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The European Bill of Exchange

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The bill of exchange was the European merchants' medium of cashless payments between the Middle Ages and the 20th century regardless of them being active in Europe or overseas. Without doubt, there existed certain forms and ways of cashless payment in various pre-modern and non European cultures and economic regions. Here, the author likes to refer to the *syngraphe*, adopted by the Romans from Greek law, and the *chirographum*[1], the Arabic *suftadja* („draft")[2] or *sakk* („order of payment")[3], the *hundwîs* or *hoondees* of the Indian merchants[4], the Armenian *awak*, *zmei awak* or

1 Both were documents of claims with the debtor committing in written form to paying a certain amount of money. They are supposed to have also served for the transaction of payments from one place to another; Carl Samuel GRÜNHUT, Wechselrecht, vol. 1, Leipzig 1897, pp. 22s.

2 "The *suftadja* is a banking instrument used in a monetary system and an economic life very different from that of the Christian West. … The *suftadja*, a banking instrument totally distinct from the bill of exchange, was a transaction in which three persons took part and the repayment of the loan was established in the same kind of money originally paid. The *suftadja* was often followed by endorsement." Eliahu ASHTOR, Banking Instruments between the Muslim East and the Christian West, *Journal of European Economic History* 1 (1972), pp. 553-573, esp. p. 572; cf. ibidem, pp. 562-565. On the contrary, Alfred E. LIEBER, Eastern Business Practices and Medieval European Commerce, *Economic History Review* 21 (1968), pp. 230-243, esp. p. 233 speaks of the *suftadja* "as a draft which was sometimes also a true bill of exchange", yet without explaining in detail, what he understands about a "true bill of exchange". Abraham L. UDOVITCH, Bankers without Banks: The Islamic World, in The Dawn of Modern Banking, ed. by the Center for Medieval and Renaissance Studies, University of California (Los Angeles), New Haven – London 1979, pp. 255-273, esp. p. 263, describes the *suftadja* as "a letter of credit or a bill of exchange". Cf. idem, Commercial Techniques in Early Medieval Islamic Trade, in D.S. RICHARDS (ed.), Islam and the Trade of Asia. A Colloquium, London – Colchester 1970, pp. 37-62, esp. p. 54.

3 "The *sakk* – this is the word that gave origin to cheque in the European languages – is a genuine cheque, that is to say an order of payment made through the banker with whom the drawer has an account; … In using the cheque, the Muslims were actually using an instrument inherited from the Byzantines; an instrument already widespread in Egypt some centuries before the Arab conquest." ASHTOR, Banking Instruments, p. 555. Not convincing is G. JAKOB, Die ältesten Spuren des Wechsels, *Westasiatische Studien* 1925, pp. 280s., who mentions the *sakk* as being equal to a bill of exchange.

4 *Hoondees* were a form of promissory notes that could be cashed at their place of destination. Occasionally, there were hoondee quotations partially with commission charges and such hoondees could be discounted and endorsed. "A hoondee may be defined as a written order – usually uncon-

hndvi,[5] the Chinese *Shansi* bills[6] or corresponding Japanese papers. It remains highly questionable among researchers if and to what extent non-European papers can be compared to the European bill of exchange.[7] The *bill obligatory* (or *handschryft*),

ditional – made by one person on another for the payment, on demand or after a specific time, of a certain sum of money to a person named therein"; L.C. JAIN Indiguenous Banking in India, London 1929, p. 71, quoted as in Amiya Kumar BAGCHI, Money and Credit as areas of Conflict in Colonial India, in B. CHANDRA (Organizer), Typology of Colonial Economic Development (= Eight International Economic History Congress, Budapest 1982, B6), Budapest 1982, pp. 28-35, esp. pp. 32s. Also, Celsa PINTO, Trade and Finance in Portuguese India. A Study of the Portuguese Country Trade 1770–1840, New Delhi 1994, pp. 71s. Cf. e.g. Irfan HABIB, The Monetary System and Prices, in Tapan RAYCHAUDHURI / Irfan HABIB (eds.) The Cambridge Economic History of India, vol. 1: c.1200–c.1750, Cambridge 1982, pp. 360-381, esp. p. 362s.; idem, Merchant Communities in Precolonial India, in James D. TRACY (ed.) The Rise of Merchant Empires. Long-Distance Trade in the Early Modern World, 1350–1750, Cambridge 1990 (1993), pp. 371-399, esp. pp. 391-394.

5 "These were interest bearing loans, usually fixed-term, repayable to a third party in a different place, and they could involve four of more persons: the drawee, the drawer, any representative of his, and the one who took the profit or his proxy. … These loans gave rise to the establishment of a sort of promissory note distinct from a bill of exchange and called *barat.*" Michel AGHASSIAN / Kéram KÉVONIAN, The Armenian Merchant Network: Overall Autonomy and Local Integration, in Sushil CHAUDHURI / Michel MORINEAU (eds.) Merchants, Companies and Trade. Europe and Asia in the Early Modern Era, Cambridge 1999, pp. 74-94, esp. p. 85. At the same time, the authors emphasize that "the widespread use of bills of exchange needs to be put into the Irano-Indian context, although even then it shows peculiarities." Ibidem

6 The *Shansi bills* were a kind of bills of exchange drawn by the Shansi bankers, that were few in numbers (Beijing had only five Shansi bankers in 1900), but with their widespread credit connections they proved to be the most important agents in payments among Chinese merchants. These *Shansi bills* had an intermediate position between the bill of exchange and the letter of credit. If a merchant bought them with cash from a banker, they had the character of a bill of exchange; were they bought on credit one would rather speak of a letter of credit. The form of these bills was a 'triple bill', which means that the document consisted of three parts, the first being a means of control for the banker, the second for the recipient and the third for the client; the document was cut apart after issuing and the parts were handed over to the involved persons. Both the banker and the recipient were responsible for encashing it, yet as the client was free of any responsibility. Acceptance was as obsolete as an order clause, as it was in fact not an order but a bearer paper. Hence, such bills were put into circulation without any kind of endorsement and the bearer could not claim for recourse against the former bearer or the issuer. The liability went so far, that in the case of bankruptcy of the original issuer the bills had to be cashed. The payments were mutually safeguarded by contracted current accounts. KU, Sui-lu, Die Form bankmäßiger Transaktionen im inneren chinesischen Verkehr mit besonderer Rücksicht des Notengeschäfts, Hamburg, 1926, pp. 40-44.

7 Amiya Kumar BAGCHI, Anglo-Indian Banking in British India: From the Paper Pount to the Gold Standard, *Journal of Imperial and Commonwealth History* 13, 1985, pp. 93-108, esp. p. 93 calls the *hoondee* a"Indian-style bill of exchange", John CRAWFURD, A Sketch of the Commercial Resources and Monetary and Mercantile System of British India, with Suggestions for their Improvement, by Means of Banking Establishments (1837), in K[irti] N. CHAUDHURI (ed.), The Economic Development of India under the East India Company 1814–58. A Selection of Contemporary Writings, Cambridge 1971, pp. 217-316, esp. p. 291 "native bill of exchange"; CHAUDHURI, Bengal, p. 98 note 139, illus. before p. 99; Dietmar ROTHERMUND, Indiens wirtschaftliche Entwicklung. Von der Kolonialherrschaft bis zur Gegenwart, Paderborn et al. 1985, pp. 17, 45; Tapan RAYCHAUDHURI, Inland Trade, in Idem / HABIB (eds.), Cambridge Economic History of In-

common in Northwestern Europe and in the Baltic Sea area in late medieval times, corresponded to the bill of exchange from the financial point of view. By the end of the 16th century the bill obligatory was replaced by the bill of exchange as an international credit instrument in the Netherlands, England and later also in the Baltic Sea area, although the bill obligatory kept its great importance within the respective regions.[8] However, the following statements are exclusively restricted to the European bill of exchange coming from Italy and its exchange rates.[9]

3.1 The European bill of exchange and its development in Italy in the era of the Commercial Revolution

Following the expansion of trade, the Mediterranean navigation and the monetized economics in Europe during the time of the Crusades, it became more and more necessary for merchants, who worked also for the European-wide acting Papal Curia,[10] to

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dia, vol. 1, pp. 325-359, esp. p. 346; David L. WHITE, Competition and Collaboration. Parsi Merchants and the English East India Company in 18th Century India, New Delhi 1995, p. 19.

8 The bill obligatory was similar to the *instrumentum ex causa cambii* (proven to have existed in England since the end of the 12th century). It was rather a payment promise than an obligatory request for payment and met the needs of the traveling merchants visiting fairs in the Netherlands until the 17th century. There were only two or three people involved in such deals: first, the merchant who borrowed the money and wanted to pay it back at the next fair, second, the merchant who lent the money and wanted to get it back at the next fair in person or via an agent, third, possibly the lenders's representative who would collect the payment; John H. MUNRO, Art. “Inhaberschuldschein”, in NORTH (ed.), Von Aktie bis Zoll, pp. 172-174; idem, Die Anfänge der Übertragbarkeit: Einige Kreditinnovationen im englisch-flämischen Handel des Spätmittelalters (1360–1540), in Michael NORTH (ed.), Kredit im spätmittelalterlichen und frühneuzeitlichen Europa, Köln – Wien 1991, pp. 39-69, esp. pp. 46s.; M. M. POSTAN, Private Financial Instruments in Medieval England, *Vierteljahresschrift für Sozial- und Wirtschaftsgeschichte* 23 (1930), pp. 26-75, esp. pp. 27-42; Michael NORTH, Banking and Credit in Northern Germany in the Fifteenth and Sixteenth Centuries, in Banchi pubblici, banchi privati e monti di pietà, vol. II, pp. 809-826, esp. pp. 819-822; G. DE MALYNES, Consuetudo vel lex mercatoria, or The Ancient Law-Merchant, London 1622 (repr. Amsterdam 1979, pp. 95-103).

9 Even here, the sources mentioned only one quotation for indigenous payment papers on non-European financial markets: *The Calcutta Weekly Gazetteor Civil, Military and Commercial Register* published a list with *hoondee* quotations of Calcutta (Course of Hoondean) from January 12th 1840, quoting almost exclusively Madras, Bombay, Poona and Hyderabad as well as Hindustian cities at the border of the Pandschab, including a few cities from the neighboring Radshpute-countries and Madhya Pradesh, which seems to describe basically the entire monetary transaction rayon of that time; cf. DENZEL, Kolonialstädte, pp. 244s.

10 Yves RENOUARD, Les relations des papes d’Avignon et des compagnies commerciales et bancaires de 1316 à 1378, Paris 1941; Arnold ESCH, Bankiers der Kirche im Großen Schisma, *Quellen und Forschungen aus italienischen Archiven und Bibliotheken* 46 (1966), pp. 277-398; Markus A. DENZEL, Kurialer Zahlungsverkehr im 13. und 14. Jahrhundert. Servitien- und Annatenzahlungen aus dem Bistum Bamberg, Stuttgart 1991; idem, Kleriker und Kaufleute. Polen im kurialen Zahlungsverkehrssystem des 14. Jahrhunderts, *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 82 (1995), pp. 305-331; Rudolf HIESTAND, Bologna als Vermittlerin im kurialen Zahlungsverkehr zu Beginn des 13. Jahrhunderts. Eine übersehene Rolle der frühen Universitäten, in ibidem, pp. 332-349.

develop mechanisms for providing liquidity, whenever and whereever there was no or only little coined or uncoined precious metal available. So, the new means of cashless payments started to emerge in Europe with the second half of the 12th century, probably in Genua.[11] At first, the *lettres de foire* of the Champagne fairs[12] and the *instrumentum ex causa cambii* were developed. These means of cashless payments were combined instruments of credit and money transfer and served, thus, for the financing of exports as well as for transfering money without recourse to expensive and risky transfers of precious metals. They were developed by Italian, most likely Genuese merchants especially for itinerant merchants traveling to the international Champagne fairs, "the forcing house for the development of bill of exchange,"[13] and they were notarially certified. So, they were payment obligations or promises in the form of a debt certificate written by a notary. These early exchange contracts differ from the younger bill of exchange more formally than functionally.[14] Moreover, only two or three people were included in these cashless transactions:

(1) the merchant, who raised a credit – for example in Genua – and had his debt certificate and promise of repayment certified notarially;
(2) the merchant or creditor, who lent the money and could request repayment; and
(3) possibly the creditor's representative at a certain fair, who could receive the payment in place of the creditor himself.

As the merchant, who had promised repayment at a certain fair, used to travel there himself, he did not need a representative of his own who would effect the payment in his place.[15]

The situation changed when merchants started to settle at a certain town, stayed in their offices and instructed a trusted person, an agent or a partner to look after their obligations on fairs in other places.[16] With this person they would send, along with the

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11 At least we can find the definitely largest number of sources for cashless payments in Genuese archives of that time.

12 Cf. L. GOLDSCHMIDT, Die Geschäftsoperationen auf den Messen der Champagne (Les devisions des foires de Champagne), *Zeitschrift für das Gesammte Handelsrecht* 40 (N.F. 25) (1892), pp. 1-32, esp. p. 27.

13 SPUFFORD, Handbook, p. xxxi.

14 "In my opinion, the *instrumentum ex causa cambii* is undoubtedly the prototype of the bill of exchange, for it fulfilled exactly the same function. True, the *instrumentum* took the form of a promise to pay, whereas the bill of exchange is an order to pay, but this distinction, being purely formal, is more superficial than real"; Raymond DE ROOVER, New Interpretations of the History of Banking, in Julius KIRSHNER (ed.), Business, Banking and Economic Thought in Late Medieval and Early Modern Europe. Selected Studies of Raymond de Roover, Chicago – London 1974, pp. 200-238, esp. p. 203.

