duivenvoorde an annual pension worth 4 lb., which he was to receive from the *bede* tax of the village of Voorschoten. The count was allowed to redeem the pension by granting Arnoud 40 lb., and thus we can calculate the rate of return of an annual pension, in this case 10 per cent.<sup>51</sup> The relation between annual pension and the sum for which it could be redeemed are very similar to the practice for *losrenten*, and therefore may be regarded as an indication of the interest rate. These are also processed in figure 6.2.

<sup>49</sup> North, *Institutions*, 69.

<sup>50</sup> For 17th-century England, Habakkuk concluded much of the drop in interest rates from 10% to 6–5% was due to a reduction in risk premium (Habakkuk, “Rate of interest and price of land”, 40–44).

<sup>51</sup> Kruisheer, *De oorkonden en de kanselarij* II, 280 no. 221; Van den Bergh, *Oorkondenboek* I, no. 478.

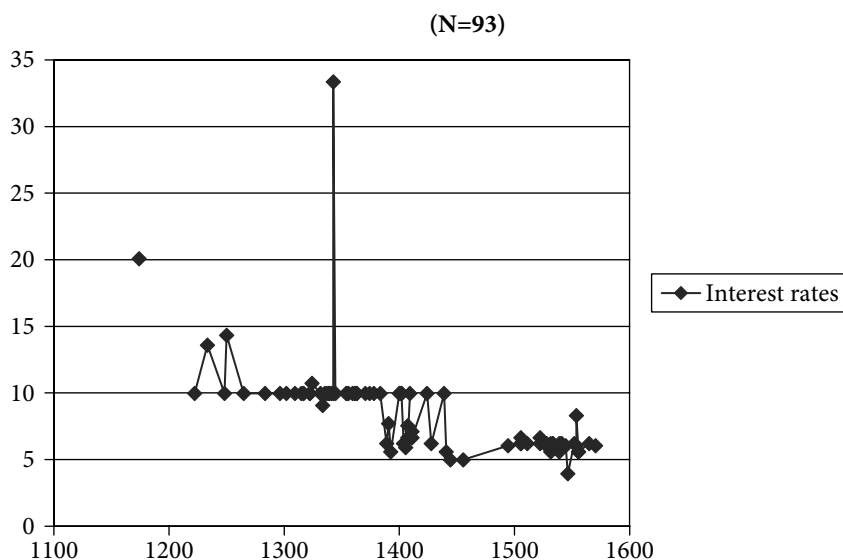


Figure 6.2. Interest rates of *losrenten* in the private market for *renten*

Although an isolated reference to the rate of return on a pension in 1174 amounted to 20 per cent, in general interest rates were 10 per cent until about 1380, when they gradually dropped to 6.25 per cent. Unfortunately, the lack of data make it difficult to pinpoint the drop: there are only 16 rates of return listed from 1380 to 1440. What we can be sure of is that the final quarter of the 14th and first half of the 15th century witnessed a strong decline in interest rates – perhaps the strongest Holland has ever experienced. This development allowed the counts and public sector to borrow at low interest rates, it permitted entrepreneurs to attract funds to buy capital goods, and it made selling *renten* something many people could afford.

The interest rates presented in figure 6.2 are confirmed by the data from Edam and De Zeevang. The *verpachtingskohieren* provide 234 interest rates, 220 for Edam and 14 for De Zeevang (table 6.8). Although the source does not have many 15th-century interest rates, the average of 6.2 per cent matches the trend. In the course of the 16th century, interest rates in Edam and De Zeevang dropped to 5.6 per cent.

Declining interest rates are also reflected in normative sources, which indicate what authorities believed to be acceptable or usual rates of return. Secular authorities rarely used the concept of usury to set limits



Table 6.8. Average interest rates of *losrenten* in Edam and De Zeevang (N)

	1462	1514	1563
Edam	6.2 (8)	5.7 (103)	5.6 (109)
De Zeevang	–	5.3 (11)	5.8 (3)
All	6.2 (8)	5.6 (114)	5.6 (112)

Source: *verpachtingskohieren*

to the taking of interest; this was usually left to the clergy.<sup>52</sup> In the 14th century 10 per cent was regarded as the usual interest rate: in 1390 the government of Haarlem decreed that all *renten* would be redeemable at an interest rate of 10 per cent. In 1397 Count Albrecht ordered Heusden subjects not to take interest over 10 per cent, but such restrictions on interest rates are rare.<sup>53</sup> In the 16th century we encounter interest rates of 6.25 per cent in normative sources: when third parties took over the sale of real estate they had to pay the original buyer 6.25 per cent interest over the principal sum.<sup>54</sup> And in 1571 the central government also deemed 6.25 per cent a usual rate of return.<sup>55</sup>

It seems that maximum interest rates had little effect on rates of return offered in the capital market. Not only were limits rarely imposed before the 16th century, but maximum interest rates were set above the average interest rates, such as the 12 per cent maximum that was decreed in 1540. Interest rates also fluctuated, which indicates that supply and demand were not restricted.

How can we discover whether interest rates dropped as a consequence of institutional improvement? Scholars often point to population decline in the wake of the Black Death as the main cause behind dropping interest rates. The Plague left many parts of Europe with a decimated population, and this is believed to have caused money per capita to

<sup>52</sup> Rogge, *Het misdrijf van den woeker*, 43–44.

<sup>53</sup> Huizinga, *ibid.*, 73; Rogge, *Het misdrijf van den woeker*, 44–45. Rogge mentions an undated Oudewater bylaw limiting interest at a maximum of 10%.

<sup>54</sup> The Hague bylaw of 1548 ('t Hart, *Rechtsbronnen*, 49). Interest rates paid to redeem *erfpacht* decreased as well: in 1445 the Den Briel government stipulated owners of real estate had to pay the eight penny (12.5%). In Dordrecht owners of real estate paid the penny 13 (7.7%) to 16 (6.25%), and in Gouda in 1465 they paid the penny sixteen (6.25%) (De Jager, *Rechtsbronnen*, 51, 57; Fruin, *De oudste rechten* I, 96–97; Rollin Couquerque & Meerkamp van Embden, *ibid.*, 470).

<sup>55</sup> Rogge, *ibid.*, 45–46; Cau, *Groot Plakaatboek* I, 1487.

increase and interest rates to decline.<sup>56</sup> But that is not a satisfactory explanation for what happened in Holland because this region only experienced a relatively minor loss of lives. Van Bavel and Van Zanden estimated that Holland's population fell from 235,000 in 1348 to 209,000 in 1400, and recovered quickly, reaching the 1348 level in the 15th century.<sup>57</sup> Moreover, in spite of the recovery of the population, interest rates remained low, and they even continued to decline when Holland experienced rapid population growth in the 16th and 17th centuries. Altogether, it seems unlikely that Holland's relatively modest population decline after 1348 caused the sharp decline in interest rates.

Perhaps the explanation lies in the influx of money during the economic growth that Holland experienced in the second half of the 14th century?<sup>58</sup> It is likely that Holland's emerging export industries earned entrepreneurs large amounts of (foreign) money, which they could invest in *renten*. Economic growth may thus have increased the quantity of money per capita, which may have caused interest rates to drop. But although an increasing supply of savings may have caused interest rates to decline, it is just as likely that the flourishing economy caused demand for funding among entrepreneurs to rise, which should have caused interest rates to rise. Put another way, only profoundly divergent developments in the field of supply and demand in capital markets can account for the dramatic drop in interest rates. Both supply and demand are likely to have increased during Holland's first phase of economic expansion, and therefore it is unlikely to ascribe declining interest rates to developments in supply and demand.

Monetary policy may also have affected interest rates. Estimates of the availability of money in medieval Holland are pessimistic: the inhabitants had less money at their disposal than those of Brabant and Flanders.<sup>59</sup> In Chapter One we have seen how the counts tried to increase the quantity of coins. But even though a growing quantity of

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<sup>56</sup> Postan, *The medieval economy and society*, 217; McCloskey & Nash, "Corn at interest", 185–186.

<sup>57</sup> Van Bavel & Van Zanden, "The jump-start", 505, table 1. The authors estimate the total population in 1348 to have been 235,000, in 1400 209,000, and in 1514 275,000; the 1348 population was probably reached in the second half of the 15th century.

<sup>58</sup> Habakkuk mentions this possibility: "it has been suggested by implication that something may be due also to an increase in the stock of money, acquired by a favorable balance of trade...." (Habakkuk, "Rate of interest and price of land", 41).

<sup>59</sup> Spufford, "Monetary problems", 53–54; Baerten, *Muntslag en circulatie in de Nederlanden*, 37–41, 78–81; Jansen, Alberts & Niermeijer, *Welvaart in wording*, 205–207; De Vries & Van der Woude, *The first modern economy*, 87.

money may have contributed to the decline of interest rates, it would have taken an enormous increase in the quantity of money per capita to account for the steep drop. There are no indications that any of this happened in the second half of the 14th century.

Admittedly, the developments in Holland may have been influenced by the decline of interest rates elsewhere in Europe (Chapter Seven).<sup>60</sup> Perhaps some survivors of the Plague invested their money in regions where the population had not been decimated and where interest rates were still high, such as Holland. Markets for public and private debt may have allowed foreigners to invest in Holland at favourable interest rates. This influx of money may have contributed to the decline of interest rates in Holland. But even though the possibility that capital markets caused prices to converge cannot be ruled out, there is little to no evidence of increasing numbers of foreigners investing in *renten* in the first decades after the Plague.

Altogether, it seems that only improved market structures provide a sufficient explanation for the profound and structural decline of interest rates in Holland. The emerging capital markets persuaded savers at home and abroad to buy *renten* and thus to increase the quantity of money in circulation. Based on the evidence presented in Chapters Two, Three, and Six, we know that capital markets emerged in the second half of the 14th and 15th century and that interest rates declined markedly at the same time. The sheer timing of these two events indicates a strong correlation between them, and seems to suggest that interest rates declined as a consequence of the institutional improvement of capital markets.

#### 6.4 Conclusion

In earlier chapters we have seen how markets for public debt slowly emerged in Holland in the 14th century and flourished in the remainder of the Middle Ages. Individuals found their way to *renten* as well: several institutional clusters helped reduce transaction costs, and the result, the many thousands of *rente* contracts they issued, can be found in Holland's municipal archives. Here we have tried to show the capac-

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<sup>60</sup> In England these dropped from 10% to about 5% in the 14th and 15th centuries, and elsewhere a similar trend is visible (Habakkuk, *ibid.*, 45; Epstein, *Freedom and growth*, 19, figure 2.1).

ity of the capital market by looking at qualitative elements – liquidity, indicating that *rente* contracts became abstract assets, which were inherited, endowed, sold, and used as securities. Such transactions took place in the 14th century, when *renten* already changed hands quickly. Alienation indicates that third parties were confident that the institutional framework of the capital market ensured these transactions and that they could capitalize on *renten*, despite the fact that they had had no part in the original transaction.

The data provided by the *verpachtingskohieren* for Edam and De Zeevang show that a large proportion of heads of households either owed or owned *renten*. Furthermore, there were many women among the participants in the capital market. The average participant was not particularly wealthy, which indicates that the market had considerable depth and was not restricted to the wealthiest. In fact, it seems that the institutional framework of the capital market allowed anyone owning real estate to participate in markets for *renten*.

Declining interest rates – dropping heavily in the second half of the 14th and first half of the 15th centuries, from about 10 per cent to about 6.25 per cent – clearly contributed to the increasing volume and depth of the capital market. There is little reason to believe that this drop was the direct result of a declining population after the Black Death or monetary policy. It is more likely that existing and improved market structures helped bring about a structural change, which created possibilities for investing savings in emerging capital markets.



## CHAPTER SEVEN

### MEDIEVAL CAPITAL MARKETS IN NORTHWEST EUROPE

Markets for *renten* were not restricted to Holland: they were a northwest European phenomenon. In the late Middle Ages *renten* were known in northern France, the Low Countries, and in the northern and western parts of the German Empire.<sup>1</sup> *Renten* either did not exist or were scarcely used in southern France, England, or Italy, although the Italian city-states did manage to create long-term public debt by forcing subjects to contract loans and by funding interest-bearing loans on excises. Yet, in the city-states financial constructions similar to *lijfrenten* and *losrenten* first emerged only well into the 16th century.<sup>2</sup>

In this chapter we will sketch some general outlines of markets for *renten* in northwest Europe, which will also illuminate some characteristics of capital markets in Holland (where our sources are lacking), especially with respect to depth of the market and possibilities for resale. Moreover, providing a wider perspective for the institutional development of capital markets in Holland may make this study relevant to the history of a larger area of Europe.

Lacking studies of the institutional framework of capital markets outside Holland, we will instead focus on some qualitative and quantitative indicators of the capacity of capital markets to sketch the emergence of markets for *renten* in northwest Europe. Following the outlines of the book, this chapter will show how markets for *renten* allowed governments (section 7.1), the public sector (section 7.2), and the private sector (section 7.3) to accumulate capital. This is illustrated by providing evidence about the depth, scope, and volume of the market, as well as rates of return and liquidity. The capacity of medieval capital markets elsewhere in northwest Europe has a strong similarity

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<sup>1</sup> Cf. surveys: Isenmann, *Die deutsche Stadt im Spätmittelalter*, 174–176; Gilomen “Renten, Rentenkauf, Rentenmarkt”; Tracy, “On the dual origins”; Espinas, *Les finances de la commune de Douai des origines au XV<sup>e</sup> siècle*, 315, note 2.

<sup>2</sup> Tracy, *A financial revolution*, 9–13. Postan’s claim that *renten* “were sold commonly . . . in every country and all through the Middle Ages” does not seem to be entirely valid (Postan, “Credit in medieval trade”, 14).

to those in Holland, and this suggests that the development of the legal framework supporting capital markets was not limited to Holland. To put the northwest European capital markets in perspective, the chapter concludes with a section on northern and central Italy and England, two well-documented areas without financial instruments like *renten*.

### 7.1 *Government Funding in Northwest Europe*

In general, medieval rulers had problems balancing expenses and revenues. Usually they met shortages by levying taxes, manipulating coinage, pawning domains, and contracting loans with government agents, foreign merchants, and subjects.<sup>3</sup> Medieval rulers had limited creditworthiness because they often defaulted and could not secure creditors against the risk that their successors would renounce all debts.<sup>4</sup> To overcome this problem, they could use their domains as securities, which allowed a few rulers, such as the kings of France, to sell *renten*.<sup>5</sup> Likewise, the kings of Castile created long-term debt by selling *juros* – very similar to *renten* – from the 12th or 13th century.<sup>6</sup>

Rulers in the Low Countries began to sell *renten* in the 14th and 15th centuries. Before that, they had depended on short-term loans, as did the Holland Count Floris V. For instance, Countess Margareth of Flanders (1244–1278) borrowed from Arras creditors, Siena merchants, and the Flemish cities.<sup>7</sup> Funded debt first became a crucial element of government funding during the reigns of Philip the Good and Charles the Bold, who secured *lijfrenten* on the domains of Brabant and Flanders.<sup>8</sup> Elsewhere in the Low Countries *renten* were secured on domains as well,

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<sup>3</sup> Van Houtte & Van Uytven, “Het sociaal-economisch leven 1300–1482. Financiën”, 122; Bulst, “Finanzwesen, Finanzverwaltung. B. Westliches Europa. I. Allgemeine Grundlagen”, 458.

<sup>4</sup> Ormrod, “The West European monarchies in the Later Middle Ages”, 159.

<sup>5</sup> Ormrod, *ibid.*, 159; Tracy, *ibid.*, 18.

<sup>6</sup> Tracy, *A financial revolution*, 22–23.

<sup>7</sup> Luykx, *De grafelijke financiële bestuursinstellingen en het grafelijk patrimonium in Vlaanderen tijdens de regering van Margareta van Constantinopel (1244–1278)*, 153, 259–263. Margareth already issued numerous *lijfrenten*, but these were not sold to *renteniers* in capital markets, but gifted to fellow royalty, nobles, and servants.

<sup>8</sup> Mollat, “Recherches sur les finances des ducs Valois de Bourgogne”, 314–319; Cf. a general survey of Burgundian finances Prevenier, “Financiën en boekhouding in de Bourgondische periode. Nieuwe bronnen en resultaten”.

such as in Hainault in the 15th century, and even Emperor Charles V still used domains as a security for *renten* in the 16th century.<sup>9</sup>

In the late Middle Ages many rulers in northwest Europe discovered possibilities for extending their credit by having the public sector mediate in capital markets and sell *renten* on their behalf. Public bodies helped create and service government debt in ways much like the collective and individual public debt the cities of Holland contracted.<sup>10</sup> About 25 per cent of the money Philip the Good borrowed was raised by *lijffrente* sales that were organized by cities in the Low Countries. Charles the Bold further increased public debt: during his ten-year regime the cities sold as many *renten* as under his father's reign! The important city of Lille lost much of its creditworthiness due to increasing indebtedness, and although Charles managed to switch to Ghent for issues of *renten*, this city refused to take its credit operations as far as Charles wanted. According to Michel Mollat, the decreasing co-operation of the cities marked the decline of Charles' credit.<sup>11</sup> Charles V and Philip II depended on *renten* as well. They consolidated the floating debt they often contracted in Antwerp by turning it into public funded debt.<sup>12</sup>

The princes of the German Empire also persuaded public bodies to sell *renten*. A good example is Duke Albrecht III of Saxony (1464–1500), whose heavy expenses abroad – especially the suppression of the 1491–1492 rebellion of the “Cheese-and-Bread-people” in Holland – forced him to turn to the capital market. Private financiers supplied some money, but large sums were predominantly raised by Leipzig and other Saxon towns, which sold *renten* and handed the revenues over to Albrecht. The bishops of Cologne used the same technique: they convinced the city and cathedral chapter to sell *renten* on their behalf.<sup>13</sup>

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<sup>9</sup> Bruwier, “Notes sur les finances Hennuyères”, 153–154; Fryde & Fryde, “Public credit, with special reference to North-western Europe”, 504; Van Cauwenberghe, *Het vorstelijk domein en de overheidsfinanciën in de Nederlanden*, 108–112.

<sup>10</sup> The involvement of public bodies in government debt may explain why Martin Körner discovered that debt servicing was only a small element of the expenditure of the Holy Roman Empire and European principalities and kingdoms: repayments are not to be found in government accounts, but in those of public bodies (Körner, “Expenditure”, 402–404).

<sup>11</sup> Mollat, *ibid.*, 314–319; Van Cauwenberghe, *Het vorstelijk domein en de overheidsfinanciën in de Nederlanden*, 327, 336, 349.

<sup>12</sup> Tracy, *ibid.*; Baelde, “Financiële politiek en domaniale evolutie in de Nederlanden onder Karel V en Filips II (1530–1560)”, 24–27.

<sup>13</sup> Fryde & Fryde, “Public credit”, 507–508, 522–523, 525. According to M.M. Fryde, the finances of the German principalities experienced “gradual progress and improvement”



Finally, the collective public debt we encountered in Holland existed elsewhere as well: in 1325 the nobles of Guelders and numerous cities collectively secured a loan of Reinoud II (count 1326–1339, duke 1339–1343). In 1339 the cities collectively secured *lijfrenten* that were sold to *renteniers* from Brussels, and in 1452 the Guelders cities of Nijmegen, Arnhem, and Zutphen guaranteed the payment of 3000 guilders, which the duke of Guelders had borrowed from Henric Haicken of Cologne.<sup>14</sup> In the 15th century collective public debt was created in Flanders as well.<sup>15</sup>

### 7.2 Markets for Public Debt in Northwest Europe

Possibilities for creating urban public debt differed markedly across Europe. James Tracy has suggested that the limited use of *renten* for public funding must be ascribed to differences in the legal status of public bodies. Whereas towns in northern France were “corporate legal entities” capable of creating public debt, towns in southern France were under supervision of *consuls*, royal magistrates, and could not create public debt.<sup>16</sup> John Munro added the hypothesis that anti-usury campaigns may have been more vigorous in the north, and that they forced public bodies to use *renten* to disguise interest-bearing loans.<sup>17</sup>

According to Tracy, the earliest evidence of public bodies selling *renten* in northwest Europe comes from northern France: the city of Rheims sold a *lijfrente* in 1218. Other cities followed suit: Tournai sold *lijfrenten* shortly before 1228 and Troyes in 1232.<sup>18</sup> Douai owed *losrenten* in 1250 and *lijfrenten* in 1270.<sup>19</sup> In the German Empire public bodies also began to sell *renten* in the 13th century: Lübeck sold *lijfrenten* in

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in the 14th and 15th centuries (Fryde, “Studies in the history of public credit of German principalities and towns in the Middle Ages”, 227).

<sup>14</sup> Smelt, *Het oud-archief der gemeente Zutphen. Tweede stuk: Regestenlijst (tot 1550)*, 22, 29; De Jong, *Het oud-archief der gemeente Nijmegen. Deel I: inventaris*, 50. Aart Noordzij will treat the subject in length in his Ph.D. thesis about the emergence of a national identity in late medieval Guelders (Noordzij, *Gelre. Dynastie, land en identiteit in de late middeleeuwen*).

<sup>15</sup> I am indebted to Wouter Ryckbosch for pointing out the practice of collective *rente* sales in Flanders.

<sup>16</sup> Tracy, “On the dual origins of long-term urban debt in Europe”, 19.

<sup>17</sup> Munro, “The medieval origins of the financial revolution”, 520–521.

<sup>18</sup> Tracy, *A financial revolution*, 13–14; Tracy, “On the dual origins of long-term urban debt in Europe”, 16; Munro, *ibid.*, 524–525.

<sup>19</sup> Munro, *ibid.*, 525.

1285 and *losrenten* in 1290. Hamburg sold numerous *renten* in the 14th and 15th centuries, and Münster and Lüneburg participated in the market for *renten* in the 15th century.<sup>20</sup>

It seems that *renten* appeared in the southern Low Countries in the second half of the 13th century: Ghent sold *lijfrenten* shortly before 1275 and *losrenten* in 1288.<sup>21</sup> In 1282 Bruges had created a considerable public debt consisting of *lijfrenten*.<sup>22</sup> Likewise, Ypres issued *lijfrenten* in the 13th century.<sup>23</sup> Smaller cities created funded debt as well: Aardenburg in northern Flanders owed a *lijfrente* in 1309–1310, and nearby Hulst owed several *lijfrenten* in 1326 and 1341.<sup>24</sup> The Brabant city of Den Bosch owed a large number of *lijfrenten* at the end of the 14th century and Breda redeemed a *lijfrente* in 1344.<sup>25</sup>

In the northern Low Countries *renten* slowly emerged in the course of the 14th century: in an article about the financial policy of the Oversticht city of Kampen in the early 14th century, J. Kossmann-Putto calls it “surprisingly and slightly old-fashioned” that the city did not sell *renten* to make ends meet but still relied on short-term loans.<sup>26</sup> In 1430 the city owed *lijfrenten*: that year the government of the city of Amersfoort sent a message that a number of *lijfrenten* Kampen owed had changed hands.<sup>27</sup> There is little evidence that cities elsewhere in the northern Low Countries sold *renten* at a much earlier stage: even the oldest reference from the large city of Utrecht, in the Nedersticht,

<sup>20</sup> Haberland, *Der Lübecker renten- und immobilienmarkt in der Zeit von 1285–1315*, 54–55; Baum, *Hochkonjunktur und Wirtschaftskrise in spätmittelalterlichen Hamburg*, 115–125. Alberts, *Die Kämmererechnungen der Stadt Münster über die Jahre 1447, 1448 und 1449*, 1; Ranft, “Städtisches Finanzgebaren und -management am Ende des Mittelalters anhand der Rechnungsbücher des Lüneburger Rats”.