15 John H. MUNRO, Art. "Instrumentum Ex Causa Cambii", in NORTH (ed.), Von Aktie bis Zoll, pp. 174s.; Raymond DE ROOVER, L'évolution de la lettre de change, XIVe–XVIIIe siècles, Paris 1953, pp. 23-42; R. D. FACE, Techniques of Business in Trade between the Fairs of Champagne and the South of Europe in the 12th and 13th Centuries, *Economic History Review* 2nd ser. 10 (1957/58), pp. 427-438. – In the 11th and 12th century notarial certification was often necessary due to the basic fact that not all merchants were capable of reading and writing; cf. Alfred WENDEHORST, Wer konnte im Mittelalter lesen und schreiben?, in Johannes FRIED (ed.), Schulen und Studien im sozialen Wandel des hohen und späten Mittelalter, Sigmaringen 1986, pp. 9-33, esp. p. 28.

16 Raymond DE ROOVER, Money, Banking and Credit, p. 51.

formal notarial contract, an informal letter of advice (*littera*) as an order of payment, which then evolved into the actual bill of exchange.[17] This development was supported by the fact that the emerging net of agents and correspondents, who knew each other personally, made notarial certification obsolete. “A rich network of international commercial correspondents … extended to cover the entire economic and geographical area dominated by the Italian merchant bankers, and it was this that gave them the unrivalled possibilities for remitting to or drawing from any one place to any other.”[18] The ‘informal’ bill of exchange was much easier to handle and less expensive than the former methods of payment. At first and in the 13th and 14th centuries it provided only financial transactions and thus liquidity between two places and this usually only inside one trading company, for example between the merchant and his agent. This means was called *lettera di pagamento*. Since the 14th century such bills circulated also outside a single trading company between different merchants and different companies: The bill of exchange or the so-called *lettera di cambio* in its proper sense was generated, which became the most important means of cashless payment tarnsactions and credit instrument for providing liquidity in the centers of trade and finance of the Italian merchant bankers taking over the position of former means of cashless payment transactions.[19] The most important difference between the *letters de foires* and the *instrumentum ex causa cambii*, on the one hand, and the bill of exchange, on the other, was that the first constitutes a payment promise or obligation whereas the other is a payment order with the issuer of the bill ordering a third person at another place to settle a debt in his place.[20]

There were two elements fundamental for the exchange business: first, the *permutatio pecuniae absentis cum praesenti*, and, second, the *distantia* or *differentia loci*, i.e. the parties’ difference in place and the exchange of the currency due to the underlying difference in coins which became maifest in the exchange rate. If one of the two elements was not given – especially the difference in place –, an exchange transaction must not have been effected, as the merchants would have been guilty of usury, which was seen as a mortal sin against natural law in the 13th century, in addition to being against the commandment of charity.[21] It was only after the 13th century, after theologians had placed emphasis on the difference of coins as being essentially, and resulting from the difference in place, that the bill of exchange was considered to be a harmless means of (cashless) payment compared to the canonical ban of interest-

17 MUNRO, Art. “Instrumentum Ex Causa Cambii”, p. 175. Cf. Raymond DE ROOVER, Le contrat de change depuis la fin du treizième siècle jusqu’au début du dix-septième, *Revue belge de philologie et d’histoire* 25/1-2 (1946/47), pp. 111-128; idem, Précisions sur l’histoire de la letter et du contrat de change (d’après des documents inédits des Archivs Datini à Prato), La vie économique et sociale 23 (1952), pp. 44-67; Georg SCHAPS, Zur Geschichte des Wechselindossaments, Stuttgart 1892, p. 9.

18 Alfonso LEONE, Some Preliminary Remarks on the Study of Foreign Currency Exchange in the Medieval Period, *Journal of European Economic History* 12 (1983), pp. 619-629, esp. p. 620.

19 DE ROOVER, Lettre de change, pp. 38-45; Markus A. DENZEL, Art. “Wechsel, Wechsler, Wechselbrief”, in Lexikon des Mittelalters, VIII, 1997, pp. 2086-2089.

20 MUNRO, Art. “Wechsel”, in NORTH (ed.), Von Aktie bis Zoll“, pp. 413-416, esp. p. 413.

21 Jacques LE GOFF, Wucherzins und Höllenqualen. Ökonomie und Religion im Mittelalter, Stuttgart 1988.

bearing loans. Even the Church itself liked to use the bill of exchange, for the merchant's 'work' had to be paid because the money had to be transported and exchanged. So, the profit which was hided behind the exchange rate or the premium could be justified according to canon law in some degree. Since the *Tractatus de usuris* by the Franciscan Alexander Lombardus or Alexander of Alessandria (died 1314) at the latest, the *cambium* was no longer regarded as *mutuum* but as *permutatio pecuniae* being no longer associated with the problem of usury. All subsequent leading theologians accepted this opinion.[22] In contrast to this, theologians negated the term *cambuim reale* or *cambium verum* regarding local exchanges, as these missed the difference in place and thus the necessity of money transport. Still the Bologna Law of Bills from 1569, ratified by Pope Pius V (1566–1572), and his bull from 1570 forbade such local exchanges.[23]

In general, a bill of exchange contained the following pieces of information:[24]

(1) the three or four persons involved in the transaction:
- first, the issuer of the bill, the drawer or drafter who receives money from the remitter. Because of receiving money the issuer was also called taker or *prenditore*;
- second, the addressee named in the bill or the drawee (*trattario*) who had to pay the bill (hence also payer or *pagatore*). The drawee became the acceptant after accepting the bill of exchange by signing it. If the acceptance was denied, i.e. if the drawee 'protested', the bill was dishonored. If the bill was sent to a different place than the drawee's residence, it was called to be 'domiciled' to this third place (bills of exchange that were domiciled to one of the important bill markets were considered safe and easily to handle);
- third, the beneficiary of the bill (*beneficiario*), who had to present the bill to the drawee (hence he was also named presenter) and to whom the drawee had to pay the face value of the bill (*payee*);
- fourth, the deliverer or remitter (*rimettente*), who paid the issuer money for the bill he received from him (hence also *dattore*).

In a three-person-bill, the function of the beneficiary and the remitter were usually joined in one person, which is why the modern Italian language also translates remitter with *beneficiario*;

(2) the sum of money which the bill of exchange was issued over;

(3) the currency the value of the bill had to be repaid in, the exchange rate and the possibe coinage the payment had to be effected in;

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22 Raymond DE ROOVER, The *cambium maritimum* Contract According to the Genoese Notarial Records of the Twelfth and Thirteenth Centuries, in David HERLIHY / Robert S. LOPEZ / Vsevolod SLESSAREV (eds.), Economy, Society, and Government in Medieval Italy. Essays in Memory of Robert L. Reynolds, Kent (Ohio) 1969, pp. 15-33, esp. pp. 28s. Cf. also Alonzo M. HAMELIN, Un traité de morale économique au XIV[e] siècle: Le tractatus de Usuris de Maître Alexandre d'Alexandrie, Louvain 1962, pp. 179-185; Raymond DE ROOVER, Les doctrines économiques des scholastiques: à propos du traité sur l'usure d'Alexandre Lombard, *Revue d'histoire ecclésiastique* 59 (1964), pp. 854-866, esp. pp. 858-860; idem, The Scholastics, Usury, and Foreign Exchange, *Business History Review* 41 (1967), pp. 257-271.

23 GRÜNHUT, Wechselrecht, vol. 1, pp. 27, 35s., 49-51.

24 Concerning the following terms cf. Friedrich ZELLFELDER, Glossar, in WdW I/I, pp. 197-207.

(4) the *usance* or the term of the bill:[25] the *usance*, derived from the Italian word 'usanza', meant usually the commercial custom at a place. Concerning cashless payment transactions, it determined the due date, i.e. the day of expiration of the bill of exchange and, thus, the timeframe during which the credit was granted within the transaction. The duration of bills varied between the different markets as well as the mentionted partners depending on the time of turnover between the two markets. Often the duration was extended to enlarge the *distancia temporis* caused by the *distancia loci* and, thus, widening the credit line. Until the 18th century, the terms of bills of exchange were accordingly set as 'uso' or '2 uso' or '2½ uso', meaning that the traditional duration of bills between two markets could be extended (or also shortened). A merchant's knowledge of the traditional *uso* between two places was taken for granted. Usually, one differenciated between dato-bills and sight-bills. Dato-bills were to be repaid after a certain duration following the date of issuing (after date, à date, dato fatta), whereas the term for the repayment of sight-bills started after the drawee had seen (i.e. accepted) the bill (after sight, à vue, vistà). The bill at sight was a special type of the sight-bill. It had to be paid out immediately following its presentation. When effecting cashless payments at fairs it was common practice to determine the term of a bill to the next or next but one fair. In the 17th century it became common with almost all bills of exchange (with the exception of 'fair bills' and bills at sight) to admit some days of extra time to pay – the number of days varying for each market – meaning that a bill did not have to be repaid until a few days later than

(5) the date the bill of exchange was issued; and, finally,

(6) the signature of the issuer.

In principle, it is possible to determine two fields where transactions with bills of exchange were of great importance. The first field was the merchandise trade, where the bill of exchange was used as a means of payment and credit. The second was the credit alone when only money was sent and no connection to any trade in goods existed. In the first case, a seller in city A could have sent goods to a purchaser in city B and drawn a bill of exchange on him.[26] This meant that the seller instructed the purchaser to pay the amount he owed to the payee (*beneficiario*) within a certain time and in a certain currency in city B. Here, the seller corresponded to the taker or drawer (*prenditore*, *traente*), the purchser to the payer or drawee (*pagatore*, *trattario*). Since the 16th century the drawn *littera di cambio* was called *tratte* (from the Italian: *tracta*[27]or *tratta*).[28] In order to receive the money as soon as possible, the exporter

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[25] Cf. also Reinhold C. MUELLER, Art. "Usance", in North (ed.), Von Aktie bis Zoll, p. 403; Markus A. DENZEL, "Zeit ist Geld". Usancen-'Systeme' im bargeldlosen Zahlungsverkehr nach italienischen Kaufmannsnotiz- und -handbüchern des 14. und 15. Jahrhunderts, *Scripta Mercaturae* 29/2 (1995), pp. 96-111.

[26] Concerning the following cf. DE ROOVER, Lettre de change, pp. 43-47; MUNRO, Art. "Wechsel", pp. 413s.; Raymond DE ROOVER, Cambium ad Venetias. Contribution to the History of Foreign Exchange, in Julius KIRSHNER (ed.), Business, Banking and Economic Thought in Late Medieval and Early Modern Europe. Selected Studies of Raymond de Roover, Chicago – London 1974, pp. 239-259, esp. p. 241.

[27] Cf. SCHAPS, Geschichte, p. 10.

would have sold the bill of exchange to a local trading partner against cash in the currency of city A, who thus allowed the seller a credit financing indirectly the selling of the goods to the purchaser. In this way the seller regained liquidity for further trading and did not have to wait for the payment of the purchaser in a couple of weeks. By declaring that he had received the money from the buyer of the bill of exchange, the issuer also declared that the payee instead of himself was to receive the sum of money the bill was issued over. He also gave a guarantee for the cashing of the bill and was, thus, responsible for the payee receiving the equivalent amount at the other place.[29] Then, the buyer of the bill, the deliverer or remitter (*dattore, rimettente*), sent the original bill of exchange and – to be safe – possibly various copies and an accompanying letter (advice letter) to the payee[30], with whom he held an open account. The remitter or even the issuer sent the first copy of the bill, the *secunda* – sometimes also accompanied by a letter of advice – to the drawee.[31] The payee would then accredit the remitter with the amount the bill of exchange was issued over (redeemed debts, for example) or would effect a re-exchange (*recambium*) by buying a bill of exchange that had to be paid in city A and that had been issued in favor of the original remitter. In this case the payee would present the bill of exchange to the purchaser for him to accept. The purchaser would accept his obligation to pay writing the word *accettata* (or *vista* or *vista et accettata*), the date and his signature on the back of the bill and, thus, becoming the acceptor. In the late Middle Ages and early Modern Times the formal acceptance of bills of exchange negociated beside fairs could be omitted as those bills did often not reach their place of destination until shortly before the day of settlement due to the difficulties in communication and travel. Thus, the presentation of the bill went often along with demanding the payment. If a bill was presented for acceptance this could also be done orally. The word of the acceptor meant among merchants as much as a written acceptance.[32] All mutual obligations were settled with the acceptor's payment (or the accrediting of the account) to the presenter according to the local or agreed duration (usance) of the bill. So, the acceptor had enough time to sell his import and to acquire the money needed for the settlement of the bill of exchange. The advantage of this method of payment was that the seller did not have any lack of liquidity, the purchaser could buy the goods on credit, both the seller of the goods and the payee were paid in local currency and the payment was made without

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28 Florence EDLER, Glossary of Medieval Terms of Business. Italian Series 1200 – 1600, Cambridge (Mass.) 1934 (repr. New York 1970), p. 154.