<sup>21</sup> Van Werveke, *De Gentsche stadsfinanciën in de Middeleeuwen*, 283–284, 289–290; Tracy, *ibid.*, 17. *Losrenten* appear as *erfrenten* in the city accounts.

<sup>22</sup> Tracy, *ibid.*, 17.

<sup>23</sup> Merlevede, *De Ieperse stadsfinanciën (1280–1330)*, 221–223.

<sup>24</sup> Van Driel & Marsilje, “De rekeningen van Hulst over 1326 en 1341”, 115–116; Wijffels, “De oudste rekening der stad Aardenburg (1309–1310) en de opstand van 1311”, 29.

<sup>25</sup> Van Zuijlen, *Inventaris der archieven van de stad 's Hertogenbosch, chronologisch opgemaakt en de voornaamste gebeurtenissen bevattende. Stads Rekeningen van het jaar 1399–1800*, 4; Cerutti, “De institutionele geschiedenis van de stad tot de aanvang der 15<sup>e</sup> eeuw”, 108.

<sup>26</sup> Kossmann-Putto, “The financial policies of the town of Kampen during the early fourteenth century”, 313–314.

<sup>27</sup> Don, *De archieven der gemeente Kampen. I Het Oud-archief*, 197. Perhaps a 1385 agreement with the city of Zwolle about civil procedures for *renten* was aimed at public debt as well (*ibid.*, 176).

is from 1372, and indicates that the city owed *lijfrenten* by then.<sup>28</sup> In Guelders in the east of the northern Low Countries there is also evidence of public bodies creating funded debt in the 14th century: Zutphen frequently sold *renten* after 1330.<sup>29</sup>

It thus seems that *renten* gradually moved north and that they were first sold by public bodies in the northern Low Countries in the 14th century. In Holland, the city of Dordrecht was an early participant in the market for *renten*. Contacts with the southern Low Countries and the German Empire may well have contributed to the early emergence of funded debt in Dordrecht. Furthermore, possibilities for creating foreign funded debt depended heavily on trade networks and to a certain extent on economic integration between regions. The results of these networks were apparent in the German Empire, where markets for public debt had an inter-regional character: cities often found *renteniers* in the Low Countries, England, and the Baltic States.<sup>30</sup>

In the southern Low Countries markets for public debt covered large areas as well. In the 13th and 14th centuries Ypres sold many *renten* in northern France, in cities such as Arras and Valenciennes.<sup>31</sup> In the 13th century Ghent sold most *renten* in Brussels and Louvain, and in the 14th and 15th centuries Louvain owed *lijfrenten* all over Brabant and in Liege-Hoei, Flanders, Luxembourg, and the western German Empire.<sup>32</sup>

In the northern Low Countries we also find towns selling *renten* over a wide area: the 1434 account of the Oversticht city of Deventer shows that *renten* were sold to foreigners in Groningen, Osnabrück, Munster,

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<sup>28</sup> Muller Fz. & De Leur, *Catalogus van het archief. Supplement, bijvoegselen en indices*, 6. In the 15th century the city entered into several agreements with other cities about defaults on *renten* (Muller Fz., *Catalogus van het archief. 1<sup>e</sup> afdeling 1122–1577*, 29).

<sup>29</sup> Van Schaik, “The sale of annuities in Zutphen, 1400–1600”, 114; Smelt, *Het oud-archief der gemeente Zutphen. Tweede stuk: Regestenlijst (tot 1550)*, 27. Gimberg edited a *lijfrente* of 1381, and believed this was the oldest reference available (Gimberg, “Het kapitaal en het beheer der geldmiddelen van Zutphen in de middeleeuwen”, 145–146, 170). Cf. a more elaborate survey of the emergence of *renten* in the northern Low Countries, Zuiderduijn, “Assessing a late medieval capital market”.

<sup>30</sup> Isenmann, *Die deutsche Stadt im Spätmittelalter*, 175–176. Nürnberg sold *renten* in Frankurt, Augsburg, and Munich; Lübeck in Lüneburg, Hamburg, Bremen, and Cologne; Braunschweig in Gottingen, Lüneburg, Cologne, and Magdenburg; Bremen in Lüneburg, Braunschweig, Stade, Stendal, Buxtehude, and other cities.

<sup>31</sup> Merlevede, *De Ieperse stadsfinanciën (1280–1330)*, 221–223.

<sup>32</sup> Van Werveke, *De Gentsche stadsfinanciën in de Middeleeuwen*, 283–284; Van Uytven, *Stadsfinanciën en stadseconomie*, 211–223.

and Dortmund.<sup>33</sup> Nijmegen sold *renten* as far away as Antwerp and Cologne.<sup>34</sup> Zutphen sold many *lijffrenten* to foreigners as well.<sup>35</sup>

The burden of *renten* is a good indicator for the volume of the market for public debt. By and large, it seems that public debt in northwest Europe mounted in the second half of the 14th and 15th centuries. In Cologne *renten* were worth about 50 per cent of all expenses in 1392, in Nürnberg, about one-third, and in Basel the burden of public debt rose from 0.85 per cent of all expenses in the 14th century to about 50 per cent in the 15th, only to decline in the 16th century. Elsewhere the burden increased at a slower pace: in Hamburg *renten* amounted to 7 per cent of all expenses in the second half of the 15th century, and this figure rose to about 28 per cent in the final decades. In Frankfurt am Mainz *renten* were about 16 per cent to 25 per cent of all expenses.<sup>36</sup>

In the southern Low Countries the burden of *renten* was often initially low: In Ypres *renten* made up about 5.2 per cent of all expenses from 1280 to 1330.<sup>37</sup> In Ghent the share of *lijffrenten* and *losrenten* remained modest for much of the 14th century: John Munro calculated that public debt predominantly consisted of floating debt and that the burden of *renten* peaked at 8.0 per cent in 1331–1335.<sup>38</sup> Louvain had already created a considerable public debt in 1345–1346, amounting to 52 per cent of total revenues. The city continuously sold *lijffrenten* from 1356–1357 to 1373–1374; in 1360 the burden of *renten* was worth 100.3 per cent of total revenues, and in the following years shortages became even more severe.<sup>39</sup> In Den Bosch the burden of *renten* was considerable at the end of the 14th century, amounting to 71.1 per cent of all revenues in 1399–1400.<sup>40</sup>

<sup>33</sup> De Meyer, *De stadsrekeningen van Deventer. Deel V 1420–1428*, 571.

<sup>34</sup> Terpstra, *Nijmegen in de middeleeuwen*, 90, note 1. The *renteniers* of the city of Geldern lived in Weeze, Goch, Neuss, and Wezel (Kuppers, *De stadsrekeningen van Geldern 1386–1423. Inleiding, teksteditie, indices*, 94–95).

<sup>35</sup> Van Schaik, “The sale of annuities in Zutphen, 1400–1600”, 113. Alberts incorrectly stated that only few *renteniers* lived outside the town (Alberts, “Het financiële beheer van de stad Zutphen in 1445/46”, 94–95).

<sup>36</sup> Isenmann, *Die deutsche Stadt im Spätmittelalter*, 175.

<sup>37</sup> Merlevede, *De Ieperse stadsfinanciën (1280–1330)*, 223–224; cf. about the importance of floating debt *ibid.*, 242.

<sup>38</sup> Munro, *ibid.*, 530–532.

<sup>39</sup> Van Uytven, *Stadsfinanciën en stadseconomie te Leuven van de XII<sup>de</sup> tot het einde der XVI<sup>de</sup> eeuw*, 203–208, 240–241.

<sup>40</sup> Van Zuijlen, *Inventaris der archieven van de stad 's Hertogenbosch, chronologisch opgemaakt en de voornaamste gebeurtenissen bevattende. Stads Rekeningen van het jaar*

In the northern Low Countries the burden of *renten* also seems to have accelerated in the second half of the 14th century. There is evidence of an increase in *rente* sales in Holland, and the Zeeland city of Middelburg also owed *renten* worth more than 40 per cent of its annual revenues by then (figure 4.8). Elsewhere, however, the burden of *renten* remained modest, such as in the Guelders city of Geldern, amounting to 10 per cent of all expenses in 1423.<sup>41</sup>

Likewise, rates of return – interest rates – can be used as an indicator of the capacity of the market, and perhaps even for the integration of capital markets. Although interest rates varied, the general trend shows a marked decline in the late Middle Ages. Sidney Homer, Richard Sylla, and Larry Epstein have indicated that interest rates dropped in the late Middle Ages.<sup>42</sup> This development is clearest in the interest rates of *losrenten*, which seem to have been around 10 per cent until the 14th century, and around 5 per cent later on. We already encountered this trend in the market for private debt in Holland (figure 6.2), and the interest rates Haarlem paid in the 15th century seem to confirm that rates of return on public debt had indeed dropped (figure 7.1). Interest rates for *losrenten* also dropped in Basel, from 9.17 per cent in 1385–1386 to 4.17 per cent in 1438–1439.<sup>43</sup> For the Low Countries we also have data on *losrenten* from Louvain, ranging from 5 to 10 per cent, and declining over time.<sup>44</sup>

It is difficult to sketch the general trend of rates of return on *lijfrenten*. Levels varied considerably, in Ypres from 8.3 to 16.6 per cent and in Douai from 9.0 to 17 per cent. In Louvain interest rates for *lijfrenten* on one life varied from 10 to 15.4 per cent, and on two lives from 9.1 to 12.5 per cent.<sup>45</sup> These varying interest rates once again seem to suggest that cities may have based rates of return on the life expectancy of *renteniers*. Elsewhere interest rates fluctuated less: in Ghent *lijfrenten* on one life were between 11 and 12.5 per cent from 1346 to 1356, and

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1399–1800, 4, 8. Unfortunately, because of an error in the source, it is impossible to calculate the burden of *renten* in 1400–1401.

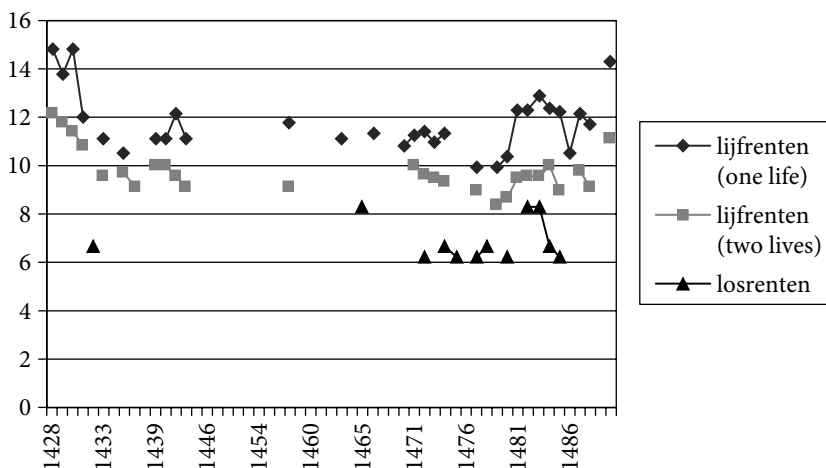
<sup>41</sup> Kuppers, *De stadsrekeningen van Geldern 1386–1423. Inleiding, teksteditie, indices*, 96.

<sup>42</sup> Homer & Sylla, *A history of interest rates*, 136–143; Epstein, *Freedom and growth*, 19 figure 2.1.

<sup>43</sup> Isenmann, *Die deutsche Stadt im Spätmittelalter*, 175; Rosen, “Prices and public finance in Basel 1360–1535”, 8.

<sup>44</sup> Van Uytven, *Stadsfinanciën en stadseconomie*, 199–200.

<sup>45</sup> Merlevede, *De Ieperse stadsfinanciën (1280–1330)*, 222; Espinas, *Les finances de la commune de Douai*, 320–321, 328, incl. surveys 321, note 1, 328, note 1; Van Uytven, *ibid.*, 199–200.



Source: Van Loenen, “De rentelast van Haarlem”, passim.

Figure 7.1. Average interest rates for the public debt of Haarlem (1428–1490)

in the Guelders city of Zutphen they were between 10 and 12.5 per cent.<sup>46</sup> Still, it is difficult to see a trend, even when we look at the rates of return on *lijfrenten* in Haarlem (figure 7.1). Perhaps future research can yield a sharper image of declining interest rates on *lijfrenten*?

Looking at the depth of the market, there is evidence that cities in the Low Countries sold *renten* to a wide range of social groups. In Dordrecht and Haarlem many petty merchants and artisans invested in *lijfrenten*.<sup>47</sup> Manon van der Heijden even discovered that in Haarlem women with few assets invested in *renten* in the 16th and 17th centuries. Martijn van der Burg and Marjolein ’t Hart arrived at a similar conclusion for the *renteniers* of Amsterdam in the 16th and 17th centuries.<sup>48</sup> Jord Hanus also demonstrated that “relatively broad layers of the population” could afford to buy *renten* from the Brabant city of Den Bosch.<sup>49</sup> Notwithstanding the presence of people of modest means

<sup>46</sup> Van Werveke, *De Gentsche stadsfinanciën in de Middeleeuwen*, 286–290; Alberts, “Het financiële beheer van de stad Zutphen in 1445/46”, 94.

<sup>47</sup> Van der Heijden, *Geldschieters van de stad*, 179, 185; Dokkum & Dijkhof, “Oude Dordtse lijfrenten”, 80.

<sup>48</sup> Van der Burg & ’t Hart, “Renteniers and the recovery of Amsterdam’s credit”, 206–210.

<sup>49</sup> Van der Heijden, *ibid.*, 165; Hanus, *Tussen stad en eigen gewin*, esp. 57–64; Hanus, “Over miserable personen en rijke stinkerds”, 40, 42 [translation CJZ].

among *renteniers*, however, most of them were wealthy, as is indicated by Laurence Derycke's study of the *renteniers* of Bruges.<sup>50</sup>

### 7.3 Markets for Private Debt in Northwest Europe

Initially, *renten* were used as a means of private funding. They originated in the Carolingian *census* contract, which was used by monasteries to acquire bequests of land. In return, the benefactors received an annual usufruct income in money or kind for the rest of their lives, or those of their heirs. This *census* evolved into the *bail à rente*, a *rente* connected to the sale of real estate, and the *constitution à rente*, the precursor of the *lijfrenten* and *losrenten*.<sup>51</sup>

We can get an idea of the capacity of markets for private debt by looking at the *Schöffebücher* of the late 13th century. Helga Haberland discovered that large parts of the population of the city of Lübeck already participated in the capital market from 1285 to 1315. Although the economic elite bought most *renten*, middle groups were important as well, buying 8.7 per cent of all *renten* (worth 5.9 per cent of the total value) and selling 24.8 per cent of all *renten* (worth 18.2 per cent of the total value).<sup>52</sup> Hans-Peter Baum arrives at a similar conclusion for Hamburg from 1371 to 1410: middle groups bought 13.9 per cent of the value of all *renten* and sold 23.9 per cent.<sup>53</sup> In Stade middle groups bought 19.5 per cent and sold 18 per cent of the value of all *renten* from 1300 to 1399. There, a group consisting of the rural population and foreigners was important as well, buying 3.5 per cent of the value of all *renten* and selling 25 per cent.<sup>54</sup>

The elite invested more in the capital market than it derived from it. Put another way, by and large, the rich lent money to less wealthy people. The *Rentenumsatzquotient* – the value of *renten* a social group sold divided by the value of *renten* it bought – allows us to get an idea of the function of social groups participating in the capital market. In

<sup>50</sup> Derycke, "The public annuity market in Bruges at the end of the 15th century", 171–173.

<sup>51</sup> Munro, "The medieval origins", 518–519.

<sup>52</sup> Haberland, *Der Lübecker Renten- und Immobilienmarkt in der Zeit von 1285–1315*, 48. Von Brandt arrived at a similar conclusion for the period from 1320 to 1350 (Von Brandt, *Der Lübecker Rentenmarkt*, 6–10).

<sup>53</sup> Baum, *Hochkonjunktur und Wirtschaftskrise*, 175–177.

<sup>54</sup> Ellermeijer, *Stade. Liegenschaften und Renten*, 355, table 57.

Lübeck and Hamburg the quotients of the economic elite were respectively 0.58 and 0.73, indicating this group predominantly bought *renten*. The middle groups, on the other hand, predominantly sold *renten* and had quotients of respectively 3.08 and 1.72.<sup>55</sup> In Stade both the elite and middle groups were important *renteniers*, with quotients of respectively 0.67 and 0.92. The main *rente* sellers came from outside the city: the quotient of the rural population and foreigners was 7.59, and thus it seems that Stade functioned as a regional capital market.<sup>56</sup> Middle groups were important in the southern Low Countries as well: Johan Dambruyne writes of Ghent that *renten* were predominantly traded by middle class groups; the elite and wage labourers rarely participated in the market.<sup>57</sup>

The *Schöffebücher* also tell us a great deal about liquidity. In Lübeck existing *renten* were frequently alienated to third parties, especially when trade declined. Ahasver von Brandt discovered that alienation peaked at 33–50 per cent of all transactions in times of economic hardship: in 1343, when the city was besieged and seafaring trade was obstructed, newly created *renten* worth 4223 mark Lübeck and existing *renten* worth 4024 mark Lübeck were traded.<sup>58</sup> Von Brandt remarks that Lübeck merchants used *renten* “in a highly capitalist way as short-term interest bearing investments”.<sup>59</sup> They bought *renten* as a temporary investment and resold them when they needed funds for their business enterprises. In Hamburg *renten* were frequently alienated: from 1371 to 1400 the 1206 existing *renten* accounted for 18.8 per cent of the volume of the market for *renten* and 22.2 per cent of transactions.<sup>60</sup> Usually the number of existing *renten* traded was relatively small: in Stade the value of newly created *renten* was 71,857 mark, and that of existing *renten* was 8,447 mark.<sup>61</sup> In the Low Countries *renten* were resold as well: Hugo Soly writes that Antwerp *renteniers* in the 16th century simply resold *renten* when they needed funds, and Johan Dambruyne encountered

<sup>55</sup> Haberland, *Der Lübecker Renten- und Immobilienmarkt in der Zeit von 1285–1315*, 48; Baum, *Hochkonjunktur und Wirtschaftskrise*, 175–177.

<sup>56</sup> Ellermeijer, *Stade. Liegenschaften und Renten*, 355, table 57.

<sup>57</sup> Dambruyne, *Mensen en centen*, 139.

<sup>58</sup> Von Brandt, *Der Lübecker Rentenmarkt*, 10, 15–26, 44.

<sup>59</sup> Von Brandt, *ibid.*, 11 [translation CJZ]. Cf resale in Lübeck, Haberland, *ibid.*, 295 table II; for Hamburg, Baum, *Hochkonjunktur und Wirtschaftskrise*, 212 table XXVI.

<sup>60</sup> Baum, *Hochkonjunktur und Wirtschaftskrise*, 212, table XXVI.

<sup>61</sup> Ellermeijer, *ibid.*, 369.



resale in Ghent as well.<sup>62</sup> W. Niessen explicitly mentions that participants in the Nijmegen capital market were allowed to resell their *renten*.<sup>63</sup> In 16th-century Paris existing *renten* also made up a considerable proportion of transactions.<sup>64</sup>

Prices paid for existing *renten* were relatively low. Helga Haberland calculated that in Lübeck the average price of newly created *renten* was 95 mark, and of existing *renten* 78 mark. She explains this by pointing out that existing *renten* no longer represented the original value because they were in part redeemed when they were alienated. Furthermore, the average value of newly created *renten* increased over time, and as a result, existing *renten* tended to have a relatively low value.<sup>65</sup> There are also other examples of *renten* sold below face value in Basel, Danzig, and Breslau in the 15th century. Johan Dambruyne writes that Ghent *renteniers* had difficulty selling *renten* during periods of economic decline. Especially from 1590 to 1600, when nearly all *renten* (93 per cent) were resold for less than face value.<sup>66</sup> Although these examples hint at the practice of discounting, Bernard Schnapper claimed that *renten* could be transferred, but that they were not negotiable.<sup>67</sup> But, when we consider that resale carried a certain risk, buyers of existing *renten* may well have sought compensation by way of discounting.<sup>68</sup>

Alienation often required a separate contract proving the *rente* had been transferred. In the German Empire this initially required a *Willebrief* and a clause in the *rente* contract stating that the *rente* was to be paid to the possessor of the *Willebrief*.<sup>69</sup> Over time this practice

<sup>62</sup> Soly, "De schepenregisters", 526; Dambruyne, "De Gentse immobiliënmarkt", 160.

<sup>63</sup> Niessen, *De Nijmeegse onroerend goedmarkt 1570–1630*, 46, 99–101.

<sup>64</sup> Schnapper, *Les rentes au XVI<sup>e</sup> siècle. Histoire d'un instrument de crédit*, 223.

<sup>65</sup> Haberland, *ibid.*, 58–59.

<sup>66</sup> Kuske, *Das Schuldenwesen der deutschen Städte im Mittelalter*, 87; Dambruyne, *ibid.*, 168–169; Schnapper, *ibid.*, 216, note 39.

<sup>67</sup> Schnapper, *ibid.*, 218.

<sup>68</sup> Schnapper concedes the risks of resale and points out that the creation of new *renten* was much more secure. If he is correct in this respect, and I believe he is, resale required the ability to negotiate a price for the *renten* offered. Because discounting could easily be condemned as being usurious, we do not encounter many clues to this practice. But this should not lead us to conclude that discounting did not exist, especially since there is no reason to believe that participants in economic exchange negotiated about any type of capital asset except for *renten* (Schnapper, *ibid.*, 218–219).

<sup>69</sup> The term *wille* appears in a 1464 Amsterdam *rente* contract as well. Perhaps the *Willebrief* is comparable to the *transfix* we encounter in Holland, an appendix affixed to the contract to validate changes in the original contract (Kernkamp, *Vijftiende-eeuwse rentebrieven*, 14, 34–36).

was replaced by a clause in the *rente* contract stating that the *rente* was to be paid to the *rentenier* or the owner of the contract.<sup>70</sup> Bernard Schnapper concurs that *renten* were made out to bearer, but he does not believe that this means such *renten* could be transferred, but simply that *renteniers* could appoint intermediaries to receive the *rente* on their behalf.<sup>71</sup> How this would have prevented *renteniers* from reselling *renten* and yet allow the new owners to receive *renten* as bearers of the contract remains unclear.

Regardless of whether *renten* were indeed discounted or even traded in secondary markets, the ability to alienate *renten* increased their liquidity. In this respect Hans-Peter Baum discovered that constructions allowing the *rentenier* to force the *rente* payer to redeem the *rente* disappeared in Hamburg, and concludes that this must be ascribed to increasing possibilities for reselling *renten*. He is probably right when he points out that this means that the *rente* “no longer was a loan to a designated individual, but the purchase of a mutually alienable obligation”.<sup>72</sup> When we take this into consideration, it is not a surprise to see that *renten* were used as securities as well: Jürgen Ellermeijer mentions a few examples from the city of Stade in northern Germany.<sup>73</sup>

#### 7.4 *The Italian City-States and England*

In northwest Europe markets for *renten* provided the public and private sector with a fairly homogenous system to create funded debt. Outside northwest Europe we encounter financial instruments comparable to *renten* on the Iberian Peninsula. The Castilian monarchy issued *juros*, instruments of long-term debt secured by the crown’s ordinary revenues, as early as the 12th or 13th centuries. These were either issued for a lifetime, or were heritable and redeemable. Likewise, public bodies created debt on behalf of the ruler in Catalonia, where a “properly coordinated system of public credit” emerged. After 1370 the Crown

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<sup>70</sup> Kuske, *Das Schuldenwesen der deutschen Städte im Mittelalter*, 85–86.

<sup>71</sup> Schnapper, *ibid.*, 218.

<sup>72</sup> Baum, *Hochkonjunktur und Wirtschaftskrise*, 28–29 [translation CJZ].