29 GRÜNHUT, Wechselrecht, vol. 1, p. 33.

30 Such an advice letter could also have the form of an order of payment or cheque, as Heers found out for Genua: since the 14th century the use of a *polizza* next to a bill of exchange was usual, "un véritable cheque" or "un véritable mandat de *paiement*; le tiré doit effectivement payer la somme portée sur le papier. Le plus souvent, c'est un ordre de *virement* adressé au scribe d'une banque privée ou au notaire d'un des registres de San Giorgio. … Rares sont les cas où le chèque est à l'origine d'une manipulation monétaire; il s'accompagne presque toujours d'une « scritta in banco »." Jacques HEERS, Gênes au XVe siècle. Activité économique et problèmes sociaux, Paris 1961, p. 74.

31 Cf. GRÜNHUT, Wechselrecht, vol. 1, pp. 64s.; Raban VON CANSTEIN, Lehrbuch des Wechselrechts, Berlin 1890, pp. 16-18.

32 GRÜNHUT, Wechselrecht, vol. 1, p. 67.

expensive and dangerous transportation of precious metals. Moreover, possible differences in exchange rates between the two cities could be used profitably. Taking into consideration that the issuer of the bill had often a current account with the drawee, the issuer would in fact only sell his demand for a certain amount of money when selling the bill of exchange. As a result, his account with the payee was accredited with this respective amount. If this was impossible, the payee would have to give him credit. This is how the fundamental ideas of the acceptance credit were formed as early as at the end of the Middle Ages, with the bank house as the acceptor guaranteeing for the cashing of the bill of exchange for the issuer.[33]

In the second case the transaction could only serve to send money. Mostly, only three people were involved in such a transaction, as the remitter and the payee could be the same person that would receive the issuer's money from the drawee.[34] Even if the merchant issued a bill of exchange in favor of himself, which means that the drawee and the remitter were one person, there were still only three people involved in the transaction.[35] The remitter could also sell the bill in order to send money to another city, i.e. directly to the payee.[36]

The bill of exchange could fulfill four functions: first, it was a safe way to send money; second, it was a means of payment in trade; third, it functioned as a source of credit in lending money by issuing a bill of exchange (*dare a cambio*) and when selling a bill of exchange in foreign currencies on credit (*cambi a credenza*); fourth, one could benefit from the differences in exchange rates in different places (arbitrage transaction).[37] Especially the chance and the risk of possible profits and losses of the exchange when issuing bills back and forward where of great concern to the merchants. Consequently, issuer and drawee would often agree on exchange rates that were higher than the mint parity or the 'usual local' rate for *cambium manuale*. According to Raymond de Roover, This difference in rates is to be seen as a hidden interest or profit. As long as this practice bore risk and uncertainty one could avoid ecclesiastic and secular bans on usury which was – again according to de Roover – the overall and fundamental significance of bills of exchange. The risk consisted in the fact that exchange rates could change on short or long term due to currency depreciation and appreciation, changes in the balance of payments, speculative trading of bills or changes in interest rates before the re-exchange could take place.[38]

33 MUNRO, Art. "Wechsel", p. 414.

34 DENZEL, Art. "Wechsel, -brief, Wechsler", column 2087.

35 „… si remittens ipse litteras cambiales exigit"; I. F. LEBKÜCHNER, De valore cambii in Imperio, Diss. Erlangae 1765, pp. x-xi. Cf. also DE ROOVER, Lettre de change, p. 44: "le preneur et le payeur étaient souvant une même personne". Cf. DENZEL, "Practica", pp. 91-93. For examples see HEERS, Livre de comptes, p. 346.

36 MUNRO, Art. "Wechsel", p. 415. Cf. DENZEL, "Practica", p. 94.

37 Jacques LE GOFF, Kaufleute und Bankiers im Mittelalter, Frankfurt/Main – New York 1993 (Paris 1956), pp. 33s., 70-77. – It seems pointless to ask, which of these functions was the most important, the transfer or the credit instruments. For this problem see the detailed discussion in SPUFFORD, Handbook, pp. xxxvii-xlix.

38 John H. MUNRO, Art. "Wechsel", in North (ed.), Von Aktie bis Zoll, pp. 413-416, esp. p. 415. For a critical comment on de Roover cf. John H. MUNRO, Bullionism and the Bill of Exchange in Eng-

A special form of the bill transaction was the dry exchange (*cambium siccum*) – "a loan dressed up as an exchange transaction"[39] – with the transfer of money being not the basis of the bill transaction, since no payment was made at the due date of the bill. Instead of this, the drawee (often equal to the payee) issued a bill of re-exchange (*recambium*) or the payee bought another bill of exchange with the money he had received from the first bill transaction when the original remitter was called the new payee (*Example*). On the due date this new payee could then achieve a higher sum than he had paid in the first transaction due to a possible change in exchange rates. A sequence of various re-exchanges between two cities without transferring any money could prolong a merchant's credit for however long his creditor was willing to renew the bill. The interest was the creditor's 'payment' for him continually providing liquidity containing the difference between the exchange rates. There are examples from the early 14th to the 17th century of interest rates up to 12–14%.[40] The church and the theologians regarded this type of bills of exchange as morally dubious, as there was in fact no difference in place but only a *distancia temporis* and the bill transaction was used as a means of providing funds which yielded ecclesiastically forbidden interest and of speculating for the unpredictable changes in exchange rates. Nonetheless, it remained a used trading practice. From the economic point of view the dry exchange provided the opportunity to receive a credit via bill transactions while the creditor could cancel the credit at any time by refusing the renewing of the bill of exchange.[41]

Raymond de Roover explained the connection between the bill of exchange and the bill of re-exchange in a fictitious example of a bill transaction between London and Antwerp using real exchange rates from 1564 (graph):

„The deliverer, A, in London, having £100 st. [sterling] to spare, decides to buy a bill on Antwerp at the prevailing rate of 22s. 6d. gr. [groot, Flemish money] per Pound Sterling. B, the taker, needs £100 st. in London, but he does not have the sum available, though he has money coming to him in Antwerp. A and B will easily come to terms by exchanging money for a bill on Antwerp. In return for a loan of £100 st. B makes out a bill, payable at usance in Antwerp by his agent D, in favor of A's agent, C, fort he value received from A, the deliverer or banker. When this bill matures at the end of one month, C collects from D the sum of £112 10s. gr. or the equivalent of £100 st. at 22s. 6d. gr. A, the banker in London, now has a balance of £112 10s. gr. standing to his credit in Antwerp. Instead of keeping this money idle, he instructs his agent, C, to seek out a taker and to remit the sum of £112 10s. gr. to London by exchange. In pursuance of these instructions, C buys from F a usance bill on London at 22s.

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land, 1272–1663: A Study in Monetary Management and Popular Prejudice, in [Fredi CHIAPPELLI (ed.),] The Dawn of Modern Banking, New Haven – London 1979, pp. 169-239, esp. pp. 170-172.

39 DE ROOVER, Cambium ad Venetias, p. 242.

40 This practice can only be interpreted as an extortion, when the exchange rates had been fixed by the participants prior to the drawing of the (first) credit, e.g. when shutting out the market risk.

41 GRÜNHUT, Wechselrecht, vol. 1, pp. 50s.; Reinhold C. MUELLER, Art. "Trockenwechsel", in NORTH (ed.), Von Aktie bis Zoll, pp. 398s.; Raymond DE ROOVER, What is Dry Exchange? A Contribution to the Study of English Mercantilism, in Julius KIRSHNER (ed.), Business, Banking and Economic Thought in Late Medieval and Early Modern Europe. Selected Studies of Raymond de Roover, Chicago – London 1974, pp. 183-199; Raymond DE ROOVER, Il trattato di fra Santi Rucellai sul cambio, il monte comune e il monte delle doti, in *Archivio Storico Italiano* 111 (1953), pp. 3-41, esp. pp. 29-34.

2d. gr. per Pound Sterling and sends it for collection to A, the original deliverer in London. When this bill matures, A collects £101 10s. 1d. st. or the equivalent of £112 10s. gr. at 22s. 2d. gr. per Pound Sterling. … By thus keeping his money running on the exchange, A has made a profit of £1 10s. 1d. st. in two months, or a return of about 9 per cent a year."[42]

Of course, such a double transaction was also possible if the payee and payer in the first part were the same person. This person would than function in the *recambium* as both deliverer and taker (graph):

„Such a bill still involved the customary four parties, but two of them were fused in the same person. Bills of this sort were fairly common in the Middle Ages. They usually read 'Pay to yourselves' (Pagate a voi medesimi) instead of 'Pay to So-and-So.' The use of this formula frequently, but not always, indicated a transaction involving dry exchange. Bills thus payable 'to yourselves' did not give rise to any money payments but were usually settled by a transfer in the books of the payee, who was also the payer. Generally he wrote the amount stated in the bill to the debit of the taker and to the credit of the deliverer or the lender."[43]

Another form of the *cambio fittizio*, the fictitious bill of exchange transaction, was the *cambio con la ricorsa*, an agreement made between the participating parties which came to play a more important role with the growing church's disapproval of the *cambia sicca*. The ricorsa that developed on the international exchange fairs of the 16th and 17th century (graph) was similar to the dry exchange in so far as it also was a hidden credit with uncertain profit or interest, but differed significantly from the *cambium siccum* as the repeated exchange back and forward, being an investment for the creditor and a credit for the debtor, was a binding agreement between the participating parties. The exchange rate for the re-exchange was also fixed in accordance with the existing exchange rates in order to guarantee a profit for the creditor (remitter). When processing such a ricorsa-transaction the *cambista* or exchange banker instructed his colleague on the exchange fair to 'pay to himself' and to draw a bill of exchange on the first *cambista*, who then again paid himself on the due date. The exchange back and forward could be repeated a number of times each year depending on the various exchange fairs that took place each year. Thus, ricorsa exchanges served to cover up extortion in credit business, it allowed quick drawing of credits and offered a profit-bearing investment with an average interest of 12–14% to capital owners. Nonetheless, the ricorsa exchange was approved by the church, as it implied a *recambium* really taking place.[44]

There were three essential premises for all exchange transactions: a trustful personal relationship between the participating partners, the opportunity to sue for the payment of the bill of exchange in court if necessary and the existence of current accounts between the remitter and the presenter. In order to ensure that at least one copy of the bill of exchange reached the payee, the bill was issued in numerous copies

42 DE ROOVER, What Is Dry Exchange?, p. 188. – For more numeral examples for (Genuese) *recambium*-transactions see HEERS, Gênes, pp. 79-88.

43 DE ROOVER, What Is Dry Exchange?, p. 195.

44 DE ROOVER, Lettre de change, pp. 79-81; Giulio MANDICH, Le pacte de ricorsa et le marché italien des changes au XVII^e siècle, Paris 1953; GRÜNHUT, Wechselrecht, vol. 1, pp. 81s.; Reinhold C. MUELLER, Art. "Ricorsa", in NORTH (ed.), Von Aktie bis Zoll, pp. 344s. Cf. Aldo DE MADDALENA, Affaires et gens d'affaires lombards sur les foires de Bisenzone. L'exemple des Lucini (1579–1619), *Annales. Économies – Sociétés – Civilisations* 22 (1967), pp. 939-990.

(*prima*, *secunda*, *tertia*, etc.) that where sent to the different persons involved in the transaction.

The development of the bill of exchange revolutionized payments in Europe: “No longer did every prospective purchaser or returning vendor need to carry with him large and stealable quantities of precious metals, whether in coin, or in marks of silver, or ounces of gold, depending on the trading area. Instead a manager could send and receive remittances from his factors and agents by bills of exchange without moving around Europe himself. This transformation of the methods of trade, which enabled a merchant to menage an international business without leaving his own home city, was so racial that de Roover christened it ‘the commercial revolution of the thirteenth century’.”[45] According to Munro the bill of exchange was “the most important achievement in the history of economics” and contributed greatly to the reduction of the international transfer of precious metals in Europe.[46]

3.2 The Innovations in Cashless Payments in the 16th and 17th Centuries: Endorsement and Discount – and their Consequence: The Decline of the International Exchange Fairs

With the bill of exchange as the medium of cashless payment transactions a safe way of sending money and a source of credit had been developed, but a new problem arose: Whereas coins or unminted precious metals could be transferred without any problems from one person to another, it was impossible to transfer a bill of exchange in either way: In late medieval times the bill of exchange was bound to the presenter mentioned in the document and he could only cash in the bill.[47] Thus, it was impossible to transfer a bill to a person who was not involved into the exchange transaction, for Roman, Germanic, Islamic and Canon law did not allow the transfer of any kind of credit instrument.[48] This problem was solved primarily by using the big international fairs, where the merchants – either personally or via their representatives – gathered together at one place at certain times of the year representing a platform for the settlement of international payments:[49] At the Champagne fairs[50] and later at the Geneva fairs, the Castilian fairs, the Lyons fairs and, finally, at the Genoese Bisenzone fairs

45 Peter SPUFFORD, Handbook of Medieval Exchange, London 1986, pp. xxx-xxxi. Cf. idem, Money and its Use in Medieval Europe, Cambridge 1988, pp. 262s.: “The bill of exchange and the oral precursor of the cheque, rather than the florin or the grosso, were the really radical and important developments in the means of payment associated with the commercial revolution of the thirteenth century.”

46 MUNRO, Art. “Wechsel”, p. 415.

47 Peter OPITZ, Der Funktionswandel des Wechselindossaments, Diss. iur. Berlin 1967, p. 31.

48 Harold J. BERMAN, Recht und Revolution. Die Bildung der westlichen Rechtstradition, Frankfurt/Main 1991 (engl. 1983), p. 553.

49 Cf. DE ROOVER, Lettre de change, p. 65: “le caractère international du marché monétaire n’est pas un phénomène nouveau, puisqu’il remonte au temps des foires de Champagne.”