<sup>73</sup> Ellermeijer, *ibid.*, 316–317. Ellermeijer mentions a similar phenomenon in Cologne.

of Aragon managed to create public debt secured by the collective of public bodies of Catalonia and Valencia.<sup>74</sup>

To put the northwest European capital markets in perspective, we will briefly address instruments for redistribution of savings in northern and central Italy and England. Both regions prospered in the high Middle Ages, and especially advanced financial techniques were developed in the Italian city-states. In the late Middle Ages, however, these economies stagnated and were surpassed by regions in northwest Europe. Neither Italy nor England managed to create a large homogeneous institutional framework to allow capital to flow freely across society. In England *renten* hardly existed,<sup>75</sup> and in northern and central Italy they emerged relatively late.<sup>76</sup> There, money markets allowed for contracting floating debt, and some other financial instruments also facilitated the creation of funded debt in Italy.

In northern and central Italy capital markets were not altogether absent, but markets for *renten* in northwest Europe allowed for a much broader redistribution of savings. Markets for *renten* came closer to “perfect capital markets” there, open to the entire population, and contributing to dynamic, open societies and economic growth. In northern and central Italy we find more “imperfect capital markets”, which were not necessarily less advanced, but lacked scope and volume, and only served the needs of a smaller part of the population: rulers, large towns, and merchant elites. These were unfree or monopolized markets, or markets contributing to the emergence of oligarchies, monopolization of trade, and other elements that may have hindered economic growth in the long run.

### *Public Debt*

In England government borrowing initially resembled the practice we encounter in northwest Europe before the emergence of capital markets. Until the reign of Edward I (1272–1307) the kings borrowed money

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<sup>74</sup> Tracy, *A financial revolution*, 22–23; Tracy, *Emperor Charles V*, 91–91; Ormrod, “The West European monarchies in the Later Middle Ages”, 159; Martinez, “Dette publique dans les pays de la couronne d’Aragon (14<sup>e</sup>–15<sup>e</sup> siècles)”, 33–35; Usher, *The early history of deposit banking in Mediterranean Europe*; Munro, *ibid.*, 533–536.

<sup>75</sup> Postan showed that *renten* were not altogether absent from the English economy: especially merchants seem to have invested in these “rents” (Postan, “Credit in medieval trade”, 14–15).

<sup>76</sup> The Venice Mint sold *lijfrenten* in 1536 and 1540 and *losrenten* in the 1570s (Tracy, *A financial revolution*, 13; Munro, *ibid.*, 533).

from foreign merchants. Edward I established ties with Italian bankers such as the Riccardi of Lucca, and his successor Edward II borrowed from the Bardi of Florence. Credit facilities declined after 1339, however, when the bankruptcy of Edward III (1327–1377) damaged the position of the Bardi and Peruzzi, who were major creditors to the crown. A couple of years later these and other firms went bankrupt. In England syndicates of merchants were created to replace the Italians as creditors to the crown, but they lacked starting capital and so were unable to provide similar funds. Although these syndicates borrowed money from Hanseatic and Italian merchants and on the Bruges money market, this credit system gradually collapsed after the Plague.<sup>77</sup>

In the remainder of the Middle Ages the English kings did not develop “an efficient credit system”.<sup>78</sup> Instead, they continued to borrow from professional moneylenders such as those in Antwerp in the 16th century.<sup>79</sup> Whereas their peers in northwest Europe did create funded debt, or had the public sector turn floating debt into funded debt for them, the kings of England could not participate in markets for public debt. The English public sector simply did not develop funded debt until the Tudor period (1485–1603), when the Corporation of London was forced to underwrite royal debts. Lacking intermediaries, the kings of England had little creditworthiness and could only borrow under disadvantageous conditions.<sup>80</sup>

It thus seems that in England the kings and public sector were only able to create public debt at a later stage. By implication, the emergence of markets allowing the public sector to contract funded debt is likely to have lagged behind northwest Europe by several centuries, and in this respect Douglass North and Barry Weingast have suggested that England only caught up with the Dutch Republic when English institutions improved at the end of the 17th century.<sup>81</sup>

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<sup>77</sup> Fryde & Fryde, “Public credit”, 451–473; Kindleberger, *A financial history of Western Europe*, 45.

<sup>78</sup> Fryde & Fryde, *ibid.*, 469. Cf. the small sums the kings borrowed, Powell, *The evolution of the money market*, 35–36.

<sup>79</sup> Blanchard, “English royal borrowing at Antwerp, 1544–1574”.

<sup>80</sup> Webber & Wildavsky, *A history of taxation and expenditure in the Western World*, 253–254, 257. Cf. the problems English towns had in implementing public works, which were due to their inability to create public debt Kuijpers, “Who digs the town moat?”

<sup>81</sup> North & Weingast, “Constitutions and commitment”, 819–824.

In the late Middle Ages the city-states of northern and central Italy witnessed the emergence of advanced financial techniques, including long-term public debt.<sup>82</sup> C. Webber and A. Wildavsky remark that “the North-Italian communes financed government partly by borrowing, then funded and managed their debt in an orderly fashion”.<sup>83</sup> To this end they occasionally turned to “collective guarantee of municipal debt”, which is not unlike the general mortgage of public debt in northwest Europe.<sup>84</sup> The commonest way to create public debt, however, was not by participating in free markets, but by levying forced loans called *Monte* debts. Venice already levied non-interest-bearing forced loans in 1172, and introduced interest-bearing forced loans in 1262. Florence and Siena relied on forced loans from the beginning of the 14th century. Over time interest-bearing forced loans became attractive investments: in the 14th century loan contracts were already widely traded and discounted.<sup>85</sup> Such forced loans were evidently not contracted in the capital market. They also were expensive: C. Webber and A. Wildavsky note that Italian cities paid interest rates ranging from 10 per cent to 60 per cent.<sup>86</sup> According to A.P. Usher, forced loans were contracted because of a lack of alternatives:

The needs of the great towns exceeded the expectations of current revenue before there was any extensive market for long time funds at rates of interest which any public body could afford to pay.<sup>87</sup>

The scope of such forced loans was limited because they were usually distributed among urban elites. In Tuscany 99.7 per cent of the *Monte* debt was contracted with Florence households. Only they could “invest” in public debt and make a profit from it at an interest of 10 per cent per year. Within Florence 78 per cent of the households did not own any *Monte* shares, and of the remaining 22 per cent, a minority of 2

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<sup>82</sup> Tracy, *A financial revolution*, 9–10; Munro, “The medieval history of the financial revolution”, 514–518.

<sup>83</sup> Webber & Wildavsky, *ibid.*, 203–204.

<sup>84</sup> Webber & Wildavsky, *ibid.*, 256.

<sup>85</sup> Tracy, *A financial revolution*, 10–11; Tracy, “On the dual origins”, 20–21.

<sup>86</sup> Webber & Wildavsky, *ibid.*, 203–204; Bowsky, *The finance of the commune of Siena 1287–1355*, 180–181. Florence managed to limit interest payments to 5% after 1381 (*ibid.*; Tracy, *A financial revolution*, 12; Munro, “The medieval history of the financial revolution”, 514).

<sup>87</sup> Usher, *The early history of deposit banking in Mediterranean Europe*, 155–156.

per cent of the wealthiest households owned over 60 per cent of them.<sup>88</sup> When we consider that the interest Florence paid over *Monte* shares was levied with the taxes on town and countryside, it is clear that the *Monte* system contributed to the reallocation of capital to the urban elites.<sup>89</sup>

Italian cities sometimes contracted public debt without using force: Siena contracted floating debts with citizens in the 14th century, which was often repaid within a few months and involved high interest rates.<sup>90</sup> Cities also created long-term public debt by allowing investors to buy interest-bearing shares in a *compera* (syndicate), which was vested on an excise. This was the practice in Genoa, where a syndicate was secured with a tax on maritime insurance contracts in 1432. The city government thus raised the money needed to construct a war fleet. Genoa used this type of funding as early as the 13th century, and we see such syndicates in other Italian city-states as well.<sup>91</sup> Still, there is no evidence of wide application of this type of funding, and it seems that in spite of their advanced financial techniques, the Italian city-states lacked capital markets in which they could contract public debt at favourable conditions.<sup>92</sup>

### *Private Debt*

In England possibilities for creating funded debt were poor.<sup>93</sup> According to P.G.M. Dickson, mortgaging real estate was not common in England until the middle of the 17th century.<sup>94</sup> In the countryside most obligations were secured on movables, often future sales of harvests and

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<sup>88</sup> Herlihy & Klapisch-Zuber, *Les toscans et leur familles*, 251. Siena also levied forced loans in the countryside (Bowsky, *The finance of the commune of Siena 1287–1355*, 244).

<sup>89</sup> Herlihy, "Direct and indirect taxation", 402; Munro, "The medieval origins of the financial revolution", 515–516.

<sup>90</sup> Bowsky, *The finance of the commune of Siena 1287–1355*, 189–191, 199–200, 223–224.

<sup>91</sup> Tracy, *ibid.*, 10.

<sup>92</sup> Usher also stresses the fundamental differences between the Italian and north-west European systems of public debt (Usher, *The early history of deposit banking in Mediterranean Europe*, 155–156).

<sup>93</sup> Cf. a short survey indicating that private capital markets only emerged in the early 18th century, North & Weingast, "Constitutions and commitment", 824–825.

<sup>94</sup> Dickson, *The financial revolution in England*, 4–5. Cf. some earlier examples, Schofield, "Introduction", 5. Bolton suggested that possibilities to mortgage urban real estate were relatively good, but did not indicate whether this was a usual practice (Bolton, *The Medieval English Economy 1150–1500*, 126).

existing stock. Philip Schofield links this phenomenon to “constraints associated with unfree land”, which prevented contracting mortgages.<sup>95</sup> Here we see how a lack of clear property rights increased transaction costs in the capital market and hindered contracting funded debt. As a result, capital formation was not within reach of the vast majority of the population.<sup>96</sup>

In northern and central Italy quasi-banking institutions offered credit to at least a part of the urban population. The *Monte di Pietà* offered small loans free of interest on security for objects left in pawn. This means that borrowers may have received money, but lost capital goods.<sup>97</sup> This institution probably did little more than help people who were on the brink of starvation: according to B. Pullan, the *Monte di Pietà* “did not...lend to small artisans or shopkeepers to help them start up in business”.<sup>98</sup> Institutions providing large parts of the population with possibilities for creating funded debt did not exist.

In general, the private sector depended on loans advanced by Jews and Lombards, which required pawning capital goods and involved high interest rates. In the countryside possibilities to borrow at reasonable conditions were especially few. R.L. Hopcroft and M.J. Emigh believe that Tuscan peasants could borrow from Florentine pawnshops, rural moneylenders, Jews, and notaries, who often charged 20 per cent interest or more.<sup>99</sup> According to Maristella Botticini, “Tuscan credit markets were local and isolated, especially for peasant households”, and “peasants lacked access to a regional or larger credit market”.<sup>100</sup> As a result, peasants often had to contract debts with their landlords, thus increasing personal bonds and risking expropriation. As was the case elsewhere in southern Europe, in Tuscany the problem of peasant-expropriation was acute. In this respect Daniel Akerberg and Maristella Botticini pointed

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<sup>95</sup> Schofield, “Access to credit in the early fourteenth-century English countryside”, 119.

<sup>96</sup> Bolton, *The Medieval English Economy 1150–1500*, 283.

<sup>97</sup> Menning, *Charity and state in late renaissance Italy*, XI, 13–15, 28, 77–78; Pullan, *Rich and poor in renaissance Florence*, 470.

<sup>98</sup> Pullan, *Rich and poor in renaissance Florence*, 471; Webber & Wildavsky, *A history of taxation and expenditure in the Western World*, 256.

<sup>99</sup> Hopcroft & Emigh, “Divergent paths of agrarian change: Eastern England and Tuscany compared”, 15–16; Usher, *The early history of deposit banking in Mediterranean Europe*, 135.

<sup>100</sup> Botticini, “A tale of benevolent governments”, 170.

out that the lack of access to credit contributed to expropriation and the rise of sharecropping in the countryside.<sup>101</sup>

On the other hand, possibilities for investing savings existed in larger Italian cities. Both the *Monte di Pietà* and *Monte Commune* paid interest rates of 5 per cent on deposited money, and among the savers we see rich and “middle class” widows.<sup>102</sup> In trading centres offices of moneychangers also allowed for the possibility of depositing savings.<sup>103</sup>

If there is a main conclusion to be drawn from this brief survey, it is that broad, nearly ubiquitous capital markets such as the ones we saw in northwest Europe did not exist in northern and central Italy or England in the late Middle Ages. Although in the Italian city states large cities and merchants probably had ample possibilities to contract funded debt, small cities and villages and ordinary people had fewer possibilities. In England possibilities to contract funded debt were altogether poor. In northern and central Italy asymmetric access to capital markets may have contributed to the political strength of large cities and their merchant elites. The former monopolized financial techniques that allowed the creation of funded debt, and the latter managed to profit from the *Monte* system. This may have contributed to the subjection of smaller cities and villages and the accumulation of wealth among urban elites. Both developments are often linked to monopolization and economic stagnation. In contrast, markets for *renten* in northwest Europe may have contributed to competition and economic growth.

### 7.5 Conclusion

In the late Middle Ages markets for *renten* emerged in much of northwest Europe. The precise timing of this development is difficult to determine, but in general it seems to have been established in the second half of the 13th and 14th centuries, when acceleration in the trade of *renten* was seen. By then rulers and the public sector increased

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<sup>101</sup> Ackerberg & Botticini, “The choice of agrarian contracts in early renaissance Tuscany: risk sharing, moral hazard or capital market imperfections?”, 242; Herlihy & Klapisch-Zuber, *Les toscans et leur familles*, 261, 277–279. In this respect so-called *livelli* contracts, which were also used as a rather rudimental way to borrow, are likely to have contributed to “peasant expropriation”.

<sup>102</sup> Heers, “Montes” in *Lexicon des Mittelalters* VI, 795–797; Molho, *Florentine public finances*, 64; Menning, *Charity and state in late renaissance Italy*, XI, 13–15, 28, 77–78.

<sup>103</sup> De Roover, “The organization of trade”, 96–97.



their funded debt and sold *renten* at home and abroad. Also, markets began to show considerable depth, interest rates declined, and liquidity increased.

It is possible that these northwest European markets for *renten* had a similar capacity and institutional framework to those in Holland. Two elements may have contributed to this: first, institutional frameworks were often taken over, for instance, by copying urban statutes. Furthermore, the strong position of public bodies we encountered in Holland also existed in other areas of northwest Europe.

The rise of markets for *renten* coincided with the flourishing of much of northwest Europe: the expansion of the German Hansa, the Golden Age of Flanders, and the rise of Holland. It is tempting to state that capital markets facilitated economic growth, especially when we consider that possibilities for capital accumulation in northern and central Italy and England were much more restricted. This may have given northwest Europe a comparative advantage over other regions.

On the other hand, capital markets in northwest Europe were not all the same. In Holland the proto-territorial state had little or no competition from feudal lords, ecclesiastics, or powerful cities. This reduced possibilities for monopolies and helped open capital markets to the public and private sectors. Since asymmetric access to capital markets allows those with access to gain power, the capital markets of Holland were likely to have prevented or at least delayed the emergence of plutocratic oligarchies capable of monopolizing economic exchange. Perhaps the Italian city-states are the most important examples of areas with asymmetric capital markets that favoured capital cities and merchant elites, and ultimately contributed to economic stagnation.

## CONCLUSION

This study has focused on the institutional framework of capital markets in late medieval Holland. As a point of departure we used the theory of the New Institutional Economy. This theory links the organization of markets to possibilities for economic growth: good market structures help keep transaction costs low and thus allow for profitable exchange. Whether good market structures emerge depends on the interest groups that shape market structures: in the absence of social balance, specific interest groups may be able to change the institutional framework in their own interests, for instance, by creating monopolies or possibilities for rent seeking. In late medieval Holland, however, the process of state formation brought about a social balance that favoured the development of good market structures of the markets for public and private debt. These were markets with a significant capacity, which enabled the participation of large parts of the public and private sectors.

### *State Formation*

Participants in the capital market require a great deal of confidence in debtors, whom they entrust with their savings on the promise of regular interest payments. They can base their confidence on trust or on possibilities they may have to enforce payment by such methods as protest, defamation, appealing to religious and moral zeal, and ostracism. These informal institutions can be effective when contracting parties maintain a social relationship, or when the principal sum is relatively low. When the costs of default are less than the profits of running off with the money, however, informal institutions no longer suffice. To reallocate savings involving larger sums and to redistribute savings beyond social groups, creditors and debtors require formal institutions that only authorities can provide.

In the wake of the decline of the Carolingian Empire authority had disintegrated in much of northwest Europe. Local strongmen rose to power, and in the subsequent violent era, some of them gained control over large areas. In Holland the dynasty of the Gerulfingen became most powerful; they were made counts by the German Emperors, and their successors gradually conquered what was ultimately to become the county of Holland. In the course of this process they subjected

independent lords and clerics. The counts owed much of their success to reclamation of the peat region, a large, virtually uninhabited marshy area where independent lords and clerics had never gained control. When colonists had settled on the land, the counts could create a society very similar to a territorial state; the settlers answered directly to the counts, and paid taxes to them. Later, in the 14th and 15th centuries, urbanization further increased the number of inhabitants that answered directly to the counts. These developments strengthened the counts' position and allowed them to roll back the remaining domanial and feudal rulers living outside the peat area, although this was not a linear or absolute development: some independent lords held out and maintained their autonomous territories.

Restricting the authority of the Church was also important because canon law offered the inhabitants of Holland an alternative to the comital judiciary, and this undermined legal transparency. In a number of agreements the state and Church defined the boundaries of canon law, albeit with varying success. Still, the Church rarely interfered directly in economic exchange: for instance, there are only few indications that clerics actively pursued usurers.

In the course of the high and late Middle Ages the counts of Holland gradually monopolized authority and replaced domanial and feudal structures with a government apparatus. Although state formation occurred throughout Europe, it was particularly successful in Holland: the county's distinct development resulted from reclamation of the peat region, the strong property rights colonists gained, and the rapid urbanization, which brought about a relatively modern society. The large territorial state had a government apparatus centred on the ruler, but at the same time radiated to the farthest corners of the county. Government agents, such as sheriffs and bailiffs, were undisputed authorities and indispensable intermediaries between the rulers and their subjects. They also gave shape to the initiatives subjects took to organize society.

The organization of economic exchange was among the main issues government agents and subjects had to face. The latter required arbitrating institutions that provided them with possibilities for resolving conflicts. In Holland government agents and organizations of subjects were responsible for civil jurisdiction: sheriffs summoned defendants to appear in court, organized court sessions, and executed sentences, while groups of subjects – usually consisting of aldermen or neighbours – issued verdicts. Everywhere in the county this public sector served as

the backbone of market structures. Public courts allowed participants in the capital market to seek compensation from defaulters. They could appeal sentences to regional courts operated by bailiffs, the Supreme Court (*Hof van Holland*) in The Hague and – in the Burgundian and Habsburg eras – at the *Grote Raad* in Malines. This “horizontal” political structure allowed the counts to govern with minimal interference from the nobles. Moreover, as time went by, public courts were rarely challenged by canon law, making for a relatively predictable and transparent legal framework.

Medieval state formation should not be idealized, however: disputes between competing courts never completely disappeared, nobles and clergy remained privileged, patronage and nepotism remained important elements supporting the government apparatus, and some government agents were corrupt. Yet, it is safe to say that the public sector performed well. Sheriffs often earned a wage, which made them less prone to corruption, and they were always supervised by bailiffs and could be removed from office. They executed the judgements that groups of subjects issued, and although this joint responsibility for jurisdiction did not exclude abuses, it helped prevent nepotism and corruption. Furthermore, government agents and subjects shared concerns about public order, and this induced them to issue fair judgements. And of course, the possibility that appeals by litigants would provoke an investigation by superiors also restricted government agents.

Until the 16th century this government apparatus did not really allow for policy making by the state, and even the efforts of the Habsburg state were only successful because their measures built on existing common law. Usually the public sector anxiously guarded its privileges and did not allow the rulers to interfere in local affairs. As a result, the market structures we encounter in the late Middle Ages were created by local government agents and subjects. Thus, the public sector was an exponent of fairly weak “top-down” policies, for which sheriffs and bailiffs were responsible, and of “bottom-up” policies initiated by subjects. This power balance provided checks on the emergence of dictatorship and disorder.

### *Markets for Public Debt*

Public debt helped pay for state formation. It not only strengthened the position of the centre, but it contributed greatly to the development of

the periphery as well because it forced the public sector to organize and develop market structures that enabled the accumulation of capital. In the course of this process the public sector became an indispensable financial intermediary with strong bargaining power, which allowed it to obtain political influence and negotiate privileges.

In the late Middle Ages an increasing number of public bodies created public debt on behalf of the rulers; to increase their creditworthiness and spread risks, the cities of Holland and Zeeland introduced collective responsibility for debt as early as 1291. In 1345 this method allowed them to sell *renten* in the southern Low Countries. Count Willem IV secured this transaction with domain incomes and future tax revenues, and even allowed the cities to monitor the collection of these funds. Collective public debt forced cities to cooperate over a long period of time: they organized sales, paid *renten* for many decades, and negotiated with *renteniers* in the wake of defaults. This type of funding thus forced participating cities to intensify their contacts, and probably contributed to the emergence of the States, which became an intra-urban platform for a large number of important issues, including public debt.

Over time, *renten* were no longer only sold by collectives of cities and individual cities, but also by the States of Holland. Whether the introduction of *gemenelandsrenten* was indeed a financial revolution, as James Tracy has suggested, is doubtful. He singled out the use of collective responsibility for debt and future tax revenues as the main institutional improvements of the financial revolution. But the introduction of *gemenelandsrenten* after 1515 must be viewed as the broad application of existing financial techniques to meet increasing demands for government funding. This was the next step in an evolutionary development, which had already improved the creditworthiness of the public sector at an earlier stage, and it also provided impulses for the creation, institutionalization, and organization of the States.

The need for government funding also forced individual public bodies to improve their means for accumulating capital. To withstand competition among rulers, the counts of Holland demanded more and more funds. Whereas the rulers had low creditworthiness, the public sector was capable of creating funded debt. By paying taxes and mediating in the capital market on behalf of the counts, public bodies gained bargaining power. They had other incentives to sell *renten* as well, such as water management and building and maintaining public works.

To be able to sell *renten*, the public sector created market structures consisting of several institutions. Some of these overlapped with those of markets for private debt, such as contracting institutions. Others were aimed at public debt, particularly the general mortgage, which made the public body and all its members responsible for the debt. In case of default, *renteniers* were allowed to use the law of reprisal and the penalties of canon law to seek compensation from members of public bodies. To this end public bodies also depended heavily on the institutional frameworks of foreign public bodies and even the Church; in this respect, the county-wide legal framework the counts of Holland developed was also a requirement for the success of public debt. The same was true of the supra-regional legal framework the Burgundian and Habsburg rulers created at a later stage.

To create funded debt, the public sector also had to develop information networks. The States, collectives of cities and individual public bodies, depended on intermediaries who helped them sell, pay, and monitor *renten*. Informal arrangements such as the *bodebrood* – a small sum paid to those reporting the death of someone receiving a *lijffrente* – helped to keep transaction costs low as well. Improvements in accounting prevented accidental defaults and subsequent reprisals: the mounting public debt was one of the main causes underlying the professionalization of financial administration of the main cities.