50 At the Champagne fairs the settlement of accounts was fully developed as early as 1180; FACE, Techniques, pp. 428, 437; SCHNEIDER, Messen, Banken und Börsen, p. 135. Cf. also GOLDSCHMIDT, Geschäftsoperationen, pp. 30s.

international payments were mainly settled during the fair business through the settlement of accounts. Provided that the creditor of the bill of exchange was at the same time debtor of another bill, creditor and debtor would both write mutually off their debts in the participating merchants' accounting books, i.e. all claims and debts were settled in a circle ('giro') of transfer and resulting compensation, if there were ideally equally high debts.[51] Unsettled balances could then be transferred to the next fair using a bill of exchange, and the security of the payment of bills was guaranteed by the fair court.[52] This form of setting of payments had doubtlessly its climax during the Lyons fairs and at the Genoese exchange fairs of Bisenzone: In Lyons the central settlement of accounts was supported by the mediation of fair bankers keeping the merchants' money depots and opened current accounts. As the fair bankers also had current accounts among each other, payments could be simply made by crediting and debiting the respective accounts.[53] The Lyons fairs provided just as the younger Bisenzone fairs for a special unit of account, the *écu de marc* or the *scudo di marche* respectively, which all other traded currencies were set in relation to, thus, simplifying the settlement of payments significantly.[54] The mechanisms of cashless settlements of claims were refined at the Bisenzone fairs,[55] which were founded exclusively for trading bills and without any trade in goods at all, so that they can be called "foire[s] de change par excellence".[56]

One can state in general: The opportunity of a concentrated, international settlement of claims several times a year without having to issue a new bill of exchange for every new transaction led to a concentration of cashless payments at these international fairs, so that they became the most important, even though not permanent, finance markets in Europe at their respective time. It was last but not least due to the great importance of the international fairs for cashless payments in late medieval Europe and of the 16th century, that the contemporary legal literature made a difference between *cambia feriarium* (*nundinalia*) or *regularia* on the one hand and *cambia platearum* (*platealia*) or *irregularia* on the other,[57] i.e. the exchange business at the

51 VON CANSTEIN, Lehrbuch, pp. 26s.; GRÜNHUT, Wechselrecht, vol. 1, pp. 76-80; SCHNEIDER, Messen, Banken und Börsen, pp. 138s.; idem, Indossament, p. 188.

52 SCHNEIDER, Innovation und Wandel, p. 23; DENZEL, „Practica", p. 97.

53 Marc BRÉSSARD, Les foires de Lyon au XVe et XVIe siècles, Paris 1914, pp. 279s.; SCHNEIDER, Messen, Banken und Börsen, pp. 138s.

54 Giuseppe FELLONI, Un système monétaire atypique. La monnaie de marc dans les foires de change génois, XVIe–XVIIIe siècle, in John DAY (ed.), Études d'histoire monétaire, XIIe–XIXe siècles, Lille 1984, pp.; Jürgen SCHNEIDER, Die Bedeutung von Kontoren, Faktoreien, Stützpunkten (von Kompanien), Märkten, Messen und Börsen im Mittelalter und Früher Neuzeit, in Hans POHL (ed.), Die Bedeutung der Kommunikation für Wirtschaft und Gesellschaft. Referate der 12. Arbeitstagung der Gesellschaft für Sozial- und Wirtschaftsgeschichte vom 22.–25.4.1987 in Siegen, Stuttgart 1989, pp. 37-63, esp. pp.52s.; DENZEL, "Practica", pp. 304, 315.

55 RACINE, Messen in Italien, pp. 156-161, 168s.; DA SILVA, Banque et crédit, pp. 80-82; Giulio MANDICH, Delle fiere genovesi di cambi particolarmente studiate come mercati periodici de credito, in Revista di storia economica 4, 1939, pp. 257-276.

56 DA SILVA, Banque et crédit, p. 12.

57 GRÜNHUT, Wechselrecht, vol. 1, pp. 62.

fairs was regarded as usual and bills of exchanges traded aside from fairs as exceptional.

An important innovation for the transferability of bills of exchange was the so called endorsement, a notice written on the back side (*in dosso* or *in dorso*) of a bill that enabled a person not yet part of the exchange transaction to present the bill. With the help of endorsing, the claim included in the bill of exchange was transferred to another person, which was determined by the signature *in dosso*.[58] By endorsement the bill of exchange became a negotiable paper among merchants, even like paper money:[59] "Now bills of exchange became not only more easily transferable, but also negotiable; in other words, the bearer had a greater financial security than the previous bearer, who remained jointly responsible for payment without being a surety in the strictly legal sense."[60]

Just as the bill of exchange itself, the bill endorsing developed – probably in accordance with endorsing other papers – among innovative merchants in Italy,[61] which can be proved at least since the beginning of the 15th century.[62] A forerunner of the endorsement[63] was the order-clause providing the transfer of credit papers and promissory notes since the end of the 14th century. If he was not sure that the payee could receive the repayment personally, a merchant could, nonetheless, make the paper payable to a bearer, representative or an authorized person by adding their name to the order-clause as early as in the mid-12th century.[64] "Examples of these first, still primi-

58 Markus A. DENZEL, Art. "Indossament", in NORTH (ed.), Von Aktie bis Zoll, pp. 165s, esp. p. 165.

59 Jürgen SCHNEIDER, Innovationen und Wandel der Beschäftigtenstruktur im Kreditgewerbe vom Spätmittelalter bis zur Mitte des 19. Jahrhunderts, in Hans POHL (ed.), Innovationen und Wandel der Beschäftigtenstruktur im Kreditgewerbe. Erstes wissenschaftliches Kolloquium des Instituts für bankhistorische Forschung e.V. am 20. Juni 1986 in München, Frankfurt/Main 1988, pp. 21-39, esp. p. 31; idem, Hat das Indossament zum Niedergang der Wechselmessen im 17. und 18. Jahrhundert beigetragen?, in Michael NORTH (ed.), Geldumlauf, Währungssysteme und Zahlungsverkehr in Nordwesteuropa 1300 – 1800. Beiträge zur Geldgeschichte der späten Hansezeit, Köln – Wien 1989, pp. 183-193, esp. p. 189. Cf. DE ROOVER, Lettre de change, pp. 83s.

60 Herman VAN DER WEE, Monetary, Credit and Banking Systems, in The Cambridge Economic History of Europe, vol. V: The Economic Organization of Early Modern Europe, ed. by E. E. RICH / C. H. WILSON, Cambridge et al. 1977, pp. 290-392, esp. p. 329.

61 OPITZ, Funktionswandel, p. 36.

62 Federigo MELIS, Una girata cambiaria del 1410 nell' Archivio Datini di Prato, in Economia e storia 5, 1958, pp. 412-421; Henri LAPEYRE, Une lettre de change endossée en 1430, in Annales. Économies, sociétés, civilisations 13, 1958, pp. 260-264; Raymond DE ROOVER, Le marché monétaire au moyen âge et au début des temps modernes, in Revue historique 94, 1970, pp. 34s.; HEERS, Gênes, pp. 88-96. Cf. SPUFFORD, Handbook, pp. xxxi, xxxiii.

63 On the development of endorsement from older methods of transfer cf. SCHAPS, Geschichte, pp. 39-85.

64 John MUNRO, Art. "Inhaber-Klausel", in NORTH (ed.), Von Aktie bis Zölle, pp. 171s.; idem, Übertragbarkeit, *passim*; Bernhard KIRCHGÄSSNER, Zur Geschichte und Bedeutung der Order-Klausel am südwestdeutschen Kapitalmarkt im 14. und 15. Jahrhundert, in Jürgen SCHNEIDER (ed.), Wirtschaftskräfte und Wirtschaftswege. Festschrift für Hermann Kellenbenz, vol. I: Mittelmeer und Kontinent, Stuttgart 1978, pp. 373-386; NORTH, Credit and Banking, p, 820. – According to GRÜNHUT, Wechselrecht, vol. 1, p. 90 it was supposed to be already possible to add an order-clause to promissory notes in the antiquity.

tive, forms of endorsement, applied to bills and cheques in the south, were found for Venice (1386), Prato (1394–1410), Florence (1430–1494), Genoa (1459), Lyons (1519, 1537, 1547), Seville (1537), Medina del Campo (1561ff.)."[65] In the 15th century bills of exchange could only be endorsed once (not a few times) and for the real act of endorsing the presence of both the drawee as well as the new and the former payee was necessary. Such transfers were valid only within one city or territory as legal certainty for the transfer of claims could not yet being guaranteed.[66]

Endorsement gained greater economical importance in connection with another innovative institution, the – as in contrast to the fairs – year-round bourse. The trade with fungible goods – the bill of exchange was such a good – did not develop in Italy but in North-Western Europe and here especially in the respective leading mercantile centers, in Bruges and since the second half of the 15th century in Antwerp. During the second half of the 16th century, the merchant bankers (and later the private bankers) needed more and more to extend their use of endorsements offering the opportunity to buy endorsed bills of exchange in order to resell them at this *marché permanent*, i.e. the New Stock Exchange in Antwerp that opened in 1531.[67]

In contrast to this, endorsing was rather limited in Italy, because the *campsores* had drawn up the responsibility of arranging cashless payments. It also reduced the number of bills of exchange payable at the big international trade and exchange fairs, i.e. it reduced the volume of cashed bills, because endorsing reduced issuing new bills of exchange in principle. Thus, the fair places and fair bankers protested the longest and hardest against allowing endorsements or at least repeated endorsement, as the practice of endorsing would have broken their monopoly in trading with bills of exchange at fairs for all times. Before its introduction only they could present bills for acceptance and settlement of accounts. This situation had two eminently important consequences for cashless payment transactions: First, the importance of fairs, especially of exchange fairs with their existence being based on the settlement of accounts, dropped significantly and permanently, for merchants did no longer have to turn to the fair bankers for cashing bills of exchange and settling accounts. The decline of the exchange fairs and the total loss of their function and their fair bankers was irreversible and the endorsing merchant took over their activities. Second, the importance of the

65 VAN DER WEE, Monetary, Credit and Banking Systems, p. 328 ann. 2. Cf. also Raymond DE ROOVER, The Rise and Decline of the Medici Bank (1397–1494), Cambridge (Mass.) 1963, pp. 137-140; Henri LAPEYRE, Las origins del endorso de lettras de cambio en España, in Moneda y credito: Revista de economica 52, 1952, pp. – Concerning the "cheque" see Marco SPALLANZANI, A Note on Florentine Banking in the Renaissance: Orders of Payment and Cheques, *Journal of European Economic History* 7 (1978), pp. 145-168, esp. pp. 145s.: "By the XIVth century [the cheque] had taken on its full form, being distinct from both orders which a client would normally give to a banker by means of a letter, and from the more specific order to make payments to the client's agent (*mandato all'incasso*). It was in this period that the cheque took on the characteristics typical of an instrument of payment with full power to extinguish debts with third parties. It is well known that these cheques, which were generally drafted on small slips of paper, have nearly all been destroyed and that virtually all the surviving examples come from Tuscany, particularly from Prato thanks to the Datini Archives."

66 Jacques HEERS, Le livre de comptes de Giovanni Piccamiglio homme d'affairs génois, 1456–1459, Paris 1959, pp. 352, 356; DENZEL, Art. "Indossament", p. 165.

67 SCHNEIDER, Messen, Banken und Börsen, p. 144.

bill of exchange issued aside from fairs grew for balancing payments, since the bill offered wider opportunities for circulation as the fair bill had ever had via the settlement of accounts.[68] The fundamental differences between the two types of balancing payments were four: First, the bill of exchange itself could be transferred by endorsement, whereas the settling of accounts could only transfer the claims resulting from the bills. Second, endorsement meant a written notice at the bill of exchange, whereas accounts could only could only be settled on the basis of the fair notebooks (*scartafacci*). Third, both payable bills and bills not yet payable could be endorsed, whereas the settlement of accounts was only possible with bills of exchange that were due for payment. Forth, endorsement included the endorser's liability to the acceptant of the endorsed bill of exchange (endorsee), whereas the settlement of accounts excluded any kind of recourse as every participant had to be regarded as equally solvent.[69]

Being only scarcely used during the 16th century[70] the practice of endorsing at the Antwerp stock exchange led to its distribution throughout North-Western Europe in the 17th and early 18th century: "This innovation was transferred to Amsterdam by the Portuguese Jews and various Protestants expelled from Antwerp in 1585 and was perfected with the establishment of the Amsterdam Wisselbank in 1609."[71] Unlike the Italian banks, the existing and developing stock exchanges and exchange banks accepted endorsed bills of exchange. Stock exchanges were founded in Amsterdam in 1530, in London in 1554/71 (the "Royal Exchange"), in Hamburg in 1558, in Cologne in 1566, in Danzig in 1593, in Bremen in 1614, in Berlin in 1685 etc. Exchange banks were established in Amsterdam in 1609 – the famous *Wisselbank* –, then in Middelburg in 1616, in Hamburg in 1619, in Delft in 1621, in Rotterdam in 1635. In Danzig an exchange bank following the Amsterdam model was planned by Dutch immigrants but was never realized.[72] The more endorsing became important in the decades between 1610 and 1640 the more the importance of the fair bill declined. At the end of the Genoese era – as Fernand Braudel called it – the Bisenzone fairs impressively underwent this process of decline.[73] Since the second half of the 17th century endorsing became accepted in wide parts of Western and Central Europe according to the respective exchange regulations (*Wechselordnungen*), so in Hamburg, in Amsterdam in 1651, in France in 1673[74], in Augsburg in 1665 or in 1707/16 respectively, in Frank-

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68 SCHNEIDER, Indossament, pp. 189-192; DENZEL, Art. "Indossament", p. 166; GRÜNHUT, Wechselrecht, vol. 1, pp. 12, 95s.

69 SCHAPS, Geschichte, pp. 44s.

70 According to Hans POHL, Die Portugiesen in Antwerpen (1567–1648). Zur Geschichte einer Minderheit, Wiesbaden 1977, p. 217 endorsement was rarely used in Antwerp at the beginning of the 17th century.

71 Larry NEAL, The Finance of Business During the Industrial Revolution, in R. FLOUD / D. MCCLOSKEY (eds.), The Economic History of Britain since 1700, vol. I: 1700–1860, Cambridge ²1994, pp. 151-181, esp. p. 159.

72 BOGUCKA, La lettre de change, p. 38.

73 Schneider

74 It was already common in France to endorse bills before the *Ordonnance du commerce*, probably since the 1680 ban on *billets en blanc*, which were papers with the name of the creditor left open in order to provide for unrestricted circulation; SCHAPS, Geschichte, pp. 123s. For the fair business in Lyons restrictions were made in 1678: Bills of exchange from Venice and Bolzano could not be

furt on the Main in 1666, in Sweden in 1671, in Breslau in 1672, in Denmark and Norway in 1681, in Leipzig in 1682, in Brunswick in 1686 (limited again to only four endorsements in 1715), in Nuremberg in 1700, in Danzig in 1701, in the electorate of Brandenburg in 1709, in Prussia in 1724, but in Austria not until 1763.[75] Especially the exchange places of the Holy Roman Empire reflected the different exchange regulations, that were put into force in the single cities, following one another relatively quickly in arguing over endorsements: Endorsements were forbidden, for example, in Frankfurt on the Main in 1620 and in 1635 but the 1666 regulation allowed it (confirmed in 1739). Following the Frankfurt example, Nuremberg forbade endorsement even in 1647, but the giro or endorsement was allowed there in 1654 and, finally, the multiple endorsement in 1700.[76] Later exchange regulations give the reason for the final approval of multiple endorsements this instrument was then widely used in many other places and it could no longer be forbidden for competitive reasons.[77] During the 18th century endorsing was a widely regarded common mercantile attribute, whereas the Italian exchange markets (Venice, the Bolzano fairs, the Bisenzone fairs at Novi, Naples and Florence) ruled out at least multiple endorsing because the *campsores* would otherwise have lost their function.[78] Nevertheless, bills were doubtlessly endorsed in some cases.[79] Endorsing appeared in Italy as a 'variety' of the *girata* that must have emerged around 1600. The *girata* did not differ from endorsing in function but in the fact that it was not written on the back but on the front of the bill.[80] The term *girata* or its derivatives respectively – *giro* (instead of endorsement) and *girieren* (instead of to endorse) – were spread also in the Holy Roman Empire in the first half of the 17th century, last but not last through the Bolzano fairs,[81] so that these Italian

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endorsed at all, those from Novi (Bisenzone fairs) and other Italian cities, from Germany, Switzerland and Piemont could only be endorsed once; GRÜNHUT, Wechselrecht, vol. 1, pp. 97-99 note 21. Cf. also SCHAPS, Geschichte, p. 125.

75 SCHAPS, Geschichte, pp. 145-150, 185; GRÜNHUT, Wechselrecht, vol. 1, pp. 97-99 note 21; SCHNEIDER, Messen, Banken und Börsen, p. 169. – Concerning England cf. James Steven ROGERS, The Early History of the Law of Bills and Notes. A Study of the Origins of Anglo-American Commercial Law, Cambridge 1995, p. 170.

76 SCHAPS, Geschichte, pp. 146-148; GRÜNHUT, Wechselrecht, vol. 1, pp. 97-99 note 21; SCHNEIDER, Messen, Banken und Börsen, pp. 150s.

77 GRÜNHUT, Wechselrecht, vol. 1, pp. 97-99 note 21. Cf., for example, F. WALDER, Das Wechselrecht der Reichsstadt Augsburg, Diss. Erlangen 1922, p. 58.

78 SAVARY, Le parfait négociant, P. II, liv. 2, ch. 4, pp. 482, 487; F. DUPUY DE LA SERRA, L'art des lettres de change suivant les plus célèbres places d'Europe, Paris 1693, p. 12s.; VON CANSTEIN, Lehrbuch, p. 33; SCHAPS, Geschichte, pp. 88-94, 107; GRÜNHUT, Wechselrecht, vol. 1, pp. 97-99 note 21; SCHNEIDER, Messen, Banken und Börsen, p. 152.

79 This is already proven for the beginning 17th century; DE ROOVER, Lettre de change, p. 153 (Doc. 8). Cf. SCHAPS, Geschichte, pp. 107s.

80 F. FERRARA, La girata della cambiale, Roma 1935; G. CASSANDRO, Vicende storiche della lettera di cambio, in Bolletino storico del Banco die Napoli IX–XII/1, 1955/56; idem, Art. "Cambiale", in Enciclopedia del Diritto V, Varese 1959, p. 836; SCHAPS, Geschichte, pp. 39s. Cf. SCHNEIDER, Messen, Banken und Börsen, p. 150; idem, Indossament, p. 193.

81 Denzel

termini are found rather often in the exchange regulations of the 17th and 18th century.[82]

Similar to endorsement or its Italian 'variety', the *girata*, the discount became the second important innovation of cashless payment transactions in the late 16th and the 17th century: discount means an interest subtracted in advance, when a credit paper – e.g. a bill of exchange – was repaid before the due date.[83] Thus, to discount a bill of exchange meant to sell it before the date it is due for cashing under subtraction of interest, which could have been considered usury due to the canonical ban on taking interest.[84] "The first example of modern discount in Antwerp was found in the Kitson Papers and related to the discounting of a writing obligatory in 1536. It was still an exceptional occurrence. The creditor usually kept the writings obligatory and bills of exchange in his portfolio until the due date. If the creditor suddenly needed cash, he would ask one or more debtors to repay their debt earlier with a *rabat* (rebate): this was still the old procedure that had already been in common use in the Middle Ages (the traditional discount). … The writings obligatory usually had a long term to run, sometimes up to 12 months or more, so that the need for quick cashing was often quite sharply felt. However, the general introduction of the bill of exchange into northwest Europe was also to foster the discounting of bills."[85] Among the merchants of Antwerp discounting spread in the second half of the 16th century but did not develop into a usual business practice until the end of the century. During the 17th century discounting was established beside endorsement in North-Western Europe – and especially in England.[86] "Modern discount banking had thus become a fact of economic life."[87]

3.3 The Bill of Exchange as the Dominant Means of International Payment in Europe (17th to 19th Century)

"Bills of exchange were the dominant means of international payment in the seventeenth century, and their exchange rate was the effective rate of exchange for most commercial activity."[88] With endorsement and discount, the stock exchange as the

82 SCHNEIDER, Messen, Banken und Börsen, p. 150.

83 John H. MUNRO, Art. "Diskont", in North (ed.), Von Aktie bis Zoll, pp. 85-87, esp. p. 85; SCHNEIDER, Messen, Banken und Börsen, p. 153.

84 SPUFFORD, Handbook, p. xxxi.

85 VAN DER WEE, Monetary, Credit and Banking Systems, pp. 329s.

86 MUNRO, Art. "Diskont", p. 86. As early as during the 17th century goldsmith-bankers in England already discounted promissory notes, bills of exchange and even exchequer bills, although the transfer of such papers by endorsing them was not legally protected until the *Promissory Notes Act* from 1704. Cf. ROGERS, Early History, pp. 177-186; SCHAPS, Geschichte, pp. 178-180. – Cf. also SCHNEIDER, Messen, Banken und Börsen, p. 154; Herman VAN DER WEE, The Growth of the Antwerp Market and the European Economy (14th–16th Centuries), vol. II: Interpretation, The Hague 1963, p. 349; idem, Monetary, Credit and Banking Systems, pp. 330s. – Cf. also BRÉSSARD, Foires de Lyon, p. 281: "L'escompte fut pratiqué d'une manière courante à Lyon entre banquiers et marchands."

87 VAN DER WEE, Monetary, Credit and Banking Systems, p. 331.

88 Stephen QUINN, Gold, Silver, and the Glorious Revolution: Arbitrage between Bills of Exchange and Bullion, in Economic History Review 49/3, 1996, pp. 473-490, esp. p. 474.

place of trade and the exchange regulations as the legal safeguarding, cashless payment transactions had gained a dynamic in Western and Central Europe since the ending 17th century that flourished during the 18th century without there being any principle innovations. The mature mechanisms of cashless payments helped to raise the number of completed transactions, to accelerate their completion and to extent the personal rayon of the participants. A large number of merchants became merchant-bankers not only in the big financial centers, but also in smaller country towns. This was the basis for the emergence of private bankers finding its first climax, for example, in the Haute Banque Parisienne,[89] because merchant-bankers specialized in banking when owned a sufficient amount of capital. In the banking business they could definitely realize a faster capital turnover than in commodity trading being often of a quite long drawn character. Thus, private banks developed from the former merchant banking houses. Until the mid-18th century even 30 private banks emerged only in London and until the early 19th century there were another 40.[90]

The individual element within the expansion of cashless payment transactions can be traced in the example of the, compared to international standards rather small, trading and banking house Amman in the little town Schaffhausen in Switzerland. The present exchange copy books give prove of more than 1.000 issuers from more than 320 cities, market towns and larger villages, situated in different parts of Western and Central Europe, in few cases also in Southern Europe and Russia as issuing places for those bills of exchange that passed through the trading and banking house at one point or another. Generally, these bills of exchange reached Amman through a series of endorsements – sometimes up to eleven. The participants of these bill transactions included often – apart from various endorsers – only three parties: the issuer, the drawee and, as the third party, the banker financing the deal being remitter and presenter at the same time, as it had often been usual in earlier centuries. Thus, if Amman bought commodities from a business partner at the French Atlantic Coast, the partner drew a bill of exchange on him, then Parisian bankers of Swiss origin, foremost Tourton & Baur, Thellusson, Necker & Cie and Sellont & Cie acted as remitters and at the same time as presenters of the bill, which meant that they took up the bill of exchange from the merchant who sold the commodities at the Atlantic Coast and received their money or a corresponding value, another bill of exchange for example from Amman. Since this type of transactions in commodities was thus financed by Parisian bankers, that granted Amman at least a short-term credit in this way, Amman only seldom re-

89 Cf. Herbert LÜTHY, La Banque protestante en France de la révocation de l'Édit de Nantes à la Révolution, II: De la banque aux finances (1730–1794), Paris 1961.

90 NORTH, Das Geld, p. 139.

ceived bills of exchange sent to him directly by the supplier of the goods.[91] There are many examples from other parts of Europe giving prove of that development.[92]

There appeared an essential innovation that made cashless payment even safer for these merchant bankers: the acceptance credit developing into a new form of short-term international credits in Amsterdam since the end of the 17th century. By accepting a bill of exchange drawn on him, a banker could then assume future payment obligations of a debtor, mostly an importer, who had settled his obligations with another exporter using a bill of exchange. The importer then asked his bank to declare that it honored the bill on its due date, which it was not obliged to if the importer did not have a sufficient amount of money deposited at the bank. This bank accept provided the security for the issuer or remitter of the bill as well as for the exporter of receiving their money. Moreover, the bill could be discounted a lot easier as the discounting bank basically took over the role of the creditor from the exporter by guaranteeing the cashing of the bill of exchange. For a long time during the 18th century, the financial market of Amsterdam financed not only the Dutch foreign trade on the basis of acceptance credits but also often the trade of other Northwest-European cities (especially London, Hamburg and Bordeaux) and of other locations of the Baltic Sea Area.[93] During the 19th century the acceptance credit gained outstanding importance: "For as foreign trade grew and as the bill of exchange became its modal means of payment, the London discount market acquired a new function, that of accepting bills on behalf of clients, often external to the British Isles. Certain of the London private banks came to accept for a commission bills on behalf of clients. … When such a bill fell due for payment it would be paid by the accepting house, which in turn was reimbursed by its client. This acceptance business, carried on mainly by a group of the London mer-

91 Markus A. DENZEL, Die Geschäftsbeziehungen des Schaffhauser Handels- und Bankhauses Amman 1748–1779. Ein mikroökonomisches Fallbeispiel, in Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte 89, 2002, pp. 1-40; idem, Geldwesen und Zahlungsverkehr in regionalen und internationalen Zusammenhängen in der Alten Schweiz. Das Fallbeispiel des Schaffhauser Kaufmann-Bankiers Amman (um 1750–1781), in Pascal LADNER / Gabriel IMBODEN (eds.), Alpenländischer Kapitalismus in vorindustrieller Zeit. Vorträge des siebenten internationalen Symposiums zur Geschichte des Alpenraums, Brig 2004, pp. 55-99.