Public debt depended on the general mortgage, which allowed *renteniers* to apprehend, seize, and imprison members of indebted public bodies. In the course of the late Middle Ages, public bodies improved possibilities for personal execution. Initially, authorities had left much of the organization of imprisonment for debt to the *renteniers*, who had to pay for custody before the trial, and because there was no prison system, they even had to keep defaulting parties locked up in their own homes. In the 15th century public bodies began to take more responsibility for the execution of general mortgages. When the prison system was professionalized, they allowed plaintiffs to use prisons for civil sentences. While plaintiffs still had to pay for the convicts' food and water, the mere fact that they were allowed to use prisons to force debtors to comply was an important improvement.

Public bodies did not hesitate to create “bad institutions”, and sometimes they turned to extra-economic force as well. In crisis situations public bodies were often in demand for quick funding. Under such circumstances their creditworthiness was usually low, and the free

market could not provide them with the ready money they needed. Forcing subjects to buy *renten* was an alternative. Forced loans were only incidentally levied, however; public bodies usually sold *renten* without applying force.

Public bodies also created other “bad institutions”: *renteniers* bequeathed and endowed *renten* and sold them to third parties, which increased transaction costs. To prevent this, public bodies often restricted possibilities for alienating *renten*. They also objected to transfers of *renten* to clerics and foreigners because they feared reprisals. To reduce expenses, they restricted the payment of *renten* to a certain radius, often the borders of Holland or a number of other cities. And when public bodies defaulted, they tried to limit reprisals by negotiating deals with foreign authorities and *renteniers*. Alternatively, they turned to the rulers to restrict the possibilities *renteniers* had for seeking compensation for defaults. Many of Holland’s troubled main cities received moratoriums at the end of the 15th century. These prevented reprisals, but were also a blatant breach of contract with *renteniers*, which harmed creditworthiness for many years to come.

The institutional framework that the public sector created allowed for an increasing accumulation of capital. Initially, public bodies only sold *renten* in the southern Low Countries: in 1293 Dordrecht owed *renten* to inhabitants of Bruges, and when a collective of the cities of Holland and Zeeland sold *renten* in 1345, the *renteniers* were predominantly found in Brussels. During the reign of Count Albrecht there was a switch to *renteniers* from Holland: the public sector managed to support the count’s war efforts with proceeds of *renten* they sold both at home and abroad. Count Willem VI also persuaded the public sector to sell *renten* on large, impersonal markets at home and abroad. Domestic markets clearly gained importance over time: in the remainder of the 15th century Haarlem and Leiden sold most of their *renten* to inhabitants of Holland.

The late Middle Ages witnessed the gradual expansion of markets for *renten* in the Low Countries. The public sector of Holland shifted part of its public debt to *renteniers* living in cities in Zeeland, the Nedersticht, and Oversticht. Not only did public bodies reach the inhabitants of major cities, they sold *renten* in smaller towns as well. This development not only occurred in the public sector of Holland: it reflects institutional improvement in much of the Low Countries. Public debt depended in part on foreign legal frameworks, which allowed *renteniers* to pursue legal action against defaulters.

The geographic diffusion of buyers living in Holland increased as well. Initially, *renteniers* came from the main cities, but in the 15th century Haarlem and Leiden sold *renten* to inhabitants in smaller cities and even villages. Improved market structures helped reallocate savings among an increasing number of participants in the capital market. The number of public bodies that created funded debt also grew markedly. Initially reserved to the main cities – which had the creditworthiness and information networks to sell *renten* – over time, smaller cities also managed to gain access to capital markets, and at the beginning of the 16th century the majority of the villages in Holland created public debt as well.

### *Markets for Private Debt*

A strong public sector is one of the main characteristics of medieval and early modern Holland. It benefited economic growth because participants in economic exchange did not need to fear dictatorship by rulers or domanial and feudal lords and clergy. Instead, local public bodies had firm control of economic exchange. That did not mean that government agents and local elites had no incentives or possibilities for pursuing their own interests. But because both were responsible for public debt and often themselves participated in markets for private debt, they were best served by strong market structures.

Public bodies disposed of a virtual monopoly on voluntary jurisdiction, which was the backbone of the institutions of the market for private debt. It originated in a distant past, when transfers that involved land still had major political consequences, and communities sought ways to monitor the alienation of land. To this end, common law prescribed that all transactions of land had to be witnessed by the village community. Later, when the political consequences of landownership had been ceded, public bodies retained this principle of common law, even though now only a few local authorities had to ratify transactions. In 1529 Emperor Charles V even codified this custom.

The monopoly on voluntary jurisdiction was “virtual” because there were alternatives for ratification by public bodies. Surviving domanial and feudal lords, clerics, and notaries could also draw up contracts and affix their seal. Their services were unpopular, however, because public courts always preferred contracts ratified by public bodies to contracts ratified by other authorities. The latter either did not have



its own courts, or – in the case of the clergy – no courts capable of dealing with civil law. In other words, it was often useless to have a contract ratified by any authority other than the local public body. The main threat to this virtual monopoly came from the public sector itself: local courts experienced competition from other public bodies willing to ratify transactions. This practice posed a serious threat to transparency in economic exchange because lawsuits could cause disputes of competence among public bodies, resulting in lengthy and expensive trials. Still, in Holland participants in economic exchange usually steered clear of these problems: in general local courts ratified transactions in the land and capital markets.

The monopoly on voluntary jurisdiction also allowed public bodies to monitor economic exchange, which helped them apportion taxes equally among subjects and prevent tax evasion and the emergence of free riders. The monopoly also allowed public bodies to guide economic exchange and prevent fraud, and thus maintain public order. It enabled them to pursue economic policy as well: to prevent clerics and other social groups from engaging in economic exchange, to restrict resale, and prohibit usurious loans.

The public sector strengthened its virtual monopoly by providing participants in economic exchange with institutions that reduced transaction costs; their competitors – including foreign public bodies – often could not provide these. And even though competitors offered contracting institutions as well, those of public bodies were considered preferable. Most important, only contracts ratified by public bodies allowed participants in economic exchange to use institutions that reduced transaction costs. Also, unlike other contracts, those issued by local courts were embedded in an extensive institutional framework, prescribing acquisition terms, ways to extend the duration of contracts, and force of law. Thus, participants in economic exchange acquiring *schepenbrieven* and *heemraadbrieven* had a perfect idea of the legal status of their contracts. Not all *renten* were written down in contracts, however: alternatively, contracting parties could proclaim transactions in the presence of aldermen or neighbours, who could memorialize them (*schepenkennis*) or record summaries in registers called *schepenprotocollen*.

Witnessing all transactions that would be upheld in court, public bodies could offer subjects institutions that helped reduce transaction costs. The problem of asymmetric information was one of the main concerns of *renteniers*. Public bodies helped them estimate what the

credit rating of mortgagers was by informing them about the status of the capital asset that was to be mortgaged. Furthermore, public bodies created institutions allowing mortgagers to publicly announce proposed transactions and challenge third parties to step forward and make their claims known. To reduce fraud, they made such public announcements a condition for the acquisition of property rights.

*Renteniers* had to be sure that they stood a good chance of receiving compensation in case of default. The public sector provided such an institutional framework, allowing for swift and inexpensive execution, and thus helped reduce transaction costs. Contracting parties who had their contracts ratified by local courts disposed of the special mortgage, which allowed them to use summary execution. In case of default the *rentenier* did not have to file a lawsuit, but could immediately ask the sheriff to seize the mortgage; obviously this was a fast and inexpensive type of execution. Alternatively, *renteniers* accepted general mortgages as secondary securities; for execution they relied on the same institutions that allowed for personal execution in the market for public debt, such as seizure and imprisonment for debt. Over time, the state took responsibility for much of the pursuit of debtors: to this end it appointed government agents, designed prisons to be used for civil judgements, and ultimately reduced transaction costs even further by taking care of the sale of the executed mortgage and compensating *renteniers* in money. Altogether, the late Middle Ages witnessed some major institutional improvements in debt recovery.

A range of qualitative and quantitative indicators shed some light on the progress of institutional improvement. First, it is important to realize that the exchange of *lijfrenten* and *losrenten* carried considerable risks. As a rule, funded debt requires a reliable institutional framework to provide *renteniers* with ample legal security. Alienation of *renten* to third parties required even more of the institutional framework: as early as the 14th century, many *renten* were made out to bearer and bequeathed, endowed, and resold to third parties. Contracts were alienated over and over again in the course of several decades and even centuries, and thus the institutional framework clearly reduced transaction costs to the point where *renten* became abstract and liquid types of investment.

The popularity of *renten* is also reflected in the concerns authorities had about the capital market. Some cities prohibited the creation of *renten* altogether, presumably because they feared increasing sales, and the stacking of *renten* would cause problems. Bylaws allowing debtors

to redeem *renten* and take over resale were ubiquitous, and these were clearly aimed at a popular type of funded debt. Other cities issued bylaws excluding clerics, bastards, and the mentally ill from the capital market, which suggests that these groups took part in the exchange of *renten*. Altogether, it is difficult to see why medieval authorities put so much effort in the capital market if participation was restricted to the elite. Perhaps their concerns were comparable to those of the Dutch authorities today: to prevent mounting indebtedness among inhabitants the latter try to restrict the popularity of long-term loans offered by accessible financial institutions as well as consumer credit offered by mail order companies.

Even though series of quantitative sources emerged relatively late, there are a few indicators available for the capacity of markets for private debt. The sheer number of *lijfrenten* and *losrenten* delivered may serve as circumstantial evidence, which indicates that the volume of the market must have been considerable. And the *verpachtingskohieren* of Edam and De Zeevang suggest that many households had *renten* and other dues mortgaged on their real estate. These sources also show that the households participating in capital markets were not wealthier than the population at large: markets for private debt were open to any landowner, so the depth of the capital market must have been considerable.

The development of interest rates may also serve as evidence of the institutional improvement of capital markets. Interest rates dropped greatly, from 10 per cent to 6.25 per cent in the 14th and 15th centuries, and a little over 5 per cent in the first half of the 16th century. It is unlikely that this was caused by an increase in money per capita: compared to other regions, Holland did not experience a significant loss of lives during the Plague, and there are no indications of a successful monetary policy or enormous influx of money that could have caused interest rates to drop. Furthermore, interest rates only began to drop about a generation after the Plague, and continued to decline despite the rapid recovery of the population. Therefore, it seems that only institutional economic improvements can account for the structural decline of interest rates.

Domestic markets for public and private debt first emerged in the late Middle Ages; there is no evidence of inhabitants of Holland buying *renten* before the 14th century. Institutional improvements convinced subjects to invest their savings in *renten*, causing supply in capital markets to increase and interest rates to decline rapidly. This develop-

ment can only be comprehended if we realize that the emerging capital markets were new, allowing the inhabitants of Holland a secure and profitable way to invest savings. People abandoned the practice of hoarding coins and hiding them around the house, and exchanged them for *lijfrenten* and *losrenten*.<sup>1</sup> The most dramatic drop in interest rates that Holland ever experienced was caused by a structural development: the emergence of the institutional framework of capital markets.

### *A Medieval Legacy*

In their book, *The first modern economy. Success, failure and perseverance of the Dutch economy, 1500–1815*, Jan de Vries and Ad van der Woude suggest that the Dutch Republic was at least in part shaped by a “medieval legacy”. An important element of this legacy is “the absence of a truly feudal past”, which allowed individuals to pursue initiative and innovation.<sup>2</sup> De Vries and Van der Woude do not explore this further, nor do they tackle issues relating to the influence of Holland’s medieval history, and whether it created some kind of path dependency leading directly to the Republic.

This study reveals some medieval structures the Dutch Republic inherited. In the late Middle Ages Holland gradually became a proto-territorial state, with defined borders, a strong government apparatus, and a direct link to its subjects. Its strong public sector consisted of local government agents that ensured local elites did not create monopolies. It also consisted of elected representatives that restricted state power. This social balance caused the public sector to develop institutions that were predominantly “good”, which allowed for economic growth and caused markets in Holland to suffer little from disproportional taxation, confiscations, and other types of rent-seeking.