92 E.g. Kurt SAMUELSSON, International Payments and Credit Movements by the Swedish Merchant-Houses, 1730–1815, *Scandinavian Economic History Review* 3 (1955), pp. 163-202; Vasilij V. DOROŠENKO / Elisabeth HARDER-GERSDORFF, Ost-Westhandel und Wechselgeschäfte zwischen Riga und westlichen Handelsplätzen: Lübeck, Hamburg, Bremen und Amsterdam (1758/59), *Zeitschrift des Vereins für Lübeckische Geschichte und Altertumskunde* 62 (1982), pp. 120-147; Elisabeth HARDER-GERSDORFF, Zwischen Riga und Amsterdam: die Geschäfte des Herman Fromhold mit Frederik Beltgens & Comp., 1783–1785, in The Interactions of Amsterdam and Antwerp with the Baltic Region 1400–1800, Leiden 1983, pp. 171-180; eadem, Aus Rigaer Handlungsbüchern (1783–1785): Geld, Währung und Wechseltechnik im Ost-West-Geschäft der frühen Neuzeit, in Eckart SCHREMMER (ed.), Geld- und Währung vom 16. Jahrhundert bis zur Gegenwart. Referate der 14. Arbeitstagung der Gesellschaft für Sozial- und Wirtschaftsgeschichte vom 9. bis 13. April 1991 in Dortmund, Stuttgart 1993, pp. 105-120; eadem, Zwischen Rubel und Reichstaler. Soziales Bezugsfeld und geographische Reichweite des Revaler Wechselmarktes (1762–1800), Lüneburg 2000; Bertil ANDERSSON, Early History of Banking in Gothenburg Discount House Operations 1783–1818, *Scandinavian Economic History Review* 31 (1983), pp. 50-67.

93 Helma HOUTMAN-DE SMEDT, Art. „Akzeptkredit", in NORTH (ed.), Von Aktie bis Zoll, pp. 20s.

chant banks, became an integral part of the London discount market and 'the bill on London' a reputable form of payment in international trade."[94] This can be put down to the fact that invoices for international and especially intercontinental trade were settled quite regularly in pounds sterling, even if other European merchants were participating in the deal. This process went partially so far that it was even used when two German companies traded with each other. When converting a price from pounds sterling into mark, in Hamburg an exchange rate was used that was fixed half a penny above the lowest course fixed at the Hamburg stock exchange for bills on London. Similar transactions in other European currencies were normally only settled, if they were pure commission business.[95]

The growing speed in transacting cashless payments is reflected both in the shortened time of turnover of bills of exchange noted with the current prices and in the acceptance of a shorter term as a second listing next to the traditional (longer) term. Whereas the usance of bills of exchange often depended on the time needed for transporting the bill – the usance of a bill of exchange from Amsterdam on Danzig being, for example, 40 days, on Königsberg 41 days – or a certain usance had become common over generations of merchants, the quotation for bills on sight became more frequent and more important during the 18th century. Thus, Amsterdam introduced an at-sight-quotation on London around the turn of the 17th to the 18th century and one on Paris in 1721. Starting in 1720, London differenciated within its quotations on Amsterdam between at-sight-bills and bills longer running (2 or 2½ months); an additional quotation for sight bills on Paris was introduced in 1721. In Hamburg an additional quotation for bills at short sight was introduced only for bills on Amsterdam, the most important partner for bills of exchange. The same was done for bills on London only in 1801, when the English metropolis surpassed the Dutch in importance from the perspective of Hamburg.[96] In 18th century Germany bills of exchange with a term of less than eight days were called bills at short sight, whereas bills at long sight were such bills of exchange with a term that surpassed the usual usance of a bill market, meaning they ran '*over uso*'.[97]

In return, some usances of bills of exchange were prolonged in contemporary exchange rate currents extending the credit term. This process could be interpreted as a growth in trust in the respective business partner. Hamburg, for example, lengthened its term for bills of exchange on Vienna from a four week dato to a six week dato; the one for bills on Prague was also extended from a four week dato to a six week dato about ten years later. In 1775/76 the usance for bills on Iberian places (Madrid, Cádiz, Lisbon) was extended from two months dato to three months dato. In return, the usance for bills on Hamburg was lengthed in Vienna in 1770 from two weeks after sight to six weeks dato, the one for bills on London from two weeks after sight to two

94 W. M. SCAMMEL, The London Discount Market: The Later 19th Century, in R.C. MICHIE (ed.), The Development of London as a Financial Center, vol. 2: 1850–1914, London – New York 2000, pp. 151-177, esp. p. 154.

95 FRIEDRICH, Die Technik des Zahlungsverkehrs, pp. 341, 346.

96 HStD XII, passim.

97 Cf. ZELLFELDER, Glossar, p. 206.

months dato.[98] These examples demonstrate that the traffic and transport conditions had improved allowing to calculate with fixed dates after issuing bills of exchange and avoiding to trust on a certain term after sight – whenever this supposedly had occurred.

The listed usances of the exchange rate currents continued to change in the two shown tendencies during the 19th century. Hamburg is an example: The Hamburg exchange rate quotations listed Paris, Bordeaux, Saint Petersburg, London, Amsterdam and Antwerp with a two month term far into the 19th century, only the Iberian places were listed with three months since 1775/76. In 1844 the commerce deputation asked the Senate to lengthen the term for bills of exchange to three months, but it disagreed about the merchants' interests to concede longer term credits to their foreign business partners. It was only when the commerce deputation stated that their request reflected the given situation the Senate granted it partially in 1846. The terms for bills of exchange for most of the named places were lengthened, though, the ones for Amsterdam and Antwerp had to be kept until 1856 and those for Germany and Austria until 1869, because small merchant houses especially those trading mainly within Central Europe had been contrary the lengthening of their main trading partners' credits.[99] The understanding of 'at short sight' and 'at long sight' changed fundamentally in Germany during the 19th century: In around 1859 one considered a usance of mostly two to three weeks (usually 14 days after sight) as 'at short sight', a bill with a longer term as 'at long sight'.[100]

3.4 The Transfer of the European Techniques of Cashless Payments Overseas (16th to 19th Century)

With the help of endorsement and discount the bill of exchange had become a popular negotiable paper developing into 'international money'.[101] But the use of the bill – regardless its meticulous transfer mechanisms – was limited: it remained a financing instrument of European merchants as DE ROOVER already stressed for the 16th century: "la lettre de change au XVIe siècle ne circulait au-delà des limites de la Chrétienté latine."[102]

In the course of European expansion, however, the operating range of European merchants grew also regarding cashless payments (see also …): They brought their instruments and techniques into the non-European areas in which they were economically interested and carried out their exchange transactions there and from there with Europe (almost) as fast, as if they were in Europe. This holds especially for the neo-European colonies, as MCCUSKER described it for the British colonies in North Amer-

98 HStD XII, passim; WdW VI, S. 210-215; WdW I/III, pp. 309-326.

99 Ernst BAASCH, Aus der Entwicklungsgeschichte des Hamburger Kurszettels, in *Bank-Archiv* 5, 1905/06, pp. 8-11, esp. p. 10.

100 Cf. ZELLFELDER, Glossar, p. 206.

101 Markus A. DENZEL / Oskar SCHWARZER, Art. "Wechsel", in NORTH (ed.), Von Aktie bis Zoll, pp. 416s., esp. p. 416.

102 DE ROOVER, Lettre de change, p. 65.

ica: "In negotiating bills on the mother country, colonists followed the forms and procedures common to European Exchange. Bills were drawn, presented, and protested in much the same way between Philadelphia and London as between Amsterdam – or, better, Dublin – and London."[103] The same holds for Canada, Australia, New Zealand, the numerous colonies in the Caribbean and later also for Africa. Often European remitters served as creditors for the whole transaction, but there are also many examples for the reversed situation, i.e. when that an overseas merchant banker granted an European merchant a credit, as it happened often in trading tobacco from Maryland to London, for example: "The ability of the London importer to pay the Baltimore exporter in a bill of exchange depended … on the willingness of the Baltimore merchant banker, who had to accept the bill, to extend credit to the London merchant banker."[104] Here the bill of exchange could also only serve as a mere source of credit for the European (!) merchant banker; so "the bill of exchange became the major source of credit for British merchants engaged in the growing trade with the North American colonies."[105]

In contrast to North America, the bill of exchange did not similarily develop into a means of payment in Latin America, for it was unnecessary. Until the end of the colonial era, payments from the Spanish colonies as well as from Brazil to Europe could be made by transferring precious metals. Moreover, the native's European suppliers requested immediate payment for their delivered goods. Bills of exchange and *préstamos marítimos* served only to very limited extend for financing colonial trade, especially between Spanish merchants, ship owners, factors and the *Casa da Contratación*.[106] A Spanish merchant banker could draw a bill of exchange on an American merchant, who promised to pay the amount to a local factor or agent of the European issuer. But such exchange transactions were – due to the great distance and risk – connected with an unusually high premium, so that they occurred only rarely.[107] Within the Spanish-American colonial empire transactions of cashless payments were often transacted with the help of so called *libranzas*, that could be endorsed and thus traded;

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103 McCusker, Money and Exchange, p. 120.

104 Neal, The Finance of Business, p. 159.

105 Ibidem, p. 160.

106 Antonio-Miguel Bernal, La financiación de la Carrera de Indias (1492–1824). Dinero y crédito en el comercio colonial español con América, Sevilla – Madrid 1992, especially capítulo I; idem, Crédito, financiación y beneficio en el comercio colonial español a través de los cambios y préstamos marítimos (ss XVI–XVII), in José Casas Pardo (ed.), Economic Effects of the European Expansion, 1492–1824, Stuttgart 1992, pp. 39-76; Enrique Otte, Letras de cambio de América, in Moneda y credito 145, 1978, pp. 57-66; idem, Träger und Formen der wirtschaftlichen Erschließung Lateinamerikas im 16. Jahrhundert, in Jahrbuch für Geschichte von Staat, Wirtschaft und Gesellschaft Lateinamerikas 4, 1967, pp. 226-266, esp. pp. 245s.

107 According to Thomás de Mercado the following courses were quoted in Seville in around 1570 for 100 pesos: on Santo Domingo 111 pesos, on México 118 pesos, on Panama 118 pesos; on Peru 133 pesos and on Chile 154 pesos; Thomás de Mercado, Summa de tratos, y contrados, Sevilla 1571, part 2, fol. 69^{v} (cited from McCusker, Money and Exchange, p. 299 note 135); A.-E. Sayous, Les changes de l'Espagne sur l'Amérique au XVI^{e} siècle, in Revue d'économie politique 41, 1927, pp. 1417-1443.

their acceptance was limited to the American market, though, normally even only to a single vice-kingdom.[108]

The bill of exchange reached Asia primarily via the Northwest-European East India Companies, that used this instrument for transactions both among their posts in the area of the Indian Ocean and, on the other to Europe. Although it was possible in the Portuguese *Estado da India* to draw money *a câmbio* if needed at the beginning of the 17th century, this was not a 'classic' bill of exchange transaction, but rather 'emprunts contractés', contractually secured lending of money with a fixed interest rate, that was put in the form of a bill of exchange.[109] These kind of 'bills' were probably nothing else but interest bearing promissory notes with a questionable negiotiability, that served (alone?) for acquiring money. As the opportunity remained limited for Europeans to draw a credit at the – otherwise highly developed – Asian financial markets, the Dutch *Vereenigte Oostindische Compagnie* and especially the English *East India Company* turned to other sources of credit: the companies started to issue money orders and bills of exchange in Asia that were payable by the companies' responsible offices in Europe.[110] Thus, the VOC provided since 1620 its members with the opportunity to deposit their money with an authorized cashier[111]of the VOC before returning to the Netherlands from Asia. The cashier would issue them a so-called *assignatië* over the deposited value, that an office in the Netherlands would then cash. This *assignatië* can be interpreted as a sort of three person bill of exchange considering that in this case the function of the remitter and the presenter merged in the person of the VOC-member, who deposited his cash in Batavia, i.e. the member bought a bill of exchange and presented it in the Netherlands to reclaim his money. In opposition to bills of exchange the VOC agency in the Netherlands payed an interest on the *assignatië* amounting in general 4% between 1664 and 1735.[112] From this point of view the

108 Guillermo CÉSPEDES DEL CASTILLO, América Hispánica (1492–1898), Barcelona 1983, p. 155; Hans POHL, Die Wirtschaft Hispanoamerikas in der Kolonialzeit (1500–1800), Stuttgart 1996, p. 205f.; Murdo J. MACLEOD, Aspects of the Internal Economy of Colonial Spanish America: Labour; Taxation; Distribution and Exchange, in Leslie BETHELL (ed.), The Cambridge History of Latin America, vol. II: Colonial Latin America, Cambridge a.o. 1984, pp. 219-264, esp. pp. 262-264. On Mexico in the ending colonial era, cf. D.A. BRADING, Miners and Merchants in Bourbon Mexico 1763–1810, Cambridge 1971, pp. 100-102.

109 Vitorino MAGALHÃES-GODINHO, L'économie de l'empire portugais au XVe et XVIe siècles, Paris 1969, p. 649.

110 K[irti] N. CHAUDHURI, The Trading World of Asia and the English East India Company 1660–1760, Cambridge et al. 1978, p. 165.

111 Until the mid-18th century only the general government in Batavia and the governments and agencies in Cylon and at the Cape of Good Hope, later also those in Bengal, Surat, and on the Coromandel Coast functioned as offices for the issuing of *assignatiës.*

112 Markus A. DENZEL, Zur Finanzierung des europäischen Asienhandels in der Frühen Neuzeit: Vom Zahlungsausgleich im Gewürzhandel zum bargeldlosen Zahlungsverkehr, in Idem (ed.), Gewürze in der Frühen Neuzeit: Produktion, Handel und Konsum. Beiträge zum 2. Ernährungshistorischen Kolloquium im Landkreis Kulmbach 1999, St. Katharinen 1999, pp. 37-69.; Om PRAKASH, Financing the European Trade with Asia in the Early Modern Period: Dutch Initiatives and Innovations, in Journal of European Economic History 27, 1998, pp. 331-356, esp. pp. 337s.; Femme S. GAASTRA, The Exports of Precious Metal from Europe to Asia by the Dutch East India Company, 1602–1795, in J. F. RICHARDS (ed.), Precious Metals in the Later Medieval and Early Modern

transaction was more a kind of deposit banking with different locations of depositing and reclaiming. In addition, the whole transaction was settled within the company itself and shows resemblance with the use of the *letteras di pagamento* within Italian companies of the 13th and 14th centuries.[113] Thus, it is not surprising that contemporary directors of the VOC spoke rather of '*assignatië*' than of '*wissel*'.[114] Indications for transactions of cashless payments between different agencies of the EIC in Bengal can also be found with *bills of exchange* and *letters of credit* since 1651. In order to transfer money to Europe the EIC members used 'bills of exchange', that probably had a high similarity to the VOC's *assignatië*.[115] But next to the three-persons-bills of exchange one can also find bills with four participating parties, as the first recorded bill of exchange transaction from Canton to London proves.[116] Since the 1760s the importance of the bills of exchange issued by the EIC, the so-called *Company's Bills*, grew for settling payments between China on the one hand and London or India on the other. Between 1773 and 1780/84 it was even possible for the European East India companies to use their local branches for a kind of 're-exchange' from Europe to Calcutta due to a growing accumulation of capital. The directors of the VOC bought bills of exchange from English-Dutch bankhouses, which they drew on their agency in Calcutta. The agents of the VOC in Bengal could then cash these bills of exchange on sight.[117] The other East India companies, of course, participated in the profit bearing transactions of cashless payment with other local companies in the Indian Ocean area and with Europe.[118] Thus, the money order and bill of exchange became an often and

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Worlds, Durham (NC) 1983, pp. 447-475, esp. p. 461; idem, Private Money for Company Trade. The Role of the Bills of Exchange in Financing the Return Cargoes of the VOC, in Itinerario. European Journal of Overseas History 18, 1994, pp. 65-76, esp. pp. 66-68; idem, De Vereenigde Oost-Indische Compagnie in de zeventiende en achttiende eeuw: de groei van een bedrijf. Geld tegen goederen. Een structurele verandering in het Nederlands-Aziatisch handelsverkeer, in Bijdragen en mededelingen betreffende de geschiedenis der Nederlanden 91, 1976, pp. 249-272, esp. pp. 256-260.

113 DENZEL, Zur Finanzierung des europäischen Asienhandels, p.

114 Femme S. GAASTRA, Die Vereinigte Ostindische Compagnie der Niederlande – Ein Abriß ihrer Geschichte, in Eberhard SCHMITT / Thomas SCHLEICH / Thomas BECK (eds.), Kaufleute als Kolonialherren: Die Handelswelt der Niederländer vom Kap der Guten Hoffnung bis Nagasaki 1600–1800, Bamberg 1988, pp. 1-89, esp. p. 54. Cf. also Arent POL, Tot gerieff van India. Geldexport door de VOC en de muntproduktie in Nederland, 1720–1740, in Jaarboek voor munten penningkunde 72, 1985, pp. 65-195, esp. p. 90.

115 Sus[h]il CHAUDHURI, Trade and Commercial Organization in Bengal 1650–1720. With Special Reference to the English East India Company, Calcutta 1975, pp. 102, 106, 118-120, 122.

116 Source: Hosea Ballou MORSE, The Chronicles of the East India Company Trading to China 1635–1834, Oxford 1926, vol. V, p. 102; reprinted in Louis DERMIGNY, La Chine et l'Occident. Le commerce à Canton au XVIII^e^ siècle 1719–1833, Paris 1964, T. II, p. 762 note 2.

117 PRAKASH, Financing the European Trade, pp. 339s.; GAASTRA, Private Money, p. 73. According to PRAKASH the fourth Dutch and English War prevented any further transactions from 1870 on; according to GAASTRA the financial downfall of the VOC in 1784 was responsible for the drastic decline of such business transactions covering a volume of nearly 12.8 million guilder between 1773 and 1785.

118 For the Danish *Asiatisk Kompagni*, for example, see Martin KRIEGER, Kaufleute, Seeräuber und Diplomaten. Der dänische Handel auf dem Indischen Ozean (1620–1868), Köln – Weimar – Wien 1998, pp. 137s., 153s., 165, 167, 195.

regularly used instrument for cashless payments, because it was used first by the East India companies and later more or less widely spread by private European business men or interlopers in the Asian trade. Exchange transactions in Asian-European or internal Asian payments served primarily as a direct source of liquidity: “The bills represented only a mechanism facilitating the transfer of purchasing power from Europe to Asia.”[119] In general, bills of exchange were not used for commercial credit transactions,[120] as commodities were normally not paid for directly with a bill of exchange.[121] One had rather acquired cash with the help of a bill using it to pay for the bought goods since local producers and intermediaries depended on receiving precious metal. One can state for the 19th century that “bills of exchange were known in Asia, but were not as commonly used in European-Asian trade as in European-American trade.”[122]

A vivid example for an exchange transaction between overseas and Europe in the first half of the 19th century[123] is given by Horace Emile SAY in his *Histoire des relations commerciales entre la France et le Brésil* from 1839 (Graph):[124] A coffee importer in London asked a commissioner in Rio de Janeiro to send him a certain amount of coffee and instructed him to draw a bill of exchange over the respective debt on his name (drawee). The commissioner would then issue the bill of exchange (drawer) and send the coffee and the original copy of the bill, the so-called *prima* or *tratte*, to London; the second copy of the bill of exchange, the *secunda* or *rimesse*, was sold in Rio de Janeiro after discounting to another merchant (remitter), who was in business relationship with England. This person could be a consignee who received factory goods from Manchester and had to pay for them. Instead of paying in cash, i.e. sending cash to Manchester, the consignee bought the rimesse from the coffee commissioner with the sales revenues or he accredited his account with the agreed amount. Now the commissioner had cash (or a credit) at his disposal for new business operations. The buyer of the bill sent the remisse to the producer in Manchester, who then presented the bill after its due date to the coffee importer in London. The last person, the drawer (acceptor), accepted the bill of exchange and paid the producer the amount the bill was issued over in cash or he accredited his account with the respective amount. The money needed for cashing the exchange claim or accrediting the account

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119 PRAKASH, Financing the European Trade, p. 341.

120 If there was, for example, a commercial credit transaction of a private agency, the above described participants of the four-persons-bill of exchange would have been different. In this case the EIC occupied the position of the remitter and presenter attenting the cashless transfer of money from India or China to Europe and, at the same time, finance the private merchants’ overseas trade.

121 KRIEGER, Kaufleute, S. 154.

122 Jacob M. PRICE, Transaction Costs: A Note on Merchant Credit and the Organization of Private Trade, in James D. TRACY (ed.), The Political Economy of Merchant Empires, Cambridge 1991, pp. 276-297, esp. p. 288.

123 On cashless payment between Europe and overseas, its instruments and modalities cf. Rolf WALTER, Wechsel, Pari, Kurs und ihre Bedeutung für das Überseegeschäft des 19. Jahrhunderts, in *Scripta mercaturae* 16/1, 1982, pp. 55-78.

124 H.E. SAY, Histoire des relations commerciales entre la France et le Brésil, Paris 1839, pp. 101-104. An analysis of Say’s example can be found in SCHNEIDER, Brasiliengeschäft, p. 67, who also follows the following description.

had been earned in the meantime by selling the coffee. Thus, all mutual obligations and claims could be settled.

The advantages of the exchange transaction did not change since the Middle Ages: First, the business offered the opportunity to effect payments without the risky and expensive sending of precious metals (insurance costs, for example). If a bill of exchange was lost during its transportation, there were always other existing copies (*tertia*, *quarta*) that could document the mutual claims. Second, two credit deals took place: The European importer was not forced to pay instantly for the goods received. Instead of this, he had time to earn the money by selling the goods and to pay the bill of exchange; on the other side, the overseas consignee did also not pay the goods received from Manchester until the agreed term. Third, the respective recipient of the money was paid in his currency, i.e. the one he needed for new business operations in his country, pounds Sterling in England, for instance, or milreis in Brazil. This was of great interest especially for English exporters, because they used to revert to a compensation deal with overseas products in order to receive their money if they were not paid in Sterling bearing unpredictable risks for the desired revenues. Wether payments for goods sent overseas were really effected with bills of exchange (remisse) or via the flow of commodities depended on the discretion of the European trading house and on the respective market situation.[125] Finally, the issuer of the bill of exchange would receive his money immediately by selling the remisse without having to wait for payments from London, which would not have been effected until the due date of the bill. In this case the issuer had liquidity at his disposal that he could use for new business operations. This was a decisive factor for an overseas exporter: "the foreign exporter, who has consigned or sold produce to us, prefers to *draw* on London rather than have us remit. In so doing he finds a double advantage: – the advantage, namely, of getting his money at once by selling the bill, and the advantage of securing the best price for it by negotiating it himself. The foreign importer, too, who has to pay for the goods he has bought, would rather do so, by *remitting* to London than by allowing us to draw upon him."[126]

This resulted in the noteworthy fact, that all overseas trading places quoted London, but the reverse rates on London were exceptionally quoted until World War I, as "the exchanges between England and other countries are controlled from the side, and … we in London have practically neither part nor say in the matter. The rate of exchange, for example, between England and the United States, is fixed in New York; between England and Brazil, in Rio; … There may be exceptions, of which the Indian Exchange is the most notable, but that is the general rule."[127] Of course this statement disregards that the credit system connected with cashless payment transactions was of-

125 Cf. Rolf WALTER, Die nordwesteuropäische Wirtschaft in mikroökonomischer Perspektive: Das Beispiel Hasenclever, in Nordwesteuropa in der Weltwirtschaft 1750–1950 / Northwestern Europe in the World Economy 1750–1950, eds. v. M. NORTH, Stuttgart 1993, pp. 291-307, esp. pp. 296-304, especially p. 302.

126 George CLARE, The A.B.C. of the Foreign Exchanges, in The Institute of Bankers 13/II, 1892, pp. 73-84, esp. p. 78.

127 Ibidem, p. 79.

ten many times more difficult as, for example, Stanley CHAMPMAN described it for the transatlantic trade between the USA and Great Britain during the 1830s.[128]

3.5 From the Bill of Exchange to the Telegraphic Transfer and to the Cheque (from about 1850 to 1914)

"With the dramatic improvement in world communications, accompanied by the growth in numbers and expertise of financials intermediaries and institutions, a new era was coming into being after the mid-nineteenth century."[129] Although the 19th century's new means of transportation – steam boat and railroad – had reduced the time for the transportation of bills of exchange, the decisive progress regarding cashless payments did not set in until the appearance of the telegraph: the electronic telegraph made telegraphic money orders or transfers possible, i.e. telegraphic banking transactions, allowing depositing and cashing on the very same day between remote regions of the world.[130] Both developments taken together led not only to a harmonization of the usances of cashless payments everywhere but also to a significant shortening of the usances of intercontinental payments. The first result holds especially for Europe, where long term bills of exchange were listed in general at 30 or at 90 days towards the end of the 19th century.[131] The second applies to the traffic between India and Great Britain after the opening of the Suez Channel in November 1869 resulting in a reduction of the standard usance of six months sight was reduced to four months sight or six months dato since the beginning of the 1870s, at least by the 1880s. Moreover, the common usance between the U.S.A. and Great Britain of 60 days sight was reduced to ten days sight in 1876 after the installation of the third overseas cable; since the early 1880s sight drafts became predominant.[132] Exchange rates for telegraphic transfers were set up in important overseas places, for example, from Calcutta and Shanghai on London since 1878, from New York since 1879, from Hongkong since 1880, from Bombay since 1883, from Yokohama since 1894 and from Australia since 1906,[133] and:

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128 Stanley C. CHAPMAN, The Rise of Merchant Banking, London – Boston – Sydney ²1985, p. 109.

129 R.C. MITCHIE, The London and New York Stock Exchanges 1850–1914, London et al. 1987, p. 154.

130 Cf. Jorma AHVENAINEN, The Far Eastern Telegraphs. The History of Telegraphic Communications between the Far East, Europe and America before the First World War, Helsinki 1981; idem, Telegraphs, Trade and Policy. The Role of the International Telegraphs in the Years 1870–1914, in FISCHER / MCINNIS / SCHNEIDER (eds.), World Economy, part II, pp. 505-518; idem, The Role of Telegraphs in the 19th Century Revolution of Communications, in NORTH (ed.), Kommunikationsrevolutionen, pp. 73-80; Robert BOYCE, Submarine Cables as a Factor in Britain's Ascendency as a World Power, 1850–1914, in ibidem, pp. 81-99.

131 Cf. ZELLFELDER, Glossar, p. 206.

132 Shizuya NISHIMURA, The Decline of Inland Bills of Exchange in the London Money Market 1855–1913, Cambridge 1971, p. 39; L.E. DAVIS / J.R.T. HUGHES, A Dollar-Sterling Exchange, 1803–1895, in Economic History Review sec. ser. 13, 1960/61, pp. 52-78, esp. p. 59.