These market structures are another element the Dutch Republic inherited. Medieval Holland’s social structure resulted in efficient markets that allowed economic growth. Under the Republic, lawyers adopted these existing market structures and thus they created a clever

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<sup>1</sup> In England this shift seems to have occurred much later, in the 18th century. Until then, people did not invest their savings, but kept them at home (North & Weingast, “Constitutions and commitment”, 825, quoting Ashton, *An economic history of England*, 178; Powel, *The evolution of the money market*, 31–35).

<sup>2</sup> De Vries & Van der Woude, *The first modern economy*, 159–161.

mix of German and Roman law, combining the best of the two legal systems. Medieval institutions survived because they were efficient, profitable for both the state and its subjects, and emerged on a scale that made changing to another system prohibitive. They were sometimes slightly altered or renamed, but essentially stayed the same. The institutional clusters of capital markets that have been singled out were as important in the 17th century as they had been before.

Many elements in the creditworthiness of the Dutch Republic's public sector were also evident in the late Middle Ages, when Holland's markets for public debt provided public bodies with possibilities to sell *renten* to large segments of the population, both domestic and foreign. Also, some important financial techniques, such as collective responsibility for debt and future tax revenues, were first introduced in the late Middle Ages. Medieval capital markets were also fairly liquid, allowing *renteniers* ample possibilities to alienate *renten*. As a result, the *renten* the public sector offered were attractive, and public debt was usually contracted on a voluntary basis.

Can the emergence of capital markets help explain why Holland experienced a long period of economic growth from the 14th to the 17th centuries? Possibilities for creating floating and funded debt are a major issue in development economics. Hernando De Soto identified the absence of clear property rights, as well as systems providing people with property rights, as major elements contributing to poverty. When De Soto and his colleagues tried "to obtain legal authorization to buy a house on state-owned land" they had to endure 207 administrative steps in 52 government offices. Furthermore, "to obtain a legal title for that piece of land, it took 728 steps".<sup>3</sup> There are many other examples of countries in which it takes many years to gain property rights. As a result, only few people in former second and third world countries can mortgage real estate. This severely obstructs the accumulation of capital and limits possibilities for economic development. Such "dead capital" was rare in medieval Holland because obtaining property rights only involved a few steps, which were arranged inexpensively, within little more than a year. Thus, the institutional framework of the capital market helped keep transaction costs low and allowed a large part of the population to mortgage real estate.

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<sup>3</sup> De Soto, *The mystery of capital*, 18.

Medieval capital markets not only existed in Holland, but also elsewhere in northwest Europe, where they facilitated the accumulation of capital. On the other hand, in England there seem to have been few possibilities for creating funded debt, and in northern and central Italy advanced financial techniques were predominantly at the disposal of large cities and plutocratic oligarchies, particularly the city-states and their merchant elites. Such “imperfect capital markets” are likely to have contributed to an imbalance, which allowed for excessive taxation, monopolization, and rent-seeking, and these elements likely contributed to economic stagnation in the long run. Such capital markets differed from those in northwest Europe, where more “perfect capital markets” contributed to a society with greater possibilities for economic growth.

The character of capital markets is not static, however. Socio-economic developments may cause shifts in the social balance, and these may cause interest groups to gain power, enabling them to change the institutional framework. As a result, capital markets may have become less perfect in the long run. In this respect capital markets in Holland may have had a smaller or greater capacity than those elsewhere in northwest Europe, and these differences may have changed over time. In Holland inequality increased during the long period of economic growth Holland experienced from the 14th to the 17th centuries.<sup>4</sup> This is likely to have altered the social balance, and may have allowed interest groups to change the institutional framework to serve their own interests. The character of Holland’s capital markets may thus have become more “imperfect” over time, and can ultimately even have contributed to stagnation in the 17th and 18th centuries.

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<sup>4</sup> Soltow & Van Zanden, *Income and wealth inequality in the Netherlands*.



## APPENDIX

### Interest rates *losrenten*

Year	Interest rate (%)	Source
1174	20	Meilink, <i>Archief Egmond</i> II, 9
1223	10	Hüffer, <i>Bronnen Rijnsburg</i> I, 17
1233	13.6	Van Mieris <i>Groot charterboek</i> I, 211
1248	10	Kruisheer, <i>Oorkonden en kanselarij</i> II, 280
1265	10	Hüffer, <i>Bronnen Rijnsburg</i> I, 36
1284	10	Meilink, <i>Archief Egmond</i> II, 35
1289	10	Van Dalen, "Regesten Dordrecht", 214–215
1296	10	Van den Bergh <i>OHZ</i> II, nr. 968
1297	10	Van den Bergh <i>OHZ</i> II, 462
1301	10	Van Dalen, "Regesten Dordrecht", 50
1310	10	Bruggeman, "Regesten Leeuwenhorst", 11
1315	10	Meilink, <i>Archief Egmond</i> II, 53–54
1316	10	Muller, <i>Regesta Hanoniensa</i> , 63
1317	10	Muller, <i>Regesta Hanoniensa</i> , 68
1322	10	Van Mieris <i>Groot charterboek</i> II, 301
1323	10	Hüffer, <i>Bronnen Rijnsburg</i> I, 87
1324	10.7	Muller, <i>Regesta Hanoniensa</i> , 130
1325	10	Hüffer, <i>Bronnen Rijnsburg</i> I, 90
1331	10	Muller, <i>Regesta Hanoniensa</i> , 196
1333	9.1	Muller, <i>Regesta Hanoniensa</i> , 216
1336	10	Van Mieris <i>Groot charterboek</i> II, 582–583
1337	10	Bruggeman, "Regesten Leeuwenhorst", 35
1338	10	Hüffer, <i>Bronnen Rijnsburg</i> I, 102
1339	10	Van Mieris <i>Groot charterboek</i> II, 627
1339	10	Muller, <i>Regesta Hanoniensa</i> , 260
1340	10	Muller, <i>Regesta Hanoniensa</i> , 269
1342	10	Hüffer, <i>Bronnen Rijnsburg</i> I, 109
1343	33.3	Muller, <i>Regesta Hanoniensa</i> , 288
1345	10	Van Mieris <i>Groot charterboek</i> II, 694
1353	10	Bruggeman, "Regesten Leeuwenhorst", 50
1355	10	Hüffer, <i>Bronnen Rijnsburg</i> I, 127
1356	10	Overvoorde, <i>Archieven kerken Leiden</i> II, 20–21
1357	10	Hüffer, <i>Bronnen Rijnsburg</i> I, 135
1360	10	Hüffer, <i>Bronnen Rijnsburg</i> I, 141
1361	10	Meilink, <i>Archief Egmond</i> II, 107
1362	10	Hüffer, <i>Bronnen Rijnsburg</i> I, 146
1363	10	Overvoorde, <i>Archieven kerken Leiden</i> II, 36
1370	10	Van Mieris <i>Groot charterboek</i> III, 249



(cont.)

Year	Interest rate (%)	Source
1373	10	Hüffer, <i>Bronnen Rijnsburg I</i> , 172
1374	10	Hüffer, <i>Bronnen Rijnsburg I</i> , 176
1378	10	Hüffer, <i>Bronnen Rijnsburg I</i> , 182
1384	10	Hüffer, <i>Bronnen Rijnsburg I</i> , 198
1388	6.7	Vangassen, <i>Bouwstoffen</i> , 70
1388	6.25	Van der Laan, <i>Oorkondeboek Amsterdam</i> , 16
1390	7.7	Bruggeman, "Regesten Leeuwenhorst", 72
1393	5.55	Van der Laan, <i>Oorkondeboek Amsterdam</i> , 18
1400	10	Van der Laan, <i>Oorkondeboek Amsterdam</i> , 18
1402	10	Van Mieris <i>Groot charterboek III</i> , 761–762
1402	10	Van Mieris <i>Groot charterboek III</i> , 763
1402	10	Van Mieris <i>Groot charterboek III</i> , 769
1403	6.25	Vangassen, <i>Bouwstoffen</i> , 132
1406	5.9	Vangassen, <i>Bouwstoffen</i> , 138
1407	7.55	Van Mieris <i>Groot charterboek IV</i> , 89
1407	6.7	Overvoorde, <i>Archief Secretarie Leiden I</i> , 245
1410	10	Van Mieris <i>Groot charterboek IV</i> , 159
1410	10	Geselschap, <i>Inventaris oud-archief Gouda</i> , 183
1411	7.14	Vangassen, <i>Bouwstoffen</i> , 147–148
1411	6.7	Van Mieris <i>Groot charterboek IV</i> , 164
1424	10	Hüffer, <i>Bronnen Rijnsburg I</i> , 261
1428	6.25	Bruggeman, "Regesten Leeuwenhorst", 92
1439	10	<i>Memorialen Rosa IV, V, VI</i> , 396
1440	5.6	Bruggeman, "Regesten Leeuwenhorst", 101
1445	5	Bruggeman, "Regesten Leeuwenhorst", 106
1455	5	Vangassen, <i>Bouwstoffen</i> , 230
1494	6	Hüffer, <i>Bronnen Rijnsburg I</i> , 415
1505	6.25	Hüffer, <i>Bronnen Rijnsburg I</i> , 499
1505	6.7	Bruggeman, "Regesten Leeuwenhorst", 170
1505	6.25	Bruggeman, "Regesten Leeuwenhorst", 169
1512	6.25	Bruggeman, "Regesten Leeuwenhorst", 185
1522	6.25	Bruggeman, "Regesten Leeuwenhorst", 196
1522	6.7	Bruggeman, "Regesten Leeuwenhorst", 198
1526	6.25	Hüffer, <i>Bronnen Rijnsburg I</i> , 518
1528	6.25	Hüffer, <i>Bronnen Rijnsburg I</i> , 520
1528	6.25	Hüffer, <i>Bronnen Rijnsburg I</i> , 521
1531	6.25	Bruggeman, "Regesten Leeuwenhorst", 201
1532	5.6	Bruggeman, "Regesten Leeuwenhorst", 203
1533	6.25	Bruggeman, "Regesten Leeuwenhorst", 204
1533	6.25	Hüffer, <i>Bronnen Rijnsburg I</i> , 531
1539	6.25	Hüffer, <i>Bronnen Rijnsburg I</i> , 556
1539	5.6	Hüffer, <i>Bronnen Rijnsburg I</i> , 557
1540	6.25	Hüffer, <i>Bronnen Rijnsburg I</i> , 561

(cont.)

Year	Interest rate (%)	Source
1541	6.25	Bruggeman, "Regesten Leeuwenhorst", 210
1541	6.25	Bruggeman, "Regesten Leeuwenhorst", 210
1545	6	Bruggeman, "Regesten Leeuwenhorst", 211
1546	3.9	Hüffer, <i>Bronnen Rijnsburg</i> I, 573
1551	6.25	Meilink, <i>Archief Egmond</i> III, 151
1554	6	Bruggeman, "Regesten Leeuwenhorst", 217
1554	8.3	Hüffer, <i>Bronnen Rijnsburg</i> I, 612
1555	5.6	Bruggeman, "Regesten Leeuwenhorst", 218
1555	5.6	Bruggeman, "Regesten Leeuwenhorst", 218
1565	6.2	Bruggeman, "Regesten Leeuwenhorst", 221
1570	6	Hüffer, <i>Bronnen Rijnsburg</i> I, 663



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Archieven kloosters  
Archief der Secretarie  
Regionaal Archief Zutphen  
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Oud archief Gouda  
Archieven van de gasthuizen (St. Catharinagasthuis, St. Elisabethgasthuis en bestedelinghuis)  
Waterlands Archief  
Archief Stad Edam

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- AGN      *Algemene Geschiedenis der Nederlanden*  
BVGGO    *Bijdragen voor Vaderlandsche Geschiedenis en Oudheidkunde*  
NAGN     *Nieuwe Algemene Geschiedenis der Nederlanden*  
NBRW    *Nieuwe Bijdragen voor Regtsgeleerdheid en Wetgeving*  
OV        *Ons Voorgeslacht. Maandblad van de vereniging ter bevordering van het stamboomonderzoek voor Rotterdam en omstreken*  
VMOVR   *Verslagen en Mededeelingen van de vereniging tot uitgave der bronnen van het Oude Vaderlandsche Recht*

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