133 WdW I/I, pp. 334s., 342, 349, 368; WdW IV, pp. 107s., 179, 239s., 254s., 329.

"Even as early as 1877 the *Economist* drew attention to the fact that telegraphic transfers and international coupons were replacing the overseas bill of exchange as a means of payment. That the overseas bill of exchange was able to rise to predominance from 1860 and remain the important staple of the discount market down to the interwar years; that, even in face of speedier forms of payment, the bill on London and those who administered it enjoyed in the period 1870–1914 their golden age, was partly due to the enormous growth in the volume of trade in that period which served to obscure longer-term influences, but no doubt also to the basic utility, safety and convenience inherent in this process of payment for those who engaged in foreign trade."[134]

It was especially the installation of a special category for 'telegraphic transfer' or 'cable transfer' in the New York exchange rate currents on London since December 1879, on Paris, Amsterdam and the German Empire since the beginning of 1909 which was the right economic consequence of the growing transatlantic trade and the resulting – mostly cashless – payments between the U.S.A. and Europe. In the era of the telegraph, worldwide reactions to changing rates on the exchange markets were only a matter of hours and minutes. "By about 1880, the principal financial centers of the world were in telegraphic contact and thereafter the system was refined and extended, with both transmission times and costs falling substantially. By 1908, on the London–New York route, a telegram could be sent, and a reply to it received, within 2.5 minutes. Furthermore, with the introduction of the London–Paris telephone in 1891, the ultimate in instantaneous and continuous contact was achieved."[135] The faster and more reliable communication became, the shorter became the usual usances in the system of cashless payment transactions.

Regarding the exchange rate currents of the overseas places, this development led to an enlargement of the number of rates listed on European exchange partners by listing sometimes as many as six different usances. Around the turn of the 20th century Sydney had listed rates on London for 30, 60, 90 and 120 days after sight in addition to quotations for sight bills and telegraphic transfers. In around 1900 Hong Kong listed quotations on London for six and four months as well as for 30 days after sight and also for sight bills and telegraphic transfers.[136] These examples could easily be continued. The following plans can be regarded as typical payment locations within intercontinental trade during the years prior to World War I:

Table 1: Typical Payment Locations within Intercontinental Trade around 1910[137]

British India, Western and Eastern Africa, Australia	30, 60, 90, 120 days
Netherlands India, Straits Settlements	30, 60, 90, 120 days up to 6 months
South Africa	60, 90, 120 days up to 6 months
China, Japan	3 months, but 2, 4 and 6 months as well
Northern Africa, Levant	4 to 9 months
Central America, West Indies	4, 6 to 9 months
South America	3, 4, 6, 9, 12 months, but especially 3 and 6 months

134 SCAMMEL, The London Discount Market, p. 155.

135 R.C. MICHIE, The Invisible Stabliser: Asset Arbitrage and the International Monetary System since 1700, in *Financial History Review* 15 (1998), pp. 5-26, esp. p. 14.

136 WdW IV, pp. 99-108, 234-240, 323-329.

137 According to BRANDT, Kurs- und Kreditsicherung der Überseebanken, p. 363.

But, "where bills were used [only] as instruments of financing foreign trade, there may not have been such a drastic reduction of usance as from sixty days to nil (cable transfers)."[138] Such bills of exchange had served in principle "to settle debts between financial markets without the need to continually transport precious metals. Unfortunately, not all trade led to the creation of bills of exchange, while there were also major imbalances in timing and location. For instance, there was a seasonal marked trend in international trade, with primary producing nations exporting at harvest time but importing throughout the year, leading to serious shortages of bills in different directions at different times of the year. The solution to this was the finance bill (or banker's draft or cheque), through which credit was extended, at a cost, until payment could be made."[139]

Especially in Great Britain a cheque was interpreted over great parts of the 19th century as a bill of exchange drawn on a bank and payable at sight.[140] Generally, one may regard a cheque as a "formal bank depot order on sight", "through which the issuer instructs his bank to pay upon deliverance of the document the therein recorded amount to a third person".[141] It was not until the 17th century that the cheque as a depot order given by a private person to his bank, which is first recorded to have occurred in 14th century Italy, became relevant in Antwerp and Amsterdam with the so-called *kassiers*, who's "written *orderbriefjes* or *assignaties* acted as cheques. Like bills of exchange, they were endorsable and thus might pass, as means of payment, from hand to hand. Their *kassierskwitantiën* (goldsmithnotes), receipts to their depositors, equally became negotiable by endorsement. They could take the form of promises to (re)pay the sum deposited. Such promises became gradually payable to bearer."[142] These papers finally had their breakthrough in England and Scotland in the 18th century: "L'usage du chèque est très-répandu dans tous les pays anglais et plus particulièrement à Londres et en Écosse. Dans ces pays, la caisse du négociant est tenue par son banquier, sur lequel il dispose par un chèque chaque fois qu'il a un payement à faire et auquel il remet les chèques qu'il a reçus en payement, de telle sorte que le chèque est, en quelques sorte, la monnaie courante du commerce. … A

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138 NISHIMURA, The Decline of Inland Bills of Exchange, pp. 39s.

139 Ibidem

140 SWOBODA [1913], p. 360; Dieter ZIEGLER, Art. "Scheck", in NORTH (ed.), Von Aktie bis Zoll, pp. 354s., esp. p. 353. SEYD Cf. Ernst SEYD, Das London Bank-, Check- und Clearinghouse-System nebst Winken für seine Einführung in Deutschland, translated into German according to the 3rd English edition by Otto SJÖSTRÖM, Leipzig 1874, pp. 17s.: "In its interior the cheque is not even a bill of exchange, but a regular money order of one person to transfer a certain amount to another, arisen through common use and valid under certain rules," but "the cheque is the same thing as a due bill of exchange, as far as it is already due when issued."

141 Ibidem

142 Pit DEHING / Marjolein 'T HART, Linking the Fortunes: Currency and Banking, 1550–1800, in Marjolein 'T HART / Joost JONKER / Jan Luiten VAN ZANDEN (eds.), A Financial History of The Netherlands, Cambridge 1997, pp. 37-63, esp. p. 43.

Londres, le chèque est généralement présenté et recouvré le jour même, soit par le voie ordinaire, soit par une compensation entre banquiers à la *clearing house*."[143]

The *London Bankers' Clearing House* dating back to 1770, was used by the clearance banks as members to mutually settle bills of exchange and later also cheques were presented to them. It served at the same time as an example for the introduction of clearing or giro systems in other states: "The giro traffic of the early Prussian Bank has been totally remodeled. Instead of the old incomplete system, a new one has been set, that does not only offer the giro customers of the Reichsbank the conveniences and commodities of the English banks, but also allows for the possibility to send and receive payments throughout the entire territory of the Reichsbank free of charge. Entire Germany has become one (sic!) giro-market on which payments between the giro customers of the Reichsbank can be settled without any costs or difficulties by merely signing the amount over from one account to another."[144]

The importance of the British cheque transactions rose when the circulation of bank notes was limited by Peel's *Bank Act* in 1844 and thus caused a shortage of legal tender for the growing number of business transactions. At the instigation of the British banks of issue and with the help of the highly efficient clearing system the cheque became the most important British means of business payments surpassing even legal tender and the *inland bill* in this function,[145] while federal fiscal regulations – for example the high stamp tax on cheques and bills of exchange in Germany and France – hindered the spread of cheque transactions in continental Europe.[146] Moreover, the cheque's credit factor was a lot lower than the bill's one, for the cheque was supposed to be cashed immediately at the place of payment. That is why the cheque did not play that great role in international exchange rate quotations so far – in contrast to the interwar period.[147] It was still in 1880 that cheque transactions were mostly limited to Great Britain in a form of a national money order of a private person to a bankhouse the person had business relations to. Starting in the 1890s and especially since the years around 1910 cheque quotations can increasingly be found in international exchange rate currents.[148] The most important cheque quotation found so far are those from London on Paris (beginning in 1877), from Zurich on London (from 1884 on) and from Constantinople on London, Paris, Vienna and Berlin (1894–1911) as well as

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143 Dictionnaire universel théorique et pratique du commerce et de la navigation, tome I: A–G, Paris 1859, pp. 639s, esp. p. 639. – On the Clearing house-system cf. SEYD, Das London Bank-, Check- und Clearinghouse-System, pp. 24-35.

144 Verwaltungsbericht der Reichsbank für das Jahr 1876, Berlin 1877, p. 6.

145 ZIEGLER, Art. "Scheck", p. 353. – "The decline in the domestic bill which had become marked in the seventies continued and was intensified towards the end of the century by the rapid decline in the number of private banks. By 1914 the volume of domestic bills drawn and passing through the market was insignificant. The domestic bill which had brought the discount market into being and shaped its institutions had virtually disappeared." SCAMMEL, The London Discount Market, p. 160.

146 ZIEGLER, Art. "Scheck", p. 354.

147 Cf. WdW II, passim.

148 Cf. ZELLFELDER, Glossar, p. 206.

to a certain degree the Copenhagen exchange rate currents starting in 1881 (*a-vista*-listings).[149]

Despite the cheque as well as the sight credit gaining more an more importance within domestic trade and Great Britain' industries, the bill of exchange of the London merchant banks remained essential for international capital movements.[150] Bills of exchange in London and the entire British Empire differed from one another according to the following criteria:

– the type of bill of exchange: clean or blue bills (bills between two or more merchants) or financial bills, that were drawn over stock banks;
– the usance: time bills (bills on longer sight) or sight bills (bills at sight);
– the quality: banker's bills or commercial bills.[151]

Especially for overseas bill transactions of the second half of the 19th century exchange rate currents made a difference between different bill qualities, i.e. the drawee's financial standing depended on the securities presented with the bill (insurance policies, etc.). In Asia this differentiation was even made during the early 20th century. Particularly in intercontinental payment transactions "the export houses … were forced at many times to give their drawings to the banks for the handing over shipping documents, under the showing of granted credits and in general under giving all kinds of material and moral guarantees; the import houses would only accept bills of exchange on very limited terms."[152] Regarding bill transactions of the British Empire – i.e. from the different colonies to London – the exchange rate currents differentiated between *Government* or *Treasury bills*, *Navy bills*, *mercantile* or *private bills* already in the 19th century, whereby, in general, the exchange rate quotations became lower and lower from one type of bills to the others. Mauritius, Cape Town or other West African places were quoted with differences between exchange rates of up to 3% and rarely even higher.[153] Thus, the following types of exchanges could be found at the big Asian financial centers between the late 19th and the early 20th century:[154]

– *documents* or *documentary bills* distinguishing between documents against payment (the so-called *d/p drafts*) and documents against acceptance (the so-called *d/a drafts*). In both cases the European exporter would draw a corresponding bill of exchange on the overseas importer when shipping the goods adding the so-called '*documents*', i.e. usually three ocean bills of lading, an excerpt from the sipping insurance and the bill, both in duplicate. Usually, the overseas bank in Europe paid this bill to the exporter when delivered. In the case of a d/p draft the

149 WdW I/II, pp. 27s.; WdW I/III, pp. 236s.; WdW VIII, pp. 112, 116, 119-121; WdW XI, pp. 29s., 43s., 53s., 62-69. On the peculiarities of the *a-vista*-listing in Copenhagen see chapter …

150 NORTH, Das Geld, p. 162s.

151 Cf. ZELLFELDER, Glossar, pp. 198s.

152 NOBACK [1877], S. 767. – On the importance of documents in international settlement of payments also cf. Oskar SCHWARZER with Markus A. DENZEL / Friedrich ZELLFELDER, Das System des internationalen Zahlungsverkehrs, in WdW I/I, pp. 1-34, esp. p. 4.

153 WdW IV, pp. 276-279; WdW VIII, p. 76-88.

154 BRANDT, Kurs- und Kreditsicherung der Überseebanken, p. 363; Wilhelm FRIEDRICH, Die Technik des Zahlungs-Verkehrs im Export mit China, in Zeitschrift für handelswissenschaftliche Forschung 4, 1910, pp. 340-350, esp. pp. 341-343, 348.

importer did not receive the commodities until the repayment of the money to the overseas bank's office overseas, in the case of a d/a draft he received them already with the acceptance; the Indian merchants preferred the last. Beside paying the price of the goods, the merchant had also to pay interest for the period between the exporter had received the payment and the likely day of arrival of the corresponding amount in Europe. The exporter, however, did not get any discount subtracted;

– *clean bills* or *drafts* (i.e. finance bills), subdivided into *bank bills* and *credits* depending on whether they were drawn on overseas (exchange) banks[155] or based on a customer credit;
– *telegraphic* or *cable transfers.*

In New York a difference was made between clean bills on London, at between banker's and commercial bills, sometimes also between best or prime banker's [bills], i.e. bills drawn from overseas on the Bank of England, and good banker's [bills] (from 1871 to 1880), first class credits or prime commercial [bills] and good commercial [bills] (from 1867 to 1880) respectively. The reliability of the companies, on which bills were drawn, determined subdivision into the categories best/prime, good or those without any additional remark.[156] *Documentary bills* and *cable transfers* were listed as further categories.[157] The practice in Valparaiso was similar. – This development led also to an augmentation of the number of quotations on European exchange partners in the exchange rate currents of the overseas places finding its end in the Americas in the first decade of the 20th century and in Asia with the end of World War I.

155 BASTER, British Exchange Banks in China, pp. 140-151. For Germany see R. HAUSER, Die deutschen Überseebanken, Jena 1906; Richard ROSENDORFF, Die deutschen Banken im überseeischen Verkehr, *Schmollers Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft* 28 (1904), pp. 93-134; idem, Le développement des banques allemands à l'étranger, *Revue économique internationale* 1, 1906, pp. 45-105.

156 COLE, Foreign-Exchange Market, pp. 401-403.

157 For details see …